NEW ISSUE—BOOK-ENTRY ONLY **RATINGS: SEE "RATINGS" HEREIN**

The delivery of the Bonds is subject to the opinions of Katten Muchin Zavis Rosenman and Burke Burns & Pinelli, Ltd., Co-Bond Counsel, to the effect that under existing law, interest on the 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 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2003E Bonds and the Series 2003F Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but must be taken into account as earnings and profits of a corporation when computing, for example, corporate minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2003D 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. Interest on the Bonds is not excludable from the gross income of owners who are "substantial users" of the facilities financed by the Bonds. See "TAX EXEMPTION" herein. Interest on the Bonds is not exempt from present Illinois income taxes.

$149,330,000
City of Chicago
Chicago O'Hare International Airport
General Airport Third Lien Revenue Bonds

$67,000,000	$66,625,000	$15,705,000
General Airport Third Lien Revenue Bonds Series 2003D (AMT)	**General Airport Third Lien Revenue Refunding Bonds Series 2003E (Non-AMT)**	**General Airport Third Lien Revenue Refunding Bonds Series 2003F (Non-AMT)**

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

The Bonds (as defined herein) will be limited obligations of the City payable solely from and secured by a pledge of Third Lien Revenues (as defined herein), derived from the operation of Chicago O'Hare International Airport ("O'Hare") and certain other moneys. The Bonds will be secured on a parity basis as to the Third Lien Revenues with the City's Existing Third Lien Bonds (as defined herein) that may be outstanding from time to time and certain other obligations payable from Third Lien Revenues, as more fully described herein. The claim of the Bonds to the net revenues of O'Hare is subordinate and junior in right of payment to the claim of the City's First Lien Bonds and Second Lien Obligations. See "SECURITY FOR THE 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 Bonds.**

The 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 Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. Principal of and interest on the Bonds will be paid by LaSalle Bank National Association, Chicago, Illinois as trustee, to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments to beneficial owners will be the responsibility of DTC and its participants. See "THE BONDS — Book-Entry Only System."

Interest on the Bonds is payable January 1 and July 1 of each year, commencing January 1, 2004. The Bonds are subject to optional redemption prior to maturity in the manner and at the times set forth herein. The Series 2003D Bonds and the Series 2003E Bonds are also subject to mandatory redemption prior to maturity in the manner and at the times set forth herein. See "THE BONDS — Redemption Provisions."

Payment of the scheduled principal of and interest on each series of the Bonds when due will be insured by a Financial Guaranty Insurance Policy to be issued by CDC IXIS Financial Guaranty North America, Inc. upon the delivery of the Bonds, as more fully described herein. See "MUNICIPAL BOND INSURANCE."

CIFG

The 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 Zavis Rosenman, 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 of Chicago by its Corporation Counsel and by Foley & Lardner, Chicago, Illinois, Special Counsel to the City, and for the Underwriters by their co-counsel, Gardner Carton & Douglas LLP, Chicago, Illinois, and Burris, Wright, Slaughter & Tom, LLC, Chicago, Illinois. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC on or about December 2, 2003.

Citigroup

Lehman Brothers **Melvin Securities, L.L.C.** **Siebert Brandford Shank & Co., LLC**

A.G. Edwards & Sons, Inc. **Capital Management Group Securities, LLC**
Gardner Rich & Company **JPMorgan**
SBK-Brooks Investment Corp. **Southwestern Capital Markets, Inc.**

November 20, 2003

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

$67,000,000
City of Chicago
Chicago O'Hare International Airport
General Airport Third Lien Revenue Bonds
Series 2003D (AMT)

$20,345,000 Serial Bonds

Maturity (January 1)	Amount	Interest Rate	Yield	CUSIP	Maturity (January 1)	Amount	Interest Rate	Yield	CUSIP
2005	$1,005,000	3.00%	1.68%	167592 ZL1	2020	$2,720,000	4.50%	4.72%	167592 ZP2
2006	5,030,000	3.50	2.11	167592 ZM9	2021	2,855,000	4.625	4.80	167592 ZQ0
					2022	2,995,000	4.75	4.88	167592 ZR8
2019	2,595,000	4.50	4.64	167592 ZN7	2023	3,145,000	4.75	4.96	167592 ZS6

$46,655,000 Term Bonds
$18,210,000 4.875% Term Bonds due January 1, 2028 – Price: 97.437 CUSIP: 167592 ZT4
$28,445,000 5.00% Term Bonds due January 1, 2034 – Price: 98.314 CUSIP: 167592 ZU1

$66,625,000
City of Chicago
Chicago O'Hare International Airport
General Airport Third Lien Revenue Refunding Bonds
Series 2003E (Non-AMT)

$23,510,000 Serial Bonds

Maturity (January 1)	Amount	Interest Rate	Yield	CUSIP	Maturity (January 1)	Amount	Interest Rate	Yield	CUSIP
2005	$1,000,000	3.00%	1.58%	167592 ZV9	2021	$2,840,000	5.25%	4.60%*	167592 ZZ0
2006	5,000,000	3.50	1.91	167592 ZW7	2022	2,975,000	5.25	4.68*	167592 A20
					2023	3,130,000	5.25	4.76*	167592 A38
2019	2,580,000	5.25	4.44*	167592 ZX5	2024	3,280,000	5.25	4.83*	167592 A46
2020	2,705,000	5.25	4.52*	167592 ZY3					

$43,115,000 Term Bonds
$18,990,000 4.75% Term Bonds due January 1, 2029 – Price: 97.140 CUSIP: 167592 A53
$24,125,000 5.00% Term Bonds due January 1, 2034 – Price: 100 CUSIP: 167592 A61

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* Priced to January 1, 2014 call at par.

MATURITIES, AMOUNTS, INTEREST RATES , YIELDS AND CUSIP NUMBERS

$15,705,000
City of Chicago
Chicago O'Hare International Airport
General Airport Third Lien Revenue Refunding Bonds
Series 2003F (Non-AMT)

Maturity (January 1)	Amount	Interest Rate	Yield	CUSIP	Maturity (January 1)	Amount	Interest Rate	Yield	CUSIP
2005	$ 435,000	3.00%	1.58%	167592 A79	2011	$ 50,000	3.25%	3.47%	167592 B52
2006	445,000	3.50	1.91	167592 A87	2012	50,000	3.50	3.71	167592 B60
2007	465,000	2.125	2.29	167592 A95	2013	55,000	3.625	3.83	167592 B78
2008	475,000	2.50	2.64	167592 B29	2014	55,000	3.75	3.96	167592 B86
2009	6,255,000	5.00	2.91	167592 B37	2015	7,370,000	5.50	4.08*	167592 B94
2010	50,000	3.00	3.20	167592 B45					

* Priced to January 1, 2014 call at par.

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.

Excluding all information concerning CDC IXIS Financial Guaranty North America, Inc. (the "*Insurer*") contained under the caption "MUNICIPAL BOND INSURANCE" and in APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds or (iii) the tax-exempt status of interest on the Bonds.

This Official Statement is being used in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. Certain information contained in this Official Statement has been obtained by the City from the Insurer, 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.

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

In making an investment decision, investors must rely on their own examination of O'Hare and 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 BONDS. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE BONDS IN THE OPEN MARKET. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

CITY OF CHICAGO
Chicago O'Hare International Airport

MAYOR
Richard M. Daley

CITY CLERK
James J. Laski

CITY TREASURER
Judith C. Rice

CITY COUNCIL
COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CITY COMPTROLLER
Tariq G. Malhance

BUDGET DIRECTOR
William F. Abolt

CORPORATION COUNSEL
Mara S. Georges, Esq.

DEPARTMENT OF AVIATION
Thomas R. Walker, Commissioner

SPECIAL COUNSEL TO THE CITY
Foley & Lardner

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

AIRPORT CONSULTANT
Ricondo & Associates, Inc.

FINANCIAL ADVISORS
Fullerton & Friar, Inc.
D+G Consulting Group, LLC

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OFFICIAL STATEMENT

$149,330,000
City of Chicago
Chicago O'Hare International Airport
General Airport Third Lien Revenue Bonds

$67,000,000 General Airport Third Lien Revenue Bonds Series 2003D (AMT)	$66,625,000 General Airport Third Lien Revenue Refunding Bonds Series 2003E (Non-AMT)	$15,705,000 General Airport Third Lien Revenue Refunding Bonds Series 2003F (Non-AMT)

INTRODUCTION

This Official Statement is furnished in order to set forth certain information in connection with the offering and sale by the City of Chicago (the *"City"*) of its $67,000,000 aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003D (the "*Series 2003D Bonds"*), its $66,625,000 aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003E (the *"Series 2003E Bonds"*) and its $15,705,000 aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003F (the "*Series 2003F Bonds"*). The Series 2003D Bonds, the Series 2003E Bonds and the Series 2003F Bonds are referred to collectively herein as the "*Bonds*." Certain other capitalized terms used in this Official Statement, unless otherwise defined herein, are defined in APPENDIX A – "GLOSSARY OF TERMS."

Authorization

The 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 Bonds will be issued pursuant to an ordinance adopted by the City Council of the City on October 1, 2003 (the *"2003-2 Third Lien Bond Ordinance"*), and pursuant to a Master Indenture of Trust Securing Chicago O'Hare International Airport Third Lien Obligations, dated as of March 1, 2002 (the *"Master Indenture"*), from the City to LaSalle Bank National Association, Chicago, Illinois, as trustee (the *"Trustee"*), as previously supplemented and amended from time to time to provide for the issuance of the Existing Third Lien Bonds, and as further supplemented and amended by the Fifth Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003D, dated as of November 1, 2003 (the "*Fifth Supplemental Indenture*"), from the City to the Trustee providing for the issuance of the Series 2003D Bonds, the Sixth Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003E, dated as of November 1, 2003 (the "*Sixth Supplemental Indenture*"), from the City to the Trustee providing for the issuance of the Series 2003E Bonds and the Seventh Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003F, dated as of November 1, 2003 (the "*Seventh Supplemental Indenture*"), from the City to the Trustee providing for the issuance of the Series 2003F Bonds. The Master Indenture, as previously supplemented and amended and as further supplemented and amended by the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture is collectively referred to as the *"Third Lien Indenture."*

Purpose

The City will use the proceeds from the sale of the Series 2003D Bonds to: (i) pay a portion of the costs of the planning, design and acquisition of various capital projects at O'Hare included within Phase 1 of the O'Hare Modernization Program (as described under "CAPITAL DEVELOPMENT PROGRAMS — O'Hare Modernization Program — Phase 1"; (ii) fund the applicable Reserve Requirement for the Series 2003D Bonds; (iii) pay capitalized interest on the Series 2003D Bonds; and (iv) pay the costs of issuing the Series 2003D Bonds.

The City will use the proceeds from the sale of the Series 2003E Bonds, together with other available funds, to: (i) refund a portion of the currently outstanding Chicago-O'Hare International Airport General Airport Revenue Refunding Bonds, 1993 Series A, dated October 1, 1993 (the *"Series 1993A First Lien Bonds"*), previously issued by the City to finance or refinance the cost of various capital projects at Chicago O'Hare International Airport (*"O'Hare"*); (ii) fund the applicable Reserve Requirement for the Series 2003E Bonds; and (iii) pay the costs of issuing the Series 2003E Bonds.

The City will use the proceeds from the sale of the Series 2003F Bonds, together with other available funds, to: (i) refund a portion of the currently outstanding Chicago-O'Hare International Airport General Airport Second Lien Revenue Refunding Bonds, 1993 Series B, dated May 15, 1993 (the *"Series 1993B Second Lien Bonds"*), previously issued by the City to finance or refinance the cost of various capital projects at O'Hare; and (ii) pay the costs of issuing the Series 2003F Bonds.

See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

Security for the Bonds

The Bonds constitute Junior Lien Obligations under the General Airport Revenue Bond Ordinance adopted by the City Council of the City on March 31, 1983, as supplemented and amended from time to time (the *"General Airport Revenue Bond Ordinance"*) and under the Master Indenture of Trust Securing Chicago-O'Hare International Airport Second Lien Obligations, dated as of September 1, 1984, as supplemented and amended (the *"Second Lien Indenture"*), from the City to J.P. Morgan Trust Company, National Association, Chicago, Illinois (as successor to Bank One, National Association), as trustee. The Bonds are payable from amounts that may be withdrawn from the Junior Lien Obligation Debt Service Fund created under the General Airport Revenue Bond Ordinance (the *"Junior Lien Revenues"*). See "SECURITY FOR THE BONDS – Pledge of Third Lien Revenues." BNY Midwest Trust Company, Chicago, Illinois (as successor in interest to Harris Trust and Savings Bank, Chicago, Illinois), serves as trustee under the General Airport Revenue Bond Ordinance (the *"First Lien Trustee"*).

For purposes of this Official Statement: the term "*Third Lien Obligations*" refers to all Third Lien Bonds and other obligations of the City payable from Third Lien Revenues, including any obligations of the City under a Qualified Third Lien Swap Agreement and obligations incurred by the City to reimburse the issuers of any letters of credit securing one or more series of Third Lien Bonds; the term *"Junior Lien Obligations"* refers to all Second Lien Obligations, Third Lien Obligations and the CP Notes (as defined below), together with any other obligations payable from amounts withdrawn from the Junior Lien Obligation Debt Service Fund; the term *"Second Lien Obligations"* refers to all Second Lien Bonds and other obligations of the City payable from Second Lien Revenues, including any obligations incurred by the City to reimburse the issuers of any letters of credit securing one or more series of Second Lien Bonds; and the term "*Airport Obligations*" refers to and includes all obligations payable from Revenues, including First Lien Bonds and Junior Lien Obligations.

The Bonds will be secured on a parity basis as to the Third Lien Revenues with the Existing Third Lien Bonds, which are currently outstanding in the aggregate principal amount of $1,476,825,000.

Subject to certain requirements set forth in the Third Lien Indenture, the City may issue additional Third Lien Obligations that will be secured on a parity basis with the Bonds and the Existing Third Lien Bonds. The claim of the Bonds to the net revenues of O'Hare is subordinate and junior in right of payment to the claim of the City's First Lien Bonds and Second Lien Obligations. See "SECURITY FOR THE BONDS – Covenants Regarding Issuance of Additional Prior Lien Obligations."

The City is a party to the Airport Use Agreements (as defined below) with certain airlines serving O'Hare. The Airport Use Agreements expire on May 11, 2018. The Third Lien Indenture does not prohibit the City from terminating the Airport Use Agreements on an earlier date. Upon agreement of the City and the Airline Parties, the Airport Use Agreements may be amended in any manner without the consent of the holders of Third Lien Obligations, including the Bonds. However, under the Third Lien Indenture, the City has covenanted to establish rentals, fees and charges for the use and operation of O'Hare in order that Revenues, together with certain other moneys deposited with the Trustee, are sufficient to pay the operation and maintenance expenses at O'Hare and to satisfy the debt service coverage covenants contained in the Third Lien Indenture. See "SECURITY FOR THE BONDS – Debt Service Coverage Covenants" and " – Airport Use Agreements."

There is no provision for acceleration of the maturity of the Bonds if any default occurs in the payment of the principal of or interest on the Bonds or in the performance of any other obligation of the City under the Third Lien Indenture or if interest on the Bonds becomes includible in the gross income of the owners thereof for federal income tax purposes.

The Bonds will not be general obligations of the City and will not constitute an indebtedness of 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 of the State of Illinois will be pledged to the payment of the principal of or interest on the Bonds. The Bonds are not payable in any manner from revenues raised by taxation. No property of O'Hare is pledged as security for the Bonds.

Obligations Subordinate to the Bonds

In July 2000, the City established a program (the "*CP Program*") providing 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 $300,000,000 ("*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 subordinate to all other Airport Obligations, including the Bonds and any other Third Lien Obligations, with respect to their claim on Revenues, and may be issued without limit as to amount. There are no CP Notes currently outstanding.

For a further description of obligations payable or secured from Revenues expressly junior and subordinate to the pledge of Third Lien Revenues to the payment of Third Lien Obligations, see "O'HARE FINANCIAL INFORMATION – Indebtedness."

Bond Insurance

The Insurer. Upon the issuance of the Bonds, CDC IXIS Financial Guaranty North America, Inc. ("*CIFG NA*" or the "*Insurer*") will issue a separate, substantially identical Financial Guaranty Insurance Policy for each Series of the Bonds (each, a "*Bond Insurance Policy*") to insure the scheduled payment when due of the principal of and interest on such Bonds. See "MUNICIPAL BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain Rights of Bond Insurer. Pursuant to the Third Lien Indenture, the Insurer is deemed to be the sole Owner of the Bonds insured by the Insurer for purposes of approving amendments to the Master Indenture (other than certain amendments that require the consent of each affected Owner or the consent of the Trustee), exercising remedies upon the occurrence of a default under the Master Indenture, providing specific approvals, consents or waivers or instruments of similar purpose, and to the extent the Insurer is deemed to be the sole Owner for such purposes, the rights of the Owners of the Third Lien Obligations shall be abrogated.

Chicago O'Hare International Airport

O'Hare is the primary commercial airport for the City and is located 18 miles northwest of the City's central business district. O'Hare occupies approximately 7,000 acres of land and is accessed by a network of highways, including several regional expressways and a rapid transit rail system. According to statistics compiled by Airports Council International ("*ACI*"), in 2002 O'Hare was the busiest airport in the world, measured in terms of total operations, and the second busiest in terms of total passengers. According to the Department of Aviation of the City ("*DOA*"), O'Hare had 32,918,936 enplaned passengers in 2002 and 33,310,229 enplaned passengers in 2001. United Airlines and American Airlines each maintains a hub at O'Hare. United Airlines (including its regional affiliates operating as United Express) accounted for 49.2 percent of the enplaned passengers at O'Hare in 2002 and 47.1 percent of the enplaned passengers in 2001. American Airlines (including American Eagle, its regional affiliate, and Trans World Airlines ("*TWA*"), which was acquired by American Airlines in April 2001 and operates as American Airlines) accounted for 34.3 percent of the enplaned passengers at O'Hare in 2002 and 35.0 percent of the enplaned passengers in 2001. See "CHICAGO O'HARE INTERNATIONAL AIRPORT" and "OPERATIONS AT O'HARE." United Airlines currently is operating under the protection of Chapter 11 of the United States Bankruptcy Code. See "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of Airlines Serving O'Hare – *United Airlines*."

Recent Events Affecting the Air Transportation Industry

In recent years, a number of world events and economic and political factors have had a negative impact on travel demand and the financial stability of the airlines and the air transportation industry. The terrorist attacks in the United States on September 11, 2001 had an adverse effect on the airlines serving O'Hare and the operations and the financial condition of O'Hare. Airline security costs have increased and airline travel and enplanements have decreased. In addition, various events in 2003, including the economic slowdown, the recent war in Iraq and other hostilities in the Middle East, and the outbreak of Severe Acute Respiratory Syndrome ("*SARS*") all have negatively impacted the level of operations at O'Hare, enplaned passenger levels and the air transportation industry in general. In addition to United Airlines, certain other airlines serving O'Hare have filed for bankruptcy protection. For a more complete discussion of recent events impacting O'Hare and the airlines that use O'Hare, see "THE AIR TRANSPORTATION INDUSTRY – Recent Developments Affecting the Air Transportation Industry," "CERTAIN INVESTMENT CONSIDERATIONS" and APPENDIX E – "REPORT OF THE AIRPORT CONSULTANT."

Other Chicago Region Airports

The City, through DOA, also operates Chicago Midway International Airport ("*Midway*"). See "CHICAGO O'HARE INTERNATIONAL AIRPORT – Midway International Airport." In April 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, formerly the Gary Regional Airport (the *"Gary/Chicago International Airport"*). See "CHICAGO O'HARE INTERNATIONAL AIRPORT – Regional Authority."

The Report of the Airport Consultant

The Report of the Airport Consultant dated August 14, 2003, was prepared by Ricondo & Associates, Inc., Chicago, Illinois (the *"Airport Consultant"*), in connection with the sale by the City of the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds in August 2003 and is included as APPENDIX E. The Report of the Airport Consultant evaluated aviation activity at O'Hare and presented a financial feasibility analysis for O'Hare. The Report of the Airport Consultant was prepared based on certain assumptions which are set forth therein, including assumed debt service on the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds and additional Airport Obligations, including the Bonds and other Airport Obligations expected to be issued to refund and restructure outstanding airport indebtedness and to provide for the financing of capital improvements at O'Hare. The Report of the Airport Consultant has not been updated to reflect the final terms of sale of the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds or the Bonds. The Report of the Airport Consultant is described more fully herein under the caption "AIRPORT CONSULTANT."

In connection with the issuance of the Bonds, the Airport Consultant has delivered a letter to the City dated the date of this Official Statement representing that (i) without independent verification thereof, the Airport Consultant has no reason to believe that the factual information presented in the Report of the Airport Consultant is inaccurate in any material respect, and (ii) the conclusions and opinions of the Airport Consultant expressed in the Report of the Airport Consultant have not changed in any material respect.

The Report of the Airport Consultant should be read in its entirety for a complete understanding of the projections and underlying assumptions. As noted below under " —General – *Forward Looking Statements*," any projection is subject to uncertainties, including the possibility that some of the assumptions used to develop the projections will not be realized and that unanticipated events and circumstances could occur. Accordingly, there are likely to be differences between the projections and actual results, and such differences could be material. See APPENDIX E – "REPORT OF THE AIRPORT CONSULTANT."

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 of O'Hare (see APPENDIX E – "REPORT OF THE AIRPORT CONSULTANT"); (b) statements of the plans and objectives of the City in relation to the Capital Development Programs (as defined below) (see "CHICAGO O'HARE INTERNATIONAL AIRPORT," "OPERATIONS 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"*).

Although the City believes that the expectations reflected in the Forward-Looking Statements are reasonable, there is no assurance that these expectations will be achieved. Important factors that could cause actual results to differ materially from the current expectations of the City are discussed in this Official Statement.

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

Glossary of Terms; Document Summaries. This Official Statement contains summaries of the terms of and security for the Bonds, together with descriptions of O'Hare and its operations. A Glossary of Terms is included as APPENDIX A, a summary of certain provisions of the Third Lien Indenture is included as APPENDIX B and a summary of certain provisions of the Airport Use Agreements is included as APPENDIX C. All references herein to agreements and documents are qualified in their entirety by references to the definitive forms of the agreement or document. All references to the Bonds are further qualified by references to the information with respect to them contained in the Third Lien Indenture.

PLAN OF FINANCE

Refunding of Series 1993A First Lien Bonds

To finance and refinance a portion of the cost of planning, design, acquisition, construction and equipping of various projects at O'Hare, the City previously issued, among other Airport Obligations, the Series 1993A First Lien Bonds in the aggregate principal amount of $324,270,000, all of which are currently outstanding. A portion of the net proceeds of the Series 2003E Bonds will be applied to the refunding of Series 1993A First Lien Bonds in the aggregate principal amount of $58,145,000 (the *"Refunded First Lien Bonds"*).

The Refunded First Lien Bonds refunded by proceeds of the Series 2003E Bonds mature on January 1 of the years, in the amounts and bearing interest at the rates per annum as follows:

Year (January 1)	Principal Amount	Interest Rate
2005	$28,390,000	4.80%
2006	29,755,000	4.90

To provide for the refunding and redemption of the Refunded First Lien Bonds, Federal Obligations will be purchased with proceeds of the Series 2003E Bonds and certain other moneys. The principal and interest on these Federal Obligations will be applied, together with certain other funds on deposit with the First Lien Trustee, on January 5, 2004, to pay the redemption price of the Refunded First Lien Bonds. The redemption price of the Refunded First Lien Bonds is equal to 102 percent of the principal amount thereof, plus accrued interest to the date of redemption.

The Federal Obligations and other funds held for the payment of the principal and redemption price of and the interest on the Refunded First Lien Bonds as described above, will not serve as security or be available for payment of debt service on the Bonds.

Refunding of Series 1993B Second Lien Bonds

To finance and refinance a portion of the cost of planning, design, acquisition, construction and equipping of various projects at O'Hare, the City previously issued, among other Airport Obligations, the Series 1993B Second Lien Bonds in the aggregate principal amount of $17,840,000, all of which are currently outstanding. A portion of the net proceeds of the Series 2003F Bonds will be applied to the refunding of the Series 1993B Second Lien Bonds maturing on and after January 1, 2005 in the aggregate principal amount of $17,520,000 (the *"Refunded Second Lien Bonds"*). Following the redemption of the Refunded Second Lien Bonds as described below, no Series 1993B Bonds will remain outstanding.

To provide for the refunding and redemption of the Refunded Second Lien Bonds, Federal Obligations will be purchased with proceeds of the Series 2003F Bonds and certain other moneys. The principal and interest on these Federal Obligations will be applied, together with certain other funds on deposit with the Second Lien Trustee, on January 5, 2004, to pay the redemption price of the Refunded Second Lien Bonds. The redemption price of the Refunded Second Lien Bonds is equal to 101 percent of the principal amount thereof, plus accrued interest to the date of redemption.

The Federal Obligations and other funds held for the payment of the principal and redemption price of and the interest on the Refunded Second Lien Bonds as described above, will not serve as security or be available for payment of debt service on the Bonds.

The proceeds of the Bonds will be applied as described in "SOURCES AND USES OF FUNDS."

Description of the OMP - Phase 1 Projects

The City will use a portion of the net proceeds of the Series 2003D Bonds to pay a portion of the costs of the planning, design and acquisition of certain capital projects at O'Hare included within Phase 1 of the O'Hare Modernization Plan (the *"OMP - Phase 1 Projects"*). For more information regarding the O'Hare Modernization Plan, see "CAPITAL DEVELOPMENT PROGRAMS – O'Hare Modernization Plan – Phase 1."

Application of Proceeds

A detailed description of the application of proceeds of the Bonds is set forth in "SOURCES AND USES OF FUNDS."

Following the issuance of the Bonds and the refunding of the Refunded First Lien Bonds and the Refunded Second Lien Bonds, First Lien Bonds will remain outstanding in the aggregate principal amount of $266,125,000, maturing on January 1 of the years 2004 through 2006 and 2012 through 2016 and Second Lien Bonds will remain outstanding in the aggregate principal amount of $1,338,125,000, maturing on January 1 of the years 2004 through 2018.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of Bonds and the implementation of the Plan of Finance described above.

SOURCES OF FUNDS	Series 2003D Bonds	Series 2003E Bonds	Series 2003F Bonds	Total
Par Amount of Bonds	$67,000,000.00	$ 66,625,000.00	$ 15,705,000.00	$149,330,000.00
Net Original Issue Premium (Discount)	(1,082,343.00)	472,640.25	1,483,017.10	873,314.35
Other Available Funds[1]		1,175,297.92	1,330,000.00	2,505,297.92
Total Sources of Funds	$65,917,657.00	$68,272,938.17	$18,518,017.10	$152,708,612.27
USES OF FUNDS				
Deposit to OMP – Phase 1 Projects Fund	$49,397,805.40	$ 0.00	$ 0.00	$49,397,805.40
Capitalized Interest	9,055,492.15	0.00	0.00	9,055,492.15
Refunding of Refunded First Lien Bonds	0.00	60,699,561.00	0.00	60,699,561.00
Refunding of Refunded Second Lien Bonds	0.00	0.00	18,172,238.00	18,172,238.00
Deposit to Common Debt Service Reserve Account	5,539,841.02	5,639,008.98	0.00	11,178,850.00
Underwriters' Discount, Premiums for the Bond Insurance Policy and Other Costs of Issuance	1,924,518.43	1,934,368.19	345,779.10	4,204,665.72
Total Uses of Funds	$65,917,657.00	$68,272,938.17	$18,518,017.10	$152,708,612.27

(1) Includes certain funds held under the General Airport Revenue Bond Ordinance for the Refunded First Lien Bonds and proceeds of CP Notes.

SECURITY FOR THE BONDS

General

The Bonds are limited obligations of the City and do not constitute an indebtedness or a loan of credit of the City within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois is pledged to the payment of the principal of or interest on the Bonds. No property of O'Hare is pledged as security for the Bonds.

As described below, the claim of the Third Lien Obligations, including the Bonds, to the net Revenues of O'Hare will be junior and subordinate to the claim of the First Lien Bonds and the Second Lien Obligations. See " – Flow of Funds" below. The Bonds are secured on a parity basis with the Existing Third Lien Bonds. Subject to certain conditions set forth in the Third Lien Indenture, the City may issue additional Third Lien Bonds or other Third Lien Obligations that will be secured on a parity basis with the Bonds and the Existing Third Lien Bonds. See "O'HARE FINANCIAL INFORMATION – Indebtedness – *Issuance of Additional Airport Obligations*" and "CAPITAL DEVELOPMENT PROGRAMS."

Covenants Regarding Issuance of Additional Prior Lien Obligations

Reservation of Right to Restrict Issuance of Additional First Lien Bonds. The City has reserved the right in the Third Lien Indenture to covenant in a Supplemental Indenture for the benefit of holders of Third Lien Obligations not to issue any additional First Lien Bonds other than for the purpose of refunding outstanding First Lien Bonds (including the financing of related debt service reserves and costs of issuance).

Restriction on Issuance of Additional Second Lien Obligations. The City has covenanted in the Third Lien Indenture for the benefit of holders of Third Lien Obligations that it will not issue any additional Second Lien Obligations, other than Second Lien Section 208 Obligations, Second Lien-Related Obligations as described below, and Second Lien Obligations issued for the purpose of refunding outstanding Second Lien Obligations (including applicable reserves and costs of issuance).

Issuance of Second Lien-Related Obligations. The City has reserved the right in the Third Lien Indenture to incur obligations in connection with Second Lien Obligations pursuant to any swap agreement, reimbursement agreement relating to a debt service reserve fund surety bond or similar agreement ("*Second Lien-Related Obligations*"), without limit as to nature or amount, payable from Junior Lien Revenues on a parity with or subordinate to outstanding Second Lien Obligations, and in either event prior and superior to Third Lien Obligations issued under the Third Lien Indenture. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE – Additional Second Lien-Related Obligations."

Pledge of Third Lien Revenues

The Third Lien Indenture authorizes the issuance of Third Lien Obligations, without limit as to amount, for the purpose of financing Airport Projects, refunding obligations issued to finance Airport Projects and related purposes. Third Lien Obligations are secured by, and payable from, Junior Lien Revenues paid to the Trustee for deposit into the Third Lien Revenue Fund established under the Third Lien Indenture. Such Junior Lien Revenues when paid to the Trustee for deposit into the Third Lien Revenue Fund constitute Third Lien Revenues. Pursuant to the Third Lien Indenture, such Third Lien Revenues are pledged on a parity basis to the payment of the principal of, premium, if any, and interest on all Third Lien Obligations (including the Bonds).

The Third Lien Indenture requires that the City must provide for the deposit into the Junior Lien Obligation Debt Service Fund of sufficient funds to satisfy the deposit requirements set forth in the Third Lien Indenture, subject only to the prior pledge of Junior Lien Revenues in accordance with the Second Lien Indenture. To satisfy this requirement, the City covenants in the Third Lien Indenture that upon the issuance of each series of Third Lien Obligations it will certify the dates on which amounts on deposit in the Junior Lien Obligation Debt Service Fund are to be withdrawn therefrom and paid to the Trustee for deposit into the Third Lien Revenue Fund, and the amounts of such withdrawals (to the extent determinable).

Upon receipt by the Trustee, Third Lien Revenues are required to be deposited into the Third Lien Revenue Fund and segregated into such sub-funds, accounts and sub-accounts as may have been established for the benefit of outstanding series of Third Lien Obligations. The Fifth Supplemental Indenture establishes with the Trustee a separate and segregated sub-fund within the Third Lien Revenue Fund designated the "Chicago O'Hare International Airport 2003D Third Lien Bond Dedicated Sub-Fund" (the *"2003D Dedicated Sub-Fund"*). The 2003D Dedicated Sub-Fund is held solely for the benefit of the Registered Owners of the Series 2003D Bonds. The Sixth Supplemental Indenture establishes with the Trustee a separate and segregated sub-fund within the Third Lien Revenue Fund designated the "Chicago O'Hare International Airport 2003E Third Lien Bond Dedicated Sub-Fund" (the *"2003E Dedicated Sub-Fund"*). The 2003E Dedicated Sub-Fund is held solely for the benefit of the Registered Owners of the Series 2003E Bonds. The Seventh Supplemental Indenture establishes with the Trustee a separate and segregated sub-fund within the Third Lien Revenue Fund designated the "Chicago O'Hare International Airport 2003F Third Lien Bond Dedicated Sub-Fund (the *"2003F Dedicated Sub-Fund"*).

The 2003F Dedicated Sub-Fund is held solely for the benefit of the Registered Owners of the Series 2003F Bonds. Moneys on deposit in each of the Sub-Funds described above are not to be used or available for payment of any other Airport Obligations. For a general description of the application of Revenues, see " – Flow of Funds – *Payment of Debt Service on the Bonds*" below and APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE – Source of Payment; Pledge of Third Lien Revenues and Other Moneys."

In addition to the claim of the Registered Owners of the Series 2003D Bonds, the Series 2003E Bonds and the Series 2003F Bonds against the 2003D Dedicated Sub-Fund, the 2003E Dedicated Sub-Fund and the 2003F Dedicated Sub-Fund, respectively, the Registered Owners of the Bonds have a claim against the Common Debt Service Reserve Account on a parity with other Common Reserve Bonds, as described under "SECURITY FOR THE BONDS – Common Debt Service Reserve Account."

The Third Lien Indenture permits the City, at its option, to transfer to the Trustee Other Available Moneys, as described below, to pay the principal of and interest on the Third Lien Bonds. See " – Description of Revenues – *Other Available Moneys*" below.

Description of Revenues

General. While First Lien Bonds or Second Lien Obligations are outstanding, *"Revenues"* consist of all amounts received or receivable, directly or indirectly, by the City for the use and operation of, or with respect to, O'Hare, excluding, however: (a) with certain exceptions, amounts received from the Land Support Area; (b) investment income or profit from the investment of the Airport Development Fund, the Construction Fund and the Emergency Reserve Fund; (c) Government Grants-in-Aid, except to the extent used or to be used to pay or reimburse the costs of Capital Projects previously funded through the issuance of Airport Obligations; (d) the proceeds of any passenger facility charge (*"PFC"*) or similar tax levied by or on behalf of the City; (e) insurance proceeds, except to the extent such moneys are deemed revenues in accordance with generally accepted accounting principles, and condemnation award proceeds; (f) amounts derived by the City from Special Facility Financing Arrangements, but only to the extent such moneys are required to pay the principal of, premium, if any, and interest on Special Facility Revenue Bonds and other payments required by Special Facility Financing Arrangements; and (g) the proceeds of any borrowing by the City.

If there are no First Lien Bonds or Second Lien Obligations outstanding, *"Revenues"* will have substantially the same meaning as described in the preceding paragraph, except there shall be excluded therefrom any "Released Revenues." *"Released Revenues"* means any Revenues in respect of which the Trustee has received the following: (i) a request from the City to exclude such Revenues from the pledge and lien of the Third Lien Indenture; (ii) a Certificate of an Independent Airport Consultant, based upon reasonable assumptions, to the effect that Revenues, after the Revenues covered by such request are excluded for each of the five full fiscal years following the fiscal year in which such certificate is delivered, will be sufficient to enable the City to satisfy the debt service coverage covenants described below under " – Debt Service Coverage Covenants" in each of those five fiscal years; (iii) an opinion of counsel to the effect that (a) the conditions to the release of such Revenues have been met and (b) the exclusion of such Revenues from the pledge and lien of the Third Lien Indenture will not, in and of itself, cause the interest on any outstanding Third Lien Obligations to be included in gross income for purposes of federal income taxation; and (iv) written confirmation from each of the Rating Agencies to the effect that the exclusion of such Revenues from the pledge and lien of the Third Lien Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to any Third Lien Obligations. For a complete definition of Revenues, see APPENDIX A – "GLOSSARY OF TERMS." For a general description of the application of Revenues under the General Airport Revenue Bond Ordinance, and the application of Third Lien Revenues under the Third Lien Indenture, see "– Flow of Funds" below and

APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE – Source of Payment; Pledge of Third Lien Revenues and Other Moneys."

Other Available Moneys. *"Other Available Moneys"* means, for any Fiscal Year, the amount of money determined by the Chief Financial Officer to be transferred to the Revenue Fund from sources other than Revenues. Other Available Moneys may include PFCs and other similar charges and Government Grants-in-Aid.

Flow of Funds

Revenues and expenses of O'Hare are accounted for as a separate enterprise fund of the City, subject to the provisions of the General Airport Revenue Bond Ordinance and the Airport Use Agreements. Under the General Airport Revenue Bond Ordinance, Revenues, including amounts collected by the City in order to satisfy deposit requirements established in any resolution, ordinance or indenture securing Junior Lien Obligations (including the deposit requirements established in the Third Lien Indenture), are required to be deposited to the credit of the Revenue Fund in the name of the First Lien Trustee with a depository or depositories, each fully qualified under the provisions of the General Airport Revenue Bond Ordinance to receive the same as deposits of money held by the First Lien Trustee. The First Lien Trustee shall be accountable only for moneys actually so deposited.

Monthly and Semi-Annual Deposits While First Lien Bonds are Outstanding. On the tenth day of each month, the First Lien Trustee shall make the following deposits from amounts on deposit in the Revenue Fund in the manner and order of priority set forth below:

> *First:* to the City for deposit into the Operation and Maintenance Fund an amount equal to one-twelfth of the amount provided in the Operation and Maintenance Expense Projection for the current Fiscal Year;
>
> *Second:* into the Debt Service Fund, without priority one over the other, (a) into the Interest Account an amount equal to one-sixth of the amount of interest which will be due on all outstanding First Lien Bonds on the next Payment Date less any amounts payable from the Capitalized Interest Account, and (b) into the Principal Account an amount equal to one-twelfth of the amount of the principal installments which will become due on all outstanding First Lien Bonds on the next January 1; and
>
> *Third:* to the City for deposit into the Special Capital Projects Fund the amount specified by the City as the amount to be deposited at such time in such Fund.

On the business day of the First Lien Trustee immediately preceding each January 1 and July 1, the First Lien Trustee shall make the following deposits from amounts on deposit in the Revenue Fund in the manner and order of priority set forth:

> *First:* into the Debt Service Fund the amount, if any, necessary to increase the amount on deposit therein to an amount sufficient to pay the interest and principal installments on all outstanding First Lien Bonds becoming due on such January 1 or July 1;
>
> *Second:* into the Debt Service Reserve Fund the amount, if any, necessary to increase the amount on deposit therein to an amount equal to the maximum aggregate amount of Annual First Lien Debt Service due on the First Lien Bonds in the then-current or any future Bond Year;

Third: to the City for deposit into the Operation and Maintenance Reserve Fund an amount equal to one-half of the Operation and Maintenance Reserve Fund Deposit Requirement, if any, for the Fiscal Year which includes such January 1 and July 1;

Fourth: to the City for deposit into the Maintenance Reserve Fund an amount equal to the lesser of (i) $1,500,000 or (ii) the amount, if any, required to increase the amount on deposit therein to $3,000,000;

Fifth: to the City for deposit into the Emergency Reserve Fund an amount equal to one-half of the annual Emergency Reserve Fund Deposit Requirement, if any;

Sixth: to the City for deposit into the Airport Development Fund an amount equal to one-half of the annual Airport Development Fund Deposit Requirement (calculated pursuant to the Airport Use Agreements as 50 percent of the net revenues of the Land Support Area), if any; and

Seventh: into the Junior Lien Obligation Debt Service Fund an amount equal to the amount required by any resolution or ordinance authorizing Junior Lien Obligations, including the Bonds, to be deposited therein for the payment of Junior Lien Obligations, including the Bonds.

Flow of Funds When First Lien Bonds or Second Lien Obligations are No Longer Outstanding. The City covenants and agrees in the Third Lien Indenture that, if at any time there are no First Lien Bonds or Second Lien Obligations outstanding, it will establish a system of funds, accounts and deposit requirements that provides for the deposit of Revenues into a Revenue Fund and the application of amounts held in it in the following manner and order of priority: first, to the payment of Operation and Maintenance Expenses; second, to the payment of amounts required to be paid to the Second Lien Trustee (to the extent Second Lien Obligations are outstanding); third, to the payment of amounts required to be paid to the Trustee in accordance with the certificate described under "– *Payment of Debt Service on the Bonds*" below; fourth, to make such deposits into those funds and accounts as may be determined by the City to be necessary or appropriate; and fifth, for any lawful purpose of the City.

The City has previously covenanted in the Second Lien Indenture that, if at any time there are Second Lien Obligations outstanding and at such time there are no First Lien Bonds outstanding, it reserves the right to establish a system of funds, accounts and deposit requirements with respect to Revenues that is substantially the same as that contained in the General Airport Revenue Bond Ordinance (or it will establish a system of funds, accounts and deposit requirements that provides for the deposit of Revenues to pay Operation and Maintenance Expenses and Aggregate Second Lien Debt Service, in that order of priority, prior to any other deposit of such Revenues).

Payment of Debt Service on the Bonds. The Third Lien Indenture creates the Third Lien Revenue Fund to be held and administered by the Trustee. The City is required to file with the First Lien Trustee, upon the issuance of each series of Third Lien Obligations (including the Bonds), a certificate stating the dates on which amounts on deposit in the Junior Lien Obligation Debt Service Fund are to be withdrawn therefrom by the First Lien Trustee and paid to the Trustee, and the amounts of such withdrawals, and containing a direction of the City to the First Lien Trustee to withdraw from the Junior Lien Obligation Debt Service Fund and pay to the Trustee the amounts, and on the dates, specified in such certificate, subject only to the prior pledge of Junior Lien Revenues in accordance with the Second Lien Indenture and any instrument creating Second-Lien Related Obligations. Upon receipt of such payments the Trustee shall deposit the same in the Third Lien Revenue Fund. The moneys in the Third Lien Revenue Fund shall be disbursed and applied by the Trustee as required by the provisions of any Supplemental Indenture creating a series of Third Lien Obligations (including the Fifth Supplemental

Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture), or by any instrument creating Third Lien Obligations. The Trustee shall segregate within the Third Lien Revenue Fund and credit to such sub-funds, accounts and sub-accounts therein as may have been created for the benefit of such Third Lien Obligations such amounts as may be required to be so credited under the provisions of such Supplemental Indenture or instrument creating Third Lien Obligations to pay the principal of and interest on such Third Lien Obligations. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE – Payment of Debt Service on the Third Lien Obligations."

Common Debt Service Reserve Account

Pursuant to the Second Supplemental Indenture, the City has established within the 2003A Dedicated Sub-Fund created thereunder (the *"2003A Dedicated Sub-Fund"*) and is required to maintain a common Debt Service Reserve Account (the *"Common Debt Service Reserve Account"*) for the benefit of the Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds and any additional bonds issued by the City in the future pursuant to the Master Indenture and designated by the City as entitled to the benefit of such Common Debt Service Reserve Account (collectively, the *"Common Reserve Bonds"*), in an amount equal to the Reserve Requirement. The *"Reserve Requirement"* is an amount equal to the maximum amount of principal of and interest payable on the Common Reserve Bonds in the current or any succeeding Bond Year; provided however, that if upon the issuance of a series of Common Reserve Bonds such amount would require that moneys be paid into the Common Debt Service Reserve Account from the proceeds of such Common Reserve Bonds in an amount in excess of the maximum amount permitted under the Code, the Reserve Requirement shall be the sum of (a) the Reserve Requirement immediately preceding the issuance of such Common Reserve Bonds and (b) the maximum amount permitted under the Code to be deposited from the proceeds of such bonds, as certified by the Chief Financial Officer. Additional Bonds issued by the City in the future pursuant to the Master Indenture may, but need not, be designated as entitled to the benefit of the Common Debt Service Reserve Account. The moneys in the Common Debt Service Reserve Account are held for the benefit of all Common Reserve Bonds issued or to be issued under the Third Lien Indenture.

The Series 2002A Bonds are not Common Reserve Bonds and are not entitled to the benefit of the Common Debt Service Reserve Account. The Series 2002A Bonds are secured by a debt service reserve account established under the First Supplemental Indenture, which does not secure and is not available for payment of debt service on the Bonds.

Upon the issuance of the Bonds, the amount necessary to cause the amount then on deposit in the Common Debt Service Reserve Account to equal the Reserve Requirement resulting from the issuance of the Bonds will be funded from a portion of the proceeds of the Bonds. The Reserve Requirement may be satisfied by the deposit with the Trustee of (i) one or more Qualified Reserve Account Credit Instruments, (ii) Qualified Investments or (iii) a combination thereof.

The Second Supplemental Indenture provides, and the City covenants in each of the Fifth Supplemental Indenture, Sixth Supplemental Indenture and Seventh Supplemental Indenture, that the Common Debt Service Reserve Account will be created and maintained as provided in the Second Supplemental Indenture and that amounts held in the Common Debt Service Reserve Account (except for certain investment income required to be paid to the First Lien Trustee pursuant to the Second Supplemental Indenture) will be used solely for payment of principal of, premium, if any, and interest due on each Payment Date with respect to the Bonds and all other Common Reserve Bonds, ratably, without preference or priority of any kind.

If at any time the Common 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 Common Debt Service Reserve Account moneys may be applied under the Second Supplemental Indenture prior to any draw being made on the Qualified Reserve Account Credit Instrument. If the Common 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 Common Debt Service Reserve Account are required to be satisfied from Third Lien Revenues. Amounts deposited in the 2003A Dedicated Sub-Fund for the purpose of restoring amounts withdrawn from the Common 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 Common Debt Service Reserve Account. The Common Debt Service Reserve Account will be applicable only to the Common Reserve Bonds and will not be available to pay debt service on any other Third Lien Obligations, the Second Lien Obligations or the First Lien Bonds. See "Flow of Funds – *Payment of Debt Service on the Bonds*" above and APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE – Payment of Debt Service on the Third Lien Obligations."

Debt Service Coverage Covenants

The City covenants in the Third Lien Indenture to fix and establish, and to revise from time to time when necessary, the rentals, fees and other charges for the use and operation of O'Hare 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 and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient:

(i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year; and

(ii) to provide for the greater of (A) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (B) 110% of the Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien Obligations or Third Lien Obligations.

The City further covenants in the Third Lien Indenture to fix and establish, and revise from time to time whenever necessary, the rentals, rates and other charges for the use and operation of O'Hare 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: (a) any PFCs deposited with the Trustee for that Fiscal Year; and (b) 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.

As described above under the subcaptions "– Pledge of Third Lien Revenues" and "– Flow of Funds," semi-annual deposits are required to be made into the Junior Lien Obligation Debt Service Fund to provide funds to pay debt service on Junior Lien Obligations, including the Bonds. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE – Coverage Covenants."

Within 90 days after the end of each Fiscal Year, the City is required by the Third Lien Indenture to furnish to the Trustee calculations of the required debt service coverage, as described above. If either calculation for any Fiscal Year indicates that the City has not satisfied its obligations described above, the City must employ an Independent Airport Consultant to review and analyze the financial status and the administration and operation of O'Hare and to submit to the City a written report on the same, including the action which the Independent Airport Consultant recommends should be taken by the City with respect to the revision of O'Hare rentals, fees and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the then-current Fiscal Year or, if less, the maximum amount deemed feasible by the Independent Airport Consultant. Within 60 days of its receipt of the recommendations, the City must revise O'Hare rentals, fees and charges or alter its methods of operation in a manner projected by the City to result in compliance with the required debt service coverage, as described above. If at any time and as long as the City is in full compliance with the provisions of the Third Lien Indenture summarized in this paragraph, there shall be no event of default under the Third Lien Indenture as a consequence of the City's failure to satisfy the coverage covenants described above.

Covenants Against Lien on Revenues

The City covenants in the Third Lien Indenture that it will not issue any indebtedness secured by the pledge of Third Lien Revenues other than Third Lien Obligations. The City also covenants not to create or cause to be created any lien or charge on Revenues, or on any other amounts pledged for the benefit of owners of the Third Lien Obligations, including the Bonds, other than the pledge of Revenues contained in the General Airport Revenue Bond Ordinance, the Second Lien Indenture and the Third Lien Indenture. See "– Covenants Regarding Issuance of Additional Prior Lien Obligations" above.

Notwithstanding the covenants described in the prior paragraph, the City has the right to issue debt payable from or secured by a pledge of the Revenues to be derived after the discharge and satisfaction of all Third Lien Obligations and to issue debt payable from, or secured by a pledge of amounts to be withdrawn from the Junior Lien Obligation Debt Service Fund so long as such pledge is expressly junior and subordinate to the pledge of Third Lien Revenues to the payment of Third Lien Obligations.

Issuance of Additional Third Lien Bonds

Additional Third Lien Bonds, except in the case of Refunding Bonds issued in accordance with the requirements described in APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE - Refunding Bonds" and Completion Bonds issued in accordance with the requirements described in APPENDIX B- "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD

LIEN INDENTURE - Completion Bonds," may be issued only upon the satisfaction of certain conditions. These conditions include delivery to the Trustee of:

(i) A Certificate of an Independent Accountant or a Certificate of the City, in either case stating that Revenues and Other Available Moneys in the most recent completed Fiscal Year for which audited financial statements have been prepared satisfied the first covenant described under "– Debt Service Coverage Covenants" above; assuming for such purpose that Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during such Fiscal Year includes the maximum Annual First, Second and Third Lien Debt Service on all Outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations and the Third Lien Bonds proposed to be issued (disregarding any Airport Obligations that have been paid or discharged or will be paid or discharged immediately after the issuance of the Third Lien Bonds proposed to be issued); or

(ii) A Certificate of an Independent Airport Consultant or a Certificate of the City, in either case stating that, based upon reasonable assumptions, Revenues and Other Available Moneys are projected to be no less than that required to satisfy the first covenant described under "– Debt Service Coverage Covenants" above (disregarding any Airport Obligations that have been paid or discharged or will be paid or discharged immediately after the issuance of the Third Lien Bonds proposed to be issued) for each of the next three Fiscal Years following the issuance of the Third Lien Bonds or, if later, for each Fiscal Year from the issuance of the Third Lien Bonds through the two Fiscal Years immediately following completion of the project or projects financed by the Third Lien Bonds.

For the purpose of computing Revenues under either clause (i) or (ii) above, there must be taken into account (x) any reduction in the rate of any PFCs, and (y) any increase in the rate of any PFCs authorized by legislation if the City has taken all action required to impose those increased charges at O'Hare pursuant to such legislation. For the purpose of computing Revenues and Other Available Moneys under clause (ii) above, Other Available Moneys shall be projected only to the extent they have been (x) paid over to the Trustee and deposited in the Revenue Fund, or (y) irrevocably pledged to the payment of debt service on Airport Obligations. The City shall provide written notice to each Rating Agency of any pledge of Other Available Moneys taken into account for purposes of any projection made in accordance with clause (ii) above prior to the issuance of the additional Third Lien Bonds.

The City is also authorized under the Third Lien Indenture to issue Completion Bonds and Refunding Bonds without having to satisfy the debt service coverage requirement described above, but having to satisfy certain other requirements. For a description of these requirements, see APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE – Completion Bonds" and "– Refunding Bonds."

The City interprets the foregoing provisions to permit the City to issue Refunding Bonds and Completion Bonds either by satisfying the debt service coverage requirement described above, or by satisfying the requirements described in APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE - Refunding Bonds" and "- Completion Bonds."

Other Provisions of the Third Lien Indenture

For a description of additional provisions of the Third Lien Indenture concerning the sale or transfer of O'Hare, see APPENDIX B – "SUMMARY OF CERTAIN PROVISION OF THE THIRD LIEN INDENTURE – Restrictions on Sale or Transfer of Airport."

Airport Use Agreements

Airport Use Agreements. Moneys deposited by the City in accordance with the General Airport Revenue Bond Ordinance, the Second Lien Indenture and the Third Lien Indenture include rentals, fees and charges imposed upon the Airline Parties under the Amended and Restated Airport Use Agreement and Terminal Facilities Leases (collectively, the *"Airport Use Agreements"*) between the City and the Airline Parties. The Airport Use Agreements provide that the aggregate of all rentals, fees and charges to be paid by the Airline Parties shall be sufficient to pay for the net cost of operating, maintaining and developing O'Hare (excluding the Land Support Area), including the satisfaction of all of the City's obligations to make deposits and payments under the General Airport Revenue Bond Ordinance, the Second Lien Indenture, the Third Lien Indenture and any other ordinance or resolution authorizing Airport Obligations in accordance with the Airport Use Agreements.

The City has Airport Use Agreements with the airlines identified as signatories to the Airport Use Agreement in "OPERATIONS AT O'HARE — Airlines Providing Service at O'Hare." Those airlines, together with any additional airline that executes an agreement with the City substantially the same as the Airport Use Agreements, are referred to as the *"Airline Parties."* According to DOA, the current Airline Parties represented, in the aggregate, approximately 86 percent of the total landed weight at O'Hare for 2002. See "OPERATIONS AT O'HARE – Airlines Providing Service at O'Hare," and "CERTAIN INVESTMENT CONSIDERATIONS."

The City has obtained all necessary approvals of the Airline Parties for the issuance of the Bonds.

Termination of Use Agreements. The stated expiration date of the Airport Use Agreements is May 11, 2018. A significant portion of the debt service on the Bonds and the Existing Third Lien Bonds becomes due after such date. It is not possible to predict whether any airlines will be contractually obligated to make payments in amounts including, among other things, debt service on the Bonds, the Existing Third Lien Bonds or any other Third Lien Bonds after the stated expiration of the Airport Use Agreements in 2018.

Although the City has covenanted in the General Airport Revenue Bond Ordinance for the benefit of the holders of First Lien Bonds, and in the Second Lien Indenture, for the benefit of the holders of Second Lien Obligations, not to amend the Airport Use Agreements in any manner which would materially and adversely affect the rights or security of such holders, the Third Lien Indenture does not contain such a covenant. However, under the Third Lien Indenture, the City has covenanted to establish rentals, fees and charges for the use and operation of O'Hare in order that Third Lien Revenues, together with certain other moneys deposited with the Trustee, are sufficient to pay operation and maintenance expenses at O'Hare and to satisfy the debt service coverage covenants established under the Third Lien Indenture. See "– Debt Service Coverage Covenants" above.

Nonpayment of Rentals, Fees and Charges. The Airport Use Agreements provide that if an Airline Party defaults on the payment of its rentals, fees or charges, and if the City has undertaken appropriate collection efforts and has exhausted certain other specific funds available under the Airport Use Agreements to pay the unpaid rentals, fees or charges, the City then is entitled to include the unpaid rentals, fees or charges in the landing fees payable by the other non-defaulting Airline Parties. See

APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS.”

Bond Insurance

Payment of the principal of and interest on each Series of the Bonds when due will be insured by a Bond Insurance Policy to be issued by the Insurer upon the delivery of the Bonds. See “MUNICIPAL BOND INSURANCE” and APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Remedies

There is no provision for the acceleration of the maturity of the Bonds if any default occurs in the payment of the principal of or interest on the Bonds or in the performance of any other obligation of the City under the Third Lien Indenture or if interest on the Bonds becomes includible in the gross income of the Owners for federal income tax purposes.

MUNICIPAL BOND INSURANCE

General

The following information pertaining to the Insurer has been supplied by the Insurer. The City makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the dates indicated. Summaries of or references to each Bond Insurance Policy are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions. See APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

The Insurer and the Bond Insurance Policies

The following information has been furnished by CIFG NA for use in the Official Statement. Reference is made to APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” for a specimen of CIFG NA’s policy.

CIFG NA is a monoline financial guaranty insurance company incorporated under the laws of the State of New York, with its principal place of business in New York City.

The claims-paying ability (also referred to as its financial strength) of CIFG NA is rated “AAA” by Fitch Ratings (“*Fitch*”), “Aaa” by Moody’s Investors Service, Inc. (“*Moody’s*”), and “AAA” by Standard and Poor’s, a Division of the McGraw-Hill Companies, Inc. (“*Standard & Poor’s*”), the highest rating assigned by each such Rating Agency. Each rating of CIFG NA should be evaluated independently. The ratings reflect the respective Rating Agency’s current assessment of the creditworthiness of CIFG NA and its ability to pay claims on its policies of insurance based upon, among other factors, the adequacy of the net worth maintenance and reinsurance agreements provided by CIFG described below under “—Capitalization”. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the Rating Agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. CIFG NA does not guarantee the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

CIFG NA is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in multiple jurisdictions, including the State of Illinois. CIFG NA is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that each such insurer maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for each such insurer, and limits the size of individual transactions ("single risks") and the volume of transactions ("aggregate risks") that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as CIFG NA regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings. CIFG NA is required to file quarterly and annual statutory financial statements with the New York State Insurance Department ("NYSID"), and is subject to statutory restrictions concerning the types and quality of its investments and the filing and use of policy forms and premium rates. Additionally, CIFG NA's accounts and operations are subject to periodic examination by the NYSID.

THE INSURANCE PROVIDED BY EACH FINANCIAL GUARANTY INSURANCE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED BY THE INSURANCE LAWS OF THE STATE OF NEW YORK.

Capitalization

In addition to capital and surplus, set forth below, CIFG NA is supported by a net worth maintenance agreement from its indirect parent, CDC IXIS Financial Guaranty, a French reinsurance corporation ("CIFG"). The net worth maintenance agreement provides that CIFG will maintain CIFG NA's U.S. statutory capital and surplus at no less than $80 million. In addition, through a facultative reinsurance agreement, CIFG NA may cede up to 90% of its exposure on each transaction to CIFG; however, the facultative reinsurance agreement does not require that CIFG reinsure its exposure under any transaction. At September 30, 2003, CIFG had capital of 407.3 million euros according to U.S. generally accepted accounting principles. CIFG's claims paying ability is rated "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, the highest rating assigned by each such Rating Agency. *Notwithstanding these net worth maintenance and reinsurance agreements, the holders of the Bonds will have direct recourse against CIFG NA only, and neither CIFG nor any other affiliate of CIFG NA will be directly liable to the holders of the Bonds.*

The following table sets forth the capitalization of CIFG NA as of September 30, 2003, on the basis of accounting principles prescribed or permitted by the NYSID (in thousands):

Common capital stock	$ 19,700
Gross paid in and contributed surplus	110,925
Unassigned funds (retained deficit)	(21,164)
Surplus as regards policyholders	$109,461

There has been no material adverse change in the capitalization of CIFG NA from September 30, 2003 to the date of this Official Statement.

CIFG NA has prepared audited annual financial statements as of December 31, 2002 in accordance with accounting principles applicable to insurance companies, as specified by applicable law.

Copies of such financial statements may be obtained at www.cifg.com, or by writing to CIFG NA at 825 Third Avenue, 6th Floor, New York, New York 10022, Attention: Finance Department. The toll-free telephone number of CIFG NA is (866) CIFG 212. Further information concerning CIFG may be found in the financial statements and the notes thereto of CIFG, which may be obtained at www.cifg.com or by writing to CIFG NA at 825 Third Avenue, 6th Floor, New York, New York 10022, Attention: Finance Department.

The Bond Insurance Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. CIFG NA makes no representation regarding the Bonds or the advisability of investing in the Bonds. CIFG NA makes no representation regarding this Official Statement, nor has it participated in the preparation thereof, except that CIFG NA has provided to the City the information presented under this caption for inclusion in this Official Statement.

THE BONDS

General

The Bonds will mature on January 1 of the years and in the amounts shown on the inside cover page hereof and will be dated as of their date of delivery. The Bonds will bear a fixed rate of interest until their final maturity or earlier redemption payable on January 1 and July 1 in each year, commencing January 1, 2004, at the rates per annum set forth on the inside cover page hereof.

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

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in denominations that are integral multiples of $5,000. The Bonds will be initially registered through a book-entry only system operated by DTC. Details of payments of the Bonds and the book-entry only system are described below under the subcaption "– Book-Entry Only System." Except as described under the subcaption "– Book-Entry Only System" below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered under the Third Lien Indenture to be the Registered Owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC Participant (as defined below), the DTC Participant who will act on behalf of such beneficial owner to receive notices and payments of principal of and interest on the Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a DTC Participant, such beneficial owner's DTC Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the Registered Owner of the Bonds, references herein to Bondholders or Registered Owners of such Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such Bonds. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Bond.

Redemption Provisions

Optional Redemption. The Series 2003D Bonds maturing on or after January 1, 2019 are subject to redemption at the option of the City, on or after January 1, 2014, as a whole or in part at any time, and if in part, in such order of maturity as the City determines, and within any maturity by lot, at a redemption price equal to the principal amount of each Bond to be redeemed, plus accrued interest to the date of the redemption.

The Series 2003E Bonds maturing on or after January 1, 2019 are subject to redemption at the option of the City, on or after January 1, 2014, as a whole or in part at any time, and if in part, in such order of maturity as the City determines, and within any maturity by lot, at a redemption price equal to the principal amount of each Bond to be redeemed, plus accrued interest to the date of the redemption.

The Series 2003F Bonds maturing on January 1, 2015 are subject to redemption at the option of the City, on or after January 1, 2014, as a whole or in part at any time, and if in part, by lot, at a redemption price equal to the principal amount of each Bond to be redeemed, plus accrued interest to the date of the redemption.

Mandatory Redemption. The Series 2003D Bonds maturing on January 1 of the years 2028 and 2034 are subject to mandatory redemption, in part by lot as provided in the Third Lien Indenture from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective principal amounts set forth below, at a redemption price equal to the principal amount thereof to be redeemed:

SERIES 2003D BONDS MATURING ON JANUARY 1, 2028

Year	Amount
2024	$3,300,000
2025	3,470,000
2026	3,635,000
2027	3,810,000
2028 (maturity)	3,995,000

SERIES 2003D BONDS MATURING ON JANUARY 1, 2034

Year	Amount
2029	$4,185,000
2030	4,390,000
2031	4,610,000
2032	4,840,000
2033	5,085,000
2034 (maturity)	5,335,000

The Series 2003E Bonds maturing on January 1 of the years 2029 and 2034 are subject to mandatory redemption, in part by lot as provided in the Third Lien Indenture from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective principal amounts set forth below, at a redemption price equal to the principal amount thereof to be redeemed:

SERIES 2003E BONDS MATURING ON JANUARY 1, 2029

Year	Amount
2025	$3,450,000
2026	3,615,000
2027	3,790,000
2028	3,970,000
2029 (maturity)	4,165,000

SERIES 2003E BONDS MATURING ON JANUARY 1, 2034

Year	Amount
2030	$4,370,000
2031	4,580,000
2032	4,815,000
2033	5,050,000
2034 (maturity)	5,310,000

If the City redeems Bonds pursuant to optional redemption or purchases Bonds subject to mandatory redemption and cancels the same, then an amount equal to the principal amount of Bonds of such Series and maturity so redeemed or purchased shall be deducted from the mandatory redemption requirements as provided for such Bonds of such Series and maturity in such order as an authorized officer of the City shall determine.

General Redemption Procedures. Notice of redemption of the Bonds (i) identifying the Bonds or portions thereof to be redeemed, and (ii) 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, not fewer than 30 days nor more than 60 days prior to the date fixed for redemption, to the Registered Owner of each such Bond to be redeemed in whole or in part at the address shown on the registration books. Redemption notices will be sent by first class mail, except that notices to Registered Owners of at least $1,000,000 of Bonds shall be sent by registered mail. Failure to mail any such notice to the Registered Owner of any such Bond or any defect therein shall not affect the validity of the proceedings for such redemption of such Bonds. Any such notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Registered Owner of any Bond receives the notice.

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

If fewer than all of the Bonds of the same maturity are called for redemption, such Bonds (or portions thereof) to be redeemed shall be selected by lot by the Trustee (except at any time when such Bonds are held in a book-entry system, in which case selection of such Bonds to be redeemed will be in accordance with procedures established by the book-entry depository).

Book-Entry Only System

General. The following information has been furnished by DTC for use in this Official Statement and the City takes no responsibility for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose 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 1934 Act. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 and Clearing Corporation ("*DTCC*"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. (Direct Participants and Indirect Participants are collectively referred to herein as *"Participants."*) More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*beneficial owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. 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 City or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Trustee; disbursement of such payments to Direct Participants shall be the responsibility of DTC; and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

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

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

For every transfer and exchange of the 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 Bonds, (ii) the delivery to any Participant or any other person, other than an owner, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than an owner, of any amount with respect to principal of or interest on the Bonds.

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

The Bonds will be issuable as fully registered bonds in denominations that are integral multiples of $5,000. Exchanges and transfers will be made without charge to the Registered Owners, except that 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 on the Bonds will be payable upon presentation and surrender when due at the principal corporate trust office of the Trustee. Interest on the 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 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 Bonds, all payments to such Registered Owner 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 at least 15 days 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).

CHICAGO O'HARE INTERNATIONAL AIRPORT

General

Since 1962, O'Hare has been 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 7,000 acres of land. O'Hare is accessed by a network of highways, including several regional expressways that are part of the federal Interstate Highway System, and is directly linked to the central business district by a rapid transit rail system.

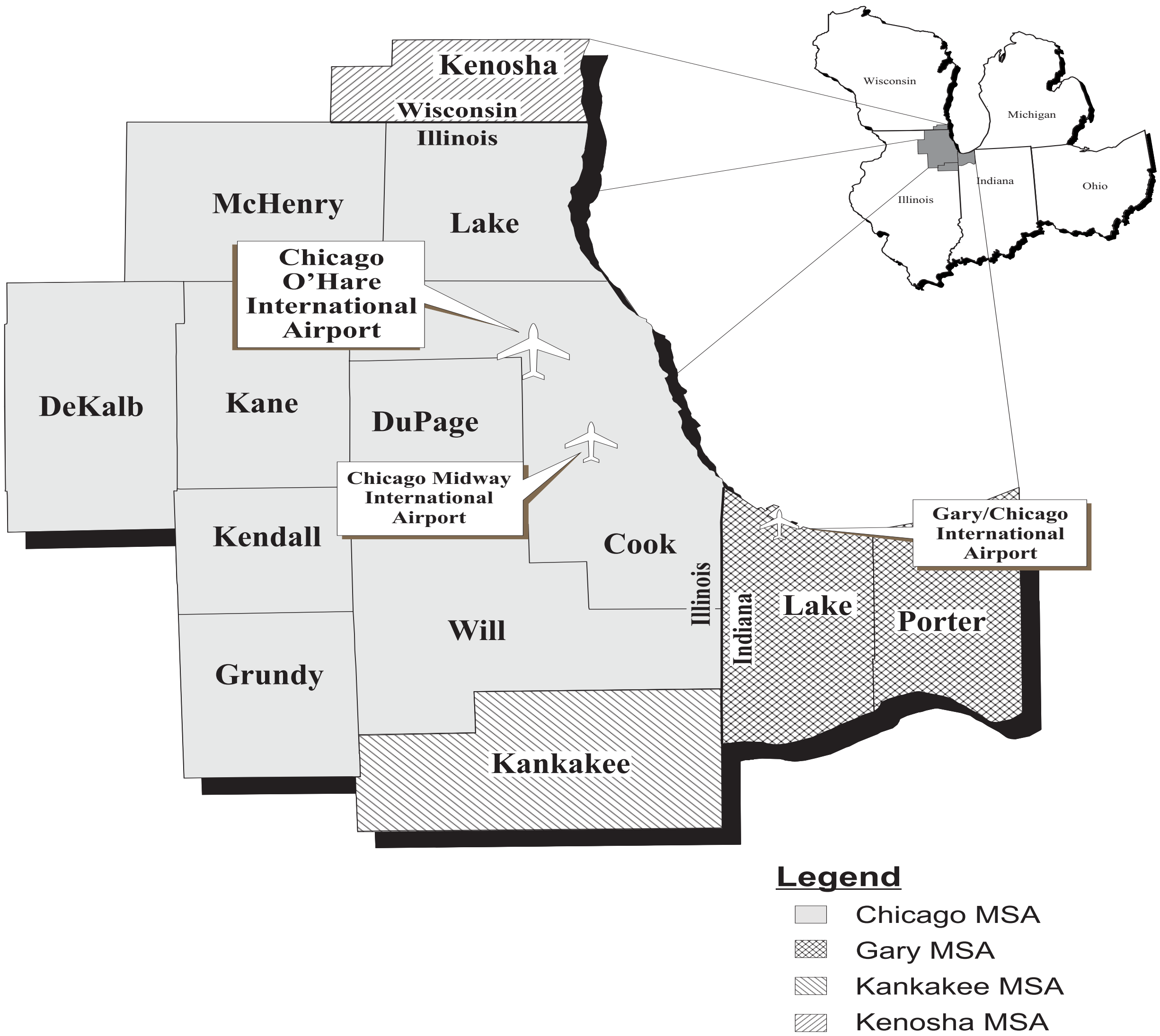
According to statistics compiled by ACI, in 2002 O'Hare was the busiest airport in the world, measured in terms of total operations, and the second busiest in terms of total passengers. According to DOA, O'Hare had 32,918,936 enplaned passengers in 2002 and 33,310,229 enplaned passengers in 2001. See "OPERATIONS AT O'HARE." The strong local 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.

United Airlines and American Airlines, the world's two largest air carriers in terms of revenue passenger miles as of December 31, 2002, each uses O'Hare as one of its major hubs. United Airlines (including its regional affiliates operating as United Express) accounted for 49.2 percent of the enplaned passengers at O'Hare in 2002 and 47.1 percent of the enplaned passengers in 2001. United Airlines currently is operating under the protection of Chapter 11 of the United States Bankruptcy Code. American Airlines (including American Eagle, its regional affiliate, and TWA) accounted for 34.3 percent of the enplaned passengers at O'Hare in 2002 and 35.0 percent of the enplaned passengers in 2001. See "OPERATIONS AT O'HARE – Airlines Providing Service at O'Hare," and "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of Airlines Serving O'Hare – *United Airlines*."

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), two counties (Lake and Porter) in Indiana and one county (Kenosha) in Wisconsin. (These 13 counties comprise the *"Chicago Region."*) This area is depicted by the map on the following page. As shown in the table following the map, the estimated population of the Chicago Region in 2002 was 9,320,840. Additional population statistics for the Chicago Region and comparable Midwest Region and United States data also are presented in the table following the map.

MAP OF CHICAGO AIR TRADE AREA



POPULATION[1]

Year	Chicago Region[2]	Midwest Region[3]	United States
1993	8,573,360	43,274,740	259,918,590
1994	8,666,340	43,589,990	263,125,820
1995	8,753,330	43,923,700	266,278,390
1996	8,841,960	44,239,480	269,394,280
1997	8,922,480	44,493,610	272,646,930
1998	9,008,680	44,727,880	275,854,100
1999	9,095,130	44,969,230	279,040,170
2000	9,184,740	45,254,740	282,402,460
2001	9,249,940	45,446,330	285,318,030
2002	9,320,840	45,804,550	288,368,990

Average Annual Compound Growth Rates:

1993-2002	0.9%	0.6%	1.2%

Source: National Planning Association Data Services ("NPA").
(1) Non-Census years based on NPA estimates.
(2) Chicago Region includes: Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry and Will Counties in Illinois, Lake and Porter Counties in Indiana and Kenosha County in Wisconsin.
(3) Midwest Region includes Illinois, Indiana, Michigan, Ohio and Wisconsin.

Employment. The following table reflects employment levels in the Chicago Region as compared to the Midwest Region and the United States.

EMPLOYMENT

Year	Chicago Region[1]	Midwest Region[2]	United States
1993	4,817,340	23,551,320	141,992,680
1994	4,938,430	24,276,330	145,562,060
1995	5,071,160	24,945,830	149,362,650
1996	5,156,670	25,355,250	152,611,320
1997	5,248,240	25,776,400	156,212,330
1998	5,376,590	26,227,050	160,211,850
1999	5,455,010	26,683,280	163,764,960
2000	5,556,580	27,161,220	167,756,860
2001	5,508,480	26,941,890	167,567,370
2002	5,436,770	26,624,180	166,452,070

Average Annual Compound Growth Rates:

1993-2002	1.4%	1.4%	1.8%

Source: NPA
(1) Chicago Region includes: Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry and Will Counties in Illinois, Lake and Porter Counties in Indiana and Kenosha County in Wisconsin.
(2) Midwest Region includes Illinois, Indiana, Michigan, Ohio and Wisconsin.

Midway International Airport

In addition to O'Hare, the City operates Midway through DOA. The operations of the two airports are separate and distinct from each other, and the Third Lien Obligations, including the Bonds, are not secured by any revenues generated at Midway.

Midway is located nine miles southwest of the central business district of the City. Based upon DOA management records, total enplanements at Midway for 2002 were 8,156,138.

The airlines using Midway generally provide lower fare, point-to-point, origination and destination passenger service. Currently, the two carriers at Midway with the greatest number of enplanements are Southwest Airlines and ATA Airlines (formerly American Trans Air). In 2002, Southwest Airlines accounted for 41.1 percent of enplanements at Midway and ATA Airlines (including its commuter affiliate, Chicago Express Airlines) accounted for 42.8 percent of enplanements at Midway. Neither Southwest Airlines nor ATA Airlines provides regularly scheduled service at O'Hare.

The City is undertaking a capital development program for Midway that includes the construction of a new terminal facility to replace the existing facility. Portions of the new terminal facility have already opened. Construction is scheduled for completion in 2004. The Midway capital development program does not include any projects that would increase airfield capacity.

Existing Airport Facilities

O'Hare currently has six commercial aircraft runways and one general aviation runway, all of which are supported by a network of aircraft taxiways, aprons and hold areas. The commercial runways are arranged in a pattern that creates three sets of parallel runways, allowing independent aircraft operations on various runways. Three of the individual runways are over 10,000 feet in length and 11 of the 12 individual commercial runway ends have electronic and other navigational aids that permit aircraft landings in most weather conditions.

The airlines serving O'Hare operate out of four terminal buildings. Three terminal buildings, having a total of 157 aircraft gates, serve domestic flights and certain international departures. The International Terminal, with 21 aircraft gates and five hardstand positions, serves the remaining international departures and all international arrivals requiring customs clearance. 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.

A hotel, an elevated parking structure and the heating and refrigeration plant serving O'Hare are adjacent to the terminal buildings. The hotel, currently leased and operated by Hilton Hotels Corporation, provides 858 guest rooms as well as restaurants and meeting facilities. The six-story parking structure has approximately 9,200 parking spaces and is supplemented by approximately 13,000 public and 18,000 employee ground level parking spaces located elsewhere at O'Hare.

With 14 air cargo buildings occupied by airlines and one building occupied by a freight forwarder, O'Hare is a major center for other aviation-related activity such as aircraft maintenance and domestic and international air cargo shipment. Eight aircraft maintenance hangars are leased by airlines along with three additional buildings used for airline ground equipment maintenance. In addition, three flight kitchens, two large 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 operated by the City through DOA, which oversees planning, operations, safety and security, and finance and administration. DOA also oversees such activities at Midway. (O'Hare and Midway are collectively referred to as the *"City's Airports."*) DOA is headed by Thomas R. Walker, Commissioner of Aviation, who has overall responsibility for the management of the City's Airports. The City's appropriation ordinance for 2003 provided for 1,840 DOA employees and the proposed appropriation for 2004 provides for 1,802 DOA employees. See "– Budget Procedures," below.

Regional Authority

In 1995, the City and the City of Gary, Indiana, entered into the Compact relating to the establishment of the Chicago-Gary Authority. The Compact established the Chicago-Gary Authority to oversee and support the City's Airports 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 projects and other actions, the City continues to manage, own and operate the City's Airports. The approval of the Chicago-Gary Authority is not required for the issuance of the Bonds, but is required for the implementation of certain components of the Capital Development Programs. The City expects that all required approvals will be obtained as needed.

O'Hare Noise Compatibility Commission

In early 1997, the O'Hare Noise Compatibility Commission (the *"O'Hare Noise Commission"*) was formed through the execution of an intergovernmental agreement by the City, Cook County and certain municipalities and school districts that are located in the area surrounding O'Hare. The purpose of the O'Hare Noise Commission is 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 March 31, 2003, the City had spent $265,300,000 on residential and school noise compatibility projects since the establishment of the O'Hare Noise Commission in 1997.

Budget Procedures

O'Hare is governed in its financial transactions by the City's annual appropriation ordinance and follows the City's budget process. The City is required to pass an annual appropriation ordinance prior to the beginning of each Fiscal Year. DOA 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 DOA in the City budget proposal for approval by the Mayor of the City, who submits the City's budget to the City Council for approval. O'Hare's budget, as proposed by DOA, may be modified by the Budget Director, the Mayor or City Council. On October 15, 2003, the Mayor submitted his proposed City budget (including his proposed budget for O'Hare) for Fiscal Year 2004 to the City Council for approval. The City's budget for Fiscal Year 2004 was approved by the City Council on November 19, 2003.

OPERATIONS AT O'HARE

Airport Activity

According to the *Official Airline Guide*, during the week of September 13 through September 19, 2003, non-stop service was provided from O'Hare to 168 destinations, consisting of 126 domestic destinations and 42 foreign destinations.

Passenger Activity

1993-2002 Enplanements. Enplaned passenger traffic at O'Hare can be divided into two primary components: origin-destination ("*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 O&D enplaned passenger 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 enplanements include passengers traveling to a destination outside the Chicago Region, who board an aircraft after having arrived on another aircraft at O'Hare. The number of connecting enplaned passengers at an airport 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 domestic and international enplanements at O'Hare from 1993 through 2002. Total enplaned passengers at O'Hare increased every year between 1993 and 1999, but declined in 2000, 2001 and 2002. The primary cause of the 2000 decrease was labor troubles experienced by United Airlines that resulted in the cancellation of approximately 3,800 flights during the third quarter of the year. No increase in 2001 enplanements from 2000 levels was experienced prior to September 11, 2001, primarily due to the general economic downturn. The events of September 11, 2001 caused major disruptions in air travel that extended through the end of the year, resulting in lower enplanements in the fourth quarter of 2001 than in the fourth quarter of 2000. Enplanements continued to decline in 2002 as compared to 2001, primarily due to the continued effects of September 11, and the general economic slowdown.

Total domestic enplanements grew from 29.1 million in 1993 to approximately 31.5 million in 1998, representing a compound annual growth rate of 1.6 percent during this period. Domestic enplanements decreased slightly between 1998 and 1999, and, primarily as a result of the United Airlines labor troubles described above, decreased 1.7 percent in 2000 from 1999 levels. Primarily due to the effects of September 11, 2001 and the general economic slowdown, domestic enplanements decreased further by 6.4 percent between 2000 and 2001. In 2002, there was a decrease in domestic enplanements of 0.5 percent as compared to 2001. These four years of decreased activity resulted in a decline in domestic enplanements at O'Hare from approximately 31.5 million in 1998 to approximately 28.6 million in 2002.

International enplanements increased from 9.0 percent of total enplanements in 1993 (approximately 2.9 million enplanements) to 13.2 percent in 2002 (approximately 4.4 million enplanements). International enplanements grew from 2.9 million in 1993 to over 5.0 million, in 2000, representing an average annual compound growth rate of 8.3 percent during such period. Primarily due to the effects of September 11, 2001 and the general economic slowdown, international enplanements decreased 8.6 percent between 2000 and 2001 and then declined an additional 5.6 percent in 2002. These two years of decreased activity resulted in a decline in international enplanements at O'Hare from approximately 5.0 million in 2000 to approximately 4.4 million in 2002.

TOTAL ENPLANEMENTS
CHICAGO O'HARE INTERNATIONAL AIRPORT
1993 – 2002

Year	Total Domestic Enplanements [1]	% of Total O'Hare	Total International Enplanements	% of Total O'Hare	Total Enplanements [2]	Annual Percentage Change
1993	29,101,964	91.0%	2,882,034	9.0%	31,983,998	1.0%
1994	29,718,206	90.7	3,040,777	9.3	32,758,983	2.4
1995	29,557,080	90.0	3,298,380	10.0	32,855,460	0.3
1996	30,538,500	89.6	3,529,385	10.4	34,067,885	3.7
1997	30,889,194	88.8	3,889,544	11.2	34,778,738	2.1
1998	31,453,453	87.9	4,336,508	12.1	35,789,961	2.9
1999	31,190,715	86.8	4,757,001	13.2	35,947,716	0.4
2000	30,651,752	85.9	5,049,197	14.1	35,700,949	(0.7)
2001	28,693,866	86.1	4,616,363	13.9	33,310,229	(6.7)
2002	28,560,357	86.8	4,358,579	13.2	32,918,936	(1.2)

Average Annual Compound Growth Rates:

1993-2002	(0.2%)		4.7%		0.3%	

Source: DOA Management Records.

[1] Represents both Air Carrier and Commuter Enplanements.

[2] Total Enplanements equals Total Domestic Enplanements plus Total International Enplanements. Enplanements exclude general aviation, military, helicopter and miscellaneous passengers included in DOA Management Records.

The following table shows total enplanements, total originating enplanements and total connecting enplanements at O'Hare from 1993 through 2002.

HISTORICAL CONNECTING ENPLANEMENT PERCENTAGES
CHICAGO O'HARE INTERNATIONAL AIRPORT
1993 – 2002

Year	Total Enplanements[(1)]	Total Originating Enplanements	Total Connecting Enplanements[(2)]	Connecting Enplanements Percentage
1993	31,983,998	12,663,068	19,320,930	60.4%
1994	32,758,983	14,033,429	18,725,554	57.2
1995	32,855,460	14,789,455	18,066,005	55.0
1996	34,067,885	15,313,605	18,754,280	55.0
1997	34,778,738	15,453,166	19,325,572	55.6
1998	35,789,961	15,747,583	20,042,378	56.0
1999	35,947,716	15,493,466	20,454,250	56.9
2000	35,700,949	15,707,527	19,993,422	56.0
2001	33,310,229	14,365,215	18,945,014	56.9
2002	32,918,936	13,603,684	19,315,252	58.7

Sources: DOA Management Records; U.S. D.O.T.; Origin-Destination Survey of Airline Passenger Traffic-Domestic; and U.S. Department of Justice Immigration and Naturalization Service.

(1) Enplanements exclude general aviation, military, helicopter and miscellaneous passengers included in DOA Management Records.

(2) Total Enplanements minus Total Originating Enplanements equals Total Connecting Enplanements.

Year-To-Date-Enplanements. The following table presents total enplanements at O'Hare by month between January 2000 and September 2003. Using 2000 activity levels as a measurement for recovery, a pattern of recovery is evident at O'Hare. As shown, passenger activity decreased 34.1 percent in September 2001 compared to September 2000, primarily due to the effects of September 11, 2001. By September 2003, passenger activity was 4.8 percent less compared to September 2000. Additionally, monthly enplanements have been higher for eight of nine months in 2003 when compared to similar periods in 2002.

2003 YEAR-TO-DATE MONTHLY ENPLANEMENT COMPARISON
CHICAGO O'HARE INTERNATIONAL AIRPORT

	Enplanements [1]				Monthly Percentage Change		
	2000	2001	2002	2003	(01 vs. 00)	(02 vs. 00)	(03 vs. 00)
January	2,441,833	2,467,743	2,190,369	2,476,417	1.1%	(10.3%)	1.4%
February	2,472,043	2,359,244	2,163,385	2,387,153	(4.6)	(12.5)	(3.4)
March	3,232,643	3,005,549	2,789,268	2,907,443	(7.0)	(13.7)	(10.1)
April	2,979,221	2,879,658	2,610,421	2,654,911	(3.3)	(12.4)	(10.9)
May	3,107,966	3,100,108	2,745,919	2,885,718	(0.3)	(11.6)	(7.2)
June	3,341,759	3,329,017	2,929,388	3,165,714	(0.4)	(12.3)	(5.3)
July	3,346,245	3,425,379	3,157,064	3,230,474	2.4	(5.7)	(3.5)
August	3,180,360	3,462,724	3,215,463	3,156,590	8.9	1.1	(0.7)
September	2,879,834	1,898,236	2,651,096	2,742,805	(34.1)	(7.9)	(4.8)
October	3,158,915	2,461,473	2,975,472		(22.1)	(5.8)	
November	2,935,269	2,446,623	2,602,567		(16.6)	(11.3)	
December [2]	2,624,861	2,474,475	2,888,524		(5.7)	10.0	
Total (Jan – Dec)	35,700,949	33,310,229	32,918,936	N/A	(6.7%)	(7.8%)	N/A
Total (Jan – Sept)	26,981,904	25,927,658	24,452,373	25,607,225	(3.9%)	(9.4%)	(5.1%)

Source: DOA Management Records.
(1) Excludes general aviation, military, helicopter and miscellaneous passengers included in DOA Management Records.
(2) Includes audited year-end adjustment.

Aircraft Operations

The following table shows total aircraft operations at O'Hare for the period 1993 through 2002. In general, the growth in air carrier operations is consistent with the trend in enplaned passengers. Total passenger operations increased from 798,422 in 1993 to 871,717 in 2002, an average annual compound growth rate of 1.0 percent. In 2001, domestic air carrier operations increased primarily as a result of decisions by United Airlines and American Airlines to increase service provided by their regional affiliates. Total aircraft operations increased at an average compound rate of 0.8 percent between 1993 and 2002, increasing from 859,208 to 922,817.

TOTAL AIRCRAFT OPERATIONS
CHICAGO O'HARE INTERNATIONAL AIRPORT
1993 – 2002

Year	Domestic Air Carrier[1]	International Air Carrier	Total Passenger Airlines	All-Cargo	General Aviation/Misc.[2]	Total
1993	746,705	51,717	798,422	15,946	44,840	859,208
1994	735,896	53,644	789,540	17,129	76,526	883,195
1995	751,000	58,834	809,834	18,338	72,107	900,279
1996	752,824	61,813	814,637	19,184	75,772	909,593
1997	747,380	66,558	813,938	20,630	49,193	883,761
1998	753,887	72,736	826,623	23,999	45,488	896,110
1999	753,691	78,187	831,878	23,984	39,596	896,228
2000	763,634	85,164	848,798	24,626	35,565	908,989
2001	772,071	81,884	853,958	21,105	36,854	911,917
2002	801,614	70,103	871,717	20,790	30,310	922,817
Average Annual Compound Growth Rates:						
1993-2002	0.8%	3.4%	1.0%	3.0%	(4.3%)	0.8%

Source: DOA Management Records.
(1) Includes commuter.
(2) Includes general aviation, miscellaneous and military.

Airlines Providing Service at O'Hare

As of September, 2003, O'Hare had scheduled air service by 15 U.S. flag air carriers, scheduled and nonscheduled service by 23 foreign flag carriers, non-scheduled service by four airlines and scheduled cargo service by 23 all-cargo carriers. The airlines listed in the following table provide service at O'Hare.

AIRLINES SERVING O'HARE[1]

Scheduled U.S. Carriers (15)
Air Wisconsin (United Express)[1]
Alaska
America West[2]
American[2,3]
American Eagle[2]
Atlantic Coast (United Express)[2]
Atlantic Southeast (Delta Connection)
Comair (Delta Connection)
Continental[2]
Continental Express
Delta[2]
Northwest[2]
Spirit
United[2,4]
US Airways[2,5]

Foreign Flag Carriers (23)
Aer Lingus
AeroMexico
Air Canada[2,2]
Air France
Air India
Air Jamaica
Alitalia
Aviacsa
British Airways
British Midland
Cross/Swiss
El Al Israel
Iberia
Japan
KLM Royal Dutch
Korean
Kuwait
Lacsa
LOT Polish
Lufthansa
Mexicana
Royal Jordanian
Scandinavian

Other/Nonscheduled Carriers (4)
American Trans Air
Casino Express
Transmeridian
U.S.A. 3000

All-Cargo Carriers (23)
Air China
Airborne Express
Asiana
Atlas Air
CAL Cargo
Cathay Pacific
China Airlines
China Cargo
China Southern
DHL Worldwide
Emery/ACF
EVA Airways
Evergreen
FedEx[2]
Gemini Air
Kalitta
Lufthansa Cargo
Martin Air Holland, N.V.
Nippon
Polar
Singapore Cargo
Southern Air
United Parcel Service[2]

Source: DOA Management Records.
[1] As of September 2003.
[1] Signatory to Airport Use Agreement.
[2] Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.
[3] Includes Trans World Airlines, which is also an Airline Party and was acquired by American Airlines in April, 2001 and is operated as American Airlines.
[4] United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.
[5] US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003.

CHICAGO O'HARE INTERNATIONAL AIRPORT
AIRLINE ACTIVITY SHARES MEASURED BY
ENPLANED PASSENGERS
(1998-2002)[(1)]

		1998		1999		2000		2001		2002	
	Airlines	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
1.	United[(2)]	15,792,852	44.1%	16,257,105	45.2%	15,284,974	42.8%	14,057,822	42.2%	13,935,560	42.3%
2.	American	11,562,650	32.3	11,010,121	30.6	11,282,511	31.6	10,001,205	30.0	9,436,168	28.7
3.	American Eagle	1,675,520	4.7	1,621,501	4.5	1,626,148	4.6	1,666,814	5.0	1,841,764	5.6
4.	Atlantic Coast	30,725	0.1	183,542	0.5	347,958	1.0	648,725	1.9	1,406,700	4.3
5.	Air Wisconsin	548,638	1.5	527,779	1.5	794,489	2.2	987,094	3.0	854,881	2.6
6.	Delta	1,125,365	3.1	1,090,189	3.0	1,040,698	2.9	874,228	2.6	658,086	2.0
7.	US Airways[(3)]	603,719	1.7	529,712	1.5	565,734	1.6	511,322	1.5	532,549	1.6
8.	Northwest	686,487	1.9	692,348	1.9	700,337	2.0	603,497	1.8	527,303	1.6
9.	Continental	615,011	1.7	599,488	1.7	600,994	1.7	525,146	1.6	461,407	1.4
10.	Air Canada[(4)]	268,806	0.8	327,778	0.9	333,599	0.9	352,240	1.1	344,910	1.0
11.	America West	220,795	0.6	233,581	0.6	284,715	0.8	306,385	0.9	310,056	0.9
12.	Spirit	0	0.0	0	0.0	25,900	0.1	223,173	0.7	298,044	0.9
13.	Mexicana	264,323	0.7	299,887	0.8	337,235	0.9	309,416	0.9	259,022	0.8
14.	Lufthansa	203,284	0.6	219,255	0.6	228,366	0.6	210,130	0.6	235,259	0.7
15.	British Airways	179,950	0.5	170,852	0.5	169,679	0.5	123,625	0.4	146,922	0.4
	Other	2,011,836	5.6	2,184,578	6.1	2,077,612	5.8	1,909,407	5.7	1,670,305	5.1
	Airport Total[(5)]	35,789,961	100.0%	35,947,716	100.0%	35,700,949	100.0%	33,310,229	100.0%	32,918,936	100.0%

Source: DOA Management Records.
(1) For those airlines that were party to a merger or acquisition, only the acquiring entity is shown. However, the activity for the airlines that are now a part of the acquiring airline is included in the information presented.
(2) United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.
(3) US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003.
(4) Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.
(5) Percentage totals may not add due to individual rounding.

O'HARE FINANCIAL INFORMATION

Operating Results

The following is a summary of O'Hare's operating revenues and operation and maintenance expenses for the five-year period 1998 through 2002. See APPENDIX D – "AUDITED FINANCIAL STATEMENTS."

HISTORICAL OPERATING RESULTS
CHICAGO O'HARE INTERNATIONAL AIRPORT
1998-2002
(IN THOUSANDS)

	1998	1999	2000	2001	2002
Operating Revenues					
Landing Fees	$124,086	$128,819	$105,909	$136,375	$131,369
Rental Revenues					
Terminal Rentals/Use Charges	164,395	158,307	152,536	144,653	138,440
Other Rentals/Fueling System Fees	19,052	32,381	31,694	31,283	32,102
Sub-Total Rental Revenues	183,447	190,688	184,230	175,936	170,542
Concessions:					
Auto Parking	74,456	79,887	91,252	84,688	81,580
Auto Rentals	20,074	20,221	19,846	18,077	17,511
Restaurants	13,391	15,112	16,963	16,951	20,247
News/Gifts	7,792	8,049	7,250	7,071	9,389
Other [1]	21,301	23,328	27,340	24,307	17,826
Sub-Total Concessions	137,014	146,597	162,651	151,094	146,553
Reimbursements	2,323	3,752	2,561	2,354	2,582
Total Operating Revenues	$446,870	$469,856	$455,351	$465,759	$451,046
Operation and Maintenance Expenses					
Salaries and Wages [2]	$132,200	$141,473	$150,264	154,507	166,964
Repairs and Maintenance	55,517	72,287	70,411	71,117	66,310
Energy	20,377	20,452	22,067	24,661	23,445
Materials & Supplies	6,870	7,230	8,401	5,363	5,198
Engineering & Other Professional Services	27,903	37,489	36,324	41,540	33,494
Other Operation and Maintenance Expenses	27,948	26,187	30,040	28,205	29,959
Total Operation and Maintenance Expenses Before Depreciation and Amortization [3]	270,815	305,118	317,507	325,393	325,370
Net Operating Income Before Depreciation and Amortization [4]	$176,055	$164,738	$137,844	$140,366	$125,676

Sources: Chicago O'Hare International Airport Audited Financial Statements – Statistical Information and City of Chicago Comptroller's Office.

(1) Includes hotel, display advertising, telecommunications, duty free shop, retail gift shop and other miscellaneous revenues.

(2) Salaries and Wages include charges for pension, health care and other employee benefits.

(3) Fiscal years 1998 and 1999 include certain PFC expenses. For fiscal years 2000 through 2002, certain PFC expenses are classified as non-operating expenses.

(4) Operating results may be reconciled to the Audited Financial Statements by deducting depreciation and amortization.

Audited Financial Statements

The financial statements of O'Hare included as APPENDIX D to this Official Statement have been audited by Deloitte & Touche LLP, independent certified public accountants, to the extent and for the periods included in their report on those statements.

Discussion of Financial Operations

The "Historical Operating Results" table on the prior page summarizes O'Hare's audited financial results for the years 1998 through 2002. Operating revenues in the table are comprised of landing fees, terminal area rental/use charges, other rentals/fueling system fees and concessions. Operation and maintenance expenses are comprised of salaries and wages, repairs and maintenance, energy, materials and supplies, engineering and other professional services and other operating costs which include insurance premiums, equipment rentals and various miscellaneous costs.

Because of the "residual" nature of the Airport Use Agreements, the City charges the Airline Parties based on a projection of, and recognizes revenues from the Airline Parties only to the extent required to fund, the net airline requirement (equal to operation and maintenance expenses, debt service requirements and fund deposit requirements less non-airline revenues). Accordingly, landing fees and terminal area rental/use charges decreased by $10.4 million in 2002 compared to 2001, due to decreased debt service and fund deposit requirements of approximately $12 million and $3 million, respectively, offset by a reduction in non-airline revenues of approximately $4.5 million.

The decrease in non-airline revenues of $4.5 million from 2001 to 2002 was primarily due to decreases in parking, auto rentals and other concession revenues (display advertising, telecommunications, hotel, gift shops) of $3.1 million, $.6 million and $6.5 million, respectively, offset by increased restaurant and news and gifts concession revenues of $3.3 million and $2.3 million, respectively. From 1998 through 2002, non-airline revenues averaged 32.5 percent of total operating revenues.

The decrease in total operation and maintenance expenses before depreciation and amortization of $22,000 from 2001 to 2002 was consistent with management's objective to maintain 2002 expenses consistent with 2001. The decreases in repairs and maintenance and engineering and other professional services expenses of $4.8 million and $8.0 million, respectively, offset a $12.5 million increase in salaries and wages expenses. The decrease in engineering and other professional services and repairs and maintenance expenses was principally due to reductions in legal services, parking contractor services, shuttle bus service, automated train service, landscaping and non-essential repair and maintenance costs. The increase in salaries and wages was due to contractual wage increases of approximately $8.0 million and a fireman's retroactive pay adjustment of $3.6 million.

Cash Balances

As of September 30, 2003 O'Hare's unaudited unrestricted cash and investments balance was $130.8 million and its unaudited restricted cash and investments balance was $1,709.2 million, compared to September 30, 2002 unaudited balances of $87.3 million and $955.0 million, respectively. The $43.5 million increase in unrestricted cash and investments was primarily due to the collection of certain amounts from Airline Parties, concession revenues and interest earnings in excess of projected rates and charges and net Land Support Fund revenues. The $754.2 million increase in restricted cash and investments was mainly due to certain bond proceeds of approximately $702.1 million from the issuance of the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds.

Insurance

The City's property insurance premiums for the City's Airports have increased materially as a result of the events of September 11, 2001 and the current premiums are approximately $14.5 million per year for the property and liability coverage. The City's liability insurance for the City's Airports was renewed on May 15, 2003 with a limit of $500 million. The liability insurance includes $50 million in war and terrorism liability coverage. The City renewed its property insurance for the City's Airports, effective December 31, 2002, at a limit of $1 billion, which the City's insurance broker advised was the highest amount commercially available at the time. The property insurance includes coverage for terrorism.

Indebtedness

General. The City has financed capital improvements at O'Hare through the issuance of Airport Obligations and other indebtedness and from federal grants, PFC revenues, airline contributions and other Airport funds. Such other indebtedness issued to finance capital improvements at O'Hare includes International Terminal Special Revenue Bonds (*"International Terminal Bonds"*), Passenger Facility Charge Revenue Bonds (*"PFC Bonds"*) and Special Facility Revenue Bonds (*"Special Facility Bonds"*). See APPENDIX D – "AUDITED FINANCIAL STATEMENTS – Note 4."

After the issuance of the Bonds and the refunding of the Refunded First Lien Bonds and the Refunded Second Lien Bonds, the City will have outstanding $266,125,000 aggregate principal amount of First Lien Bonds, $1,338,125,000 aggregate principal amount of Second Lien Bonds and $1,626,155,000 aggregate principal amount of Third Lien Bonds.

There are no International Terminal Bonds outstanding and the City has no current plans to issue any additional International Terminal Bonds.

The City has outstanding $206,230,000 of First Lien PFC Bonds and $697,645,000 of Second Lien PFC Bonds, which are secured solely by PFCs imposed by the City at O'Hare. PFC Bonds are secured separately from Airport Obligations, including the Bonds. See "– PFC Program," below.

The City has issued approximately $2.2 billion aggregate principal amount of Special Facility Bonds on behalf of six different airlines, as well as certain non-airline parties, to finance or refinance a portion of the capital improvements at O'Hare. These Special Facility 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 Airport Obligations. See "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of Airlines Serving O'Hare."

Issuance of Additional Airport Obligations. The City intends to issue additional Airport Obligations, including additional Third Lien Bonds, to complete the funding of the Five-Year CIP, the O'Hare Modernization Program Phase I and the Noise Program, all as described below under "CAPITAL DEVELOPMENT PROGRAMS." Such additional Third Lien Bonds will include, without limitation, Third Lien Bonds payable from PFC Revenues and, if PFC Revenues are insufficient, Revenues (the *"Double-Barreled PFC Third Lien Bonds"*). Subject to market and other conditions, the City anticipates issuing all of these additional Third Lien Bonds between 2004 and 2007.

Obligations Subordinate to Pledge of Third Lien Revenues. As described under "SECURITY FOR THE BONDS – Covenants Against Lien on Revenues," the City has the right to issue debt payable or secured from Revenues to be derived after the discharge and satisfaction of all Third Lien Obligations and to issue debt payable from, or secured by a pledge of amounts to be withdrawn from the Junior Lien

Obligation Debt Service Fund so long as such pledge is expressly junior and subordinate to the pledge of Third Lien Revenues to the payment of Third Lien Obligations. Indebtedness of the type described in the preceding sentence can be issued without limit as to nature or amount.

The CP Notes represent indebtedness of the type described in the preceding paragraph. Under the CP Program, the City can issue CP Notes in an aggregate principal amount outstanding at any one time of $300,000,000. There are no CP Notes currently outstanding.

Debt Service Schedule. The General Airport Revenue Bond Ordinance secures on a parity basis as to Revenues the outstanding First Lien Bonds. The Second Lien Indenture secures on a parity basis as to Second Lien Revenues the outstanding Second Lien Obligations. The Third Lien Indenture secures on a parity basis as to Third Lien Revenues the Bonds, the Existing Third Lien Bonds and any additional Third Lien Obligations issued or incurred by the City from time to time. The claim of the Third Lien Obligations to Revenues is junior and subordinate to the First Lien Bonds and the Second Lien Obligations. See "SECURITY FOR THE BONDS – General," "– Covenants Regarding Issuance of Additional Prior Lien Obligations" and "– Pledge of Third Lien Revenues."

The debt service on the outstanding First Lien Bonds, Second Lien Bonds, the Existing Third Lien Bonds and the Bonds, after the issuance of the Bonds and the refunding of the Refunded First Lien Bonds, is shown on the following chart:

DEBT SERVICE SCHEDULE[1]

Bond Year Ending January 1	Total Debt Service on First Lien Bonds	Total Debt Service on Second Lien Bonds [3]	Total Debt Service on Third Lien Bonds [4]	Series 2003D Bonds Principal	Series 2003D Bonds Interest	Series 2003E Bonds Principal	Series 2003E Bonds Interest	Series 2003F Bonds Principal	Series 2003F Bonds Interest	Total Debt Service
2004 [2]	$ 1,262,833	$ 46,877,865	$ 33,094,819	$ 0	$ 256,091	$ 0	$ 260,400	$ 0	$ 62,625	$ 81,814,633
2005	17,634,480	105,259,252	81,348,469	1,005,000	3,179,056	1,000,000	3,232,550	435,000	777,413	213,871,220
2006	17,636,600	124,607,244	81,348,469	5,030,000	3,148,906	5,000,000	3,202,550	445,000	764,363	241,183,132
2007	12,758,750	160,823,936	81,348,469	0	2,972,856	0	3,027,550	465,000	748,788	262,145,349
2008	12,758,750	167,738,831	81,348,469	0	2,972,856	0	3,027,550	475,000	738,906	269,060,362
2009	12,758,750	167,888,181	81,348,469	0	2,972,856	0	3,027,550	6,255,000	727,031	274,977,837
2010	12,758,750	168,142,938	81,348,469	0	2,972,856	0	3,027,550	50,000	414,281	268,714,844
2011	12,758,750	167,666,925	81,348,469	0	2,972,856	0	3,027,550	50,000	412,781	268,237,331
2012	59,098,750	121,744,944	81,348,469	0	2,972,856	0	3,027,550	50,000	411,156	268,653,725
2013	59,086,750	122,033,919	97,248,469	0	2,972,856	0	3,027,550	55,000	409,406	284,833,950
2014	58,824,500	122,312,019	96,773,719	0	2,972,856	0	3,027,550	55,000	407,413	284,373,057
2015	58,823,750	107,673,525	96,772,269	0	2,972,856	0	3,027,550	7,370,000	405,350	277,045,300
2016	58,821,000	82,336,750	103,135,619	0	2,972,856	0	3,027,550	0	0	250,293,775
2017		141,450,650	118,398,369	0	2,972,856	0	3,027,550	0	0	265,849,425
2018		142,724,575	116,633,369	0	2,972,856	0	3,027,550	0	0	265,358,350
2019			129,644,956	2,595,000	2,972,856	2,580,000	3,027,550	0	0	140,820,362
2020			129,643,956	2,720,000	2,856,081	2,705,000	2,892,100	0	0	140,817,137
2021			129,645,219	2,855,000	2,733,681	2,840,000	2,750,088	0	0	140,823,988
2022			129,642,819	2,995,000	2,601,638	2,975,000	2,600,988	0	0	140,815,445
2023			129,649,694	3,145,000	2,459,375	3,130,000	2,444,800	0	0	140,828,869
2024			129,644,006	3,300,000	2,309,988	3,280,000	2,280,475	0	0	140,814,469
2025			129,645,238	3,470,000	2,149,113	3,450,000	2,108,275	0	0	140,822,626
2026			129,646,594	3,635,000	1,979,950	3,615,000	1,944,400	0	0	140,820,944
2027			129,643,444	3,810,000	1,802,744	3,790,000	1,772,688	0	0	140,818,876
2028			129,646,819	3,995,000	1,617,006	3,970,000	1,592,663	0	0	140,821,488
2029			129,645,513	4,185,000	1,422,250	4,165,000	1,404,088	0	0	140,821,851
2030			129,646,850	4,390,000	1,213,000	4,370,000	1,206,250	0	0	140,826,100
2031			129,650,463	4,610,000	993,500	4,580,000	987,750	0	0	140,821,713
2032			129,646,913	4,840,000	763,000	4,815,000	758,750	0	0	140,823,663
2033			84,001,100	5,085,000	521,000	5,050,000	518,000	0	0	95,175,100
2034			84,000,025	5,335,000	266,750	5,310,000	265,500	0	0	95,177,275
	$394,982,413	$1,949,281,554	$3,295,887,994	$67,000,000	$70,920,257	$66,625,000	$71,580,465	$15,705,000	$6,279,513	$5,938,262,196

Source: DOA Management Records.

(1) Totals may not add due to rounding.
(2) Excludes debt service payments and deposits made prior to the issuance of the Bonds.
(3) Assumes an interest rate of four percent on $153,705,000 Second Lien Bonds that are variable rate demand obligations.
(4) Excludes the Bonds.

PFC Program

On September 1, 1993, the City implemented a PFC of $3.00 per enplaned passenger, which was increased to $4.50 per enplaned passenger on April 1, 2001. As of September 30, 2003, the City had authority to impose $3,354,490,618 in PFCs at O'Hare. Of this amount, the City has the authority to use $2,987,790,618 in PFCs. In July 1996, the City issued $250,000,000 aggregate principal amount of First Lien PFC Bonds secured by the City's PFC Revenues at O'Hare, of which $206,230,000 are outstanding. In 2001, the City issued $700,000,000 aggregate principal amount of Second Lien PFC Bonds secured by the City's PFC Revenues at O'Hare, which are outstanding in the aggregate principal amount of $697,645,000. See "– Indebtedness – *Issuance of Additional Airport Obligations*" above and "CAPITAL DEVELOPMENT PROGRAMS."

The City's authority to impose and use PFCs at O'Hare is subject to certain terms and conditions provided in the federal PFC authorizing legislation, the PFC regulations adopted by the Federal Aviation Administration (the *"FAA"*) and the specific FAA approvals applicable to the City's PFC program. A failure by the City to comply with any of these requirements, or a violation by the City of the federal Airport Noise and Capacity Act, could result in a reduction or termination of the City's authority to impose PFCs and to use such PFCs to finance a portion of the Capital Development Programs. For information about the City's ability to use PFCs for the payment of debt service on Third Lien Bonds, including the Bonds, see "SECURITY FOR THE BONDS – Description of Revenues – *Other Available Moneys*." As described under "—*Issuance of Additional Airport Obligations*" and "CAPITAL DEVELOPMENT PROGRAM – O'Hare Modernization Program – Phase 1" and "—The Noise Program," the City anticipates issuing Double-Barreled PFC Third Lien Bonds to finance a portion of the cost of the O'Hare Modernization Program – Phase 1 and the Noise Program.

CAPITAL DEVELOPMENT PROGRAMS

General

The City's plans for capital development at O'Hare are organized into the O'Hare Modernization Program, the Five-Year Capital Improvement Program (*"CIP"*) and the World Gateway Program (collectively, the *"Capital Development Programs"*).

In addition to the Capital Development Programs, the City, in accordance with criteria established by the O'Hare Compatibility Commission, participates in an ongoing program of providing sound insulation to eligible schools and single-family, owner occupied homes in the vicinity of O'Hare (the *"Noise Program"*). See "CHICAGO O'HARE INTERNATIONAL AIRPORT – O'Hare Noise Compatibility Commission."

The City has developed an overall financial plan for funding the Capital Development Programs and the Noise Program. This financial plan is subject to change as various assumptions related to individual projects and the availability of different funding sources are revised and refined over time. The current financial plan projects that the elements of the Capital Development Programs and the Noise Program will be funded from the various sources described below.

O'Hare Modernization Program – Phase 1

On June 29, 2001, the City released its proposed conceptual plan for the future development of O'Hare (the *"O'Hare Modernization Program"*), designed to address flight delays and increase capacity at O'Hare. The O'Hare Modernization Program is a comprehensive program providing for the phased reconfiguration of the airfield at O'Hare as well as construction of a passenger terminal, access/circulation systems and necessary support facilities, and will be implemented over a multi-year period. The major functional components of the O'Hare Modernization Program include the addition of one new runway and the relocation of three of the seven existing runways. Two of the existing runways will also be extended. The O'Hare Modernization Program also includes the planning and construction of an airside concourse, a western terminal and access roads. In addition, the O'Hare Modernization Program provides for all necessary land acquisition.

The O'Hare Modernization Program will be implemented in multiple phases over several years. Phase 1 of the O'Hare Modernization Program ("*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. Approximately $49.4 million of the cost of the OMP - Phase 1 is being financed with proceeds of the Series 2003D Bonds. The portion of the OMP – Phase 1 being financed with proceeds of the Series 2003D Bonds has received all necessary airline approvals and is expected to be completed by the end of calendar year 2006. Certain portions of OMP – Phase 1 that are not being financed with proceeds of the Series 2003D Bonds have received conditional airline approval dependent upon meeting certain operational conditions.

The City submitted a Final Airport Layout Plan (the "ALP") reflecting the O'Hare Modernization Program and other proposed development to the FAA for approval in October 2003. This ALP submittal incorporates FAA comments on a draft ALP previously submitted in December 2002. Separately, the FAA is leading the environmental processing for the O'Hare Modernization Program, which is occurring through the development of an Environmental Impact Statement pursuant to the National Environmental Policy Act.

The City estimates that OMP – Phase 1 will cost approximately $2.7 billion (in escalated dollars). Such cost is planned to be funded from the following sources (taking into account escalated costs): approximately $350 million in federal grant funds, approximately $500 million of PFC Revenues (on a pay-as-you-go basis as well as through issuance of bonds, which includes the Double-Barreled PFC Third Lien Bonds), approximately $1.85 billion of Airport Obligations expected to be issued by 2007 (which include $130 million in proceeds of Airport Obligations previously issued and approximately $49.4 million in proceeds of the Series 2003D Bonds), and approximately $20 million in additional Airport funds.

Five-Year Capital Improvement Program

The City's planned Five-Year CIP, for 2003 through 2007, is comprised of the following types of projects: terminal support improvements, terminal improvements, airfield improvements, heating and refrigeration system improvements, certain noise mitigation projects (not otherwise included in the Noise Program), fuel system improvements, safety and security improvements and planning and other projects, as more fully described below.

Terminal Support Improvements. The terminal support improvements will improve vehicle access and increase parking capacity primarily through: Interstate 190 collector distributor improvements, enhancements to existing parking areas, improvements to the Airport Transit System vehicles and infrastructure, and roadway rehabilitations.

Terminal Improvements. The terminal improvements are designed to maximize capacity and passenger convenience currently limited by terminal space constraints, primarily through the implementation of the FACE (Facility and Circulation Enhancement) project, the principal objective of which is to provide more efficient queuing and circulation space at the departures level in Terminals 2 and 3, and improve vertical circulation in Terminals 1, 2 and 3.

Airfield Improvements. The airfield improvements will rehabilitate runways, taxiways and numerous apron ramps, as well as improve airfield drainage and other airside facilities. Runway and taxiway improvements consist of the rehabilitation of the existing pavement and placing a new bituminous concrete overlay, various shoulder improvements, grading, grooving, drainage, and lighting adjustments. Terminal apron rehabilitation involves extensive ramp replacement throughout Terminal 2 and 3.

Heating And Refrigeration System Improvements. The heating and refrigeration system improvements involve replacement of air handling units and penthouse sprinkler systems throughout O'Hare, ball joints, structural repairs of the utility ring tunnel, chilled water pipe replacement, installation of water softening systems, replacement of north and east cooling towers, and rehabilitation of the heating and refrigeration building.

Noise Mitigation Projects. The noise mitigation projects include completion of existing noise mitigation program for schools and residential homes, in addition to the Noise Program.

Fuel System Improvements. The fuel system improvements will increase fueling capacity thereby allowing the elimination of satellite pumping stations and providing for additional pumping capacity at the tank farm.

Safety and Security Enhancements. The safety and security enhancements include incorporation of explosive detection systems into the existing baggage system, equipment upgrades to security systems, layout modifications, additional security checkpoint positions, interactive computer training systems, and enhanced monitoring of vehicles/deliveries.

Planning and Other Projects. In addition to the above projects, the Five-Year CIP includes land support improvements such as general land planning and utility and infrastructure projects related to the former military area.

Funding of the Five-Year CIP. The projected costs of the various components of the Five-Year CIP are shown in the chart below. The City projects that the approximately $1.39 billion estimated cost of the Five-Year CIP will be funded from federal grant funds, previously issued PFC Bonds, additional PFC funding, previously issued Airport Obligations, additional Airport Obligations, including Third Lien Bonds, and grants from the Transportation Security Administration (the "*TSA*"). See "THE AIR TRANSPORTATION INDUSTRY – Airport Security." The issuance of additional Third Lien Bonds for this purpose would require the approval of the Airline Parties, which the City has not yet secured.

Estimated Costs of Five-Year CIP (000s)*

	Terminal Support Improvements	$200,264
	Terminal Improvements	425,622
	Airfield Improvements	372,198
	Heating and Refrigeration	102,761
	Noise Mitigation Projects	37,305
	Fueling System	98,934
	Safety and Security	145,734
	Planning and Other Projects	3,333
Total		$1,386,151

* Costs are escalated to the expected mid-point of construction.

World Gateway Program Formulation

The World Gateway Program involves a major redevelopment of the existing terminal, parking and related facilities, with a focus on expanding gate capacity and enhancing operational efficiency within the terminal complex. In December 2000, the City commenced work on formulation of Phase 1 of the World Gateway Program, which included a new Terminal 6 complex. In September 2002, in view of changed aviation industry and economic conditions, the City and the airlines agreed to suspend work on the World Gateway Program and delay consideration of new airport use agreements proposed in connection therewith. Significant design work had not yet been initiated on any other components of the World Gateway Program.

The estimated $69.7 million cost of the formulation of Phase 1 World Gateway Program has been fully funded.

The Noise Program

The Noise Program involves providing sound insulation of the following types: 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 total cost of the Noise Program for the seven-year period from 2003 to 2009 is expected to be an additional $140 million. The City intends to fund the costs of the Noise Program from the proceeds of Double-Barreled PFC Third Lien Bonds. See "O'HARE FINANCIAL INFORMATION – Indebtedness – *Issuance of Additional Airport Obligations*."

Uncertainties in Funding of Capital Improvement Programs

All of the amounts presented above are preliminary and based on numerous assumptions which are subject to change. Changes in various assumptions could cause an increase in the amount of the proceeds of additional Airport Obligations which are projected to be required to complete the funding of any of the elements of the Capital Development Programs described above. For more details of the Capital Development Programs, see APPENDIX E – "REPORT OF THE AIRPORT CONSULTANT."

REPORT OF THE AIRPORT CONSULTANT

Projections

The table below presents projected airline cost per enplanement calculations for O'Hare for the period 2003 through 2012 prepared by the Airport Consultant in connection with the sale of the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds. For each calendar year, the airline cost per enplaned passenger is calculated by dividing the "net airline requirement" by the total number of enplaned passengers for that year. (Net airline requirement is equal to operation and maintenance expenses, debt service requirements and fund deposit requirements less non-airline revenues.) The Report of the Airport Consultant estimated total cost per enplaned passenger for 2003 to be $9.23 in current dollars. The Report of the Airport Consultant projected that during the projection period, the total cost per enplaned passenger would be as high as $13.18 in 2010 (equal to $10.72 in 2003 dollars). The Report of the Airport Consultant also projected that by the year 2012, the final year of the projection period, the total cost per enplaned passenger would be $12.85 (equal to approximately $9.85 in 2003 dollars).

The Airport Consultant prepared these projections based on the most current information available as of August 14, 2003, the date of the Report of the Airport Consultant. The Report of the Airport Consultant was prepared based on certain assumptions which are set forth therein, including assumed debt service on the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds and additional Airport Obligations, including the Bonds and Airport Obligations expected to be issued to refund and restructure outstanding airport indebtedness and to provide for the financing of capital improvements at O'Hare. The Report of the Airport Consultant has not been updated to reflect the final terms of sale of the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds or the Bonds. In addition, these projections reflect the impact of the events of September 11, 2001 and subsequent events and include general assumptions about certain economic and demographic statistics such as population, employment and effective buying income in the Chicago Region. See APPENDIX E – "REPORT OF THE AIRPORT CONSULTANT."

Conclusion

In the Report of the Airport Consultant, the Airport Consultant expressed its belief that the projected costs per enplaned passenger throughout the projection period are reasonable.

In connection with the issuance of the Bonds, the Airport Consultant has delivered a letter to the City dated the date of this Official Statement representing that (i) without independent verification thereof, the Airport Consultant has no reason to believe that the factual information presented in the Report of the Airport Consultant is inaccurate in any material respect, and (ii) the conclusions and opinions of the Airport Consultant expressed in the Report of the Airport Consultant have not changed in any material respect.

Assumptions

The projections of the Airport Consultant are based upon the assumptions described in the REPORT OF THE AIRPORT CONSULTANT attached as APPENDIX E. All aviation activity demand and financial projections are subject to uncertainties. However, the Airport Consultant believes these projections are based upon reasonable evaluations of conditions as of August 14, 2003 and reasonable assumptions regarding future conditions. Achievement of any financial projection, or any forecast, is dependent upon future events, which cannot be assured. Actual results will vary, perhaps materially, from the projections and forecasts presented herein. See APPENDIX E – "REPORT OF THE AIRPORT CONSULTANT."

PROJECTED COST PER ENPLANED PASSENGER
2003-2012

	Estimated	Projected								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Signatory Airline[1] Requirement	$292,277,503	$340,059,729	$392,430,115	$412,659,031	$473,350,465	$491,603,802	$500,656,892	$516,771,749	$485,895,659	$526,914,780
Non-Signatory Airline Requirement	8,967,400	9,161,950	10,043,440	10,668,305	13,822,601	14,157,340	14,535,872	15,056,284	14,442,199	15,564,622
Total Airline Requirement	$301,244,903	$349,221,679	$402,473,555	$423,327,335	$487,173,066	$505,761,142	$515,192,763	$531,828,033	$500,337,858	$542,479,403
Total Projected Enplaned Passengers	32,628,400	34,150,500	35,450,300	36,746,100	37,639,700	38,524,800	39,422,400	40,339,700	41,264,600	42,200,900
Total Cost Per Enplaned Passenger										
Current Dollars	$9.23	$10.23	$11.35	$11.52	$12.94	$13.13	$13.07	$13.18	$12.13	$12.85
2003 Constant Dollars[2]	$9.23	$9.93	$10.70	$10.54	$11.50	$11.32	$10.94	$10.72	$9.57	$9.85

Source: The Report of the Airport Consultant dated August 14, 2003.
(1) Includes the Airline Parties and signatories to the International Terminal Use Agreements.
(2) Using an assumed inflation rate of 3.0 percent.

PROPOSED FEDERAL AND STATE ACTIONS

Noise Legislation

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

Proposed Tollway

In 1995, the Illinois General Assembly passed Joint Resolution 45, which stated that the Illinois State Toll Highway Authority is authorized to expand the toll highway system to include a bypass to be constructed generally around the western edge of O'Hare between Interstate 90 near Elmhurst Road and Interstate 294 near Grand Avenue, with an extension to be constructed in a generally east/west direction between Interstate 290 near Thorndale Avenue on the west and the bypass on the east. A joint resolution authorizing a particular toll highway expansion is required before bonds may be issued for the expansion. Despite the passage of the joint resolution, Illinois law prohibits the issuance of bonds to finance the bypass and extension until a public hearing on the toll highway expansion is conducted, and until preliminary plans and cost estimates for the expansion have been submitted to and approved by the Governor. The proposed location of the bypass and extension would impact and could possibly preclude certain future O'Hare development options.

State and Federal Airport Legislation

On May 31, 2003, the Illinois General Assembly approved the O'Hare Modernization Act (HB 0721) (the *"O'Hare Modernization Act"*) and the Governor signed it into law on August 6, 2003. The O'Hare Modernization Act is intended to expedite and facilitate the O'Hare Modernization Program.

Specifically, the O'Hare Modernization Act states the General Assembly's intent that "all agencies of this State and its subdivisions shall facilitate the efficient and expeditious completion" of the O'Hare Modernization Program. It eliminates duplicative aeronautics review of the O'Hare Modernization Program under the Illinois Aeronautics Act; grants quick-take authority to the City for land acquisition associated with the O'Hare Modernization Program and clarifies the City's existing condemnation authority. The O'Hare Modernization Act also affirms that laws relating to human remains, archeological resources and religious freedom are not bars to the O'Hare Modernization Program and requires lawsuits, relating to the O'Hare Modernization Program, other than property acquisition proceedings, be heard in Cook County.

Prior Federal legislation affecting O'Hare introduced during the 107th Session of Congress is no longer applicable (H.R.2107, H.R.3479, S.2039 and S.1786). During the current 108th Session of Congress, legislation has been reintroduced (H.R.592 and S.83), replacing all previous Federal legislation relating to O'Hare with the exception of H.R.2107. However, given the enactment of the O'Hare Modernization Act, the passage of Federal legislation is no longer being pursued by the City and is not expected to be enacted.

State Approval of Federal Grants

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

Third Airport

In 1992, a former Governor of Illinois announced the State's intention to pursue the concept of a third commercial service airport in northeastern Illinois. The proposed airport site is located near Peotone, Illinois (located in Will County approximately 37 miles south of the City's central business district).

On August 29, 2001, the FAA published notice of a public comment period for a Tier 1 Draft Environmental Impact Statement (*"EIS"*) for Site Approval and Land Acquisition by the State to preserve the option for the potential Chicago area. The draft EIS identified the potential environmental effects associated with the proposed site, as well as the proposed acquisition of land, and was approved by the FAA on July 15, 2002. The Record of Decision by the FAA found the Peotone site was technically and environmentally feasible for a new airport to serve the region.

In 2002, the State received $3 million in federal funds for Tier II work. Tier II work includes initial work on the airport Master Plan and the EIS. The State's fiscal year 2004 budget includes $5 million for land acquisition for the Peotone site. As of October 16, 2003, approximately 1,686 acres have been purchased for approximately $23 million.

Competing groups from Will County and a coalition of south suburban and northwest suburban communities have publicly expressed interest in planning and developing an airport on the land the State has already acquired. The State has not endorsed nor accepted either of these proposals and it is unclear at this time who would ultimately control the development and operation of such an airport, if such development proceeds.

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 possible to predict at this time what effect, if any, such an airport would have on operations or enplanements at O'Hare. The establishment of a third major commercial service airport in northeastern Illinois, however, could have a material adverse impact on the number and growth of enplanements at O'Hare and the amount of Revenues collected at O'Hare in future years. See "SECURITY FOR THE BONDS – Airport Use Agreements."

THE AIR TRANSPORTATION INDUSTRY

Recent Developments Affecting the Air Transportation Industry

Recent Events. Prior to the events of September 11, 2001, most airlines had experienced deterioration of their financial condition in 2001. Domestic airlines posted net profits of $5.3 billion in 1999, net profits of $2.5 billion in 2000 and net losses in excess of $1 billion in the first half of 2001. Prior to the events of September 11, 2001, the domestic air transportation industry was predicting net losses of approximately $2.5 billion in 2001. As a result of the events of September 11, 2001 and the weakening economy, domestic air transportation industry net losses for 2001 were in excess of $8 billion and $11 billion in 2002. Following September 11, 2001, the long-term credit ratings of many domestic airlines were downgraded and all domestic airlines were placed on credit review lists maintained by national credit rating agencies. See "CERTAIN INVESTMENT CONSIDERATIONS – Impact of Recent Events on the Air Transportation Industry" and "– Financial Condition of Airlines Serving O'Hare."

The events of September 11, 2001 and related subsequent security cost increases, the SARS epidemic, rising fuel costs and recent hostilities in Iraq and elsewhere in the Middle East, in combination with the general economic downturn, have had a significant adverse effect on the air transportation industry. Since September 11, 2001, most major domestic airlines, including those providing service at O'Hare, have reduced flight schedules and instituted job reductions in an attempt to stem mounting financial losses. United Airlines and certain other airlines serving O'Hare have filed for federal bankruptcy court protection. See "CERTAIN INVESTMENT CONSIDERATIONS — Financial Condition of Airlines Serving O'Hare" and "—Effect of Airline Bankruptcy." It is not possible to predict the length and extent of the impact of these events and factors on the airlines and operations at O'Hare. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines reported load and capacity factors since September 11, 2001, reference is made to the statements and reports filed periodically by the airlines with the SEC. See "–Additional Information" below.

Federal Legislation. On September 21, 2001, the Air Transportation Safety and System Stabilization Act (the "*Stabilization Act*") was enacted into law. The Stabilization Act provided among other things, for (1) $5 billion in payments to compensate domestic airlines for losses incurred as a result of the September 11, 2001, terrorist attacks, (2) $10 billion in federal loan guarantees to domestic airlines, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees (approximately $1.5 billion of such loan guarantees were actually issued as of March 21, 2003), (3) limitations on air carrier officer and employee compensation if the air carrier receives federal loan guarantees, (4) reimbursement to domestic airlines by the federal government of certain increased insurance costs for the operation of aircraft incurred by the airlines, (5) deferral of the payment by domestic airlines of certain taxes and (6) limitations of liability for domestic airlines. The Stabilization Act also established a federal victims compensation fund and claims procedure relating to the events of September 11, 2001, and at the discretion of the Secretary of Transportation, limitations of liability for U.S. air carriers for acts of terrorism committed during a 180-day period following enactment of the Stabilization Act.

On April 16, 2003, President Bush signed an aid package for the air transportation industry totaling more than $3 billion, as part of a larger Iraqi war spending bill. The aid package includes, among other items, reimbursement for certain airline security costs and a six-month waiver of security fees owed to the U.S. government for the first half of federal fiscal year 2003.

Airport Security. On November 19, 2001, the Aviation Transportation and Security Act (the "*Aviation Security Act*") was enacted into law. The Aviation Security Act, among other things, provided for the federalization of airport security within one year in response to the events of September 11, 2001 (with an "opt-out" provision that would permit the use of non-federal security screeners after three years) and created the TSA. On February 17, 2002, the federalization of airport security was initiated at 15 airports, including O'Hare. The Aviation Security Act 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. To finance these federal security services, the Aviation Security Act provides for payment by the airlines of approximately $700 million, estimated to be the cost of providing such services prior to September 11, 2001, and imposes a passenger fee of $2.50 for each flight segment, not to exceed $5.00 per one-way trip. As described above, the recent aid package for the air transportation industry waived certain of these security fees for the first half of federal fiscal year 2003.

In November, 2002, Congress enacted the Homeland Security Act of 2002 (the "*Homeland Security Act*") which, among other things, amended an Aviation Security Act requirement that all checked baggage be screened with explosive detection systems by December 31, 2002. The Homeland

Security Act gave the Undersecretary of Transportation for Security (the *"Undersecretary"*) the discretion to determine whether the TSA could meet the December 31, 2002, deadline for deployment of explosive detection systems at a particular airport. If the Undersecretary determined that the TSA could not meet the deployment deadline at a particular airport, such airport was allowed to continue to operate past the deadline, provided that the required explosive detection systems at such airport were obtained as soon as practicable, but not later than December 31, 2003, and the airport continued to screen all checked baggage in other approved manners. O'Hare was in compliance with the explosive detection system requirements of the Aviation Security Act and the Homeland Security Act by the December 31, 2002 deadline. See "CERTAIN INVESTMENT CONSIDERATIONS – Aviation Security Concerns."

Additional Information

The Airline Parties (including the corporate parents of United Airlines, American Airlines, and Northwest 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 http://www.sec.gov. Each Airline Party and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be inspected at the following location: 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. The foreign airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines.

CERTAIN INVESTMENT CONSIDERATIONS

Impact of Recent Events on the Air Transportation Industry

The September 11, 2001 terrorist attacks on the United States severely disrupted the North American air transportation system and continue to have a profound effect on the airline travel industry, including O'Hare. As a result of the events of September 11, 2001, the passenger airlines and cargo operators decreased their scheduled flights in the fourth quarter of 2001 and flights have remained at decreased levels since. These schedule reductions represent the airlines' effort to balance anticipated decreases in demand with scheduled capacity. In addition, many airlines, including United Airlines and American Airlines, retired older, less efficient aircraft and replaced larger aircraft with small regional jet aircraft on selected routes to and from O'Hare, resulting in an additional reduction in scheduled seat capacity.

Additional terrorist attacks, even if not made directly on the air transportation industry, or the fear of such attacks could further negatively impact the air transportation industry in general and O'Hare in particular, and that impact could be material. In addition, the general economic downturn, the SARS epidemic and recent hostilities in Iraq and elsewhere in the Middle East have had a negative impact on the air transportation industry. Other factors that could affect the financial condition of passenger airlines and decisions regarding route networks and operations and service at O'Hare include costs the airlines may incur in connection with increased security procedures, increased fuel costs, staffing and equipment and increased pressure on ticket pricing.

Financial Condition of Airlines Serving O'Hare

The airlines serving O'Hare have all been impacted by the recent events described above and have experienced an increase in costs, decrease in number of enplanements and a resulting decline in financial condition to varying degrees. 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 and American Airlines, could have a material adverse effect on operations at, and the financial condition of, O'Hare.

United Airlines. In 2002, United Airlines (including its regional affiliates) accounted for 49.2 percent of enplaned passengers at O'Hare. For additional information, see "OPERATIONS AT O'HARE – Airlines Providing Service at O'Hare."

Since September 11, 2001, UAL Corporation (*"UAL"*), the parent company of United Airlines, has faced significant financial and operational challenges, including a significant decline in revenues. For the fiscal year ended December 31, 2002, UAL reported a net loss of $3.2 billion, including special items, compared to a net loss of $2.1 billion, including special items, for the fiscal year ended December 31, 2001. Excluding special items, its loss for 2002 was $2.1 billion and its loss for 2001 was $1.8 billion. UAL reported a net loss of $1.3 billion, including special items, for the first quarter of 2003, compared to a net loss of $510 million, including special items, for the first quarter of 2002, as well as a net loss of $623 million, including special items, for the second quarter of 2003, compared to a net loss of $341 million, including special items, for the second quarter of 2002. On October 30, 2003, UAL reported a third quarter net loss of $367 million, including special charges, compared to a net loss of $889 million in the third quarter of 2002. UAL's third quarter operating profit was $19 million, net of special charges, compared to a third quarter operating loss of $646 million in the third quarter of 2002.

On December 9, 2002, UAL filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code, along with certain of its subsidiaries, including United Airlines. The Chapter 11 filing allows UAL and the relevant subsidiaries to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures. In connection with this bankruptcy filing, the bankruptcy court approved $1.5 billion in debtor-in-possession financing. In April, 2003, UAL secured bankruptcy court approval for $2.56 billion in labor concessions over the next six years. According to September, 2003 press reports, UAL is considering exiting bankruptcy as early as the first half of 2004. In September, 2003, the U.S. Bankruptcy Court extended UAL's exclusive right to file its reorganization plan until March 8, 2004.

According to a March 11, 2003 UAL press release, in 2003, UAL has taken steps toward restructuring its operations, including reducing 2003 capacity by 6.0 percent, reorganizing its executive team, closing certain reservation facilities and ticket offices and realigning divisions. UAL has identified $1.4 billion in annual non-labor cost savings and profit improvements. On November 20, 2003, UAL announced that it had met its debtor-in-possession financial covenants for the ninth month in a row. There is no assurance that UAL will continue to meet its debtor-in-possession financial covenants or, if UAL fails to meet such covenants, what the consequences of such failure would be.

Since the bankruptcy filing, United Airlines has maintained operations at O'Hare. There can be no assurance that a reorganization plan will be proposed by UAL or approved by the bankruptcy court. United Airlines has until the earlier of the expiration of UAL's exclusive period to file a plan of reorganization (currently, March 8, 2004, as such date may be extended from time to time) or the end of the U.S. Bankruptcy Court hearing on UAL's disclosure statement to assume or reject its executory contracts, including United Airlines' Airport Use Agreement. The City cannot predict whether United Airlines will assume or reject its Airport Use Agreement as part of the bankruptcy proceeding. See "–

Effect of Airline Bankruptcy" below. Furthermore, no assurance can be given that United Airlines will continue to operate at O'Hare. If United Airlines ceases operations at O'Hare, for any reason, the current level of activity of United Airlines at O'Hare may not be replaced by other airlines, and the cost to the other airlines of operating at O'Hare will increase significantly (thus increasing the total cost per enplaned passenger at O'Hare).

Additional information concerning UAL's bankruptcy proceedings can be obtained at http://www.pd-ual.com/index.html or from the bankruptcy court at http://www.ilnb.uscourts.gov.

UAL Special Facility Bonds

There is currently outstanding $601,275,000 aggregate principal amount of Special Facility Revenue Bonds which were issued by the City to finance or refinance certain capital projects at O'Hare for United Airlines (the *"United Special Facility Bonds"*). Since the bankruptcy filing, United Airlines has failed to pay debt service on the United Special Facility Bonds. UAL has asserted that the United Special Facility Bonds (as well as certain special facility revenue bonds relating to other airports) constitute unsecured pre-petition debt of United Airlines.

The Airport Use Agreement between the City and United Airlines contains a provision (the *"Provision"*) to the effect that United Airlines' continued rights to use and occupy its exclusive use premises (including passenger gates, hold rooms, ticket counters, baggage handling facilities and office space) at O'Hare shall be conditioned upon the performance and observance by United Airlines of its covenants and agreements in the special facility agreements related to the United Special Facility Bonds (*"United Special Facility Agreements"*). The United Special Facility Agreements require United Airlines to pay debt service on the United Special Facility Bonds. On September 18, 2003, UAL filed its Complaint of Debtor-Plaintiff for Declaratory Judgment in the U.S. Bankruptcy Court (the *"Complaint"*) seeking a declaration that United Airlines' Airport Use Agreement is independent from the United Special Facility Agreements and that the Provision is unenforceable. The City and the trustees under the trust agreements related to the United Special Facility Bonds were named as defendants. The City's response to the Complaint is currently due to be filed by December 8, 2003. Depending upon the outcome of such proceedings, any decision by the City as to whether or not and, if so, when, to seek to enforce the Provision would be made by the City in the best interests of O'Hare, considering the totality of the circumstances. The City is not able to predict the outcome of the proceedings relating to the Complaint. The City believes that the Provision is enforceable by the City. The City has no current intention to enforce the Provision or to interfere with United Airlines' use and occupancy of its exclusive use premises at O'Hare.

American Airlines. In 2002, American Airlines (including its regional affiliate, American Eagle, and TWA, now operating as American Airlines) accounted for 34.3 percent of enplaned passengers at O'Hare. For additional information, see "OPERATIONS AT O'HARE – Airlines Providing Service at O'Hare."

For the year ended December 31, 2002, AMR Corporation (*"AMR"*), the parent company of American Airlines, reported a net loss of $2.0 billion before special items and $3.5 billion after special items, compared to a net loss of $1.4 billion before special items and $1.8 billion after special items for the year ended December 31, 2001. In the first two quarters of 2003, AMR reported net losses of $1.04 billion and $75 million (which was net of a federal grant of $358 million, among other items), respectively, compared to net losses of $1.56 billion and $495 million for the same respective periods in 2002. On October 22, 2003, AMR reported net operating income of $165 million and net earnings of $1 million for the three months ending September 30, 2002 compared to a net loss in operating income of $1.32 billion and a net loss of $924 million in net earnings for the same period in 2002. AMR's results for the first three quarters of 2003 do not reflect a benefit for federal and state income taxes, while its results for the first three quarters of 2002 did reflect such a tax benefit.

In its annual report to the SEC for the year ended December 31, 2002, AMR reported that, even with the cost savings it has achieved (including those achieved in 2003), it may need to file for Chapter 11 bankruptcy protection. There can be no assurance that American Airlines would continue to operate at substantially the same level at O'Hare following a bankruptcy filing. Any reduction in American Airlines operations at O'Hare could have a material adverse impact on aviation activity and the cost to airlines of operating at O'Hare.

In an April 23, 2003, AMR press release, AMR reported that its financial losses were related to the struggling economy, hostilities in the Middle East, concerns regarding SARS, high fuel prices and low fare prices. AMR has reported that it is implementing a restructuring plan designed to achieve $4 billion in cost savings. American Airlines' cost-savings measures include a system-wide reduction in operations, job reductions, deferring delivery of new airplanes, placing aircraft in short-term storage until 2005 and reducing its capital expenditure plans. In addition, AMR reported that it has taken steps to reduce its operating costs and its long-term structural costs by de-peaking its O'Hare and Dallas/Ft. Worth hubs, simplifying its fleet and automating customer ticketing and check-in functions, among other programs, which have resulted in a permanent annual savings of $2 billion. In April, 2003, AMR's labor unions approved $1.8 billion in annual concessions as part of the $4 billion cost reduction plan. On July 1, 2003, AMR reported that it plans to continue implementation of its restructuring plan by reducing its fleet by 57 airplanes by the summer of 2004 and examining the performance of key routes, space it occupies at major airports and the structure of its mid-continent hubs, including O'Hare. On July 16, 2003, AMR announced that it would downsize its operations in St. Louis by reducing hub departures from the current level of 417 per day to 207 per day as of November 1, 2003. In connection with this reduction, AMR will replace non-stop flights from St. Louis to 26 markets with connecting flights via O'Hare and Dallas/Ft. Worth, which will strengthen these hubs, according to AMR.

Other Airlines. The other airlines serving O'Hare also have experienced financial and operational difficulties, beginning in early 2001. In addition to United Airlines, Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003. U.S. Airways and seven subsidiaries emerged from Chapter 11 bankruptcy protection on March 31, 2003, securing approximately $1.2 billion in new financing and investment. In addition to American Airlines, other airlines serving O'Hare are reportedly considering filing for bankruptcy protection. According to the Air Transport Association, as of March, 2003, airline debt exceeded $100 billion, while the air transportation industry's "total market capitalization" (share price multiplied by total number of shares outstanding) was $15 billion and continuing to decline.

Impact of Uncertainties of the Air Transportation Industry on O'Hare

The Chicago Region's demographic and economic characteristics comprise the underlying components of air transportation demand for passengers and commercial goods. These demand components are affected by individual airline decisions regarding air service, hubbing operations and aircraft fleet mix.

The financial strength of airlines serving O'Hare are also key determinants of future airline traffic. In addition, individual airline decisions regarding level of service, particularly hubbing activity, at O'Hare will affect total enplanements. American Airlines and United Airlines maintain substantial hubbing operations at O'Hare. If American Airlines or United Airlines were to discontinue or reduce its hubbing operations at O'Hare, its current level of connecting activity may not be replaced by other carriers. See APPENDIX E – "REPORT OF THE AIRPORT CONSULTANT – Section 5.12 – SENSITIVITY ANALYSIS."

There is no assurance that O'Hare, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. The continued presence of the airlines servicing O'Hare, and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic at O'Hare will be affected by, among other things, the financial situation of the airlines serving O'Hare, ongoing conflicts in the Middle East, terrorist activity or the threat of such activity, security and other costs, the growth or decline in the population and the economy of the O'Hare air trade area and by national and international economic conditions, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system. Accordingly, no assurance can be given as to the levels of aviation activity that will be achieved at O'Hare.

Effect of Airline Bankruptcy

As discussed above, United Airlines and Air Canada have filed for bankruptcy protection and American Airlines and other Airline Parties have indicated that they may file for bankruptcy protection in the future. The bankruptcy of an Airline Party with significant operations at O'Hare, such as United Airlines or American Airlines, could have a material adverse effect on operations, Revenues and the cost to the other airlines of operating at O'Hare.

Currently, all domestic gates and related facilities at O'Hare are exclusively leased by the City to the Airline Parties pursuant to the Airport Use Agreements, with the exception of one domestic gate that is operated on a common use basis. All international gates are operated on a common use basis. 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. However, 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. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF AIRPORT USE AGREEMENTS – General Commitment to Pay Airport Fees and Charges."

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

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of the threat of additional terrorist attacks, may influence passenger travel and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the selection of surface travel over air travel.

See “THE AIR TRANSPORTATION INDUSTRY – Recent Developments Affecting the Air Transportation Industry – *Airport Security*.”

Because of the implementation of the Congressional mandate, effective January 1, 2003, to screen all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under “Code Orange” (high) and “Code Red” (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory System, there is the potential for significantly increased inconvenience and delays at many airports, including O’Hare.

Costs of Capital Development Programs

The estimated costs of, and the projected schedule for, the projects included in the Capital Development Programs depend on various sources of funding, and are subject to a number of uncertainties. The ability of the City to complete the projects in these programs, including the projects financed with the proceeds of the Bonds, may be adversely affected by various factors including: estimating errors, design and engineering errors, changes to the scope of these projects, delays in contract awards, material and/or labor shortages, litigation, unforeseen site conditions, adverse weather conditions, contractor defaults, labor disputes, unanticipated levels of inflation and environmental issues, including environmental approvals that the City has not obtained at the time. There can be no assurance that the cost of construction of the projects included in the Capital Development Programs will not exceed the currently projected amounts or that the completion will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue additional Airport Obligations and may result in increased costs per enplaned passenger to the airlines serving O’Hare. See “CAPITAL DEVELOPMENT PROGRAMS.”

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporated numerous assumptions as to the utilization of O’Hare and other matters and stated that any projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary, and the variations may be material. See “THE AIRPORT CONSULTANT” and APPENDIX E – “REPORT OF THE AIRPORT CONSULTANT.”

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.

Limitations on Bondholders’ Remedies

There is no provision for the acceleration of the maturity of the Bonds if any default occurs in the payment of the principal of or interest on the Bonds or in the performance of any other obligation of the City under the Third Lien Indenture or if interest on the Bonds becomes includible in the gross income of the Owners for federal income tax purposes.

LITIGATION

Except for those matters described below, there is no litigation pending or threatened against the City relating to O'Hare 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.

Philip, et al. v. Ryan, et al., No. 2002 MR 528, Circuit Court of DuPage County. On June 12, 2002, the plaintiffs filed a four-count amended complaint against then-Governor George Ryan, the Mayor of the City, Richard M. Daley (the *"Mayor"*) and the City. Count IV of that complaint alleged that the City's acquisition of land that would subsequently be used as a part of a plan to expand the runways at O'Hare violated Section 47 of the Illinois Aeronautics Act because the expansion plan had not yet been approved by IDOT. In an order of July 9, 2002, and in a modified order of July 17, 2002, the circuit court entered a preliminary injunction prohibiting the City from acquiring land in Bensenville and Elk Grove Village, Illinois, for O'Hare expansion without first obtaining a certificate of approval from IDOT. On interlocutory appeal, the Second District Appellate Court upheld the preliminary injunction in a judgment issued on June 2, 2003.

On August 6, 2003, the City filed a motion for supervisory order with the Illinois Supreme Court on the grounds that the O'Hare Modernization Act (signed into law on August 6, 2003) rendered the Section 47 claim of the complaint moot, requiring that the appellate court's judgment be vacated and that the case be remanded to the circuit court with directions to dismiss count III of the plaintiffs' second amended complaint. On September 9, 2003, the Supreme Court granted the City's motion for supervisory order, and ordered the appellate court to vacate its June 2, 2003 decision, and ordered the trial court to vacate the preliminary injunction and dismiss the entire complaint, without prejudice, as moot. On September 17, 2003, the Second District Appellate Court vacated its decision. On October 14, 2003, the Circuit Court of DuPage County vacated its preliminary injunction and dismissed the entire complaint without prejudice as moot.

Forest Preserve District of DuPage County v. City of Chicago, complaint in intervention in Philip v. Ryan, No. 02 MR 528. On July 3, 2002, the Forest Preserve District of DuPage County also moved to intervene as a plaintiff in the *Philip v. Ryan* case, primarily on the basis of the Downstate Forest Preserve District Act, 70 ILCS 805/0.001, which it claims prohibits its land from being acquired through eminent domain. On August 14, 2002, the judge granted the Forest Preserve District's petition to intervene, and subsequently denied the City's motion to dismiss the complaint in intervention. On August 27, 2003, the case was voluntarily dismissed by the Forest Preserve District following the signing of the O'Hare Modernization Act on August 6, 2003.

People of the State of Illinois ex rel. Joseph E. Birkett, et al. v. City of Chicago, No. 95 CH 748, Circuit Court of DuPage County. In a 1995 complaint, the plaintiffs (including DuPage County State's Attorney Joseph Birkett, the Village of Bensenville, the City of Elmhurst, the City of Wood Dale, State Senator James Philip, and U.S. Congressman Henry Hyde) sought to enjoin terminal and ground transportation improvements undertaken by the City at O'Hare. Those improvements would include, but were not limited to, the World Gateway Program (which is not actually mentioned in the complaint). The plaintiffs contended that these improvements were unlawful under Section 47 of the Illinois Aeronautics Act because they had not received a "certificate of approval" from IDOT.

> *Circuit Court Decision*: On September 26, 2000, the Circuit Court of DuPage County granted summary judgment in favor of the City, upholding IDOT's regulation and administrative

practice of requiring IDOT approval only prior to the time that an airport proprietor undertakes improvements that affect flight paths of airplanes--such as runway modifications -- not terminal and ground transportation improvements that do not affect flight paths. In reaching its decision, the Circuit Court found that Section 47 of the Illinois Aeronautics Act was ambiguous, and that deference should be given to IDOT's interpretation.

Appellate Court Decision: On April 19, 2002, the Second District Appellate Court upheld the portion of the Circuit Court's decision relating to the ambiguity of Section 47 and the need to defer to IDOT's interpretation of the statute, but reversed the grant of summary judgment in favor of the City by holding that improvements to airport terminal and ground transportation facilities could not be undertaken under the Illinois Aeronautics Act if they are a part of a plan that also envisions additional runways not yet approved by IDOT. The Appellate Court also held that the requirement in the Illinois Aeronautics Act that additional runways be approved by IDOT was not preempted by federal law.

Illinois Supreme Court Decision: The City requested, and was granted, leave to file an expedited appeal to the Illinois Supreme Court. For purposes of the appeal, the City conceded that all the terminal and ground transportation improvements at issue were part of a larger airport improvement plan which included new runways. On October 18, 2002, the Supreme Court reversed the Appellate Court and ruled in favor of the City, holding that Section 47 of the Illinois Aeronautics Act is ambiguous, and that IDOT's interpretation was reasonable and should receive deference. Thus, the Supreme Court ruled that no certificate of approval was required under Section 47 for the terminal and ground transportation improvements at issue in *Birkett*, even if they were part of a larger airport improvement plan that included new runways. Because it decided the case on the basis that a certificate of approval was not required under Section 47, the Supreme Court did not address the federal preemption issue.

City of Chicago v. Village of Elk Grove, No. 02 CH 13498, Circuit Court of Cook County. On July 24, 2002, the City filed a complaint for declaratory judgment requesting a declaration that Elk Grove Village's recently enacted "disconnection fee" was invalid. The "disconnection fee" equals \$401,960 per acre of industrial/commercial property and \$135,360 per acre for residential property removed from the property tax rolls of the Village. In its complaint, the City asserted that the fee was (1) an unconstitutional exercise of the Village's home rule powers; (2) an impermissible attempt to interfere with the City's right to eminent domain; (3) an impermissible attempt to regulate de-annexation; and (4) constituted a violation of other provisions of State law. On April 16, 2003, the Circuit Court granted the City's motion for judgment on the pleadings, holding that because disconnection is a matter of statewide concern, Elk Grove Village had exceeded its home rule powers in enacting the ordinance. The Circuit Court therefore ruled that the Elk Grove Village disconnection fee ordinance was invalid, unenforceable and unconstitutional. Elk Grove Village is appealing the trial court's decision.

St. John's United Church of Christ, et al. v. City of Chicago, No. 02 MR 1175, Circuit Court of DuPage County. On November 21, 2002, St. John's United Church of Christ, which owns a cemetery located on the southwest O'Hare airfield, in the City, but in DuPage County, filed a suit against the City alleging that the City was attempting to acquire the cemetery in violation of 65 ILCS 5/11-51-1, the Illinois Religious Freedom Restoration Act, and Section 47 of the Illinois Aeronautics Act. The case was dismissed on August 13, 2003 without prejudice as moot, on the plaintiffs' motion.

Rest Haven Cemetery Association, et al. v. City of Chicago, No. 2003 MR 16, Circuit Court of DuPage County. On January 7, 2003, the Rest Haven Cemetery Association, which owns a cemetery located on the southwest O'Hare airfield, in the City, but in DuPage County, filed a lawsuit against the City. The Rest Haven lawsuit alleges basically the same causes of action as had St. John's United Church of Christ in its earlier-filed complaint, but adds counts alleging that the City is violating the Archeological and Paleontological Resources Protection Act, 20 ILCS 3435/.01, and the Human Skeletal Remains Protection Act, 20 ILCS 3440/1. This lawsuit has been consolidated with the *St. John's* lawsuit in DuPage County Circuit Court, described above. The case was dismissed on August 13, 2003 without prejudice as moot, at the request of the plaintiffs.

Roman Catholic Diocese of Joliet v. City of Chicago, No. 97 L 01042, Circuit Court of DuPage County. The complaint for damages in this action was filed on September 25, 1997 by the Roman Catholic Diocese of Joliet, which owns the Immaculate Conception high school and elementary school located in Elmhurst, Illinois. The three-count complaint alleged that the schools have suffered a nuisance, taking and damaging of property in violation of the Illinois constitution due to noise interference created by aircraft arrivals and departures at O'Hare. The count of the complaint that sought damages for alleged nuisance due to aircraft noise was dismissed by the DuPage County Circuit Court on October 14, 1998 on the basis of the Illinois Tort Immunity Act. The other two counts of the Diocese's complaint, alleging a taking and a damaging of the Immaculate Conception property due to noise interference, survived. On October 10, 2001, the Second District Court of Appeals affirmed the Circuit Court's decision dismissing the nuisance count, but modified the Circuit Court's decision by holding that a nuisance claim could survive under the Illinois Tort Immunity Act if the plaintiff sought injunctive relief rather than damages. On May 8, 2002, the Diocese filed an amended complaint, in which it sought to modify its nuisance count to obtain injunctive relief. The City's motion to dismiss the nuisance count of the amended complaint was denied on August 14, 2002. The parties are currently engaged in discovery disputes relating to the Diocese's response to the City's cross-motion for summary judgment, which was filed on March 26, 1999. On July 30, 2003, the Court denied the City's motion to dismiss the takings count of the complaint and granted the City's motion to dismiss the damaging count of the complaint, and the court granted the plaintiff leave to file an amended damaging count. The City filed a motion to dismiss the amended damaging count on September 10, 2003, which motion is currently being briefed by the parties.

St. John's United Church of Christ, et al. v. Federal Aviation Administration, No. 03-1069, U. S. Circuit Court of Appeals for the District of Columbia. On March 10, 2003, St. John's United Church of Christ filed a petition with the U. S. Circuit Court of Appeals for the District of Columbia challenging the FAA's approval of the City's application to impose and use PFC Revenues to fund a runway formulation project in connection with the O'Hare Modernization Program. The FAA's approval was limited to "only that work involved in the completion of all technical, physical, and operation planning, as well as environmental processing, leading to the completion of an Environmental Impact Statement for the entire airfield and other major components of the O'Hare Modernization Program." The FAA specifically noted that "this approval does not include any construction or land acquisition costs nor does it include any design work beyond what the FAA agrees is necessary to complete the EIS process." In their petition, the plaintiffs requested that the FAA's approval be vacated.

This petition was consolidated with the petition described below that was filed by Bensenville, Elk Grove and Park Ridge. The City was allowed to intervene in the proceeding, and on April 25, 2003 filed a motion to dismiss plaintiffs' petition under the ripeness doctrine. The court dismissed the St. John's portion of the case on August 5, 2003 because the claims were not ripe for review, since the harm they alleged was not an imminent and certain injury caused by the FAA's approval of the PFCs in question.

Village of Bensenville, Village of Elk Grove, and City of Park Ridge v. Federal Aviation Administration, No. 03-1068, U. S. Circuit Court of Appeals for the District of Columbia. On March 10, 2003, the Village of Bensenville, the Village of Elk Grove and the City of Park Ridge filed a petition with the U. S. Circuit Court of Appeals for the District of Columbia challenging the FAA's approval of the City's application to impose and use PFC Revenues to fund a runway formulation project in connection with the O'Hare Modernization Program. This petition was consolidated with the petition filed by St. John's United Church of Christ, described above. On April 25, 2003, the City filed a motion to dismiss plaintiffs' petition under the ripeness doctrine. While, as noted above, the St. John's portion of the case was dismissed, the City's motion to dismiss the Village of Bensenville, etc. portion of the case was not granted by the Court. However, the matter has been referred to the merits panel and the parties have been directed to address in their briefs the issues presented in the motion to dismiss.

St. John's United Church of Christ, et al. v. City of Chicago, et al., No. 03-C-3726, U. S. District Court for the Northern District of Illinois. On May 30, 2003, St. John's United Church of Christ, Rest Haven Cemetery Association, some individuals with family members buried in these cemeteries, the Village of Elk Grove and the Village of Bensenville and one of its residents filed this 21-count complaint for preliminary and permanent injunction against the City, the Mayor, the FAA and its Administrator, Marion Blakey, the State of Illinois and Governor Rod Blagojevich. The complaint alleges violations of the National Environmental Policy Act, the National Historic Preservation Act, Section 4(f) of the Department of Transportation Act, the Free Exercise Clause of the First Amendment, the Religious Land Use and Institutionalized Persons Act, and the federal Religious Freedom Restoration Act, and also contains a due process/equal protection claim. The relief requested seeks to prevent the acquisition of land for the O'Hare Modernization Program, and generally challenges the modernization and expansion of O'Hare. The City has filed motions to dismiss the case. After an earlier round of briefing on the motions to dismiss was thrown out by the judge, the City's new memoranda in support of its motions to dismiss was filed on October 15, 2003; the plaintiffs' responses were filed on November 5, 2003. There will be no subsequent reply brief. In the litigation, the City has agreed not to acquire property in Elk Grove Village or Bensenville, or acquire St. Johannes or Rest Haven cemeteries until the FAA issues a Record of Decision with respect to the O'Hare Modernization Program.

Nguyen v. Cleveland-Hopkins International Airport, et al., No. 1:00CV0208, U.S. District Court for the Northern District of Ohio. The City has learned that the City's Airports have been named defendants in this complaint, which is styled as a qui tam action, seeking to recover an unspecified amount of fines "on behalf of the United States of America." The first amended complaint raises four claims against approximately 50 airports including the City's Airports (collectively, the *"Airports"*). All of the claims relate to the Airports' use of propylene glycol and ethylene glycol for deicer and allege that: (i) the Airports violated the Clean Air Act by failing to obtain a Title V permit for deicer usage, (ii) the Airports violated the Comprehensive Environmental Response, Compensation, and Liability Act by failing to report "releases" of ethylene glycol that exceed 5000 pounds per day, (iii) the Airports failed to file reports under the Emergency Planning and Community Right to Know Act and (iv) the Airports violated the False Claims Act by signing false certifications about environmental compliance. On July 24, 2003, the court ruled that it lacks personal jurisdiction over all of the defendants except the City of Cleveland, the Cuyahoga Port Authority and the Toledo-Lucas Port Authority and dismissed without prejudice all other defendants, including the City. The City is unable to predict what action the plaintiff may take in response to this ruling.

United Air Lines, Inc. v. U.S. Bank Trust National Association, as Trustee, et al., *Adversary Proceeding No. 03 A 00640 (In Re: UAL Corporation, et al., Case No. 02 B 48191) U.S. Bankruptcy Court for the Northern District of Illinois.* See "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of Airlines Serving O'Hare – *UAL Special Facility Bonds*" for a discussion of this case.

In addition to the cases described above, 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 or the collection of Revenues by the City. See "SECURITY FOR THE BONDS – Description of Revenues."

TAX EXEMPTION

Summary of Co-Bond Counsel Opinion. Katten Muchin Zavis Rosenman and Burke Burns & Pinelli, Ltd., Co-Bond Counsel, are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the *"Code"*), Co-Bond Counsel 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, (i) interest on the Series 2003E Bonds and the Series 2003F Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but must be taken into account as earnings and profits of a corporation when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax, and (ii) interest on the Series 2003D 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. Co-Bond Counsel 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 with the proceeds of the Bonds or a "related person" (each as defined in Section 147(a) of the Code). Interest on the Bonds is not exempt from Illinois income taxes.

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

(a) *Investment Restrictions*. Except during certain "temporary periods," proceeds of the 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 Bonds.

(b) *Rebate of Permissible Arbitrage Earnings*. Earnings from the investment of the "gross proceeds" of the 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 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 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the 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 Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the Bonds.

Covenants to Comply. The City covenants in the Third Lien 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 Bonds.

Risk of Non-Compliance. In the event that the City fails to comply with the requirements of the Code, interest on the 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 Third Lien Indenture does not require acceleration of payment of principal of or interest on the Bonds or payment of any additional interest or penalties to the owners of the Bonds.

Federal Income Tax Consequences. Pursuant to Section 103 of the Code, interest on the 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 Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.

(a) *Cost of Carry*. Owners of the 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 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 Bonds.

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

(c) *Individual Owners*. Receipt of interest on the 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 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 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 Bonds held by such a company is properly allocable to the shareholder.

Bonds Purchased at a Premium or at a Discount. The difference (if any) between the initial price at which a substantial amount of each maturity of the Bonds is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Bond, the difference between the two is known as "*bond premium*;" if the Offering Price is lower than the maturity value of a 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 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 subtracted from the owner's tax basis in the 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 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 Bond. A 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 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Bond).

Owners who purchase 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 Bonds. In addition, owners of Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the 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 Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

CERTAIN LEGAL MATTERS

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

Certain legal matters will be passed upon for the City by its Corporation Counsel and by Foley & Lardner, Chicago, Illinois, Special Counsel to the City, and for the Underwriters by their co-counsel, Gardner Carton & Douglas LLP, Chicago, Illinois, and Burris, Wright, Slaughter & Tom, LLC, Chicago, Illinois.

UNDERWRITING

A group of underwriters, represented by Citigroup Global Markets, Inc. (*"Citigroup"*), has agreed, jointly and severally, to purchase the Bonds subject to certain conditions set forth in the Bond Purchase Agreement with the City. The Bond Purchase Agreement provides that the obligations of the Underwriters to accept delivery of the Bonds are subject to various conditions of the Bond Purchase Agreement, but the Underwriters will be obligated to purchase all the Bonds if any Bonds are purchased. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of $149,167,555.97 (reflecting an underwriters' discount of $1,035,758.38 and net original issue premium of $873,314.35).

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the respective Underwriters after the Bonds are released for sale. The Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Bonds into investment accounts.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the SEC under the Exchange Act. 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 Bonds, the 2003-2 Third Lien Bond Ordinance or the Third Lien Indenture and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "– Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, 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 each Nationally Recognized Municipal Securities Information Repository (a *"NRMSIR"*) then recognized by the SEC for purposes of the Rule and to any public or private repository designated by the State of Illinois as the state depository (the *"SID"*) and recognized as such by the SEC for purposes of the Rule. The City is required to deliver such information so that such entities receive the information by the dates specified in the Undertaking.

United Airlines and American Airlines are at present the only Obligated Persons (as defined below) other than the City. United Airlines and American Airlines are each required to file SEC Reports with the SEC under the Exchange Act as more fully described under the caption "THE AIR TRANSPORTATION INDUSTRY – Additional Information." The City has no responsibility for the accuracy or completeness of any SEC Report filed by United Airlines or American Airlines or by any future Obligated Person. Unless no longer required by the Rule, the City agrees to use its reasonable efforts to cause each Obligated Person other than the City (to the extent that such Obligated Person is not otherwise required to file SEC Reports under the Exchange Act), to file annual information substantially equivalent to that contained in the SEC Reports with each NRMSIR and any SID.

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

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

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

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

Events Notification; Material Events Disclosure

The City covenants that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the *"MSRB"*) and to the SID, if any, in a timely manner the disclosure of the occurrence of an Event (as described below) that is material, as materiality is interpreted under the Exchange Act. The *"Events,"* certain of which may not be applicable to the Bonds, are:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
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 or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasance;
10. release, substitution or sale of property securing repayment of the securities; and
11. rating changes.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

The City is in compliance with undertakings previously entered into by it pursuant to the Rule. In the event of a failure of the City to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Cook County, Illinois. A default under the Undertaking shall not be deemed a default under the Bonds, the 2003-2 Third Lien Bond Ordinance or the Third Lien Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

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

(a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or type of business conducted;

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

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

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

Termination of Undertaking

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

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.

AIRPORT CONSULTANT

The information relating to O'Hare contained in this Official Statement under the captions "THE AIR TRANSPORTATION INDUSTRY" and "CERTAIN INVESTMENT CONSIDERATIONS" was prepared on the basis of information presented by the Airport Consultant. In addition, the Airport

Consultant prepared the information under the caption "REPORT OF THE AIRPORT CONSULTANT." In addition, the Airport Consultant prepared the "REPORT OF THE AIRPORT CONSULTANT" contained in APPENDIX E to this Official Statement in connection with the sale of the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds as described under the caption "REPORT OF THE AIRPORT CONSULTANT." The information contained under said caption and in the Report of the Airport Consultant contain projections of future activity at O'Hare and are included herein in reliance on the authority of the Airport Consultant as experts in the aviation industry. These projections were based in part on historical data from sources considered by the Airport Consultant to be reliable, but the accuracy of these data has not been independently verified. Such projections were 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 any projection 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 projections, and such variations could be material.

FINANCIAL ADVISORS

The City has engaged Fullerton & Friar, Inc. and D+G Consulting Group, LLC, as Financial Advisors (the "*Financial Advisors*") in connection with the authorization, issuance and sale of the Bonds. Under the terms of their engagements, the 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.

FINANCIAL STATEMENTS

The audited financial statements of O'Hare included as APPENDIX D to this Official Statement have been audited by Deloitte & Touche LLP, independent certified public accountants, to the extent and for the periods included in their report on those statements.

RATINGS

Moody's has assigned the Bonds an underlying rating of "A2" and is expected to assign the Bonds a rating of "Aaa," S&P has assigned the Bonds an underlying rating of "A-" and is expected to assign the Bonds a rating of "AAA" and Fitch has assigned the Bonds an underlying rating of "A" and is expected to assign the Bonds a rating of "AAA." For each rating agency, the underlying rating described above refers to the rating of the Bonds without bond insurance or other credit enhancement and the second rating is the rating that will be assigned to the Bonds contingent upon the expected issuance of each Bond Insurance Policy by the Insurer. A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. The City has furnished to the rating agencies certain information and materials relating to the Bonds and 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 either such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

The summaries or descriptions in this Official Statement of provisions in the Third Lien 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.

The information contained herein regarding the Insurer and the Bond Insurance Policies was provided by the Insurer and has not been verified by the City or the Underwriters.

AUTHORIZATION

The City has authorized the distribution of this Official Statement.

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

CITY OF CHICAGO

By: /s/ Tariq Malhance
City Comptroller

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APPENDIX A

GLOSSARY OF TERMS

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APPENDIX A

GLOSSARY OF TERMS

The following are definitions of certain terms used in the Third Lien Indenture, the Airport Use Agreements and 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 Third Lien Indenture and the Airport Use Agreements are qualified in their entirety by the definitions set forth in the Third Lien Indenture and/or the Airport Use Agreements, as the case may be. Copies of the Third Lien Indenture and the Airport Use Agreements are available for review prior to the issuance and delivery of the Bonds at the offices of the City and thereafter at the offices of the Trustee.

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

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

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

"*Airline Party*" means, as defined in the Airport Use Agreements, at any time, each person actively engaged in the air transportation business (as described in the Airport Use Agreements) at O'Hare who then has an Airport Use Agreement in effect with the City.

"*Airport*" 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 the Airport, are not deemed to be part of the Airport.

"*Airport Development Fund Deposit Requirement*" means for any Fiscal Year any amount required to be deposited in the Airport Development Fund from any source in such Fiscal Year under the Airport Use Agreements.

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

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

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

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

"*Annual Third Lien Debt Service*" means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, and Third Lien Bonds of a particular series or consisting of a particular Third Lien Section 208 Obligation or Qualified Third Lien Swap Agreement, an amount of money equal to the sum of (a) all interest payable during that Bond Year or other specified 12-month period on all Third Lien Obligations of the series or Third Lien Section 208 Obligation Outstanding on the date of computation, (b) all Principal Installments payable during that Bond Year or other specified 12-month period with respect to all Third Lien Obligations of the series or Third Lien Section 208 Obligation Outstanding on the date of computation, and (c) amounts due and payable during that Bond Year or other specified 12-month period on all Qualified Third Lien Swap Agreements. Amounts determined pursuant to clause (a) and (b) above must be calculated on the assumption that Third Lien Obligations will, after the date of computation, cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Third Lien Indenture and the Supplemental Indenture creating that Series or the instrument creating that Third Lien Section 208 Obligation of Principal Installments payable at or after the date of computation.

"*Authorized Officer*" means (a) the Mayor, the Chief Financial Officer, the City Treasurer, the Commissioner, the City Comptroller or any other official of the City so designated by a Certificate signed by the Mayor and filed with the Trustee for so long as 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.

"Balloon Maturities" means, with respect to any Series of Third Lien Obligations 50 percent or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Third Lien Obligations scheduled to be amortized by prepayment or redemption prior to their stated maturity date. Commercial paper, bond anticipation notes or variable rate demand obligations shall not be Balloon Maturities.

"*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 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.

"Capitalized Interest" means any amount included in the proceeds of any series of Airport Obligations for the payment of interest on any Airport Obligations.

"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, or in the exercise of reasonable care should have known, 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 Master Indenture or any Supplemental Indenture, but different persons, counsel or accountants may certify to different facts, respectively. Every Certificate or opinion of counsel, accountants, engineers or other persons provided for in the Master Indenture or any Supplemental Indenture must include:

(a) a statement that the person making that Certificate or opinion or representation has read the pertinent provision of the Master Indenture or the Supplemental Indenture to which that statement, Certificate, opinion or representation relates;

(b) a brief statement as to nature and scope of the examination or investigation upon which the statements, opinions or representations are based;

(c) a statement that, in the opinion of that person, that person has made such examination or investigation as is necessary to enable that person to express an informed opinion with respect to the subject matter referred to in the instrument to which that person's signature is affixed; and

(d) with respect to any statement relating to compliance with any provision of the Master Indenture or any Supplemental Indenture, a statement whether or not, in the opinion of that person, that provision has been complied with.

"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 Third Lien Obligations, as applicable to obligations issued on the date of issuance of that Series.

"*Commissioner*" means the Commissioner of Aviation of the City or any designee of the Commissioner, or any successor or successors to the duties of any such official.

"*Completion Bonds*" means any Third Lien Obligations issued in accordance with the Third Lien Indenture for the purpose of defraying additional costs of one or more Airport Projects financed by Airport Obligations.

"*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 Third Lien Obligations, including, but not limited to, travel and other expenses of any officer or employee of the City in connection with the authorization, offering, sale, issuance and delivery of the Third Lien Obligations, 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 Airport Consultant and any Independent Accountant, fees and disbursements of other consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Third Lien Obligations, application fees and premiums on municipal bond insurance and credit facility charges and costs and expenses relating to the refunding of First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other obligations issued to finance or refinance one or more Airport Projects.

"*Counsel's Opinion*" means a written opinion of Corporation Counsel for the City or other counsel selected by the City. Any Counsel's Opinion may be based, insofar as it relates to factual matters (information with respect to which is in the possession of the City) upon a Certificate or opinion of, or representation by, an officer of the City, unless the counsel knows, or in the exercise of reasonable care should have known, that the Certificate, opinion or representation with respect to the matters upon which the counsel's opinion may be based, as aforesaid, is erroneous.

"*CP Indenture*" means any trust indenture entered into between the City and a bank or trust company that authorizes and secures CP Notes.

"*CP Notes*" means Commercial Paper Notes of any series to finance or refinance Airport Projects.

"*Emergency Reserve Fund Deposit Requirement*" means for any Fiscal Year any amount required to be deposited in the Emergency Reserve Fund in such Fiscal Year under the Airport Use Agreements.

"*Event of Default*" means an Event of Default as described in Appendix B.

"*Existing Third Lien Bonds*" means, collectively, the Series 2002A Bonds, the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds .

"*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 or any Paying Agent or any or all of them, as may be appropriate.

"*Fifth Supplemental Indenture*" means the Fifth Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003D, dated as of November 1, 2003, from the City to the Trustee providing for the issuance of the Series 2003D Bonds.

"*First Lien Bonds*" means any of the Bonds of the City authenticated and delivered pursuant to the General Airport Revenue Bond Ordinance.

"*First Lien Debt Service Fund*" means the Debt Service Fund created by the General Airport Revenue Bond Ordinance.

"*First Lien Debt Service Reserve Fund*" means the Debt Service Reserve Fund created by the General Airport Revenue Bond Ordinance.

"*First Lien Trustee*" means BNY Midwest Trust Company (as successor to Harris Trust and Savings Bank), Chicago, Illinois, as trustee under the General Airport Revenue Bond Ordinance, or its successor as the trustee later appointed in the manner provided in the General Airport Revenue Bond Ordinance.

"*First Supplemental Indenture*" means the First Supplemental Indenture Securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2002A, dated as of March 1, 2002, from the City to the Trustee providing for the issuance of the Series 2002A Bonds.

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

"*Fourth Supplemental Indenture*" means the Fourth Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003C, dated as of August 1, 2003, from the City to the Trustee providing for the issuance of the Series 2003C Bonds.

"*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 the Airport.

"*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 the Airport.

"*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.

"*Interest Payment Date*" means any Payment Date on which interest on any Third Lien Obligation is payable.

"*Junior Lien Obligations*" means any bonds, notes or evidences of indebtedness secured by Revenues, including the Second Lien Obligations and the Third Lien Obligations, other than First Lien Bonds, issued by the City as permitted by the General Airport Revenue Bond Ordinance or comparable resolution, ordinance, indenture or trust agreement adopted or entered into pursuant to the Master Indenture.

"*Junior Lien Obligation Debt Service Fund*" means the Junior Lien Obligation Debt Service Fund created by the General Airport Revenue Bond Ordinance or comparable fund established pursuant to a resolution, ordinance, indenture or trust agreement adopted or entered into pursuant to the Master Indenture.

"*Junior Lien Revenues*" means all sums, amounts, funds or moneys which may be withdrawn from the Junior Lien Obligation Debt Service Fund for the payment of Junior Lien Obligations pursuant to the provisions of the General Airport Revenue Bond Ordinance or comparable resolution, ordinance, indenture or trust agreement adopted or entered into pursuant to the Master Indenture.

"*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.

"*Master Indenture*" means the Master Indenture of Trust Securing Chicago O'Hare International Airport Third Lien Obligations, dated as of March 1, 2002, from the City to the Trustee, as supplemented and amended from time to time to provide for the issuance of Third Lien Obligations, including the Existing Third Lien Bonds and the Bonds.

"*Operation and Maintenance Expenses*" means:

(a) "Operation and Maintenance Expenses" as defined in the General Airport Revenue Bond Ordinance at any time First Lien Bonds are outstanding under the General Airport Revenue Bond Ordinance;

(b) "Operation and Maintenance Expenses" as defined in the Second Lien Master Indenture at any time Second Lien Obligations are outstanding under the Second Lien Master Indenture, but First Lien Bonds are not outstanding under the General Airport Revenue Bond Ordinance; and

(c) if neither clause (a) or clause (b) applies, "Operation and Maintenance Expenses" means, for any Fiscal Year, the costs incurred by the City in operating and maintaining the Airport (excluding the Land Support Area) during that Fiscal Year, either directly or indirectly, including, without limitation (but exclusive of those expenses as may be capitalized in connection with an Airport Project):

(i) costs and expenses incurred by the City for employees of the City employed at the Airport, or doing work involving the Airport, including, but not limited to, direct salaries and wages (including overtime pay), together with payments or costs incurred for associated payroll expenses, such as union contributions, cash payments to pension funds, retirement funds or unemployment compensation funds, life, health, accident and unemployment insurance premiums, deposits for self-insurance, vacations and holiday pay, and other fringe benefits;

(ii) costs of materials, supplies, machinery and equipment and other similar expenses;

(iii) costs of maintenance, landscaping, decorating, repairs, renewals and alterations not reimbursed by insurance;

(iv) costs of water, electricity, natural gas, telephone service and all other utilities and services whether furnished by the City or purchased by the City and furnished by independent contractors at or for the Airport;

(v) costs of rentals of real property;

(vi) costs of rentals of equipment or other personal property;

(vii) costs of premiums for insurance, including property damage, public liability, burglary, bonds of employees, workers' compensation, disability, automobile, and all other insurance covering the Airport or its operations;

(viii) the amount of any judgment or settlement arising as a result of the City's ownership, operation and maintenance of the Airport payable by the City during that Fiscal Year, including, without limitation, the amount of any judgment or settlement arising as a result of claims, actions, proceedings or suits alleging a taking of property or interests in property without just compensation, trespass, nuisance, property damage, personal injury or similar claims, actions, proceedings or suits based upon the environmental impacts, including, without limitation, those resulting from the use of the Airport for the landing and taking off of aircraft;

(ix) costs incurred in collecting and attempting to collect any sums due the City in connection with the operation of the Airport;

(x) costs of advertising at or for the Airport;

(xi) compensation paid or credited to persons or firms appointed or engaged, from time to time, to render advice and perform architectural, engineering, construction management, financial, legal, accounting, testing, consulting or other professional services in connection with the Airport;

(xii) any other cost incurred or allocated to the Airport necessary to comply with any valid rule, regulation, policy or order of any federal, state or local government, agency or court; and

(xiii) all other direct and indirect expenses, whether similar or dissimilar, which arise out of the City's ownership, operation or maintenance of the Airport, including any taxes payable by the City which may be lawfully imposed upon the Airport.

"*Operation and Maintenance Expense Projection*" means for any Fiscal Year the estimate of Operation and Maintenance Expenses (excluding Operation and Maintenance Expenses of the Land Support Area and required deposits into the Operation and Maintenance Reserve Fund and Maintenance Reserve Fund) for such Fiscal Year prepared pursuant to the Airport Use Agreements.

"*Operation and Maintenance Reserve Fund Deposit Requirement*" means for any Fiscal Year the amount, if any, required to increase the balance in the Operation and Maintenance Reserve Fund (including amounts receivable from the Operation and Maintenance Fund) to an amount equal to one-fourth of such Fiscal Year's Operation and Maintenance Expense Projection as adjusted pursuant to the Airport Use Agreements.

"*Other Available Moneys*" means for any Fiscal Year the amount of money determined by the Chief Financial Officer to be transferred by the City for that Fiscal Year from sources other than Revenues to the Revenue Fund.

"*Outstanding*, " when used with reference to the Third Lien Obligations, means, as of any date, all Third Lien Obligations before or on that date being issued under the Master Indenture or incurred pursuant to the Master Indenture except:

(a) Third Lien Obligations cancelled by the Trustee or the Owner of a Third Lien Section 208 Obligation, as the case may be, at or before that date or delivered before that date to the Trustee or to the City, as the case may be, for cancellation;

(b) Third Lien Obligations (or portions of Third Lien Obligations) for the payment or redemption of which there are held in trust and set aside for such payment or redemption (whether at, before or after the maturity or redemption date) moneys or Federal 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 their principal or Redemption Price, as the case may be, with interest to the date of maturity or redemption date, and, if those Third Lien Obligations are to be redeemed, for which notice of the redemption has been given as provided in the related Supplemental Indenture or provisions satisfactory to the Trustee have been made for giving the notice;

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

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

"*Owner*" means the registered owner of any Bond constituting a part of a Series of Third Lien Obligations.

"*Paying Agent*" means any bank or trust company designated as a paying agent for a Series and its successor or successors later appointed in the manner provided in the Master Indenture.

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

"Principal Installment" means,

(a) as of any particular date of computation and with respect to First Lien Bonds of a particular series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding (as defined in the General Airport Revenue Bond Ordinance) First Lien Bonds of that series which mature on a single future date, reduced by the aggregate principal amount of the Outstanding First Lien Bonds of that series which would at or before that future date be retired by reason of the payment when due and application in accordance with the General Airport Revenue Bond Ordinance of Sinking Fund Payments payable at or before that future date for the retirement of the Outstanding First Lien Bonds of that series, plus (ii) the amount of any Sinking Fund Payments payable on that future date for the retirement of any Outstanding First Lien Bonds of that series, and that future date is, for all purposes of the Master Indenture, deemed to be the date when that Principal Installment is payable and the date of that Principal Installment;

(b) as of any particular date of computation and with respect to Second Lien Obligations of a particular series or consisting of a particular Second Lien Section 208 Obligation, an amount of money equal to the aggregate of (i) the principal amount of Outstanding (as defined in the Second Lien Indenture) Second Lien Obligations of that series or Second Lien Section 208 Obligations which mature on a single future date, reduced by the aggregate principal amount of the Outstanding Second Lien Obligations of that series which would at or before that future date be retired by reason of the payment when due and the application in accordance with the Second Lien Indenture and the Second Lien Supplemental Indenture creating the series or the instrument creating the Second Lien Section 208 Obligations of Sinking Fund Payments payable at or before that future date for the retirement of the Outstanding Second Lien Obligations of that series, plus (ii) the amount of any Sinking Fund Payments payable on that future date for the retirement of those Outstanding Second Lien Obligations of that series, and that future date is, for all purposes of the Master Indenture, deemed to be the date when that Principal Installment is payable and the date of that Principal Installment, and

(c) as of any particular date of computation and with respect to Third Lien Obligations of a particular Series or consisting of a particular Third Lien Section 208 Obligation, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Third Lien Obligations of that Series or Third Lien Section 208 Obligations which mature on a single future date, reduced by the aggregate principal amount of the Outstanding Third Lien Obligations of that Series which would at or before that future date be retired by reason of the payment when due and the application in accordance with the Master Indenture and the Supplemental Indenture creating the Series or the instrument creating those Third Lien Section 208 Obligations of Sinking Fund Payments payable at or before that future date for the retirement of the Outstanding Third Lien Obligations of that Series, plus (ii) the amount of any Sinking Fund Payments payable on that future date for the retirement of the Outstanding Third Lien Obligations of that Series, and that future date is for all purposes of the Master Indenture, deemed to be the date when the Principal Installment is payable and the date of the Principal Installment.

"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 in one of the two highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise; 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) pre-refunded municipal obligations meeting the following conditions: (i) 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; (ii) 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; (iii) 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; (iv) the Federal Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (v) the Federal Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (vi) the municipal obligations are rated in the highest rating category by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(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 in one of the two highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(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) 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 rating in one of the three highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise, provided (i) a specific written agreement governs the transaction; (ii) the securities are held by a depository acting solely as agent for the Trustee, and such third party is (x) a Federal Reserve Bank, or (y) 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; (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 1 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; (iv) 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; (v) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to a Payment Date; and (vi) 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;

(g) 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 (e);

(h) 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 two highest rating categories by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(i) long-term or medium-term corporate debt instruments issued or guaranteed by any corporation that is rated in the highest rating category by any two Rating Agencies without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(j) prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term rating category by any two Rating Agencies maintaining a rating on such paper; and

(k) 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 Third Lien 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 on the date of issuance thereof are rated in the highest rating category by S&P and Moody's and, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company. Any such letter of credit, surety bond or insurance policy 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 Common Debt Service Reserve Account may be used under the Second Supplemental Indenture.

"*Qualified Third Lien 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 the notional amount, where (a) each Rating Agency (if the 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 party 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 Third Lien Obligations by the Rating Agency (without regard to municipal bond insurance or any other credit facility), and (b) the City has notified each Rating Agency (whether or not a Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days before executing and delivering the swap agreement, of its intention to enter into the swap agreement and has received from each 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 the Rating Agency of its rating on the Third Lien Obligations.

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

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

"*Refunding Bonds*" means all Third Lien Obligations, whether issued in one or more Series, authenticated and delivered on original issuance for the purpose of the refunding of Airport Obligations of any series, and all Third Lien Obligations thereafter authenticated and delivered in lieu of or in substitution for the Third Lien Obligations pursuant to the Master Indenture and the Supplemental Indenture creating the Series of Third Lien Obligations.

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

"Released Revenues" means Revenues in respect of which the Trustee has received the following:

(a) a request of an Authorized Officer describing such Revenues and requesting that those Revenues be excluded from the pledge and lien of the Master Indenture on Revenues;

(b) an Independent Airport Consultant's Certificate, based upon reasonable assumptions, to the effect that Revenues, after the Revenues covered by the Authorized Officer's request are excluded for each of the five full Fiscal Years following the Fiscal Year in which such Certificate is delivered, will be sufficient to enable the City to satisfy the coverage covenant set forth in Appendix B in each of those five Fiscal Years;

(c) a Counsel's Opinion to the effect that (i) the conditions set forth in the Master Indenture to the release of those Revenues have been met and (ii) the exclusion of those Revenues from the pledge and lien of the Master Indenture will not, in and of itself, cause the interest on any outstanding Third Lien Obligations to be included in gross income from purposes of federal income taxation; and

(d) written confirmation from each of the Rating Agencies to the effect that the exclusion of those Revenues from the pledge and lien of the Master Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to any Third Lien Obligations.

Upon the Trustee's receipt of those documents, the Revenues described in the Authorized Officer's request shall be excluded from the pledge and lien of the Master Indenture, and the Trustee shall take all reasonable steps requested by the Authorized Officer to evidence or confirm the release of that pledge and lien on the Released Revenues.

"Revenue Fund" means the Revenue Fund created by the General Airport Revenue Bond Ordinance or comparable fund established pursuant to the Master Indenture.

"Revenues" means:

(a) *"Revenues"* as defined in the General Airport Revenue Bond Ordinance at any time First Lien Bonds are outstanding under the General Airport Revenue Bond Ordinance;

(b) *"Revenues"* as defined in the Second Lien Indenture at any time Second Lien Obligations are outstanding under the Second Lien Indenture, but First Lien Bonds are not outstanding under the General Airport Revenue Bond Ordinance; and

(c) if neither clause (a) nor clause (b) applies, *"Revenues"* means and includes all amounts received or receivable directly or indirectly by the City for the use and operation of, or with respect to, the Airport (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 the Airport or for any service rendered by the City in the operation of the Airport; concession revenues; interest payments to the City; interest accruing on, and any profit realized from the investment of, moneys held or credited to all Airport funds 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 the Airport that is not available by agreement or otherwise for deposit into the Revenue Fund; (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 Airport property; and (ix) the proceeds of any borrowings by the City.

Unless otherwise provided in a Supplemental Indenture, there shall also be excluded from the term "Revenues" any Released Revenues in respect of which the City has filed with the Trustee the documents contemplated in the definition of the term "Released Revenues."

"Second Lien Bonds" means any of the bonds, notes or evidences of indebtedness issued by the City under and pursuant to Article II of the Second Lien Indenture.

"Second Lien Indenture" means the Master Indenture of Trust, dated as of September 1, 1984, between the City and the Second Lien Trustee, as amended or supplemented from time to time.

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

"Second Lien-Related Obligations" means obligations incurred by the City in accordance with the Master Indenture in connection with Second Lien Obligations pursuant to any swap agreement, reimbursement agreement relating to a debt service reserve fund surety bond or similar agreement.

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

"Second Lien Revenues" means all Junior Lien Revenues paid to the Second Lien Trustee pursuant to the General Airport Revenue Bond Ordinance or comparable resolution, ordinance, indenture or trust agreement adopted or entered into pursuant to the Master Indenture.

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

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

"Second Lien Trustee" means J.P. Morgan Trust Company, National Association, Chicago, Illinois (as successor to Bank One, National Association), as trustee under the Second Lien Indenture, or its successor as the trustee later appointed in the manner provided in the Second Lien Indenture.

"Second Supplemental Indenture" means the Second Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003A, dated as of August 1, 2003, from the City to the Trustee providing for the issuance of the Series 2003A Bonds.

"Series" means all of the Third Lien Obligations authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated in it as a series, but, unless the context clearly indicates otherwise, does not include Third Lien Section 208 Obligations or obligations of the City under a Qualified Third Lien Swap Agreement.

"Series 2002A Bonds" means the City's $490,515,000 Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2002A.

"Series 2003A Bonds" means, collectively, the City's $29,340,000 Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003A-1, and $219,570,000 Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003A-2.

"Series 2003B Bonds" means, collectively, the City's $13,710,000 Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003B-1, and $368,445,000 Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003B-2.

"Series 2003C Bonds" means, collectively, the City's $5,215,000 Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003C-1, and $350,030,000 Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003C-2.

"Seventh Supplemental Indenture" means the Seventh Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003F, dated as of November 1, 2003, from the City to the Trustee providing for the issuance of the Series 2003F Bonds.

"Sinking Fund Payment" means:

(a) as of any particular date of determination and with respect to the outstanding First Lien Bonds of any series, the amount required by a Supplemental General Airport Revenue Bond Ordinance to be paid in any event by the City on a single future date for the retirement of First Lien Bonds of the series which mature after that future date, but does not include any amount payable by the City by reason only of the maturity of a First Lien Bond;

(b) as of any particular date of determination and with respect to the outstanding Second Lien Obligations of any series or consisting of any Second Lien Section 208 Obligations, the amount required by the Second Lien Supplemental Indenture creating the series or the instrument creating the Second Lien Section 208 Obligation to be paid in any event by the City on a single future date for the retirement of the series which mature after that future date, but does not include any amount payable by the City by reason only of the maturity of a Second Lien Obligation; and

(c) as of any particular date of determination and with respect to the outstanding Third Lien Obligations of any Series or consisting of any Third Lien Section 208 Obligations, the amount required by the Supplemental Indenture creating the Series or the instrument creating these Third Lien Section 208 Obligation to be paid in any event by the City on a single future date for the retirement of the Third Lien Obligations which mature after that future date, but does not include any amount payable by the City by reason only of the maturity of a Third Lien Obligation.

"Sixth Supplemental Indenture" means the Sixth Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003E, dated as of November 1, 2003, from the City to the Trustee providing for the issuance of the Series 2003E Bonds.

"Special Facility" means a building, facility or improvement at the Airport, 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 Financing Arrangement" means any agreement creating or relating to Special Facility Revenue Bonds.

"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.

"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 Master Indenture, executed and delivered by the City and the Trustee in accordance with the Master Indenture.

"Swap Provider" means any counterparty with which the City enters into a Qualified Third Lien Swap Agreement.

"Third Lien Bonds" means any of the bonds, notes or evidences of indebtedness issued by the City under and pursuant to Article II of the Master Indenture.

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

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

"Third Lien Revenue Fund" means the Third Lien Revenue Fund created by the Master Indenture.

"Third Lien Revenues" means all Junior Lien Revenues paid to the Trustee pursuant to the General Airport Revenue Bond Ordinance or comparable resolution, ordinance, indenture or trust agreement adopted or entered into pursuant to the Master Indenture.

"Third Lien 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 Third Lien Obligations as

described in Section 208 of the 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.

"*Third Supplemental Indenture*" means the Third Supplemental Indenture securing Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003B, dated as of August 1, 2003, from the City to the Trustee providing for the issuance of the Series 2003B Bonds.

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

"*Trustee*" means LaSalle Bank National Association, Chicago, Illinois, as trustee under the Master Indenture, or its successor as the trustee later appointed in the manner provided in the Master Indenture.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE THIRD LIEN INDENTURE

The following is a summary of certain provisions of the Master Indenture as heretofore supplemented and amended, particularly by the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture (collectively, the "Third Lien Indenture"), to which reference is made for a complete statement of the provisions and contents of each of such documents. Certain words and terms used in this summary are defined in Appendix A – Glossary of Terms.

Authorization of Third Lien Obligations and Bonds

In order to provide sufficient funds for the financing or refinancing of Airport Projects, Third Lien Obligations are authorized by the Master Indenture to be issued from time to time in one or more Series, 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 one or more Airport Projects, (b) the refunding of any First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other obligations issued to finance or refinance one or more Airport Projects, including, but not limited to, the refunding of any Special Facility Revenue Bonds and any Junior Lien Obligations or (c) the funding of any Fund or Account (as defined in the General Airport Revenue Bond Ordinance), any Fund or Account (as specified in the Second Lien Indenture or the Second Lien Supplemental Indenture under which any Second Lien Obligations are issued), or any Fund or Account as specified in the Master Indenture or the Supplemental Indenture under which any Third Lien Obligations are issued; including, in each case, payment of Costs of Issuance. Third Lien Obligations consisting of Third Lien Section 208 Obligations and Qualified Third Lien Swap Agreements are also authorized to be incurred from time to time as provided for in the Master Indenture for the purposes set forth therein. The Bonds are Third Lien Obligations authorized and issued pursuant to the Third Lien Indenture.

The City reserves the right in the Master Indenture to provide one or more irrevocable letters of credit to secure the payment of the principal of, premium, if any, and interest on one or more Series of Third Lien Obligations, and if the Owners of those Third Lien Obligations have the right to require their purchase, to secure the payment of the purchase price of those Third Lien Obligations upon the demand of their Owners through one or more letters of credit or bond purchase agreements. In connection therewith, the City may agree to reimburse the issuer of the letter of credit or provider of a bond purchase agreement and any such obligation of the City may constitute a Third Lien Obligation.

Source of Payment; Pledge of Third Lien Revenues and Other Moneys

The Third Lien Indenture provides that the Third Lien Obligations are legal, valid and binding limited obligations of the City payable solely from Third Lien Revenues and certain other moneys and securities held by the Trustee under the provisions of the Master Indenture and any Supplemental Indenture. The Third Lien Obligations and the interest thereon do not constitute an indebtedness or a loan of credit of the City within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the City, the State of Illinois or any of its political subdivisions is pledged to the payment of the principal of or interest on the Third Lien Obligations. The City makes a pledge of the Trust Estate, to the extent set forth in the Granting Clauses of the Master Indenture, and of all moneys and securities held or set aside or to be held or set aside by the Trustee under the Master Indenture or any Supplemental Indenture, to secure the payment of the principal and Redemption Price of, and interest on, the Third Lien Obligations, subject only to the provisions of the Master Indenture or any Supplemental Indenture requiring or permitting the payment, setting apart or appropriation of such moneys and securities for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Master Indenture or any Supplemental Indenture. Such pledge is valid and binding from and after the date of issuance of any Third Lien Obligations under the Master Indenture; the Junior Lien Revenues and Third Lien Revenues so pledged and then or thereafter received by the City and deposited in the Third Lien Revenue Fund are immediately upon that deposit 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 of it.

Payment of Debt Service on the Third Lien Obligations

The Master Indenture creates the Third Lien Revenue Fund to be held and administered by the Trustee. The City has agreed to cause to be filed with the First Lien Trustee, contemporaneously with the issuance of each series of Third Lien Obligations, a certificate stating the dates on which amounts on deposit in the Junior Lien Obligation Debt Service Fund are to be withdrawn therefrom by the First Lien Trustee and paid to the Trustee, and the amounts of such withdrawals, and containing a direction of the City to the First Lien Trustee to withdraw from the Junior Lien Obligation Debt Service Fund and pay to the Trustee the amounts, and on the dates, specified in such certificate, subject only to the prior pledge of Junior Lien Revenues in accordance with the Second Lien Indenture and any instrument creating Second Lien-Related Obligations. Upon receipt of such payments the Trustee shall deposit the same in the Third Lien Revenue Fund. The moneys in the Third Lien Revenue Fund shall be disbursed and applied by the Trustee as required by the provisions of any supplemental indenture creating a series of Third Lien Obligations, or by any instrument creating Third Lien Obligations. The Trustee shall segregate within the Third Lien Revenue Fund and credit to such sub-funds, accounts and sub-accounts therein as may have been created for the benefit of such series and such Third Lien Obligations in such supplemental indenture such amounts as may be required to be so credited under the provisions of such supplemental indenture or instrument creating Third Lien Obligations to pay the principal of and interest on such Third Lien Obligations.

Each of the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture creates and establishes with the Trustee a separate and segregated sub-fund within the Third Lien Revenue Fund, which sub-fund is to be designated the "Chicago O'Hare International Airport 2003D Third Lien Bond Dedicated Sub-Fund" (hereinafter called the "2003D Dedicated Sub-Fund"), "Chicago O'Hare International Airport 2003E Third Lien Bond Dedicated Sub-Fund" (hereinafter called the "2003E Dedicated Sub-Fund") and "Chicago O'Hare International Airport 2003F Third Lien Bond Dedicated Sub-Fund" (hereinafter called the "2003F Dedicated Sub-Fund"), respectively. Moneys on deposit in each of such Dedicated Sub-Funds and in each account and sub-account established therein are to be held in trust by the Trustee for the sole and exclusive benefit of the Registered Owners of the related Bonds and are not to be used or available for the payment of any other Third Lien Obligations. Each of the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture creates within the related Dedicated Sub-Fund the following separate accounts: (a) a Costs of Issuance Account; (b) a Program Fee Account; and (c) a Principal and Interest Account. On January 1 and July 1 of each year (each such date referred to herein as the "Deposit Date") there shall be deposited into the related Dedicated Sub-Fund an amount equal to the aggregate of the following amounts (such aggregate amount with respect to any Deposit Date being referred to herein as the "2003 Deposit Requirement"):

(a) for deposit into each Principal and Interest Account an amount equal to the sum of (i) commencing July 1, 2004, one-half of the amount of principal (including mandatory sinking fund payments) due on the related series of Bonds on the next January 1, and (ii) interest on the related series of Bonds due on such Deposit Date (reduced in the case of each January 1 Deposit

Date by investment earnings credited as of the immediately prior calculation date to the Principal and Interest Account); and

(b) for deposit into each Program Fee Account the amount estimated by the City to be required as of the close of business on such Deposit Date to pay all fees and expenses with respect to the related series of Bonds during the semi-annual period commencing on such Deposit Date.

In addition to the 2003 Deposit Requirement, there will be deposited into the related Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the Master Indenture or the related Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into such Dedicated Fund and to one or more accounts therein.

Moneys in each Principal and Interest Account will be used solely for the payment of the principal of, premium, if any and interest on the related Series of Bonds, for the redemption of the related Series of Bonds prior to maturity and for the payment of any Third Lien Section 208 Obligations. Moneys deposited into each Program Fee Account will be used solely for the payment of fees and expenses with respect to the related Series of Bonds as set forth in a certificate filed with the Trustee.

Moneys in the Common Debt Service Reserve Account (except for any moneys therein representing investment income required to be paid to the First Lien Trustee pursuant to the Second Supplemental Indenture) will be used solely for the payment of principal, premium, if any, and interest due on each Payment Date and not otherwise provided for with respect to the Common Reserve Bonds (and for the payment of any Third Lien Section 208 Obligations), without preference or priority of any Common Reserve Bond. See "SECURITY FOR THE BONDS – Common Debt Service Reserve Account" in this Official Statement.

Coverage Covenants

(a) 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 services 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 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.

(b) The City further 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 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.

(c) If during any Fiscal Year, Revenues and other funds are estimated to produce less than the amount required under paragraph (a) or (b), the City shall revise its Airport rentals, fees and charges or alter its methods of operation or take other action in such manner as is necessary to produce the amount so required in such Fiscal Year.

(d) Within 90 days after the end of each Fiscal Year, the City shall furnish to the Trustee calculations of the coverage required under paragraphs (a) and (b) certified by the City Comptroller.

(e) If either calculation specified in paragraph (d) for any Fiscal Year indicates that the City has not satisfied its obligations under paragraph (a) or (b), then as soon as practicable, but in any event no later than 45 days after the receipt by the Trustee of such calculation, the City shall employ an Independent Airport Consultant to review and analyze the financial status and the administration and operation of the Airport and to submit to the City, within 45 days after employment of the Independent Airport Consultant, a written report on the same, including the action which the Independent Airport Consultant recommends should be taken by the City with respect to the revision of its Airport rentals, fees and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the then current Fiscal Year or, if less, the maximum amount deemed feasible by the Independent Airport Consultant. Within 60 days following its receipt of the recommendations the City shall, after giving due consideration to the recommendations, revise its Airport rentals, fees and charges or alter its methods of operation, which revisions or alterations need not comply with the Independent Airport Consultant's recommendations so long as any revisions or alterations are projected by the City to result in compliance with paragraphs (a) and (b) above. The City shall transmit copies of the Independent Airport Consultant's recommendations to the Trustee and to each Owner who has requested the same.

(f) If at any time and as long as the City is in full compliance with the provisions of paragraphs (c), (d) and (e), there shall be no Event of Default under the Master Indenture as a consequence of the City's failure to satisfy the covenants contained in paragraphs (a) or (b) during such period.

(g) If all or any portion of an Outstanding series of Third Lien Obligations constitute Balloon Maturities, then for purposes of determining Annual Third Lien Debt Service each maturity that constitutes a Balloon Maturity shall, unless otherwise provided in the Supplemental Indenture pursuant to which such Third Lien Obligations are authorized or unless paragraph (h) then applies to such maturity, be treated as if it were amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which the indebtedness that includes such Balloon Maturity was originally issued and extending not later than 30 years from the date the indebtedness that includes such Balloon Maturity was originally issued; the interest rate used for such computation shall be that rate quoted in the Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date of calculation as published by the *Bond Buyer*, or if that index is no longer published, another similar index designated by an Authorized Officer, taking into consideration whether such Third Lien Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(h) Any maturity of Third Lien Obligations that constitutes a Balloon Maturity as described in paragraph (g), and for which the stated maturity date occurs within 12 months from the date such calculation of Annual Third Lien Debt Service is made, shall be assumed to become due and payable on the stated maturity date, and paragraph (g) above shall not apply thereto, unless there is delivered to the entity making the calculation of Annual Third Lien Debt Service a Certificate of the City stating (i) that the City intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that the debt capacity of the Airport is sufficient to successfully complete such refinancing; upon the receipt of such Certificate, such Balloon Maturity shall be assumed to be refinanced in accordance with the probable terms set out in such Certificate and such terms shall be used for purposes of calculating Annual Third Lien Debt Service; provided that such assumption shall not result in an interest rate lower than that which would be assumed under paragraph (g) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing.

Covenant Against Pledge of Revenues

The City covenants not to issue any bonds, notes or other evidences of indebtedness secured by the pledge contained in the Master Indenture, other than Third Lien Obligations, and covenants not to create or cause to be created any lien or charge on Revenues, or on any amounts pledged for the benefit of Owners of Third Lien Obligations under the Master Indenture, other than the pledge contained in the Master Indenture, in the Second Lien Indenture, and in the General Airport Revenue Bond Ordinance; provided, however, that the Master Indenture does not prevent the City (a) from issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after the date of the pledge contained in the Master Indenture is discharged and satisfied as provided therein, or (b) from issuing bonds, notes or other evidences of indebtedness (including bonds, notes or other evidences of indebtedness evidencing loans made by the City to the Airport) which are payable out of, or secured by, the pledge of amounts which may be withdrawn from the Junior Lien Obligation Debt Service Fund so long as the pledge is expressly junior and subordinate to the pledge contained in the Master Indenture, including, but not limited to, CP Notes without limit as to nature or amount, pursuant to one or more CP Indentures.

Insurance

The City covenants to maintain, or cause to be maintained, insurance with respect to the Airport against casualties and contingencies and in amounts not less than the City determines are reasonably prudent under the circumstances. In lieu of the insurance so required, the City may self-insure against any casualties and contingencies if determined by the City to be reasonably prudent to do so.

If the Airport, or any portion of it, is substantially damaged or destroyed by fire or other casualty, the City covenants to deposit with the First Lien Trustee the net proceeds of any insurance received with respect thereto for application by the First Lien Trustee in the manner provided in the General Airport Revenue Bond Ordinance or, if no First Lien Bonds are outstanding, as may be required under the Second Lien Indenture or any resolution, ordinance, indenture or trust agreement adopted or entered into pursuant to the Master Indenture.

Annual Audit

The City covenants that it will, within 210 days after the close of each Fiscal Year, furnish the Trustee with a copy of an annual audit report, prepared in accordance with generally accepted accounting principles and certified by an Independent Accountant, covering the operation of the Airport for the Fiscal Year. The audit must contain a calculation based on actual data enabling the Independent Accountant to certify that the coverage covenants described above have been satisfied with respect to that Fiscal Year.

Restrictions on Sale or Transfer of Airport

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

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

(ii) evidence shall have been obtained in writing confirming that such transfer shall not adversely affect any rating on Third Lien Obligations issued by any Rating Agency;

(iii) a Certificate shall have been received from an Independent Airport Consultant, certifying that, in each calendar year during the five-year period commencing after the calendar year in which such transfer occurs, Revenues together with any cash balance held in the Revenue Fund held under the General Airport Revenue Bond Ordinance on the first day of such calendar year not then required to be deposited in any fund or account (or subaccount thereof) other than the Revenue Fund held under the General Airport Revenue Bond Ordinance, and investment earnings for each such calendar year on moneys held in the funds and accounts held pursuant to the Master Indenture to the extent that such earnings are not required by the Master Indenture to be transferred to any Construction Fund, shall equal an amount not less than the amount required to satisfy the coverage covenant described under the caption "Coverage Covenants" above; provided, however, for purposes of the Certificate "one and fifty-hundredths times" shall be substituted for "one and ten-hundredths times" in paragraph (a)(ii)(B) under said caption;

(iv) written consent to such transfer shall have been received from the Owners of all Airport Obligations then Outstanding;

(v) written consent to such transfer shall have been received from the Trustee;

(vi) written consent to such transfer shall have been received from each bond insurer and each provider of any letter of credit or surety bond supporting Airport Obligations;

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

(viii) there shall be deposited with the Trustee for the benefit of the Owners of all then outstanding Airport Obligations a letter of credit, surety bond or Qualified Investments in the full amount of the then outstanding Airport Obligations, such letter of credit or surety bond to have a credit rating of not less than either of the two highest rating categories by each Rating Agency; provided, however, that no revenues (including, without limit, Revenues, Junior Lien Revenues or the proceeds of any passenger facility charge or similar charge) shall be pledged, or in any way used, to secure any such letter of credit or surety bond.

(b) 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 Third Lien Obligations.

Additional Second Lien Obligations

The City covenants and agrees not to issue any additional Second Lien Obligations pursuant to the Second Lien Indenture other than Second Lien Section 208 Obligations, Second Lien-Related Obligations (as described under the caption below) and Second Lien Obligations issued for the purpose of refunding Second Lien Obligations pursuant to the Second Lien Indenture (including applicable reserves and costs of issuance).

Additional Second Lien-Related Obligations

The City reserves the right to incur Second Lien-Related Obligations without limitation as to nature or amount payable from Junior Lien Revenues on a parity with or subordinate to outstanding Second Lien Obligations and prior and superior to Third Lien Obligations. No Second Lien-Related Obligation may be incurred unless each Rating Agency shall confirm that the incurrence thereof will not cause a reduction or withdrawal by the Rating Agency of its rating on Outstanding Third Lien Obligations.

Additional First Lien Bonds

The City reserves the right to covenant and agree in a Supplemental Indenture for the benefit of Owners of Third Lien Obligations not to issue any additional First Lien Bonds pursuant to the General Airport Revenue Bond Ordinance other than First Lien Bonds issued for the purpose of refunding First Lien Bonds pursuant to the General Airport Revenue Bond Ordinance (including applicable reserves and costs of issuance).

Completion Bonds

Completion Bonds are authorized by the Master Indenture to be issued to finance the costs of one or more Airport Projects initially financed in whole or in part by Airport Obligations. In connection with the issuance of Completion Bonds, the City must deliver to the Trustee Certificates stating, among other things, (i) that the additional cost of the Airport Projects being financed does not exceed 15% of their aggregate cost previously financed by Airport Obligations, (ii) that the revised aggregate cost of those Airport Projects cannot be paid with moneys available and (iii) that the issuance of Completion Bonds is necessary to provide funds to complete the Airport Projects.

Refunding Bonds

Refunding Bonds are authorized by the Master Indenture to be issued for the purpose of the refunding of Airport Obligations. In connection with the issuance of Refunding Bonds under Section 207 of the Master Indenture, the City must deliver to the Trustee a Certificate stating that giving effect to the refunding the issuance of the Refunding Bonds will result in (i) a net present value debt service savings to the City, or (ii) a reduction in annual debt service in each Bond year that debt service is payable on the Airport Obligations to be refunded.

Management of Airport

The City covenants that in order to assure the efficient management and operation of the Airport and to assure the Owners of the Third Lien Obligations that the Airport will be economically and efficiently operated on the basis of sound business principles, it will operate and maintain the Airport under the direction of the Commissioner of Aviation. The City will not take, or allow any other person to take, any action which would cause the Administrator of the FAA, Department of Transportation, or any successor to the powers and authority of the Administrator, to suspend or revoke the Airport's airport operating certificate issued under the Federal Aviation Act of 1958, or any successor statute. The City will comply with all valid acts, rules, regulations, orders and directives of any governmental, legislative, executive, administrative or judicial body applicable to the Airport, unless the City contests them in good faith, all to the end that the Airport will remain operational at all times.

Operation and Maintenance of Airport

The City covenants that it will use its best efforts to see that the Airport is at all times operated and maintained in an efficient operating condition; and such repairs are made to the Airport as are necessary or appropriate in the prudent management of the Airport to insure its economic and efficient operation at all times. The City covenants to cause all rentals, rates and other charges for the use and operation of the Airport and for certain services rendered by the City in the operation of the Airport to be collected when and as due and covenants to prescribe and enforce rules and regulations for their payment and for the consequences of their nonpayment. The City covenants, out of Revenues, from time to time, duly to pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airport or upon any part of it, or upon the Revenues, when they become due, as well as any lawful claim for labor, materials, or supplies which, if unpaid, might by law become a lien or charge upon the Airport, or which might impair the security of the Third Lien Obligations.

Maintenance of Powers

The City covenants that it will at all times use reasonable efforts to keep the Airport open for landings and takeoffs of aircraft of any type using facilities similar to those at the Airport 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 Third Lien Obligations or the performance or observance of any of the covenants contained in the Master Indenture.

Airport Budget

The City must prepare before the beginning of each Fiscal Year an annual budget for the Airport setting forth for that Fiscal Year in reasonable detail, among other things, estimated Revenues and Operation and Maintenance Expenses. The budget must be prepared in accordance with applicable law and must be made available to the City Council in sufficient time for it to act thereon as required by law.

Leases and Concessions

The City has the right for any term of years to let to any person, firm or corporation, or grant concessions or privileges in, any land of the Airport or any building or structure on the land for any purpose necessary or incidental to the operation of the Airport.

Special Facility Revenue Bonds

The City reserves the right to issue Special Facility Revenue Bonds, which must be revenue bonds payable solely from rentals or other amounts derived under and pursuant to a Special Facility Financing Arrangement, and may be issued by the City notwithstanding the limitations, restrictions and conditions contained in the Master Indenture relating to the issuance of Third Lien Obligations.

Supplemental Indentures 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 the ordinance certified by the City Clerk and the execution and delivery of the Supplemental Indenture by the City and the Trustee, is fully effective in accordance with its terms:

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

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

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

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

(e) to create a Series of Third Lien Obligations and, in connection therewith, to specify and determine the matters and things referred to in the Master Indenture and also any other matters and things relative to the Third Lien Obligations which are not contrary to or inconsistent with the Master Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time before the first issuance of the Third Lien Obligations;

(f) to confirm, as further assurance, the pledge under the Master Indenture, and the subjection of additional revenues, properties and collateral to any lien, claim or pledge created or to be created by the Master Indenture;

(g) to effect the provisions of the Master Indenture relating to the issuance of additional First Lien Bonds; and

(h) to modify any of the provisions of the Master Indenture in any respect whatever, but only if (i) the modification is, and is expressed to be, effective only after all Third Lien Obligations Outstanding at the date of the execution and delivery of the Supplemental Indenture cease to be Outstanding, and (ii) the Supplemental Indenture is specifically referred to in the text of all Third Lien Obligations issued after the date of the execution and delivery of the Supplemental Indenture and of Third Lien Obligations issued in exchange therefor or in place of it.

Supplemental Indentures Effective Upon Consent of Trustee

(a) 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 the 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, is fully effective in accordance with its terms:

(i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Master Indenture;

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

(iii) to provide additional duties of the Trustee under the Master Indenture.

(b) Any such Supplemental Indenture may also contain one or more of the purposes specified in the immediately preceding caption, and in that event, the consent of the Trustee under this caption is applicable only to those provisions of such Supplemental Indenture as contain one or more of the purposes set forth in paragraph (a) under this caption.

Supplemental Indentures Effective With Consent of Owners of Third Lien 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 Third Lien Obligations in accordance with and subject to the amendment provisions of the Master Indenture, which Supplemental Indenture, upon the filing with the Trustee of a copy of the ordinance certified by the City Clerk, upon compliance with the provisions of the Master Indenture relating to amendments, and upon execution and delivery of the Supplemental Indenture by the City and the Trustee, becomes fully effective in accordance with its terms.

Powers of Amendment

(a) Subject to the provisions of paragraph (b) below, any modification or amendment of the Master Indenture or of any Supplemental Indenture, or of the rights and obligations of the City and of the Owners of the Third Lien Obligations, in particular, may be made by a Supplemental Indenture, with the written consent given as described under the Master Indenture:

(i) of the Owners of more than 50 percent in principal amount of the Third Lien Obligations Outstanding at the time the consent is given;

(ii) in case less than all of the several Series of then Outstanding Series of Third Lien Obligations are affected by the modification or amendment, of the Owners of more than 50 percent in principal amount of the then Outstanding Third Lien Obligations of each Series so affected; and

(iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of more than 50 percent in principal amount of the then Outstanding Third Lien Obligations of the particular Series and maturity entitled to the Sinking Fund Payment, but only if permitted under paragraph (b) below.

(b) If the modification or amendment will, by its terms, not take effect so long as any Third Lien Obligations of any specified like Series and maturity remain Outstanding, the consent of the Owners of those Third Lien Obligations are not required and those Third Lien Obligations are not deemed to be Outstanding for the purpose of any calculation of Outstanding Third Lien 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 Third Lien Obligation (including any redemption as a result of Sinking Fund Payments) or of any installment of interest on it or a reduction in the principal amount or its Redemption Price or in the rate of interest on it without the consent of the Owner of the Third Lien Obligation, or may reduce the percentages or otherwise affect the classes of Third Lien 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 any Fiduciary 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 Master Indenture if it adversely affects or diminishes the rights of the Owners of Third Lien Obligations of the Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Third Lien Obligations of any particular Series or maturity would be affected by any modification or amendment of the Master Indenture, and any such determination is binding and conclusive on the City and all Owners of Third Lien Obligations.

Events of Default

Each of the following events of default is hereby declared an “Event of Default”:

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

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

(c) the City fails or refuses to comply with the provisions of the Master Indenture, or defaults in the performance or observance of any the covenants, agreements or conditions on its part contained in the Master Indenture or the Third Lien Obligations, which materially affects the rights of the Owners of the Third Lien Obligations and the failure, refusal or default continues for a period of 45 days after written notice of it by the Trustee or the Owners of not less than 25 percent in principal amount of the Outstanding Third Lien Obligations; provided, however, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45-day period, the time to cure 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.

Remedies

(a) 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 paragraph (c) or (d) of the immediately preceding caption, the Trustee may proceed, and upon the written request of the Owners of not less than 25 percent in principal amount of the Outstanding Third Lien Obligations, must proceed, in its own name, subject to the provisions of the Master Indenture, to protect and enforce its rights and the rights of the Owners of the Third Lien Obligations by such of the following remedies or any additional remedies specified in one or more Supplemental Indentures with respect to a particular Series as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights:

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

(ii) by bringing suit upon the Third Lien Obligations;

(iii) by 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 Third Lien Obligations; or

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

(b) In the enforcement of any rights and remedies under the Master 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 Third Lien Obligations for principal, Redemption Price, interest or otherwise, under any provision of the Master Indenture or any Supplemental Indenture or of the Third Lien Obligations, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Third Lien Obligations, together with any and all costs and expenses of collection and of all proceedings under the Master Indenture and under the Third Lien Obligations without prejudice to any other right or remedy of the Trustee or of the Owners of the Third Lien Obligations, and to recover and enforce a judgement or decree against the City for any portion of the amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the Master Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Defeasance

(a) If the City pays or causes to be paid to the Owners of all Third Lien Obligations the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated in them, in the Master Indenture and the Supplemental Indentures and instruments creating Third Lien Obligations, then the pledge contained in the Master Indenture and all other rights granted thereby are discharged and satisfied. In that event, the Trustee must, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence the discharge and satisfaction and the Fiduciaries must pay over or deliver to the City all Accounts, Funds and other moneys or securities held by them pursuant to the Master Indenture and the Supplemental Indentures which are not required for payment or redemption of Third Lien Obligations not theretofore surrendered for payment or redemption.

(b) Third Lien Obligations or interest instalments for the payment or redemption of which funds have been set aside and held in trust by Fiduciaries (through deposit by the City of moneys for the payment or redemption or otherwise) are, at the maturity or upon the date upon which the Third Lien Obligations have been duly called for their redemption, deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this caption. Third Lien Obligations are, before their maturity or redemption date, deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this caption if (i) in case any of the Third Lien Obligations are to be redeemed on any date before their maturity, the City has taken all action necessary to call the Third Lien 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 for that purpose either moneys in an amount which is sufficient, or Federal Obligations the principal of and the interest on which when due (without reinvestment) will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, are sufficient, to pay when due the principal or Redemption Price, if any, and interest due and to become due on the Third Lien Obligations on and before their redemption date or maturity date, as the case may be, and (iii) if the Third Lien 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 Third Lien Obligations that the deposit required by clause (i) above has been made with the Trustee and that the Third Lien Obligations are deemed to have been paid in accordance with the 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 Third Lien Obligations.

Neither the Federal Obligations or moneys deposited with the Trustee pursuant to the Master Indenture nor principal or interest payments on any such Federal Obligations may be withdrawn or used for any purpose other than, and must be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on the Third Lien Obligations; but any cash received from the principal or interest payments on the Federal Obligations deposited with the Trustee, if not then needed for the purpose, must, to the extent practicable, be reinvested in Federal Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of, and interest due and to become due on, the Third Lien Obligations on and before their redemption date or maturity date, as the case may be, and interest earned from those reinvestments must be paid over to the City, as received by the Trustee, free and clear of any trust, assignment, lien or pledge.

(c) No defeasance of a Third Lien Obligation that is to be paid more than 45 days after the date of the deposit referred to in paragraph (b) (ii) above shall be effective until the Trustee shall have received a verification report signed by an Independent Accountant that the Federal Obligations and moneys to be deposited for such purpose are sufficient to pay the principal and Redemption Price of, and interest on, all Bonds with respect to which provision for payment is to be made as described under this caption by virtue of the deposit of such Federal Obligations and moneys.

Rights of Bond Insurer

The issuer of a municipal bond insurance policy with respect to any Third Lien Obligations is deemed to be the sole Owner of the Third Lien Obligations for purposes of approving amendments to the Master Indenture (other than certain amendments that require the consent of each affected Owner or the consent of the Trustee), exercising remedies upon the occurrence of a default under the Master Indenture, providing specific approvals, consents or waivers or instruments of similar purpose, and to the extent the insurer is deemed to be the sole Owner for such purposes, the rights of the Owners of the Third Lien Obligations shall be abrogated.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS

The following is a summary of certain provisions of the Airport Use Agreements, to which reference is made for a complete statement of their provisions and contents. Certain words and terms used in this summary are defined in the Airport Use Agreements and have the same meanings in this summary, except as defined otherwise in this Official Statement. The Airport Use Agreements signed by the Airline Parties are substantially similar except for provisions relating to different exclusive use premises for each Airline Party and the termination or extension of certain other agreements of each Airline Party relating to O'Hare.

Term

The Airport Use Agreements became effective in 1983 (or upon their execution if later), were amended and restated in 1985, were amended again in 1996, and expire in 2018.

Cost-Revenue Centers

The Airport Use Agreements group areas in O'Hare for various accounting purposes into six Cost-Revenue Centers. These are the Terminal Area, the Airfield Area, the International Terminal Area, the Terminal Support Area, the Fueling System and the Land Support Area (see "Land Support Area" below for a separate discussion). The purpose of the Cost-Revenue Centers is to allow for the calculation of Airport Fees and Charges in a manner that allocates such fees and charges among the Airline Parties based on their usage of O'Hare. Accordingly, each of the Cost-Revenue Centers (except the Land Support Area) has allocated to it Revenues, Operation and Maintenance Expenses, Debt Service and certain fund deposit requirements. Net deficits (that is, generally, the excess of Operation and Maintenance Expenses, Debt Service and fund deposits over Revenues) generated in any Fiscal Year in the Terminal Area and the Airfield Area Cost-Revenue Centers are paid by the Airline Parties in the form of Terminal Area Use Charges and Landing Fees, respectively. The net cost of the Fueling System Cost-Revenue Center is paid in the form of a separate Fueling System Fee. The Terminal Support Area and International Terminal Area Cost-Revenue Centers do not have specific fees or charges associated with them under the Airport Use Agreements. Instead, the net deficit (or net revenue) of each is calculated and then treated as a cost (or revenue) of the Terminal Area or the Airfield Area. It is not anticipated, however, that there will be a net deficit of the International Terminal Area under the Airport Use Agreements, because the net cost of the International Terminal Area is paid through fees and charges charged to the airlines that are signatories to the separate International Terminal Use Agreements.

Land Support Area

The Land Support Area is a geographic portion of O'Hare that presently consists of vacant land, certain air rights and facilities, such as air cargo (including mail), freight forwarding, aircraft maintenance, flight kitchens and fuel storage, and a leasehold interest in the site at O'Hare formerly occupied by the U.S. Military. The expenses of the Land Support Area are not included in the calculation of Airport Fees and Charges. Similarly, with certain exceptions, the income generated from facilities in the Land Support Area is not considered Revenues, and is not pledged as security for the payment of the Airport Obligations. There is currently no Debt Service allocated to the Land Support Area. One-half of the net revenues of the Land Support Area (excluding certain items) is deposited in the Revenue Fund for subsequent deposit in the Airport Development Fund described below under the subcaption "Special Funds." In addition, the net revenues of the Land Support Area allocable to car or vehicle rental concessions and Airport passenger public parking facilities located in the future on the former military site are to be deposited in the Revenue Fund and credited against Airport Fees and Charges.

Rentals, Fees and Charges

The Airport Use Agreements establish a $5 per square foot Terminal Area Rental for premises leased to Airline Parties for their exclusive occupancy. Terminal Area Use Charges for such premises also are calculated on a square footage basis. Terminal Area Use Charges are based upon an allocation of all net costs attributable to the Terminal Area among Airline Parties leasing exclusive use premises in the Terminal Area.

The net costs of the Fueling System Cost-Revenue Center are allocated among Airline Parties on the basis of fuel gallonage. Each Airline Party pays Fueling System Fees on the basis of a formula which reflects the ratio of its total gallonage to the total gallonage of all Airline Parties.

The net costs of the Airfield Area Cost-Revenue Center are allocated among Airline Parties on the basis of landed weight of aircraft. Each Airline Party 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 Airline Parties.

General Commitment to Pay Airport Fees and Charges

The Airport Use Agreements provide that the aggregate of all rentals, fees and charges to be paid under all Airport Use Agreements by all Airline Parties shall be sufficient to pay for the net cost of operating, maintaining and developing O'Hare (excluding the Land Support Area), including the satisfaction of all of the City's obligations to make deposits and payments under any ordinance or resolution authorizing Airport Obligations. Airport Fees and Charges not paid by a defaulting Airline Party, after appropriate collection efforts by the City and after exhaustion of certain funds available for that purpose, among others, are to be paid by all other Airline Parties as part of their Landing Fees as a result of the inclusion of such unpaid fees and charges in Operation and Maintenance Expenses of the Airfield Area.

Billing of Airport Fees and Charges

Not later than 30 days prior to the end of each Fiscal Year, the City furnishes the Airline Parties a projection of the Landing Fee rate and Terminal Area Use Charges for the next Fiscal Year ("*Projection of Fees and Charges*"). The Landing Fees, Terminal Area Use Charges and Fueling System Fees for the next Fiscal Year are computed on the basis of the Projection of Fees and Charges, and Terminal Area Rentals are based on leased exclusive use premises. Not later than the 10th day of each month the City bills each Airline Party for the amount of its allocable share of Terminal Area Rentals and Use Charges for the next month. The amount so billed is equal to 1/12th of each Airline Party's share of such rentals and charges for the Fiscal Year and is due on the first day of such next month. During each month the City also bills each Airline Party for Landing Fees payable for the preceding month; such Landing Fees are due within 30 days after the date of billing.

The Projection of Fees and Charges is adjusted at mid-year and Landing Fees, Terminal Area Use Charges and Fueling System Fees then may be adjusted accordingly. Within six months after the close of each Fiscal Year, a final audit is required to be prepared showing actual Landing Fees, Terminal Area Use Charges and Fueling System Fees for such Fiscal Year. Each Airline Party is entitled to a credit against subsequent billings (and in certain instances cash payments) for amounts paid in excess of the audited actual fees and charges, and is obligated to pay any deficiency along with its next monthly payment.

Capital Projects

The Airport Use Agreements contain as exhibits thereto descriptions of certain Capital Projects approved by the Airline Parties. The City was authorized in the Airport Use Agreements to issue Airport Obligations and include the Debt Service thereon in the calculation of Airport Fees and Charges without further consent or approval of the Airline Parties for all such Capital Projects, and also to (a) fund the cost of designing, constructing and equipping Capital Projects necessary to comply with any valid rule, regulation or order of any federal or state agency; (b) fund the cost of certain tenant improvements and certain relocation expenses; (c) fund insurance or condemnation award deficiencies; (d) refund or refinance Special Facility Revenue Bonds by agreement with Airline Parties; and (e) fund program and construction management costs and expenses relating to the implementation of the Airport Use Agreements. In addition, the City is authorized to issue Airport Obligations and include the Debt Service thereon in the calculation of Airport Fees and Charges to finance the cost of any Capital Projects approved by a Majority-in-Interest of the Airline Parties.

The foregoing notwithstanding, the Airport Use Agreements set forth a number of restrictions and limitations applicable to Airport Obligations issued by the City, any or all of which may be waived by a Majority-in-Interest.

Special Funds

An Airport Development Fund and an Emergency Reserve Fund were created under the Airport Use Agreements and historically were funded primarily out of Airport Fees and Charges. Since 1996, the Airport Development Fund has no longer been funded out of Airport Fees and Charges, but has been funded only from net revenues of the Land Support Area deposited therein, as described above. The Emergency Reserve Fund is no longer being funded from any source. Moneys in the Airport Development Fund may be used for any lawful purpose without approval by the Airline Parties. Amounts remaining, if any, in the Emergency Reserve Fund may be used to pay certain uninsured awards, judgments or settlements. Neither the Airport Development Fund nor the Emergency Reserve Fund is pledged to secure Airport Obligations.

Grant of Rights; Obligations of City and Airline Parties

Each Airline Party is granted the right to conduct an Air Transportation Business at O'Hare, and to perform all operations and functions incidental, necessary or proper thereto. The City has agreed not to make any payments out of the Airport Development Fund for any improvements which would have the effect of granting, or otherwise grant, any airline in competition with any Airline Party any rights or privileges at O'Hare of a character or on a basis more favorable to such person than those granted or available to an Airline Party, the effect of which is to place an Airline Party at a competitive disadvantage.

Each of the Airline Parties and the City has certain specified obligations with respect to the maintenance and operation of O'Hare. The City also has certain specified insurance obligations with respect to O'Hare.

If any Airline Party is obligated to pay debt service on any Special Facility Revenue Bonds, the Airline Party's continued right to use and occupy its exclusive use premises is conditioned on the performance and observance by the Airline Party of its covenants and agreements in the special facility agreement related to such Special Facility Revenue Bonds, including, but not limited to, its obligation to pay debt service.

Sublease and Assignment

All subleases and assignments of exclusive use premises must be approved by the City. No sublease or assignment relieves an Airline Party from primary liability for the payment of Terminal Area Use Charges or Terminal Area Rentals.

No Abatement or Suspension of Payment

The Airport Use Agreements provide that the Airline Parties shall not abate, suspend, postpone, set-off or discontinue any payments of Airport Fees and Charges which they are obligated to pay thereunder.

Default

Events of Default are defined to be (a) the failure of an Airline Party to pay any landing fees, rentals or use charges when due, (b) the dissolution or liquidation of an Airline Party, (c) the insolvency or bankruptcy of an Airline Party, (d) the abandonment by an Airline Party of its air transportation business at O'Hare, or (e) the failure by an Airline Party to perform any covenant or condition in the Airport Use Agreements upon 30 days' notice to the Airline Party of such failure. Upon default, the City may terminate an Airport Use Agreement, may exclude an Airline from possession of exclusive use premises without termination and may take such other action which it deems appropriate.

Termination

The City may terminate an Airline Party's Airport Use Agreement upon the happening of certain Events of Default, as described therein. So long as any Airport Obligations are outstanding, the Airline Parties have no express rights to terminate the Airport Use Agreements, but if the City fails to perform its obligations, the Airline Parties may seek judicial relief.

APPENDIX D

AUDITED FINANCIAL STATEMENTS

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City of Chicago, Illinois Chicago O'Hare International Airport

Basic Financial Statements for the Years Ended December 31, 2002 and 2001, Required Supplementary Information, Additional Information and Independent Auditors' Report

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

The Honorable Richard M. Daley, 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 of the City of Chicago, Illinois (City) as of December 31, 2002 and 2001, and for the years then ended, 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and are not intended to present the financial position of the City, the results of its operations, and the cash flows of its proprietary and similar trust fund types, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of Chicago O'Hare International Airport as of December 31, 2002 and 2001, 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.

As discussed in Note 1, beginning in fiscal year 2002, the Chicago O'Hare International Airport implemented Government Accounting Standards Board Statements No. 34, No. 37 and No. 38. The 2001 financial statements have been restated for the provisions of these standards.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion or any other form of assurance on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents, which is also the responsibility of the City's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information (pages 31 through 34) has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly presented, in all material respects, when considered in relation to the financial statements taken as a whole.

Deloitte & Touche LLP

June 20, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 year ended December 31, 2002. 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

- Operating revenues for 2002 decreased by $14,713,087 (3.2 percent) compared to prior year operating revenues.

- Operating expenses before depreciation and amortization decreased by $23,017 compared to 2001. This decrease is consistent with management's objective to hold operating expenses consistent with the prior year.

- The Airport's total net assets at December 31, 2002 were $829,798,061. This is an increase of $21,134,917 (2.6 percent) over total net assets at December 31, 2001.

- Capital asset additions for 2002 were $229,436,573 (5.8 percent) principally due to terminal improvements, parking lot expansion, runway and taxiway rehab and the airfield drainage project.

- During 2002, the Airport sold $490,515,000 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2002A. Total outstanding revenue bonds and notes, net of unamortized discount and loss on refunding, at December 31, 2002 were $3,284,669,666.

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's basic financial statements are comprised of the Financial Statements and the Notes to Financial Statements. In addition to the basic financial statements this report also presents Additional Information after the Notes to Basic Financial Statements.

The Statements of Net Assets present all 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 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. The Notes to Basic Financial Statements begin on page 14.

In addition to the basic financial statements, this report includes Additional Information, which presents the debt service coverage calculations.

FINANCIAL ANALYSIS

At December 31, 2002, the Airport's financial position continued to be strong with total assets of $4,381,887,170, total liabilities of $3,552,089,109 and net assets of $829,798,061. A comparative condensed summary of the Airport's net assets at December 31, 2002 and 2001 is as follows:

	Net Assets			
	2002	**2001**	**Change**	**%**
Current assets	119,642,720	80,014,325	39,628,395	49.5
Restricted and other assets	1,328,047,516	1,409,297,446	(81,249,930)	(5.8)
Capital assets—net	2,934,196,934	2,813,364,162	120,832,772	4.3
Total assets	4,381,887,170	4,302,675,933	79,211,237	1.8
Current liabilities	91,684,032	63,393,771	28,290,261	44.6
Long-term and restricted liabilities	3,460,405,077	3,430,619,018	29,786,059	0.9
Total liabilities	3,552,089,109	3,494,012,789	58,076,320	1.7
Net assets:				
Invested in capital—net of related debt	422,075,261	440,526,192	(18,450,931)	(4.2)
Restricted	379,764,112	351,516,398	28,247,714	8.0
Unrestricted	27,958,688	16,620,554	11,338,134	68.2
Total net assets	$ 829,798,061	$ 808,663,144	$ 21,134,917	2.6

Current assets increased by $39,628,395 (49.5 percent) as a result of increased cash and cash equivalents and prepaid expense balances at December 31, 2002. The cash and cash equivalents increase was primarily due to the collections of deferred revenue, and prepaid terminal rents ($20,909,500), increased collections of accounts receivable and accrued revenue balance ($5,199,244) and the collection of revenues to pay increased accounts payable and due to other city fund liabilities ($7,380,701) offset by the reduction of cash used for prepaid insurance expenses ($2,625,061). The Airport's current ratio (current assets/current liabilities) at December 31, 2002 and 2001 was a healthy 1.30:1 and 1.26:1, respectively. Restricted and other assets decreased by $81,249,930 (5.8 percent) and capital assets, net of related debt increased by $120,832,772 (4.3 percent) due principally to capital activities of the Capital Development Program at the Airport.

The increase in current liabilities of $28,290,261 (44.6 percent) is directly related to the increased deferred revenue and advances for prepaid terminal and hanger rent ($20,909,500) and increased accounts payable and due to other city funds ($7,380,761). Long-term liabilities and restricted liabilities increased by $29,786,059 (0.9 percent) mainly as a result of the issuance of $490,515,000 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2002A and $152,085,624 of Chicago O'Hare International Airport Commercial Paper Notes, Series A and C and the increase in interest payable of $5,904,399 offset by a reduction in restricted accounts payable of $26,670,889, the defeasance of certain bonds and outstanding commercial paper notes in the amount of approximately $546,733,000 and the January 1, 2002 bond principal payment of $46,790,000.

Net assets may serve, over a period of time, a useful indicator of the Airport's financial position. As of December 31, 2002 total net assets were $829,798,061 an increase of $21,134,917 (2.6 percent) over 2001. Due to the residual Airport use agreement, this increase is mainly due to the $33,016,713 of Airport Improvement Program (AIP) capital grants recognized during 2002, offset by the $4,698,435 operating transfer and $7,183,361 loss from operations and nonoperating revenues and expenses.

The primary sources of Airport operating revenues are landing fees, terminal area use charges, rents and concession revenues as defined within the Airline Use Agreement and Facilities Lease. These revenues fund Airport operating expenses, fund deposits and net debt service requirements. A comparative condensed summary of the Airport's changes in net assets for the years ended December 31, 2002 and 2001 is as follows:

	Changes in Net Assets			
	2002	**2001**	**Change**	**%**
Operating revenues	$451,045,953	$465,759,040	$(14,713,087)	(3.2)
Operating expenses	449,938,346	441,085,891	8,852,455	2.0
Operating income	1,107,607	24,673,149	(23,565,542)	(95.5)
Nonoperating revenues	158,532,998	140,676,976	17,856,022	12.7
Nonoperating expenses	166,823,966	162,371,788	4,452,178	2.7
Operating transfers out and capital grants	28,318,278	20,584,463	7,733,815	37.6
Increase in net assets	$ 21,134,917	$ 23,562,800	$ (2,427,883)	(10.3)

Landing fees and terminal area use charges for the years 2002 and 2001 were $269,810,527 and $281,027,144, respectively. Rents, concessions and other revenues were $181,235,426 and $184,731,896 for the years 2002 and 2001, respectively. The decrease in 2002 operating revenues of $14,713,087 (3.2 percent) under 2001 was primarily due to decreased landing fees and terminal rental and usage revenues of $5,006,000 and $5,394,000, respectively. Such decreases were due to the residual Airport Use Agreement and Terminal Lease that requires airline revenue to be recognized to the extent necessary to pay the Airports operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues. Additionally, parking revenue for 2002 decreased by $3,108,000 under 2001 due to reduced activity.

A comparative summary of the Airport's operating expenses, as classified in the basic financial statements, for the years ended December 31, 2002 and 2001 is as follows:

	Operating Expenses			
	2002	**2001**	**Change**	**%**
Salaries and wages	$ 148,829,933	$ 137,987,864	$ 10,842,069	7.9
Repairs and maintenance	66,309,584	71,117,321	(4,807,737)	(6.8)
Professional and engineering	33,494,460	41,540,388	(8,045,928)	(19.4)
Other operating expenses	76,736,143	74,747,564	1,988,579	2.7
Operating expenses before depreciation and amortization	325,370,120	325,393,137	(23,017)	(0.0)
Depreciation and amortization	124,568,226	115,692,754	8,875,472	7.7
Total operating expenses	$ 449,938,346	$ 441,085,891	$ 8,852,455	2.0

Salaries and wages increased in 2002 by $10,842,069 (7.9 percent) over 2001 as a result of additional security and snow removal costs, the fire departments retroactive contract pay adjustment of approximately $3,600,000, and increased indirect salaries of $2,107,182. The decrease in repairs and maintenance and professional and engineering of $4,807,737 (6.8 percent) and $8,045,928 (19.4 percent) were cost cutting measures initiated by management to maintain operating expenses before depreciation and amortization at prior year levels. Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs and utilities. The increase of $1,988,579 of other operating costs was mainly due to increased insurance costs of $4,650,066 offset by reductions in utilities of $2,104,252. Depreciation and amortization expense increased $8,875,472 (7.7 percent) as a result of the extensive capital activities of the Capital Improvement Program.

Fiscal year 2002 nonoperating revenues of $158,532,998 are comprised of passenger facility charges (PFC) revenue ($126,548,277) and interest income ($31,984,721). During 2002, nonoperating revenues increased principally due to the collection of the increase of Airport imposed PFC from $3.00 to $4.50 per eligible enplaned passenger.

Nonoperating expenses of $166,823,966 and $162,371,788 for the years 2002 and 2001, respectively, were comprised of PFC and bond interest expenses. The slight increase of $4,452,178 (2.7 percent) for 2002 over 2001 was due to additional interest expense requirements due to bonds issued during 2002 offset by reduced PFC expenses incurred during 2002.

Operating transfer out and capital grants, mainly comprising of federal grants, increased from $20,584,463 in 2001 to $28,318,278 in 2002, a 37.6 percent increase, as a result of when capital expenditures were incurred and thus became eligible for the related reimbursement.

A comparative summary of the Airport's changes in cash flows for the years ended December 31, 2002 and 2001 is as follows:

	Changes in Cash Flows		
	2002	**2001**	**Change**
Cash from activites:			
Operating	$ 151,841,812	$ 93,855,225	$ 57,986,587
Capital and related financing	(253,827,157)	386,694,816	(640,521,973)
Investing	177,110,311	(568,999,454)	746,109,765
Net change in cash and cash equivalents	75,124,966	(88,449,413)	163,574,379
Cash and cash equivalents:			
Beginning of year	524,031,192	612,480,605	(88,449,413)
End of year	$ 599,156,158	$ 524,031,192	$ 75,124,966

As of December 31, 2002 the Airport's available cash and cash equivalents of $599,156,158 increased by $75,124,966 compared to $524,031,192 at December 31, 2001 due to positive flows of cash provided by operating and investing activities, $151,841,812 and $177,110,311, respectively, offset by the use of $253,827,157 for capital and related financing activities. Total cash and cash equivalents at December 31, 2002 were comprised of unrestricted and restricted cash and cash equivalents of $82,267,980 and $516,888,178, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2002 and 2001 the Airport had $2,934,196,934 and $2,813,364,162, respectively, invested in net capital assets. During 2002, the Airport expended $229,436,573 on capital activities. This included $19,058,892 for land acquisition and the balance ($210,377,681) for construction projects, principally terminal improvements, security enhancements, roadway/taxiway, parking and roadway rehab and airfield drainage improvements.

During 2002, completed projects totaling $152,111,273 were transferred from construction in progress to applicable building and other facilities capital accounts. The major completed projects were the concourse improvements, parking lot expansion, security system enhancements and airfield drainage improvements.

The Airport's capital assets at December 31, 2002 and 2001 are summarized as follows:

	Capital Assets at Year-end			
	2002	**2001**	**Change**	**%**
Land	$ 102,250,894	$ 83,192,002	$ 19,058,892	22.9
Buildings and other facilities	3,808,936,708	3,656,825,435	152,111,273	4.2
Construction in progress	308,302,971	250,036,563	58,266,408	23.3
Total capital assets	4,219,490,573	3,990,054,000	229,436,573	5.8
Less accumulated depreciation	(1,285,293,639)	(1,176,689,838)	(108,603,801)	9.2
Net capital assets	$ 2,934,196,934	$ 2,813,364,162	$ 120,832,772	4.3

The Airport's capital activities are funded through Airport revenue bonds, federal and state grants, passenger facility charges (PFC) and Airport revenue. Additional information on the Airport's capital assets is presented in Note 5 of the notes to the financial statements on page 27 of this report.

In March 2002, the Airport sold $490,515,000 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2002A. The bonds have maturity and mandatory redemption dates ranging from January 1, 2016 to January 1, 2032. Net proceeds were used to refund certain first lien revenue bonds and commercial paper notes. The Airport's outstanding debt at December 31, 2002 and 2001 is summarized as follows:

	Outstanding Debt at Year-end			
	2002	2001	Change	%
Revenue bonds and notes payable	$3,424,590,000	$3,367,205,000	$ 57,385,000	1.7
Less unamortized:				
Bond discount	33,757,567	34,025,177	(267,610)	(0.8)
Deferred loss on refunding	72,487,767	65,083,359	7,404,408	11.4
Total outstanding debt—net	3,318,344,666	3,268,096,464	50,248,202	1.5
Less current bonds payable	33,675,000	46,790,000	(13,115,000)	(28.0)
Total long-term revenue bonds payable—net	$3,284,669,666	$3,221,306,464	$ 63,363,202	2.0

Additional information on the Airport's long-term debt is presented in Note 4 of the notes to the basic financial statements on page 20.

The Airport's revenue bonds at December 31, 2002 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	A	A+	AA-
Second Lien Chicago O'Hare Revenue Bonds	A	A	AA-
Third Lien Chicago O'Hare Revenue Bonds	AA	A-	A
First Lien Passenger Facility Charge Revenue Bonds	A	A+	A
Second Lien Passenger Facility Charge Revenue Bonds	AA	A	A

At December 31, 2002 the Airport was in compliance with the debt covenants as stated within the Master Trust Indentures. Additional information on the Airport's debt covenant (debt coverage calculation) begins on page 31 of this report.

ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES

In 2002, the Airport was the busiest airport in the world, measured in terms of total operations, and the second busiest in terms of total passengers. The Airport had 32,938,702 and 33,329,966 enplaned passengers in 2002 and 2001, 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 filed for bankruptcy court protection under Chapter 11 on December 9, 2002. United Airlines (including its regional affiliates) comprised 49.2 percent of the Airport's enplaned passengers in 2002 and 47.1 percent of the enplaned passengers in 2001. American Airlines (including its regional affiliate and TWA) comprised 34.3 percent of the Airport's enplaned passengers in 2002 and 35.0 percent of the enplaned passengers in 2001.

Based on the Airport's rates and charges for fiscal year 2003, total budgeted operating and maintenance expenses are projected at $321,850,708 and total net debt service and fund deposit requirements are projected at $148,714,667. Additionally, 2003 non-signatory revenues are budgeted for $235,101,913.

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
DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001 Restated (Note 1)
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 82,267,980	$ 40,031,860
Accounts receivable—net of allowance for doubtful accounts of approximately $1,300,000 in 2002 and $3,900,000 in 2001	34,171,865	35,765,207
Accrued revenue		3,605,872
Prepaid expenses	3,167,688	542,627
Interest receivable	35,187	68,759
Total current assets	119,642,720	80,014,325
RESTRICTED ASSETS (Note 3):		
Cash and cash equivalents (Note 2)	516,888,178	483,999,332
Investments (Note 2)	533,388,684	660,845,603
Passenger facility charges receivable (Note 1)	11,881,046	15,415,826
Interest receivable	4,245,389	13,581,766
Due from other City funds		585,086
Due from other governments	4,194,604	
Total restricted assets	1,070,597,901	1,174,427,613
OTHER ASSETS—Net of accumulated amortization of approximately $69,800,000 in 2002 and $53,800,000 in 2001	257,449,615	234,869,833
PROPERTY AND FACILITIES (Note 5):		
Land	102,250,894	83,192,002
Buildings and other facilities	3,808,936,708	3,656,825,435
Construction in progress	308,302,971	250,036,563
Total property and facilities	4,219,490,573	3,990,054,000
Less accumulated depreciation	1,285,293,639	1,176,689,838
Property and facilities—net	2,934,196,934	2,813,364,162
TOTAL ASSETS	4,381,887,170	4,302,675,933

LIABILITIES AND NET ASSETS	2002	2001 Restated (Note 1)
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 41,299,017	$ 48,339,646
Due to other City funds	25,387,159	10,965,769
Advances for terminal and hangar rent	10,318,994	4,088,356
Deferred revenue	14,678,862	
Total current liabilities	91,684,032	63,393,771
LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Note 3):		
Current portion of revenue bonds payable (Note 4)	33,675,000	46,790,000
Accounts payable	58,222,685	84,593,574
Due to other City funds	4,347	
Interest payable	83,833,379	77,928,980
Total liabilities payable from restricted assets	175,735,411	209,312,554
LONG-TERM LIABILITIES:		
Revenue bonds payable—net of discount (Note 4)	3,210,159,666	3,116,076,464
Notes payable (Note 4)	74,510,000	105,230,000
Total long-term liabilities	3,284,669,666	3,221,306,464
Total liabilities	3,552,089,109	3,494,012,789
NET ASSETS (Note 1):		
Invested in capital assets—net of related debt	422,075,261	440,526,192
Restricted net assets:		
Debt Service	23,158,517	22,781,019
Capital projects	42,070,144	48,738,997
Passenger facility charges	125,281,907	108,255,852
Airport use agreement	90,316,352	90,425,598
Other assets	98,937,192	81,314,932
Total restricted net assets	379,764,112	351,516,398
Unrestricted net assets	27,958,688	16,620,554
TOTAL NET ASSETS	$ 829,798,061	$ 808,663,144

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001 Restated (Note 1)
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 269,810,527	$ 281,027,144
Rents, concessions and other (Note 6)	181,235,426	184,731,896
Total operating revenues	451,045,953	465,759,040
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	148,829,933	137,987,864
Repairs and maintenance	66,309,584	71,117,321
Professional and engineering services	33,494,460	41,540,388
Other operating expenses	76,736,143	74,747,564
Total operating expenses before depreciation and amortization	325,370,120	325,393,137
Depreciation and amortization	124,568,226	115,692,754
Total operating expenses	449,938,346	441,085,891
OPERATING INCOME	1,107,607	24,673,149
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenue	126,548,277	110,604,230
Passenger facility charges expenses	(5,279,225)	(7,755,498)
Interest income (Note 4)	31,984,721	30,072,746
Interest expense (Note 4)	(161,544,741)	(154,616,290)
Total nonoperating revenues (expenses)	(8,290,968)	(21,694,812)
Income before operating transfer out and capital contributions	(7,183,361)	2,978,337
OPERATING TRANSFER OUT	(4,698,435)	(3,788,441)
CAPITAL GRANTS (Note 1)	33,016,713	24,372,904
CHANGE IN NET ASSETS	21,134,917	23,562,800
TOTAL NET ASSETS—Beginning of year	808,663,144	785,100,344
TOTAL NET ASSETS—End of year	$ 829,798,061	$ 808,663,144

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 289,321,733	$ 248,933,405
Rents, concessions and other	186,130,117	186,447,943
Payments to vendors	(161,177,861)	(159,742,600)
Payments to employees	(136,581,449)	(126,176,778)
Transactions with other City funds—net	(25,850,728)	(55,606,745)
Cash flows from operating activities	151,841,812	93,855,225
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	480,968,987	702,421,090
Net proceeds from note payable	152,068,000	78,889,000
Payments to refund bonds	(542,237,197)	(62,206,408)
Acquisition and construction of capital assets	(244,198,638)	(208,048,029)
Capital grants	28,822,109	24,759,281
Bond issuance costs	(9,455,441)	(11,625,654)
Principal paid on bonds	(46,790,000)	(44,095,000)
Interest paid on bonds and note	(167,873,574)	(146,920,812)
Noise mitigation program	(29,935,234)	(44,465,866)
Passenger facility charges revenues	130,083,056	105,742,712
Passenger facility charges expenses	(5,279,225)	(7,755,498)
Cash flows (used in) from capital and related financing activities	(253,827,157)	386,694,816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments—net	127,456,919	(595,882,112)
Investment interest	49,653,392	26,882,658
Cash flows from (used in) investing activities	177,110,311	(568,999,454)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,124,966	(88,449,413)
CASH AND CASH EQUIVALENTS—Beginning of year	524,031,192	612,480,605
CASH AND CASH EQUIVALENTS—End of year	$ 599,156,158	$ 524,031,192
RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET ASSETS:		
Unrestricted	$ 82,267,980	$ 40,031,860
Restricted	516,888,178	483,999,332
TOTAL	$ 599,156,158	$ 524,031,192

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS (Concluded)
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,107,607	$ 24,673,149
Adjustments to reconcile:		
Depreciation and amortization	124,568,226	115,692,754
Provision for doubtful accounts	(1,702,818)	(2,100,000)
Operating transfers out	(4,698,435)	(3,788,441)
Changes in assets and liabilities:		
Decrease in accounts receivable	3,296,160	1,525,341
Increase (decrease) in accrued revenue	3,605,872	(3,605,872)
(Decrease) increase in prepaid expenses	(2,625,061)	562,845
Increase (decrease) in accounts payable and due to other City funds	7,380,761	(15,008,346)
Increase in prepaid terminal rent	6,230,638	4,088,356
Increase (decrease) in deferred revenue	14,678,862	(28,184,561)
CASH FLOWS FROM OPERATING ACTIVITIES	$ 151,841,812	$ 93,855,225

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2002 and 2001 of $36,246,652 and $57,669,394, respectively, are included in accounts payable.

See notes to basic financial statements.

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 Government Accounting Standards Board (GASB). For the year ended December 31, 2002, the Airport adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Disclosures*. The primary impact of adopting these GASB statements is the presentation of net assets, which replaces the previous fund equity section of contributed capital and retained earnings, and the presentation of Management's Discussion and Analysis as required supplementary information. 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 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 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 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 one year 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.

Transactions with the City**—**The City's General Fund provides services to other funds. The amounts allocated to other funds for these services are treated as operating expenses by the Airport and consist mainly of employee benefits, self-insured risks and administrative expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

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.

Property and Facilities**—**Property and facilities are recorded at cost or, for donated assets, at market value at the date of acquisition. Expenditures 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. Beginning in 2001, the Airport implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and recorded capital grants as revenue rather than as additions to contributed capital.

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 are comprised of 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 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.

The adjustments to restate contributed capital and retained earnings equity amounts reported at December 31, 2001 to the required components of net assets are as follows:

	2001 As Previously Stated	2001 As Restated
Equity:		
Contributed capital	$279,719,239	$ -
Retained earnings	528,943,905	
Net assets:		
Invested in capital assets—net of related debt		440,526,192
Restricted		351,516,398
Unrestricted		16,620,554
Total	$808,663,144	$808,663,144

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.

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.

***Contributed Capital*—**Beginning in 2001, the Airport implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and recorded capital grants as revenue rather than as additions to contributed capital.

***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 $3.00 and $4.50 per eligible enplaned passenger for the periods January 1, 2001 through March 31, 2001, and April 1, 2001 through December 31, 2001, respectively. For 2002, the PFC of $4.50 per eligible enplaned passenger was in effect for the entire year. PFCs paid to the Airport are less allowable airline administrative costs of $.08 per eligible enplaned passenger. 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 expenses as nonoperating expenses in conformity with industry practice.

2. RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

***Deposits*—**Certain Airport deposits at December 31, 2002 and 2001 of $3,911,422 and $362,614, respectively, are deposited with the City Treasurer and are commingled and invested by the Treasurer with deposits from other City funds; accordingly, it is not practical to disclose the related bank balance of such cash deposits for the Airport. Of the City Treasurer's total bank balances at December 31, 2002 and 2001, $175,960,010 or 100 percent and $226,300,000 or 100 percent, respectively, were either insured or collateralized with securities held by City agents in the City's name.

***Investments*—**Investments are categorized to give an indication of the level of credit risk. Category 1 includes investments that are insured or registered in the City's name or the securities were held by the City or its agent in the City's name. Pooled funds include primarily money market accounts.

The following table provides a summary of investments for the Airport funds at December 31, 2002 and 2001:

Description	Risk Category	2002	2001
U.S. Government obligations	1	$ 786,740,048	$ 747,663,178
Commercial paper	1		
Subtotal		786,740,048	747,663,178
Noncategorized—pooled funds	N/A	298,514,075	399,872,253
Total		$1,085,254,123	$1,147,535,431

The following schedule reconciles the carrying value of investments to the basic financial statements:

	2002	2001
Restricted investments	$ 533,388,684	$ 660,845,603
Investments included as cash and cash equivalents on the Statements of Net Assets	551,865,439	486,689,828
Total	$1,085,254,123	$1,147,535,431

The Airport has entered into several Debt Service Reserve Fund Forward Purchase Agreements. Under these agreements, the Airport will receive specified maturity amounts at specified interest rates, as defined in each agreement, on the required deposits in each debt service reserve fund. During 2002 and 2001, the Airport received $13,278,317 and $13,591,423, respectively, from these agreements, reported as interest earnings.

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:

Account	December 31 2002	December 31 2001
Construction	$ 371,609,697	$ 466,662,367
Capitalized interest	51,218,992	73,229,506
Debt service reserve	241,159,073	224,930,720
Debt service interest	119,366,471	121,675,235
Debt service principal	14,195,937	23,744,202
Operation and maintenance reserve	79,740,252	79,994,842
Maintenance reserve	3,000,000	3,000,000
Emergency reserve	7,500,000	7,500,000
Other funds	39,154,702	31,400,823
Subtotal—Bond Ordinance, Second Lien Indenture and Third Lien Indenture accounts	926,945,124	1,032,137,695
Passenger facility charge	123,331,738	112,707,240
Total	$1,050,276,862	$1,144,844,935

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 emergency reserve account is restricted to make payments for certain purposes, including terminal area use charges, landing fees and certain other charges that are deemed uncollectible and also for any judgments or settlements against the Airport. This account is funded annually in accordance with the Use Agreement. The balance is not permitted to exceed $7.5 million.

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, approved PFC projects.

At December 31, 2002 and 2001, the Airport was in compliance with the funding requirements and restrictions as stated in the Bond Ordinance, Second Lien Indenture, Third Lien Indenture and IT 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 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, third lien and international terminal special revenue bonds have been issued under the Bond Ordinance, Second Lien Indenture, Third Lien Indenture and IT Indenture, respectively. The Series 1996 Passenger Facility Charge Revenue Bonds have been issued under an ordinance adopted by the City Council on March 26, 1996 and pursuant to the Master Trust Indenture Securing Chicago-O'Hare International Airport Passengers Facility Charge Revenue Bonds dated as of July 1, 1996. 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 as of May 15, 2001.

***Revenue Bonds Outstanding*—**The following summarizes revenue bonds outstanding at December 31, 2002 and 2001:

	2002	2001
First Lien Bonds:		
$244,035,000 Series 1990 A and B first lien bonds issued September 27, 1990, due through 2018; interest at 6.0% - 7.5%	$ -	$ 141,050,000
$130,055,000 Series 1992 A first lien bonds issued August 26, 1992, due through 2018; interest at 5.0% - 6.0%		107,785,000
$324,270,000 1993 Series A first lien revenue refunding bonds issued November 30, 1993, due through 2016; interest rates at 4.8% - 5.0%	324,270,000	324,270,000
Subtotal—first lien bonds	324,270,000	573,105,000
Second Lien Bonds:		
$50,000,000 Series 1984 A second lien bonds issued December 27, 1984, due through 2015 at variable floating interest rates (1.55% at December 31, 2002)	33,700,000	35,200,000
$50,000,000 Series 1984 B second lien bonds issued December 27, 1984, due through 2015 at variable floating interest rates (1.55% at December 31, 2002)	33,675,000	35,240,000
$125,000,000 Series 1988 A second lien bonds issued December 21, 1988, due through 2018 at variable floating interest rates (1.61% at December 31, 2002)	101,500,000	104,500,000
$25,000,000 Series 1988 B second lien bonds issued December 21, 1988, due through 2018 at variable floating interest rates (1.61% at December 31, 2002)	20,300,000	20,900,000
$152,220,000 1993 Series A and B second lien revenue refunding bonds issued May 26, 1993, due through 2018; interest at 4.6% - 5.75%	134,775,000	139,650,000
$320,430,000 1993 Series C second lien revenue refunding bonds issued November 30, 1993, due through 2018; interest at 4.9% - 5.75%	320,430,000	320,430,000
$274,940,000 1994 Series A second lien revenue refunding bonds issued November 29, 1994, due through 2015; interest rate at 6.0% - 6.75%	274,940,000	274,940,000
$68,700,000 1994 Series B second lien revenue bonds issued October 12, 1994, due through 2018; variable floating interest rate (1.60% at December 31, 2002)	45,700,000	60,700,000
$83,800,000 1994 Series C second lien revenue bonds issued November 9, 1994, due through 2018; variable floating interest rate (1.55% at December 31, 2002)	56,300,000	75,000,000
$179,625,000 1996 Series A second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 4.7% - 6.25%	167,290,000	170,150,000
$36,450,000 1996 Taxable Series B second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 5.96% - 7.1%	18,835,000	22,810,000
$409,850,000 Series 1999 second lien revenue refunding bonds issued October 4, 1999, due through 2018; interest at 5.5%	409,850,000	409,850,000
Subtotal—second lien bonds	$1,617,295,000	$1,669,370,000

	2002	2001
Third Lien Bonds:		
$490,515,000 Series 2002 A third lien revenue refunding bonds issued March 20, 2002, due through 2032; interest at 5.25% - 5.75%	$ 490,515,000	$ -
International Terminal Revenue Bonds:		
$174,550,000 Series 1992 International Terminal Special Revenue Bonds issued November 18, 1992, due through 2018; interest at 5% - 6.75%	-	90,290,000
Passenger Facility Charge Revenue Bonds:		
$218,890,000 Series 1996 A Passenger Facility Charge Revenue Bonds issued July 30, 1996, due through 2015; interest at 5.0% - 6.0%	218,000,000	218,890,000
$31,110,000 Series 1996 B Passenger Facility Charge Revenue Bonds issued July 30, 1996, due through 2002; interest at 5.0% - 5.5%		10,320,000
$430,415,000 Series 2001 A and B Passenger Facility Charge Revenue Bonds issued June 19, 2001, due through 2032: interest at 4.0% - 5.75%	430,415,000	430,415,000
$215,065,000 Series 2001 C and D Passenger Facility Charge Revenue Bonds issued August 21, 2001, due through 2032: interest at 3.4% - 5.5%	215,065,000	215,065,000
$54,520,000 Series 2001 E Passenger Facility Charge Revenue Bonds issued October 4, 2001, due through 2018: interest at 3.5% - 5.5%	54,520,000	54,520,000
Subtotal - Passenger Facility Charge Revenue Bonds	918,000,000	929,210,000
Commercial Paper Notes:		
$74,510,000 Series A (AMT) Commercial Paper Notes outstanding at December 31, 2002, due through 2003; interest at 1.53% - 2.00%	74,510,000	105,230,000
Total revenue bonds and notes	3,424,590,000	3,367,205,000
Less unamortized discount	33,757,567	34,025,177
Less unamortized deferred loss on bond refunding	72,487,767	65,083,359
	3,318,344,666	3,268,096,464
Less current portion	33,675,000	46,790,000
Total long-term revenue bonds payable	$3,284,669,666	$3,221,306,464

During the years ended December 31, 2002 and 2001, long-term debt changed as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due Within One Year
Revenue bonds	$ 3,261,975,000	$ 490,515,000	$ (402,410,000)	$ 3,350,080,000	$ 33,675,000
Unamortized discount	(34,025,177)	(11,375,762)	11,643,372	(33,757,567)	
Deferred loss on refunding	(65,083,359)	(12,604,411)	5,200,003	(72,487,767)	
Total revenue bonds	3,162,866,464	466,534,827	(385,566,625)	3,243,834,666	33,675,000
Commercial Paper	105,230,000	152,085,624	(182,805,624)	74,510,000	
Total long-term debt	$ 3,268,096,464	$ 618,620,451	$ (568,372,249)	$ 3,318,344,666	$ 33,675,000

	Balance January 1, 2001	Additions	Reductions	Balance December 31, 2001	Due Within One Year
Revenue bonds	$ 2,667,495,000	$ 700,000,000	$ (105,520,000)	$ 3,261,975,000	$ 46,790,000
Unamortized discount	(41,366,662)	(592,923)	7,934,408	(34,025,177)	
Deferred loss on refunding	(66,861,994)	(2,772,865)	4,551,500	(65,083,359)	
Total revenue bonds	2,559,266,344	696,634,212	(93,034,092)	3,162,866,464	46,790,000
Commercial Paper	26,341,000	78,889,000		105,230,000	
Total long-term debt	$ 2,585,607,344	$ 775,523,212	$ (93,034,092)	$ 3,268,096,464	$ 46,790,000

Interest expense capitalized for 2002 and 2001 totaled $19,318,113 and $15,440,017, respectively. Interest income capitalized for 2002 and 2001 totaled $8,298,722 and $7,674,672, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2002 and 2001 of $5,200,003 and $4,551,500, respectively, and $3,298,091 and $4,029,905 amortization of bond discount, respectively.

Issuance of Debt**—**Chicago O'Hare International Airport Commercial Paper Notes, Series A (AMT) and Series C (Taxable) ($300,000,000 maximum aggregated authorized) outstanding at December 31, 2002 were $74,510,000 having interest rates ranging from 1.53 percent to 2.00 percent with maturity dates ranging from January 6, 2003 to January 7, 2003. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit ($315,000,000) provides for the timely payment of principal and interest on the notes until July 19, 2005. Amounts paid by drawing on the letter of credit shall be reimbursed by the Airport on said day paid; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate or the Federal Funds rate plus 0.5 percent (Base Rate). Advances outstanding greater than sixty days will bear interest at the Base Rate plus 1.0 percent beginning on the sixty-first day after such advance is made. At December 31, 2002, there were no outstanding letter of credit advances.

In March 2002, the Airport sold $490,515,000 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2002A, at a discount. The Bonds have interest rates ranging from 5.25 percent to 5.75 percent and maturity and mandatory redemption dates ranging from January 1, 2016 to January 1, 2032. Certain net proceeds of $459,334,693, together with $9,104,613 transferred from the debt service reserve account established for the First Lien Bonds, were deposited in an escrow account to defease all of the outstanding Series 1990 Bonds ($137,115,000) and Series 1992 Bonds ($103,920,000), to defease a portion of the Series 1994 Bonds ($28,900,000) and to pay all of the outstanding Commercial Paper Notes ($182,788,000); certain proceeds of $19,970,875 were used to fund debt service reserve requirements; certain proceeds of $1,413,214 will be used to pay accrued interest on the bonds; and certain proceeds of $9,354,820 were used to pay the cost of issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net $12,604,412 that will be charged to operations over 17 years using the straight-line method. The advance refunding increased the Airport's total debt service payments by $208,161,695 and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $5,857,384.

Chicago O'Hare International Airport Commercial Paper Notes, Series A (AMT) ($300,000,000 maximum aggregated authorized) outstanding at December 31, 2001 were $105,230,000 having interest rates ranging from 1.6 percent to 1.85 percent with maturity dates ranging from January 3, 2002 to January 22, 2002. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit ($315,000,000) provides for the timely payment of principal and interest on the notes until July 19, 2005. Amounts paid by drawing on the letter of credit shall be reimbursed by the Airport on said day paid; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate or the Federal Funds rate plus 0.5 percent (Base Rate). Advances outstanding greater than sixty days will bear interest at the Base Rate plus 1.0 percent beginning on the sixty-first day after such advance is made. At December 31, 2001, there were no outstanding letter of credit advances.

In June 2001, the Airport sold $305,625,000 of Chicago O'Hare International Second Lien Passenger Facility Charge Revenue Bonds, Series 2001A, at a premium. The bonds have interest rates ranging from 5.35 percent to 5.75 percent and have maturity and mandatory redemption dates ranging from January 2004 to January 2032. Certain net proceeds of $268,424,120 will be used to finance the design and construction of capital improvements at the Airport, including specific noise mitigation projects approved by the Federal Aviation Administration; certain proceeds of $32,283,897 will be used to pay interest on the bonds; and certain proceeds of $5,295,774 were used to pay the cost of issuance of the bonds.

In June 2001, the Airport sold $124,790,000 of Chicago O'Hare International Second Lien Passenger Facility Charge Revenue Bonds, Series 2001B, at a premium. The bonds have interest rates ranging from 4.0 percent to 5.75 percent and have maturity and mandatory redemption dates ranging from January 2004 to January 2032. Certain net proceeds of $112,043,603 will be used to finance the design and construction of capital improvements at the Airport, including specific noise mitigation projects approved by the Federal Aviation Administration; certain proceeds of $10,942,821 will be used to pay interest on the bonds; and certain proceeds of $2,172,597 were used to pay the cost of issuance of the bonds.

In August 2001, the Airport sold $149,490,000 of Chicago O'Hare International Second Lien Passenger Facility Charge Revenue Bonds, Series 2001C, at a premium. The bonds have interest rates ranging from 5.0 percent to 5.5 percent and have maturity and mandatory redemption dates ranging from January 2004 to January 2032. Certain net proceeds of $138,247,917 will be used to finance the design and construction of capital improvements at the Airport, including specific noise mitigation projects approved by the Federal Aviation Administration; certain proceeds of $9,143,624 will be used to pay interest on the bonds; and certain proceeds of $2,512,458 were used to pay the cost of issuance of the bonds.

In August 2001, the Airport sold $65,575,000 of Chicago O'Hare International Second Lien Passenger Facility Charge Revenue Bonds, Series 2001D, at a discount. The bonds have interest rates ranging from 3.4 percent to 5.5 percent and have maturity and mandatory redemption dates ranging from January 2004 to January 2032. Certain net proceeds of $54,559,074 will be used to finance the design and construction of capital improvements at the Airport, including specific noise mitigation projects approved by the Federal Aviation Administration; certain proceeds of $9,107,631 will be used to pay interest on the bonds; and certain proceeds of $1,214,066 were used to pay the cost of issuance of the bonds.

In October 2001, the Airport sold $54,520,000 of Chicago O'Hare International Second Lien Passenger Facility Charge Revenue Bonds, Series 2001E, at a premium. The bonds have interest rates ranging from 3.5 percent to 5.5 percent and have maturity dates ranging from January 2003 to January 2018. Certain net proceeds of $55,665,283 together with certain amounts of $6,541,125 transferred from the debt service reserve account established under the International Terminal Indenture for the Series 1992 International Terminal Bonds were deposited in an escrow account to defease $61,425,000 of Chicago O'Hare International Terminal Special Revenue Bonds, Series 1992; and certain proceeds of $808,224 were used to pay the cost of 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 $2,772,865 that will be charged to operations over 17 years using the straight-line method. The advance refunding decreased the Airport's total debt service payments by $19,870,096 and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $6,561,897.

Following is a schedule of debt service requirements to maturity of the first lien bonds:

Year Ending December 31	Principal	Interest	Total
2003	$ -	$ 16,109,714	$ 16,109,714
2004	1,865,000	16,064,955	17,929,955
2005	32,825,000	15,232,395	48,057,395
2006	34,405,000	13,601,673	48,006,673
2007		12,758,750	12,758,750
2008-2012	46,340,000	62,635,250	108,975,250
2013-2016	208,835,000	21,500,125	230,335,125
Total	$ 324,270,000	$ 157,902,862	$ 482,172,862

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 at December 31, 2002:

Year Ending December 31	Principal	Interest	Total
2003	$ 19,550,000	$ 78,674,584	$ 98,224,584
2004	16,915,000	78,011,731	94,926,731
2005	40,405,000	76,649,521	117,054,521
2006	62,170,000	73,915,613	136,085,613
2007	110,265,000	69,365,754	179,630,754
2008-2012	621,950,000	250,846,185	872,796,185
2013-2017	590,550,000	109,196,806	699,746,806
2018	155,490,000	3,633,573	159,123,573
Total	$ 1,617,295,000	$ 740,293,767	$ 2,357,588,767

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, 2002 the second lien bonds were in the weekly rate interest mode.

Following is a schedule of debt service requirements to maturity of the third lien bonds:

Year Ending December 31	Principal	Interest	Total
2003	$ -	$ 26,776,681	$ 26,776,681
2004		26,776,681	26,776,681
2005		26,776,681	26,776,681
2006		26,776,681	26,776,681
2007		26,776,681	26,776,681
2008-2012		133,883,406	133,883,406
2013-2017	28,320,000	132,751,206	161,071,206
2018-2022	116,025,000	109,884,950	225,909,950
2023-2027	150,575,000	73,625,281	224,200,281
2028-2032	195,595,000	27,382,803	222,977,803
Total	$490,515,000	$611,411,051	$1,101,926,051

Following is a schedule of debt service requirements to maturity of the Passenger Facility Charge Revenue Bonds:

Year Ending December 31	Principal	Interest	Total
2003	$ 14,125,000	$ 49,188,761	$ 63,313,761
2004	24,680,000	48,152,258	72,832,258
2005	26,025,000	46,764,122	72,789,122
2006	27,460,000	45,274,353	72,734,353
2007	28,995,000	43,772,795	72,767,795
2008-2012	169,600,000	193,329,552	362,929,552
2013-2017	172,110,000	142,392,781	314,502,781
2018-2022	118,205,000	105,109,434	223,314,434
2023-2027	146,740,000	70,773,224	217,513,224
2028-2032	190,060,000	26,238,731	216,298,731
Total	$918,000,000	$770,996,011	$1,688,996,011

The Series A and C (AMT) Commercial Paper Notes outstanding at December 31, 2002 of $74,510,000 will be refunded with new commercial paper notes as the existing notes mature.

No-commitment Debt**—**Bonds payable on no-commitment debt are not included in the accompanying basic financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities.

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2002 and 2001, capital assets changed as follows:

	Balance January 1, 2002	Additions	Disposals and Transfers	Balance December 31, 2002
Land	$ 83,192,002	$ 19,058,892	$ -	$ 102,250,894
Buildings and other facilities	3,656,825,435	152,111,273		3,808,936,708
Contruction in progress	250,036,563	210,377,681	(152,111,273)	308,302,971
Total	3,990,054,000	381,547,846	(152,111,273)	4,219,490,573
Less accumulated depreciation for:				
Buildings and other facilities	(1,176,689,838)	(108,603,801)		(1,285,293,639)
Property and facilites—net	2,813,364,162	272,944,045	(152,111,273)	2,934,196,934

	Balance January 1, 2001	Additions	Disposals and Transfers	Balance December 31, 2001
Land	$ 69,092,002	$ 14,100,000	$ -	$ 83,192,002
Buildings and other facilities	3,356,849,318	299,976,117		3,656,825,435
Contruction in progress	341,430,306	208,582,374	(299,976,117)	250,036,563
Total	3,767,371,626	522,658,491	(299,976,117)	3,990,054,000
Less accumulated depreciation for:				
Buildings and other facilities	(1,075,093,508)	(101,596,330)		(1,176,689,838)
Property and facilites—net	$ 2,692,278,118	$ 421,062,161	$ (299,976,117)	$ 2,813,364,162

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 following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2002:

Year Ending December 31	Amount
2003	$ 53,910,121
2004	53,031,526
2005	52,531,109
2006	38,839,701
2007	33,810,930
2008-2012	122,989,794
2013-2017	91,298,139
2018	51,514,687
Total minimum future rental income	$497,926,007

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 $244,620,661 and $239,866,187 in 2002 and 2001, respectively. Contingent rentals included in the totals were approximately $43,322,650 and $48,192,872 for 2002 and 2001, respectively.

7. PENSION PLANS

Eligible Airport 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 financial statements for each of the pension plans which may be obtained at the respective fund's office.

The funds provide retirement and 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 minimum of 2.4 percent per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service.

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 Airport 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 $13,842,000 in 2002 and $12,859,000 in 2001. The annual pension costs are determined using the entry age 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 multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2002 and 2001 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, 2002 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 will be accumulated over the next year (dollars in thousands):

	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Required Contribution	Percent of Required Contributions Contributed	Net Pension Assets
Municipal Employees'					
2000	$ 93,969	149.2 %	$93,016	150.7 %	$271,218
2001	82,888	158.6	83,526	157.4	319,770
2002	91,960	142.4	92,712	141.3	358,776
Laborers'					
2000	(15,382)	N/A	N/A	N/A	237,626
2001	(17,024)	N/A	N/A	N/A	255,311
2002	(15,477)	N/A	N/A	N/A	270,871

The pension benefits information pertaining expressly to Airport employees is not available. Accordingly, no amounts have been recorded in the accompanying financial statements for the net pension assets of these Plans.

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 post-employment 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 funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 22,025 annuitants and their dependents was $79,232,135 and $67,858,227 in 2002 and 2001, respectively.

8. 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 $53,638,000 and $48,490,000 in 2002 and 2001, respectively.

9. COMMITMENTS AND CONTINGENCIES

In 1997, the City settled a lawsuit relating to the City's program to soundproof homes in the vicinity of the Airport (Program). In the settlement, the City agreed to expand the 1997 phase of the Program to include an additional 344 homes, at a cost of approximately $11,300,000, in addition to 624 homes already planned for that year. For the 2000 phase of the Program, the City agreed to soundproof 850 homes, at an estimated cost of $28,000,000, which was completed in 2001. The settlement agreement provided that any residential soundproofing projects must be allocated proportionately through 2000 among various communities.

In addition to the matters described above, the Airport has certain other 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.

In conjunction with financing the acquisition of the military base, the City and signatory airlines agreed to suspend certain airline fund contribution requirements of the Use Agreement. The City to date has paid $103,151,712 representing the total amount due for the acquisition of approximately 350 acres of Air Force property. The City has obtained fee simple interest to approximately 8 acres of the property. The title to the remainder of the property will be conveyed at such time as environmental investigations and remediations have been completed, and a "finding of suitability to transfer" has been issued with the concurrence of the United States Environmental Protection Agency and the Illinois Environmental Protection Agency, anticipated to occur by December 31, 2003.

The Airport provides employee health benefits under a self-insurance program, administered by the City. Such claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the financial statements.

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the claims liability amount for the years ended December 31, 2002 and 2001 are as follows:

	2002	**2001**
Beginning balance at January 1	$ 1,985,546	$ 1,784,764
Total claims incurred (expenditures)	14,865,307	13,897,544
Claims paid	(15,037,141)	(13,696,762)
Claims liability at December 31	$ 1,813,712	$ 1,985,546

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, 2002, at a limit of one billion dollars, which the City's insurance broker advised was the highest amount commercially available at the time. Claims have not exceeded the purchased insurance coverage in the past four years. Accordingly, no liability is reported for those claims. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2002 and 2001, the Airport had commitments in the amounts of approximately $139,370,000 and $152,365,000, respectively, in connection with contracts entered into for construction projects.

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CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2002

NET REVENUES FOR CALCULATION OF COVERAGE:	
Net income	$ 21,134,917
Capital grants	(33,016,713)
Passenger facility charges	(121,269,052)
	(133,150,848)
ADJUSTMENTS:	
Interest on bonds	172,364,760
Interest capitalized for financial reporting purposes	(11,019,391)
	161,345,369
Net income of the Land Support area—net of amount to be deposited in the Revenue Fund	(4,844,075)
Revenue Fund balance at December 31, 2002	19,423,457
Depreciation and amortization of bond discount, financing fees and loss on refunding	133,066,320
Income earned on Airport Development, Emergency Reserve and Construction Funds	(26,137,323)
NET REVENUES FOR CALCULATION OF COVERAGE	$ 149,702,900
COVERAGE REQUIREMENT:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 158,600
Maintenance reserve	1,649,458
Total fund deposit requirements	1,808,058
Aggregate first and junior debt service for the bond year	115,154,271
	1.10
	126,669,698
Less amounts transferred from capitalized interest accounts	
Net debt service required	126,669,698
COVERAGE REQUIREMENT	$ 128,477,756
COVERAGE RATIO:	
Net revenues for calculation of coverage	$ 149,702,900
Total fund deposit requirements	(1,808,058)
NET REVENUES	$ 147,894,842
AGGREGATE DEBT SERVICE FOR THE BOND YEAR	$ 115,154,271
COVERAGE RATIO	1.28

See notes to Calculations of Coverage.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2002

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 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.

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CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2002

REVENUES:	
Total revenues—as defined	$ 451,833,811
Other available moneys (passenger facility charges)	8,654,024
Cash balance in Revenue Fund on the first day of fiscal year (Note 2)	19,423,457
TOTAL REVENUES	$ 479,911,292
COVERAGE REQUIREMENTS:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 158,600
Maintenance reserve	1,649,458
First lien obligation debt service fund	20,062,457
Junior lien obligation debt service fund	94,037,745
Third lien obligation debt service fund	19,740,189
TOTAL FUND DEPOSITS REQUIRED	$ 135,648,449
Aggregate first lien, junior lien and third lien debt service	$ 134,894,460
Less amounts transferred from capitalized interest accounts	
Net aggregate debt service	134,894,460
	1.10
NET DEBT SERVICE REQUIRED	$ 148,383,906
OPERATION AND MAINTENANCE EXPENSES—As defined	$ 323,362,426
COVERAGE REQUIREMENT (Greater of total fund deposit requirements or 110 percent of aggregate debt service)	148,383,906
TOTAL COVERAGE REQUIRED	$ 471,746,332
TOTAL REVENUES	$ 479,911,292
COVERAGE RATIO	1.02

See notes to Calculations of Coverage.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2002

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 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 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.

* * * * * *

APPENDIX E

REPORT OF THE AIRPORT CONSULTANT

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APPENDIX E

City of Chicago
Chicago O'Hare International Airport
General Airport Third Lien Revenue Refunding Bonds, Series 2003A-1, A-2, C-1, and C-2
General Airport Third Lien Revenue Bonds, Series 2003B-1 and B-2

REPORT OF THE AIRPORT CONSULTANT

Ricondo & Associates, Inc.
20 North Clark Street, Suite 1250
Chicago, Illinois 60602

312-606-0611

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RICONDO®
& ASSOCIATES

August 14, 2003

Mr. Thomas R. Walker
Commissioner of Aviation
City of Chicago
Department of Aviation
Chicago O'Hare International Airport
Terminal 2 Mezzanine
Chicago, IL 60666

Re: City of Chicago
Chicago O'Hare International Airport
General Airport Third Lien Revenue Refunding Bonds, Series 2003A-1, A-2, C-1, and C-2
General Airport Third Lien Revenue Bonds, Series 2003B-1 and B-2

Appendix E: Report of the Airport Consultant

Dear Mr. Walker:

This report sets forth 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 General Airport Third Lien Revenue Refunding Bonds, Series 2003A-1, A-2, C-1, and C-2, and its General Airport Third Lien Revenue Bonds, Series 2003B-1 and B-2 (collectively known as the Series 2003 Bonds) for the Chicago O'Hare International Airport (the Airport). The total principal amount of the Series 2003 Bonds is $974,210,000. This report contains certain financial projections required as a condition precedent to issuing the Series 2003 Bonds under the Third Lien Indenture. This report is intended for inclusion in the Official Statement for the Series 2003 Bonds as Appendix E: Report of the Airport Consultant.

The Series 2003 Bonds will provide funds, along with other available funds of the Airport, to refund certain General Airport Revenue Bonds (GARBs) issued by the City to fund certain Airport capital projects, to refund commercial paper used to fund certain Airport capital projects, to fund certain proposed Airport capital projects included in the Airport's Five-Year Capital Improvement Program (the Series 2003 Projects), to fund the capitalized interest on the Series 2003 Bonds, to fund the required debt service reserve fund with respect to the Series 2003 Bonds, and to pay costs of issuance of the Series 2003 Bonds.

This report includes examinations of the underlying economic base of the air trade area for the Airport; historical and projected air traffic activity at the Airport; a description of existing Airport facilities, including a summary of the capital projects; and projected revenues and expenses, with consideration for the anticipated impacts of the capital projects through 2012.

On the basis of the assumptions and analyses described in this report, R&A is of the opinion that sufficient revenues will be generated through airline rates and charges and non-airline sources to pay the Airport's operation and maintenance expenses (O&M Expenses), debt service, debt service coverage requirements and fund deposit requirements, during the projection period 2003 through 2012. Additional findings of these analyses include the following:

Role of the Airport

- The Airport is the busiest airport worldwide in operations. With its proximity to the center of the United States, it is a key hub of U.S. air transportation and offers more connections to more cities than any other airport worldwide.

- Based on preliminary statistics currently available from Airports Council International, the Airport ranked first worldwide in total operations in 2002, second worldwide in total passengers, and 14th worldwide in total cargo. The Airport has been ranked first worldwide in total operations in 38 of the last 41 years and first worldwide in total passengers in 36 of the last 41 years.

- The location of the Chicago Region (as defined in this report) 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, the two largest U.S. airlines in terms of their market share of U.S. enplanements, operate major connecting hub facilities at the Airport.

- United, American (including Trans World, which was acquired by American in 2001), and their regional affiliates enplaned approximately 16.2 million and 11.3 million passengers, respectively, in 2002, which represents a combined 83.5 percent of total enplanements at the Airport during this period.

- The Airport also serves as an important origin-destination (O&D) market for the other passenger airlines currently serving the Airport. Scheduled passenger service is provided at the Airport by 10 of the nation's 11 major passenger airlines, which represent the largest group of passenger airlines in terms of their total annual revenues.

Economic Base

- The Chicago Region includes the nation's second-richest metropolitan statistical area (MSA) in terms of total effective buying income (EBI). Per capita EBI for the Chicago Region was consistently higher than that for the Midwest and for the nation each year between 1996 and 2001. The Chicago Region also currently has a significantly higher percentage of households with an EBI of $50,000 or more compared to either the Midwest or the nation.

- Average annual unemployment rates for the Chicago Region generally ranged at levels near unemployment rates for the Midwest and the nation each year between 1992 and

2002. With the exception of 2001, the Chicago Region's labor force increased each year during this same period.

- The sectors of nonagricultural employment for the Chicago Region are generally in concert with those of the nation on a percentage basis, providing the area with an economic base as diversified as the national economy.

- The Chicago Region offers a variety of cultural, recreational, and educational resources and activities making it an attractive destination for travelers.

Air Traffic

- As of June 2003, the Airport had scheduled passenger service provided by 15 U.S. flag air carriers, scheduled and nonscheduled service by 24 foreign flag carriers, and nonscheduled service by six airlines. In addition, 22 all-cargo carriers provided cargo service at the Airport.

- Total passenger activity at the Airport increased from approximately 32.0 million enplanements in 1993 to approximately 35.9 million in 1999. Due primarily to labor troubles at United, total enplanements decreased slightly to approximately 35.7 million in 2000. The effects of the terrorist attacks on September 11, 2001 and the economic slowdown resulted in total enplanements at the Airport decreasing to approximately 33.3 million in 2001 and to approximately 32.9 million in 2002.

- Each of the Airport's top 50 domestic O&D markets in 2002 is served with nonstop service. Fourteen of the Airport's top 15 international O&D markets in 2000 are served with nonstop service, as well as 31 of the Airport's top 50 international O&D markets.

- In these analyses, it is assumed that passenger activity at the Airport will recover to 2000 levels generally by 2005 for domestic passengers, and within the 2005 to 2006 period for international passengers.

- Following this recovery in passenger activity, long-term activity at the Airport is assumed to increase as a result of expected growth in population and continued strong economic conditions in the Chicago Region.

Financial Analyses

- Terms of the Amended and Restated Airport Use Agreement and Terminal Facilities Lease (Airport Use Agreements) and the International Terminal Use Agreement and Facilities Lease (International Terminal Use Agreements) are satisfactory to produce sufficient airline rates and charges together with other projected Airport revenues that are adequate to ensure that all O&M Expenses, debt service (including coverage requirements), and fund deposit requirements can be paid.

The techniques used in this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

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LIST OF EXHIBITS

Exhibit No.

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1. ROLE OF THE AIRPORT

Chicago O'Hare International Airport (the Airport) is the busiest airport worldwide in operations. With its proximity to the center of the United States, it is a key hub of U.S. air transportation and offers more connections to more cities than any other airport worldwide. In 2002, the Airport provided service to approximately 66.5 million passengers, or approximately 182,000 passengers each day.

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, the two largest U.S. airlines in terms of their market share of U.S. enplanements, operate major connecting hub facilities at the Airport. United, American, and their regional affiliates (including Trans World, which was acquired by American in 2001) enplaned approximately 16.2 million and 11.3 million passengers, respectively, in 2002, which represents a combined 83.5 percent of total enplanements at the Airport during this period.

The Airport also serves as an important origin-destination (O&D) market for the other passenger airlines currently serving the Airport. Scheduled passenger service is provided at the Airport by 10 of the nation's 11 major passenger airlines.[1] In addition to American and United, these airlines include Alaska, America West, American Eagle, American Trans Air, Continental, Delta, Northwest, and US Airways.[2]

Table 1.1 presents the Airport's worldwide ranking of activity in 2002, based on preliminary statistics currently available from Airports Council International. As shown, the Airport ranked first worldwide in total operations during this period with approximately 922,800 takeoffs and landings; second worldwide in total passengers with approximately 66.5 million enplaned and deplaned passengers; and 14th worldwide in total cargo with approximately 1.4 million enplaned and deplaned tons. The Airport has been ranked first worldwide in total operations in 38 of the last 41 years and first worldwide in total passengers in 36 of the last 41 years.

Table 1.2 presents a comparison of international and total enplanements at top U.S. gateway airports for 1990, 1995, 2000, and 2001 (the latest year for which such data are currently available). As shown, the Airport ranked fifth behind John F. Kennedy International, Miami International, Los Angeles International, and Honolulu International airports in international enplanements in 1990; and ranked fourth in 1995, 2000 and 2001. As also shown, the Airport's percentage of international passengers to total enplaned passengers increased from 7.9 percent in 1990 to 10.0 percent in 1995, and to 13.9 percent in 2001.

In addition to the Airport, scheduled commercial passenger service in the Chicago Region is provided at Chicago Midway International Airport (Midway). The City, through the Department of Aviation, owns both the Airport and Midway and operates them separately for financial purposes. Revenues resulting from the operation of the Airport are not available to satisfy the obligations of Midway, and vice versa. The 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

[1] As defined by the FAA, 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).

[2] Southwest, which provides scheduled service at Midway, is the only major U.S. passenger airline currently not serving the Airport.

TABLE 1.1

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

TOP 15 WORLDWIDE RANKING OF ACTIVITY - 2002

Rank	Airport	Total Operations	Airport	Total Passengers	Airport	Total Cargo (metric tonnes)
1	**Chicago (ORD)**	**922,817**	Atlanta (ATL)	76,876,128	Memphis (MEM)	3,390,299
2	Atlanta (ATL)	889,974	**Chicago (ORD)**	**66,501,496**	Hong Kong (HKG)	2,516,441
3	Dallas/Fort Worth (DFW)	765,109	London (LHR)	63,338,649	Anchorage (ANC)	2,027,754
4	Los Angeles (LAX)	645,424	Tokyo (HND)	61,079,478	Tokyo (HND)	2,001,824
5	Phoenix (PHX)	545,771	Los Angeles (LAX)	56,198,447	Los Angeles (LAX)	1,757,974
6	Paris (CDG)	510,098	Dallas/Fort Worth (DFW)	52,826,304	Seoul (ICN)	1,705,880
7	Minneapolis (MSP)	506,656	Frankfurt (FRA)	48,450,357	Singapore (SIN)	1,660,404
8	Los Angeles - Van Nuys (VNY)	498,477	Paris (CDG)	48,303,439	Frankfurt (FRA)	1,631,489
9	Las Vegas (LAS)	496,845	Amsterdam (AMS)	40,736,009	Miami (MIA)	1,624,240
10	Denver (DEN)	493,847	Denver (DEN)	35,651,098	New York (JFK)	1,574,462
11	Detroit (DTW)	490,885	Phoenix (PHX)	35,534,463	Louisville (SDF)	1,523,880
12	Cincinnati (CVG)	486,657	Las Vegas (LAS)	35,009,011	Paris (CDG)	1,397,000
13	London (LHR)	466,554	Houston (IAH)	33,946,484	Taipei (TPE)	1,380,748
14	Philadelphia (PHL)	463,158	Madrid (MAD)	33,903,553	**Chicago (ORD)**	**1,375,947**
15	Frankfurt (FRA)	458,359	Hong Kong (HKG)	33,876,000	London (LHR)	1,310,615

Sources: Airports Council International (preliminary data)
City of Chicago, Department of Aviation Management Records
Prepared by: Ricondo & Associates, Inc.

TABLE 1.2

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

COMPARISON OF TOP U.S. GATEWAY AIRPORTS

Airport	International Enplanements				Total Enplanements				International Share of Total			
	1990	1995	2000	2001	1990	1995	2000	2001	1990	1995	2000	2001
New York - Kennedy	8,992,999	8,381,084	9,194,966	8,319,000	14,714,206	14,985,951	16,274,588	14,674,500	61.1%	55.9%	56.5%	56.7%
Los Angeles	4,989,775	6,846,329	8,780,183	8,068,058	23,001,205	27,234,353	33,836,077	31,007,930	21.7%	25.1%	25.9%	26.0%
Miami	5,046,612	7,179,328	8,096,068	7,678,316	12,928,208	16,594,647	16,756,422	15,876,629	39.0%	43.3%	48.3%	48.4%
Chicago - O'Hare	**2,318,338**	**3,301,321**	**5,049,197**	**4,616,363**	**29,420,480**	**32,858,551**	**35,700,949**	**33,310,229**	**7.9%**	**10.0%**	**14.1%**	**13.9%**
San Francisco	2,155,061	2,981,341	4,023,555	3,787,381	15,513,618	18,162,551	20,196,217	17,047,645	13.9%	16.4%	19.9%	22.2%
New York - Newark	1,499,527	1,926,350	4,199,963	3,589,000	11,103,603	13,320,486	16,948,663	15,278,000	13.5%	14.5%	24.8%	23.5%
Houston - George Bush	1,019,956	1,445,941	2,830,768	2,829,418	8,802,065	11,994,451	17,520,633	17,365,796	11.6%	12.1%	16.2%	16.3%
Atlanta	962,366	1,436,609	2,916,309	2,815,899	23,814,719	28,857,835	40,154,824	38,095,214	4.0%	5.0%	7.3%	7.4%
Honolulu	2,528,582	3,069,528	2,567,293	2,147,395	11,282,886	11,542,683	11,264,853	9,919,848	22.4%	26.6%	22.8%	21.6%
Boston	1,662,914	1,644,116	2,150,876	2,025,545	11,398,288	12,043,969	13,888,052	12,086,186	14.6%	13.7%	15.5%	16.8%
Washington - Dulles	643,981	1,316,295	2,083,201	1,961,394	5,105,137	6,147,787	9,971,630	8,920,092	12.6%	21.4%	20.9%	22.0%
Orlando	863,893	1,156,689	1,181,168	998,980	9,101,342	11,137,301	15,318,137	14,055,294	9.5%	10.4%	7.7%	7.1%

Sources: Airports Council International
City of Chicago, Department of Aviation Management Records
Prepared by: Ricondo & Associates, Inc.

Region (see Exhibit 2.1 in the next section); however, this facility does not currently provide scheduled commercial passenger service.[3]

Table 1.3 presents originating, connecting, and total enplaned passengers at the Airport. As shown, total enplanements at the Airport increased each year between 1993 and 1999, from approximately 32.0 million enplanements to approximately 35.9 million enplanements during this period. Total enplanements decreased slightly in 2000 from 1999 levels, primarily due to labor troubles experienced by United that resulted in the cancellation of approximately 3,800 flights during the third quarter of 2000. As also shown in Table 1.3, passenger activity at the Airport decreased from approximately 35.7 million enplanements in 2000 to approximately 33.3 million enplanements in 2001, a decrease of 6.7 percent during this period; and decreased further to approximately 32.9 million enplanements in 2002, a decrease of 1.2 percent during this period, primarily due to the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11) and the economic recession.

According to the Federal Aviation Administration (FAA), aviation activity nationwide was already in a weakened state even before September 11 and passenger demand had begun to decline in February 2001, primarily due to declining high-yield business traffic. In November 2001, the National Bureau of Economic Research officially announced that in March 2001 the U.S. economy had entered its 10th recession since the end of World War II. The loss of household wealth dampened consumer confidence and significantly reduced consumer spending. Air carrier finances turned negative in the first quarter of 2001. In addition to the direct impact on air travel, the events of September 11 accelerated the downturn in consumer spending on consumer goods and services, including spending on air travel.

Table 1.3 also presents the Airport's percentage of connecting passengers to total enplaned passengers between 1993 and 2002. As shown, this percentage ranged from a high of 60.4 percent in 1993 to a low of 55.0 percent in 1995 and 1996 during this period. Between 1994 and 2001, this percentage remained relatively stable within a range of 55 to 57 percent. This percentage was approximately 59 percent in 2002.

The Airport's key statistics, which are discussed in detail in Section 3 of this report, are presented below:

- As of June 2003, 45 passenger airlines and 22 all-cargo carriers served the Airport.

- Domestic enplanements at the Airport increased from approximately 29.1 million in 1993 to approximately 31.2 million in 1999. This increase represents a compounded annual growth rate of 1.2 percent during this period. Due primarily to labor troubles at United cited earlier, domestic enplanements decreased 1.7 percent in 2000 from 1999 levels. The effects of September 11 and the economic slowdown resulted in a 6.4 percent decrease in domestic enplanements in 2001 from 2000 levels, followed by a 0.5 percent decrease in 2002 from 2001 levels.

- International enplanements at the Airport increased from approximately 2.9 million in 1993 to approximately 5.0 million in 2000. This increase represents a compounded annual growth rate of 8.3 percent during this period. The effects of September 11 and the

[3] In 1995, the City and the City of Gary, Indiana executed an agreement establishing the Chicago-Gary Regional Airport Authority. This agreement provides for coordination in development and operation between the City's airports and the Gary/Chicago International Airport.

TABLE 1.3

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

HISTORICAL ORIGINATING & CONNECTING ENPLANEMENTS

Year	Originating Enplanements	Connecting Enplanements	Total Enplaned Passengers [1]	Annual Growth	Connecting Enplanement Percentage
1993	12,663,068	19,320,930	31,983,998	-	60.4%
1994	14,033,429	18,725,554	32,758,983	2.4%	57.2%
1995	14,789,455	18,066,005	32,855,460	0.3%	55.0%
1996	15,313,605	18,754,280	34,067,885	3.7%	55.0%
1997	15,453,166	19,325,572	34,778,738	2.1%	55.6%
1998	15,747,583	20,042,378	35,789,961	2.9%	56.0%
1999	15,493,466	20,454,250	35,947,716	0.4%	56.9%
2000	15,707,527	19,993,422	35,700,949	(0.7%)	56.0%
2001	14,365,215	18,945,014	33,310,229	(6.7%)	56.9%
2002	13,603,684	19,315,252	32,918,936	(1.2%)	58.7%
Compounded Annual Growth Rate 1993 - 2002	0.8%	(0.0%)	0.3%		

[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
U.S. Department of Justice Immigration and Naturalization Service
City of Chicago, Department of Aviation Management Records.
Prepared by: Ricondo & Associates, Inc.

economic slowdown resulted in an 8.6 percent decrease in international enplanements in 2001 from 2000 levels, followed by a 5.6 percent decrease in 2002 from 2001 levels.

- Between June 14 and June 20, 2003, nonstop service was provided to 122 domestic cities with a total of 7,937 weekly flights. Each of the Airport's top 50 domestic O&D markets was served with nonstop service. New York, the largest domestic O&D market for the Airport, was provided 403 weekly nonstop flights during this period. **Exhibit 1.1** graphically illustrates the domestic markets served nonstop from the Airport in June 2003.

- During the same period in June 2003, nonstop service was provided to 42 international cities with a total of 752 weekly flights. Fourteen of the Airport's top 15 international O&D markets were served with nonstop service, as well as 31 of the Airport's top 50 international O&D markets. London, the largest international O&D market for the Airport, was provided 80 weekly nonstop flights during this period.

- Total enplaned and deplaned cargo at the Airport increased from approximately 1.3 million tons handled in 1993 to approximately 1.6 million tons in 1999, a compounded annual growth rate of 4.4 percent. Total cargo handled at the Airport decreased 2.6 percent in 2000 from 1999 levels; and the effects of September 11 and the economic slowdown resulted in a further 14.2 percent decrease in 2001 from 2000 levels, followed by a 0.8 percent decrease in 2002.

Source: Official Airline Guide (June 14 - June 20, 2003).
Prepared by: Ricondo & Associates, Inc.

Exhibit 1.1

north

Nonstop Domestic Markets

S://Graphics Library/Misc Maps/non-stop domestic flights.cdr

August 2003

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2. ECONOMIC BASE FOR AIR TRANSPORTATION

Air transportation demand is strongly influenced by the demographic and economic characteristics of an airport's air trade area - the geographical area served by an airport - particularly for an airport's O&D passenger traffic, which represents passengers that either begin or end their trip at the airport. As a result, the strength of the Airport's underlying economic base remains an important element of passenger demand. This section presents data that indicate that the Airport's air trade area, which includes the nation's third-largest city, has an economic base capable of supporting increased demand for air travel at the Airport during the projection period.

2.1 AIR TRADE AREA

The 13-county Chicago-Gary-Kenosha Consolidated Metropolitan Statistical Area is considered the air trade area for the Airport, and is comprised of four adjoining metropolitan statistical areas (MSAs): the Chicago MSA, which includes the Illinois counties of Cook (where the Airport is located), DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will; the Gary MSA, which includes the Indiana counties of Lake and Porter; the Kankakee MSA, which includes Kankakee County, Illinois; and the Kenosha MSA, which includes Kenosha County, Wisconsin. According to the federal government's Executive Office of the President, Office of Management and Budget, 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.

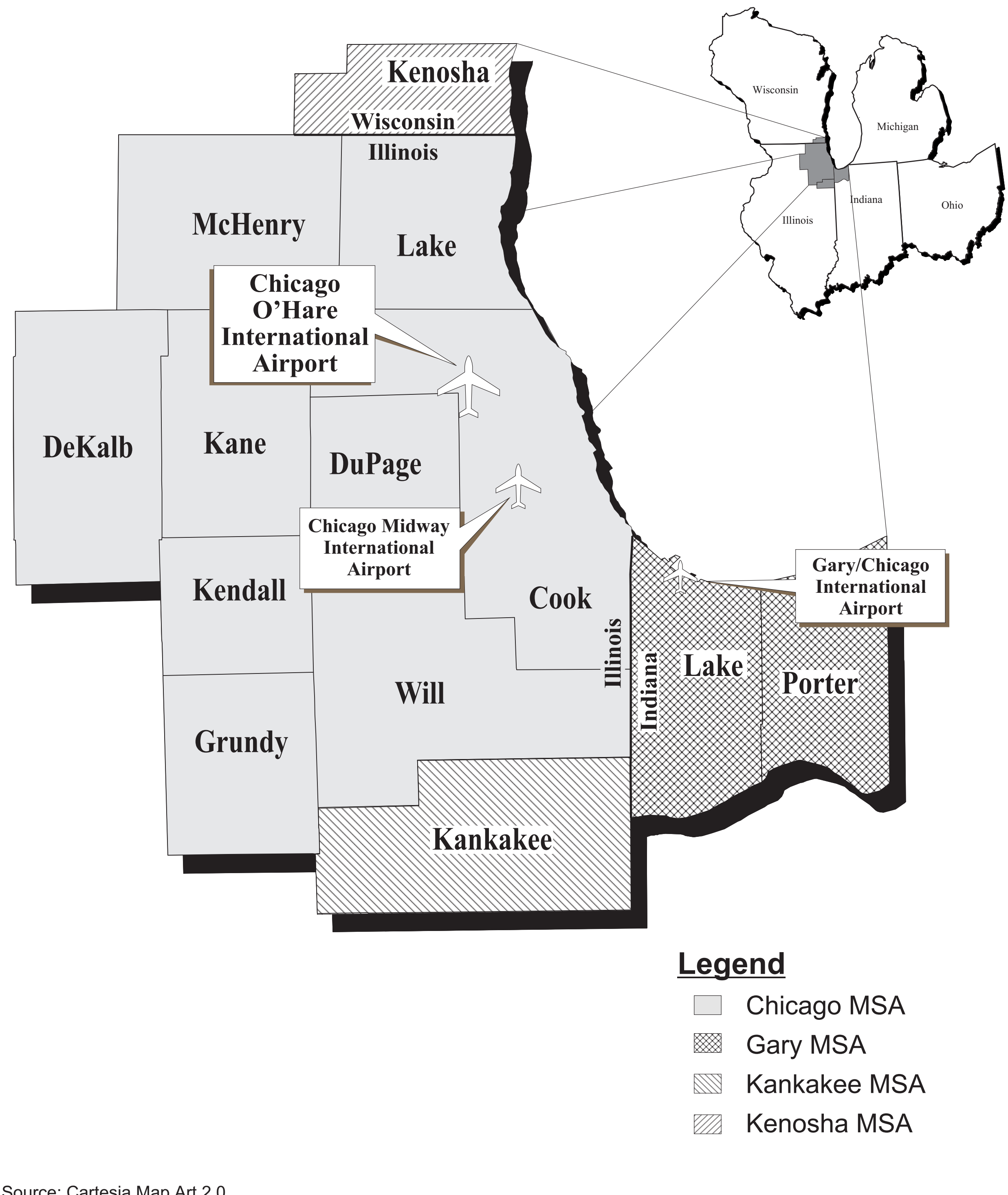
This four-MSA, 13-county air trade area, presented in **Exhibit 2.1**, will hereinafter be referred to as the **Chicago Region**.

2.2 POPULATION

An analysis of the Chicago Region's population growth is important in that it strongly impacts its labor force growth, which ultimately translates into economic growth. Historical population data for the Chicago Region, the Midwest (which includes the combined states of Illinois, Indiana, Michigan, Ohio, and Wisconsin), and the United States is presented in **Table 2.1**. Population in the Chicago Region increased from 8,114,861 people in 1980 to 8,239,820 people in 1990, and then to 9,320,840 people in 2002. The growth in population between 1980 and 1990 was primarily due to a natural increase in area population, which lagged overall United States population growth. This lag can be partially attributed to a decline in migration to the Chicago Region due to job losses in the manufacturing sector between 1980 and 1990. Population growth rates in DuPage, Kane, Lake (IL), McHenry, and Will counties, however, exceeded the national average during this period. Population growth in the Chicago Region between 1990 and 2002 was similar to the national average, with compounded annual growth rates of 1.0 percent and 1.2 percent, respectively, during this period. DeKalb, DuPage, Grundy, Kane, Kendall, Kenosha, Lake (IL), McHenry, Porter, and Will counties experienced population growth rates that exceeded the national average between 1990 and 2002.

Table 2.1 also presents population projections for the Chicago Region, the Midwest, and the nation for 2010. Population in the Chicago Region is expected to increase at a compounded annual growth rate of 0.5 percent between 2002 and 2010 (from 9,320,840 people in 2002 to 9,701,590 in 2010). This relatively lower growth rate is consistent with national demographic trends, wherein states in the Midwest and northeast United States experienced rates of population growth lower than comparable rates for states in the south and western regions of the country. Over the projection period, however, the population growth rates for DuPage, Kane, Kendall, Lake (IL), McHenry, Porter, and Will counties are expected to exceed the national rate.

Two important economic growth indicators are population age distribution and educational achievement levels. A younger and better-educated population will achieve a generally higher



Source: Cartesia Map Art 2.0.
Prepared by: Ricondo & Associates, Inc.

Exhibit 2.1

Chicago Region

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August 2003

TABLE 2.1

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

HISTORICAL AND PROJECTED POPULATION

					Compounded Annual Growth Rate			
	Historical			Projected	Historical			Projected
Area	1980	1990	2002	2010	1980-1990	1990-2002	1980-2002	2002-2010
Cook County, IL	5,253,628	5,105,044	5,367,020	5,348,960	(0.3%)	0.4%	0.1%	(0.0%)
DeKalb County, IL	74,628	77,932	90,760	95,410	0.4%	1.3%	0.9%	0.6%
DuPage County, IL	658,876	781,689	932,990	1,054,530	1.7%	1.5%	1.6%	1.5%
Grundy County, IL	30,582	32,337	38,890	41,730	0.6%	1.5%	1.1%	0.9%
Kane County, IL	278,405	317,471	433,820	481,460	1.3%	2.6%	2.0%	1.3%
Kankakee County, IL	102,926	96,255	104,710	106,070	(0.7%)	0.7%	0.1%	0.2%
Kendall County, IL	37,202	39,413	59,640	68,180	0.6%	3.5%	2.2%	1.7%
Kenosha County, WI	123,137	128,181	154,270	162,350	0.4%	1.6%	1.0%	0.6%
Lake County, IL	440,387	516,418	675,000	755,160	1.6%	2.3%	2.0%	1.4%
Lake County, IN	522,917	475,594	485,400	474,110	(0.9%)	0.2%	(0.3%)	(0.3%)
McHenry County, IL	147,897	183,241	277,090	316,760	2.2%	3.5%	2.9%	1.7%
Porter County, IN	119,816	128,932	151,780	168,730	0.7%	1.4%	1.1%	1.3%
Will County, IL	324,460	357,313	549,470	628,140	1.0%	3.7%	2.4%	1.7%
Chicago Region	8,114,861	8,239,820	9,320,840	9,701,590	0.2%	1.0%	0.6%	0.5%
Midwest	41,682,929	42,009,104	45,804,550	47,985,980	0.1%	0.7%	0.4%	0.6%
United States	226,505,000	248,710,000	288,368,990	314,700,990	0.9%	1.2%	1.1%	1.1%

Sources: U.S. Department of Commerce, Bureau of the Census (1980 & 1990)
NPA Data Services, Inc. (2002 & 2010)
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

disposable income that increases over time. Furthermore, younger populations contain a higher proportion of employed workers, supporting higher production. **Table 2.2** presents the Chicago Region's age distribution. As shown, the Chicago Region's population is generally younger than the population for the Midwest and the United States – 68.0 percent of the population in the Chicago Region are 44 or younger, compared to 65.3 percent for the Midwest and 65.5 percent for the nation.

The Chicago Region's population is also generally more highly educated than that of the Midwest and of the nation. **Table 2.3** compares education attainment levels in the Chicago Region to education levels in the Midwest and the United States. As shown, 28.9 percent of the population in the Chicago Region hold a bachelor's degree or higher, compared to 22.6 percent in the Midwest and 24.4 percent nationwide.

2.3 INCOME

One measure of an area's relative income is its effective buying income (EBI). EBI is a composite market potential measurement and indicates the general ability to purchase available products or services. EBI is essentially disposable income and includes personal income less personal taxes (federal, state, and local), non-tax payments including fines and penalties, and personal contributions for social insurance. Of the nation's 323 MSAs rated by *Sales & Marketing Management* magazine, the Chicago MSA ranked 2nd in total EBI in 2001.

Table 2.4 presents per capita EBI for the Chicago Region, the Midwest, and the nation between 1996 and 2001. Per capita EBI for the Chicago Region was consistently higher than that for the Midwest each year between 1996 and 2001. In addition, per capita EBI for the Chicago Region increased at a compounded annual growth rate of 4.1 percent between 1996 and 2001, which was higher than that for the Midwest and the nation during this same period.

Table 2.4 also presents projections of per capita EBI for 2006. According to *Sales and Marketing Management* magazine, per capita EBI for the Chicago Region is projected to increase from approximately $22,133 in 2001 to approximately $28,048 in 2006. This increase represents a compounded annual growth rate of 4.9 percent during this period, which is higher than the rates projected for the Midwest and the nation during this same period.

The percentage of higher income households (defined herein as those earning $50,000 or more annually) within the Chicago Region is another indicator of demand for air transportation services. The relationship between income and the propensity to purchase air transportation is relatively straightforward - as personal income increases, air transportation becomes increasingly affordable and is, therefore, more frequently utilized. Table 2.4 presents percentages of households in selected EBI categories for 2001. As shown, 47.7 percent of households in the Chicago Region had an EBI of $50,000 or more in 2001, compared to 35.3 for both the Midwest and the nation during this same period.

2.4 EMPLOYMENT

Employment trends for the Chicago Region, the Midwest, and the United States are presented in **Table 2.5**. With the exception of 2001, the Chicago Region's civilian labor force increased each year between 1992 and 2002, from approximately 4.4 million workers in 1992 to approximately 4.7 million workers in 2002. This increase represents a compounded annual growth rate of 0.7 percent. As also shown, average annual unemployment rates for the Chicago Region were consistent in trend to data from the Midwest and the nation, peaking during the 1992 to 1993 period, generally declining thereafter through 2000, and increasing in 2001 and 2002 due to an economic slowdown nationwide beginning in March 2001.

TABLE 2.2

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

AGE DISTRIBUTION - U.S. CENSUS 2000

	Chicago Region	Midwest	United States
Total Population	9,157,540	45,155,037	281,421,906
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%	12.6%	12.4%
Total [1]	100.0%	100.0%	100.0%
Median Age	33.9	35.5	35.3

[1] Totals may not add due to individual rounding.

Source: Census 2000, U.S. Bureau of the Census
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

TABLE 2.3

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

EDUCATIONAL ATTAINMENT

	Chicago Region	Midwest	United States
Population 25 years and over	5,835,442	29,170,508	182,211,639
No High School Diploma	18.9%	17.2%	19.6%
High School Graduate (includes equivalency)	25.4%	32.7%	28.6%
Some College, No Degree	21.2%	21.2%	21.0%
Post-Secondary Degree			
Associate Degree	*5.7%*	*6.4%*	*6.3%*
Bachelor's Degree	*18.2%*	*14.5%*	*15.5%*
Master's Degree or Doctorate	*10.7%*	*8.1%*	*8.9%*
Total [1]	100.0%	100.0%	100.0%

1 Totals may not add due to individual rounding.

Source: Census 2000, U.S. Bureau of the Census
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

TABLE 2.4

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

EFFECTIVE BUYING INCOME

	Per Capita EBI		
Year	Chicago Region	Midwest	United States
Historical			
1996	$18,128	$15,892	$15,555
1997	$19,156	$16,539	$16,281
1998	$19,888	$17,176	$16,895
1999	$21,004	$17,922	$17,691
2000	$21,656	$18,629	$18,426
2001	$22,133	$18,539	$18,491
Projected			
2006	$28,048	$22,910	$22,648
Compounded Annual Growth Rate			
1996 - 2001	4.1%	3.1%	3.5%
2001 - 2006	4.9%	4.3%	4.1%

	Percentage of Households in Income Categories (2001 EBI)			
Area	Less Than $20,000	$20,000 to $34,999	$35,000 to $49,999	$50,000 or more
Chicago Region	16.1%	18.3%	17.9%	47.7%
Midwest	21.8%	23.1%	19.8%	35.3%
United States	22.0%	23.5%	19.3%	35.3%

Sources: Sales & Marketing Management, *Survey of Buying Power, 1997-2002*
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

TABLE 2.5

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

CIVILIAN LABOR FORCE AND UNEMPLOYMENT RATES

Year	Civilian Labor Force (000)		
	Chicago Region	Midwest	United States
1992	4,396	21,724	128,105
1993	4,406	21,938	129,200
1994	4,416	22,248	131,056
1995	4,480	22,480	132,304
1996	4,518	22,698	133,943
1997	4,566	22,916	136,297
1998	4,583	23,001	137,673
1999	4,664	23,242	139,368
2000	4,705	23,548	142,583
2001	4,668	23,637	143,734
2002	4,715	23,410	144,863
Compunded Annual Growth Rate			
1992 - 2002	0.7%	0.8%	1.2%

Year	Unemployment Rates		
	Chicago Region	Midwest	United States
1992	7.5%	7.4%	7.5%
1993	7.3%	6.5%	6.9%
1994	5.7%	5.5%	6.1%
1995	5.1%	4.8%	5.6%
1996	5.0%	4.7%	5.4%
1997	4.5%	4.3%	4.9%
1998	4.3%	4.0%	4.5%
1999	4.1%	3.8%	4.2%
2000	4.2%	3.8%	4.0%
2001	5.3%	4.8%	4.7%
2002	6.7%	5.9%	5.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

An analysis of nonagricultural employment trends by major Standard Industrial Classification is presented in **Table 2.6**. This table compares the Chicago Region's employment trends to similar data nationwide for 1992 and 2002. Nonagricultural employment in the Chicago Region increased from approximately 4.7 million workers in 1992 to approximately 5.4 million workers in 2002. This increase represents a 1.4 percent compounded annual growth rate during this period.

Employment in all of the Chicago Region's major industry groups except manufacturing increased between 1992 and 2002, with the highest growth occurring in the services and construction sectors. The Chicago Region's industrial mix shifted between 1992 and 2002, as manufacturing employment decreased from 15.0 percent of total employment in 1992 to 12.0 percent in 2002 and services employment increased from 30.3 percent in 1992 to 34.8 percent in 2002. These trends are consistent with nationwide changes in the industrial mix, as manufacturing decreased from 13.7 percent to 11.1 percent of total employment, while services increased from 29.6 percent to 32.7 percent during this period.

Major employers in the Chicago Region, as measured by the number of employees, are presented in **Table 2.7**. There are approximately 25 employers in the Chicago Region with 10,000 or more employees. The largest private employers in the Chicago Region include grocery retailer Jewel-Osco (39,201 employees), health care company Advocate Health Care (24,974), and telecommunications provider SBC (22,400). The largest public employers include the United States Government (75,000), Chicago Public Schools (46,179), and City of Chicago (40,324).

Each year, *Fortune Magazine* ranks the largest 500 U.S. firms across all industrial categories in terms of revenue. There were 34 Fortune 500 companies headquartered in the Chicago Region in 2002, including: Boeing (ranked 15th overall and the highest ranked aerospace manufacturer); Sears Roebuck & Company (ranked 30th overall and a leading retailer); and Motorola (ranked 59th overall and a leading electronic component manufacturer). Other Fortune 500 Companies headquartered in the Chicago Region included Allstate, Walgreen Company, Bank One, Sara Lee, Abbott Laboratories, United Airlines, Exelon, McDonald's, Illinois Tool Works, NiSource, Smurfit Stone Container, Aon, Baxter International, and Navistar International.

2.5 ECONOMIC BASE

Table 2.8 presents the fastest-growing public firms in the Chicago Region in 2001. The Chicago Region is home to several billion-dollar companies with significant five-year historical growth rates and several thousand employees. These firms offer a diverse range of goods and services including property services, internet/eCommerce solutions, education, and management services. This diversity reflects the Chicago Region's underlying industrial variety and breadth, making the region more balanced during economic cycles.

The remainder of this section reviews the Chicago Region's local economy in greater detail to illustrate the basis for economic strength.

2.5.1 Construction

Construction employment in the Chicago Region increased at a 2.5 percent compounded annual growth rate between 1992 and 2002. In 2002, the construction sector accounted for approximately 321,000 employees in the Chicago Region (5.9 percent of total nonagricultural employment).

Table 2.9 presents residential building permit units and valuations for the Chicago Region, the Midwest, and the United States. As shown, compounded annual growth between

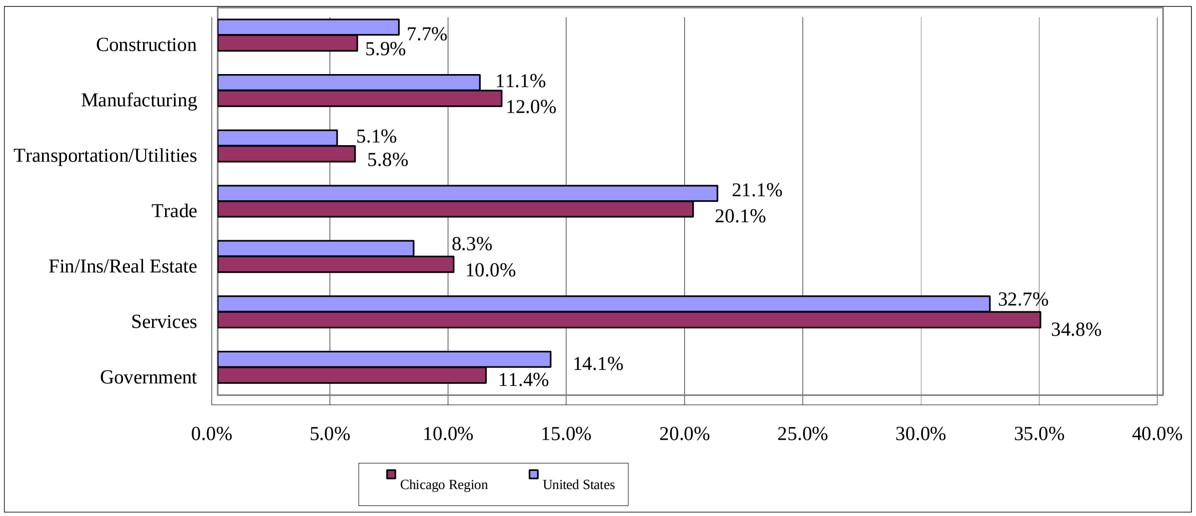
TABLE 2.6

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

EMPLOYMENT TRENDS BY MAJOR INDUSTRY DIVISION

	Chicago Region Nonagricultural Employment (000)					United States Nonagricultural Employment (000)				
Industry	1992	Percent of Total Employment	2002	Percent of Total Employment	Compounded Annual Growth Rate	1992	Percent of Total Employment	2002	Percent of Total Employment	Compounded Annual Growth Rate
Construction [1]	250	5.3%	321	5.9%	2.5%	9,251	6.8%	12,518	7.7%	3.1%
Manufacturing	711	15.0%	652	12.0%	(0.9%)	18,709	13.7%	18,121	11.1%	(0.3%)
Transportation/Utilities	266	5.6%	315	5.8%	1.7%	6,487	4.8%	8,264	5.1%	2.5%
Trade	1,052	22.3%	1,091	20.1%	0.4%	29,706	21.8%	34,547	21.1%	1.5%
Fin/Ins/Real Estate	447	9.5%	542	10.0%	1.9%	10,291	7.6%	13,556	8.3%	2.8%
Services	1,433	30.3%	1,889	34.8%	2.8%	40,368	29.6%	53,379	32.7%	2.8%
Government	564	12.0%	616	11.4%	0.9%	21,429	15.7%	23,013	14.1%	0.7%
Total [2]	4,723	100.0%	5,425	100.0%	1.4%	136,242	100.0%	163,397	100.0%	1.8%

PERCENT OF 2002 NONAGRICULTURAL EMPLOYMENT



[1] Includes mining employment.

[2] Totals may not add due to individual rounding.

Source: NPA Data Services, Inc.
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

TABLE 2.7

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

CHICAGO REGION'S MAJOR EMPLOYERS

Employer	Employees	Product or Service
U.S. Government	75,000	Government
Chicago Public Schools	46,179	Education
City of Chicago	40,324	Government
Jewel-Osco	39,201	Retail Grocer
Cook County	27,042	Government
Advocate Health Care	24,974	Hospitals, Health Care, and Health Services
SBC	22,400	Telecommunication
United Parcel Service	19,373	Package Delivery Service
State of Illinois	18,915	Government
United Airlines	18,276	Air Transportation
Motorola	18,000	Telecommunication
Archdiocese of Chicago	17,964	Religious Organization
Abbott Laboratories	17,333	Health Care Products and Services
Target Corp.	16,300	Retail Merchandise
Walgreen Co.	14,743	Drugstore
Dominick's Finer Foods	14,000	Retail Grocer
Bank One Chicago	13,904	Financial Services
Sears, Roebuck and Co.	13,000	Retail Services
University of Illinois at Chicago	12,676	Education
Chicago Transit Authority	12,257	Public Transportation
American Airlines	12,151	Air Transportation
Exelon Corporation	12,126	Energy Services Company
Northwestern University	12,125	Education
University of Chicago	12,073	Education
Allstate Insurance	10,157	Insurance and Financial Services
ABN AMRO North America	9,686	Financial Services
Rush-Presbyterian-St. Luke's Medical Center	8,593	Hospital, Health Care, and Health Services
Evanston Northwestern Healthcare	7,502	Hospital, Health Care, and Health Services
Loyola University Chicago	7,417	Education
Hewitt Associates	7,034	Outsourcing and Consulting Services
AT&T Corporation	7,000	Telecommunication
McDonald's	6,700	Fast Food Restaurants
Northern Trust Corporation	5,949	Financial Services
Harris Trust & Savings Bank	5,558	Financial Services
Baxter International	5,536	Surgical and Medical Products and Services

Source: Crains Chicago Business, November 25, 2002
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

TABLE 2.8

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

CHICAGO REGION'S FASTEST GROWING PUBLIC FIRMS

Rank	Firm Name	Compounded Annual Growth Rate	2001 revenues (in millions)	1996 revenues (in millions)	No. of employees	Product or Service
1	FMC Technologies Inc.	455.0%	$ 1,927.9	$ 2.0	8,500	Chemicals and agriculture
2	Universal Access Global Holdings Inc.	322.0%	122.4	1.6	263	Internet network infrastructure
3	Focal Communications Corporaton	199.0%	321.5	4.0	1,377	Data and voice communication services
4	Click Commerce Inc.	139.4%	43.4	1.3	215	Business-to-business software
5	Career Education Corporation	73.6%	529.2	33.6	7,600	Education services
6	Stericycle Inc.	71.0%	359.0	24.5	2,583	Medical waste disposal
7	WMS Industries Inc.	67.0%	263.8	33.9	800	Coin games and lottery terminals
8	Diamond Cluster International Inc.	58.0%	259.3	26.3	1,121	Management consulting services
9	Cabot Microelectronics Corporation	56.3%	227.2	24.3	437	Polishing compounds and pads
10	Stratos Lightwave Inc.	55.5%	131.8	14.5	871	Optical subsystems and components
11	CNA Surety Corporation	48.9%	350.5	71.3	808	Surety insurance
12	Clark/Bardes Inc.	47.3%	230.7	33.2	778	Human resources consulting
13	Braun Consulting Inc.	46.8%	76.7	11.3	435	Internet consulting services
14	Westell Technologies Inc.	45.9%	361.5	79.7	1,327	Telecommunications equipment
15	Equity Office Properties Trust	44.4%	3,199.4	510.2	2,700	Real estate investment trust
16	Novamed Eyecare Inc.	35.9%	70.1	20.5	871	Eye surgery and laser centers
17	Equity Residential	35.3%	2,170.6	478.4	6,400	Real estate investment trust
18	CDW Computer Centers Inc.	33.7%	3,961.5	927.9	2,800	Computers and electronics
19	Great Lakes REIT	32.5%	103.1	25.2	99	Real estate investment trust
20	General Growth Properties Inc.	29.8%	867.3	235.0	3,429	Real estate investment trust

Source: Crain's Chicago Business
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

TABLE 2.9

City of Chicago

Chicago O'Hare International Airport

Report of the Airport Consultant

RESIDENTIAL BUILDING PERMIT UNITS & VALUATION

Year	Chicago Region		Midwest		United States	
	Units	Valuation ($000)	Units	Valuation ($000)	Units	Valuation ($000)
1993	35,113	$3,779,561	191,649	$17,716,133	1,199,063	$106,800,971
1994	38,373	$4,186,252	211,968	$20,201,655	1,371,637	$123,278,316
1995	36,769	$4,018,686	207,623	$19,736,674	1,332,549	$120,810,731
1996	38,928	$4,344,458	221,742	$22,145,189	1,425,616	$134,175,811
1997	35,378	$4,234,139	209,213	$21,688,002	1,441,136	$141,004,397
1998	38,258	$4,764,466	226,637	$24,797,313	1,612,260	$165,265,706
1999	44,113	$5,634,152	241,150	$27,753,909	1,663,533	$181,246,047
2000	42,511	$5,643,626	226,235	$27,268,709	1,592,267	$185,743,681
2001	45,467	$6,240,826	231,799	$29,051,294	1,636,676	$196,242,858
2002	46,488	$6,700,696	236,188	$30,693,947	1,728,600	$215,989,236
Compounded Annual Growth Rate						
1993-2002	3.2%	6.6%	2.3%	6.3%	4.1%	8.1%

Source: U.S. Department of Commerce, Bureau of the Census
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

1993 and 2002 in residential building permit units in the Chicago Region exceeded growth in the Midwest.

Several major development projects have been initiated and/or completed in the Chicago Region in recent years:

- **Trump Tower Chicago** (a retail, office and residential development) will commence construction in mid-2004 and is expected to be completed by fall 2006. The building is currently planned to be 86 stories, provide 800 car spaces, and contain 2.3 million square feet of space at an estimated cost of $476.0 million. The building will replace the current Chicago Sun-Times building along the Chicago River.

- **McCormick Place**, the Air Trade Area's primary convention center, is embarking on an $850 million expansion project that will provide an additional 500,000 square feet of exhibit space and 200,000 square feet of meeting space. This McCormick Place West Expansion project is scheduled for substantial completion by the end of 2007.

- **Soldier Field**, home of the National Football League's Chicago Bears and Major Soccer League's Chicago Fire, began undergoing a $587.0 million renovation in February 2002 and is scheduled to reopen in September 2003. The stadium was built in 1924 and is a National Historic Landmark. The improved Soldier Field will have seating capacity for 61,500, a 2,500-car underground parking garage, a year-round restaurant, banquet facilities, additional luxury suites and clubs, and three club-level lounges.

- **The University of Chicago Hospitals** received a $21.0 million donation in January 2001 toward the construction of a new, 242,000 square-foot, 155 bed, seven-story children's hospital. Construction of the $130.0 million project has commenced and is scheduled for completion in early 2004.

- **ABN AMRO Plaza**, a 1.2 million square-foot, 30-story office tower on Chicago's Near West Side is scheduled to open in 2003. ABN AMRO started construction in September 2001. The tower will house the finance firm's U.S. headquarters and consolidate employees currently spread across several buildings in the Chicago Region's central business district.

- **Bank One Center**, a 1.5 million square foot office tower, was completed in May 2003 at a cost of more than $300 million. This 37-story, Class A tower is located in Chicago's central business district, two blocks from Bank One's headquarters. Bank One, the nation's sixth-largest bank holding company, will occupy over 600,000 square feet of space in the new tower under the single largest office lease ever negotiated in the City's history. The development includes 100,000 square feet of prime retail space on the ground floor and a 210-car underground garage.

- **Lucent Technologies Inc.** opened a 1.2 million square-foot research and development center in Naperville, Illinois in March 2000. An addition to Lucent's existing facility, the new development included two identical 600,000 square-foot buildings and four four-story parking garages with 3,600 parking spaces. The expansion project cost $250.0 million and employs approximately 4,000 people.

- In August 2002, the City of Gary, Indiana opened its new $45.0 million baseball stadium. The facility seats approximately 6,000 and will be home to the Gary SouthShore RailCats. The team opened its 2003 season in the new facility.

- **MediChem Research Inc.**, a biotechnology firm, completed construction of its new 176,000 square-foot headquarters and research facility in Woodbridge, Illinois in January 2001. The building includes 70,000 square-feet of research laboratories, a scientific research library, and an exterior shell designed for a 100,000 square-foot laboratory expansion. The project cost $16.2 million.

2.5.2 Manufacturing

In 2002, the manufacturing sector accounted for approximately 652,000 employees in the Chicago Region (12.0 percent of total nonagricultural employment).

According to World Business Chicago, a public-private economic development corporation, no other U.S. metropolitan economy matches the Chicago Region's manufacturing base, nor has a larger gross regional product in manufacturing ($59.0 billion in 2000). Metropolitan Chicago manufacturing includes significant production across many industrial sub-sectors including food processing, paper and allied products, printing and publishing, chemicals and allied products, rubber and other plastic products, fabricated metals, electronics, and instrumentation.

In September 2000, Ford Motor Company, the City of Chicago, and the State of Illinois combined resources to attract additional manufacturing jobs to the Chicago Region. The parties announced plans to open the first automotive supplier manufacturing campus in North America near Ford's Chicago Assembly Plant on the Southeast Side. When the new supplier campus opens in 2003, it will create 1,000 manufacturing jobs. The City of Chicago and the State of Illinois have pledged $63.4 million in roadway and infrastructure improvements to the project. Hundreds of construction jobs will also be created during the construction process.

The Solo Cup Company began construction of its new facility on Chicago's South Side in early October 2002. The $100.0 million manufacturing facility will allow Solo Cup to increase its production of paper and plastic-based food packaging products. Once completed, the facility will employ 1,000 people, including 450 new positions.

2.5.3 Transportation/Utilities

Transportation/utilities employment in the Chicago Region increased at a 1.7 percent compounded annual growth rate between 1992 and 2002. In 2002, the transportation/utilities sector accounted for approximately 315,000 employees in the Chicago Region (5.8 percent of total nonagricultural employment).

The Chicago Region is at the center of one of the world's largest trading areas, with a regional exchange of goods and services greater than the U.S./Canada trade volume (according to World Business Chicago). In addition, 50.0 percent of the North American industrial economy is within one day's truck delivery, 75.0 percent of North America's consumers are less than two days' truck delivery away, and 75.0 percent of U.S. rail freight passes through Chicago Region rail yards every year. In terms of intermodal container handling, the Chicago Region handles the third-highest volume of containerized cargo in the world, behind Hong Kong and Singapore.

The Chicago Region is serviced by a comprehensive network of interstate highways, tollways, and state roads that make it very accessible by truck and automobile from the east (Interstate 80/90), from the south (Interstates 65 and 94), and the west (Interstates 55 and 88). More than 200 truck terminals serve the Chicago Region, allowing 52,000 truckloads of freight to be driven out of the area daily.

The Port of Chicago and the surrounding region is linked to the Atlantic Ocean via the St. Lawrence Seaway, and has access to the Gulf of Mexico via the Mississippi River. According to the Illinois International Port District, commodity imports and exports through the Chicago Region's two ports was approximately 4.0 million tons in 2001.

Approximately 665.7 million square-feet of warehouse space exists in the Chicago Region. World Business Chicago estimates that 70.0 percent of available industrial real estate is devoted to distribution of goods. Since 1996, an additional 12.0 million square feet of new warehouse space has been developed annually in the Chicago Region.

Four major passenger railways provide services to the Chicago Region and link it to surrounding communities and the nation: Amtrak - providing interstate passenger services; Metra and the Chicago South Shore & South Bend Railroad - providing heavy-rail commuter services; and the Chicago Transit Authority - providing commuter services within the City of Chicago (including transportation to and from the Airport and Midway).

2.5.4 Trade

Trade employment in the Chicago Region increased at a 0.4 percent compounded annual growth rate between 1992 and 2002. The trade sector accounted for approximately 1.1 million employees in the Chicago Region in 2002 (20.1 percent of total nonagricultural employment). Of that total, approximately 73 percent of these employees were engaged in retail trade.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. Of the 323 MSAs ranked by *Sales & Marketing Management* magazine, the Chicago MSA ranked 2nd in total retail sales in 2001.

Table 2.10 presents historical total retail sales for the Chicago Region, the Midwest, and the nation between 1996 and 1998 and between 2000 and 2001.[1] As shown, historical growth in total retail sales for the Chicago Region were lower than comparable Midwest and national retail sales during this period.

Table 2.10 also presents projections of total retail sales for 2006. According to *Sales & Marketing Management* magazine, total retail sales for the Chicago Region are projected to increase from approximately $117.5 million in 2001 to approximately $137.1 million in 2006. This increase represents a 3.1 percent compounded annual growth rate during this period.

There are approximately 40 major shopping malls in the Chicago Region, including: Water Tower Place (100 stores and restaurants on seven levels) and 900 North Michigan (70 stores) in downtown Chicago; Old Orchard (150 stores) in Skokie, Illinois; Hawthorn Center (150 stores) in Vernon Hills, Illinois; and Oakbrook Center (160 stores) in Oakbrook, Illinois.

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[1] Due to a change in reporting total retail sales in *Survey of Buying Power 2000*, total retail sales for 1999 are not available. In addition, total retail sales beginning in 2000 are not compatible to earlier years due to a different benchmark and definition.

TABLE 2.10

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

TOTAL RETAIL SALES[1]

Year	Chicago Region ($000,000)	Midwest ($000,000)	United States ($000,000)
Historical			
1996	$80,462	$418,036	$2,465,147
1997	$82,078	$431,413	$2,546,287
1998	$86,617	$455,734	$2,695,852
1999	N/A	N/A	N/A
2000	$111,376	$562,109	$3,409,490
2001	$117,538	$593,350	$3,658,749
Projected			
2006	$137,138	$707,287	$4,440,036
Compounded Annual Growth Rate			
1996 - 1998	3.8%	4.4%	4.6%
2000 - 2001	5.5%	5.6%	7.3%
2001 - 2006	3.1%	3.6%	3.9%

[1] Due to a change in reporting total retail sales in *Survey of Buying Power 2000* , total retail sales for 1999 are not available. In addition, total retail sales beginning in 2000 are not compatible to earlier years due to a different benchmark and definition.

Sources: Sales & Marketing Management, *Survey of Buying Power, 1997-2001*
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

Shopping options within the Chicago Region cover every price point and include a wide variety of national and local retailers.

2.5.5 Finance/Insurance/Real Estate

Finance/insurance/real estate (FIRE) employment in the Chicago Region increased at a compounded annual growth rate of 1.9 percent between 1992 and 2002. In 2002, this sector accounted for approximately 542,000 employees in the Chicago Region (10.0 percent of total nonagricultural employment).

Bank One Corporation is headquartered in the Chicago Region and is the nation's sixth-largest bank holding company, with assets of more than $260.0 billion. From its corporate offices in downtown Chicago, Bank One currently serves 7.1 million households and manages $148.0 billion in investment assets. According to *Crain’s Chicago Business*, the largest four banks in the Chicago Region after Bank One in terms of assets include LaSalle Bank ($56.1 billion), Northern Trust Co. ($31.1 billion), Harris Trust & Savings Bank ($18.9 billion), and National City Bank Michigan/Illinois ($17.4 billion). **Table 2.11** presents total bank deposits for the Chicago Region, the Midwest, and the nation between 1994 and 2002. As shown, the compounded annual growth rate in bank deposits for the Chicago Region exceeded the rate for the Midwest.

Metropolitan Chicago is home to three major, global trading exchanges – the Chicago Board of Trade (CBOT), the Chicago Mercantile Exchange (CME or the Merc), and the Chicago Board Options Exchange (CBOE). CBOT is one of the world's largest futures exchanges, helping firms manage risk by securing commodity prices. CME has four major product areas: interest rates, stock indexes, foreign exchange and commodities. In 2001, a record 411.7 million contracts with an underlying value of $293.9 trillion changed hands at the Merc, representing the largest nominal value traded on any futures exchange in the world. CBOE trades in a wide variety of derivatives, including options on some 1,200 widely traded stocks, as well as on interest rates, broad-based stock indexes (such as the Standard & Poor's 500 Index), and industry indexes (such as oil and health care).

The Chicago Region is home to many of the nation’s largest insurance firms, including the brokerage and risk management firm Aon Corporation, a Fortune 500 company with 55,000 employees working in 600 offices in more than 125 countries. Aon had revenues of $7.6 billion in 2001. Arthur J. Gallagher & Company is located in suburban Itasca and is the 4th largest insurance brokerage and risk management firm in the world. In 2001, the firm employed 1,285 people and operated in more than 100 countries.

2.5.6 Services

Services employment in the Chicago Region increased at a 2.8 percent compounded annual growth rate between 1992 and 2002. In 2002, the services sector accounted for approximately 1.9 million jobs in the Chicago Region (34.8 percent of total nonagricultural employment), the highest employment level among all the sectors.

<u>Travel and Tourism</u>

The travel and tourism industry is one of the largest services industry employers in the Chicago Region. Over 46 million people visited Chicago during 2000. In 2001, metropolitan Chicago ranked second on *Tradeshow Week*’s list of top 10 trade show cities based on the number of top trade shows hosted. As discussed earlier, the City of Chicago’s McCormick Place is the Chicago Region’s primary convention center and is the nation’s

TABLE 2.11

City of Chicago

Chicago O'Hare International Airport

Report of the Airport Consultant

TOTAL BANK DEPOSITS

	Total Bank Deposits (millions)		
Year [1]	Chicago Region	Midwest	United States
1994	$143,850	$524,936	$2,765,873,000
1995	$145,633	$542,566	$2,907,043,000
1996	$152,671	$563,404	$3,061,415,000
1997	$164,888	$594,189	$3,279,559,000
1998	$165,933	$612,279	$3,506,574,000
1999	$172,837	$630,877	$3,783,670,534
2000	$189,552	$667,094	$4,003,864,947
2001	$200,661	$707,187	$4,326,327,230
2002	$211,433	$738,413	$4,605,807,000
Compounded Annual Growth Rate			
1994-2002	4.9%	4.4%	6.6%

[1] 12 months ending June 30.

Source: Federal Deposit Insurance Corporation (FDIC)
Prepared by: Hayes/Smith Associates, Inc.; Ricondo & Associates, Inc.

largest exhibition hall with 2.2 million square feet of available space (to be expanded by an additional 500,000 square feet of exhibition space and 200,000 square feet of meeting space by the end of 2007). The Chicago Convention & Tourism Bureau reports that in 2000 (the latest period for which complete data is available), the Chicago Region hosted an estimated 1,729 conventions and 1,204,309 delegates, compared to an estimated 1,573 conventions and 1,179,790 delegates in 1999.

In support of conventions at McCormick Place, there are approximately 29,000 hotel rooms in metropolitan Chicago, 4,000 of which are within walking distance of McCormick Place. According to the Hotel/Motel Association, the largest hotel in the Chicago Region in 2000 was the Hyatt Regency Chicago, with 2,019 rooms. In September 2002, the hotel sector announced plans to hire 38,000 new employees in the Chicago Region over the next twelve months, according to the Illinois Department of Employment Security.

Renowned architects such as Louis H. Sullivan, Frank Lloyd Wright, and Ludwig Mies van der Rohe designed buildings in the Chicago Region that have become Chicago landmarks. Every year, an estimated 350,000 people attend lectures, exhibits, and architecture tours sponsored by the Chicago Architecture Foundation.

Additional Chicago Region major tourism attractions in 2001 (the latest period for which complete data are currently available) included: Navy Pier (8.2 million visitors), Lincoln Park Zoo (3.0 million visitors), Field Museum of Natural History (1.8 million visitors), Art Institute of Chicago (1.7 million visitors), Shedd Aquarium (1.7 million visitors), the Museum of Science and Industry (1.6 million visitors), Sears Tower Skydeck (1.3 million visitors), Adler Planetarium & Astronomy Museum (434,000 visitors), and the Chicago Historical Society (170,000 visitors).

Recreational and Sports Activities

The Chicago Region hosts a significant number of outdoor festivals, attractions and events annually. Some of the best-known events and attractions include the annual Taste of Chicago (3.6 million visitors in 2001) and the Chicago Air and Water Show (1.9 million visitors in 2001). Other major events and attractions in the Chicago Region in 2001 included the Chicago Blues Festival (750,000 visitors), Chicago Symphony Orchestra (512,000 visitors), and Chicago Jazz Festival (315,000 visitors).

Major spectator sports in the Chicago Region include Big 10 collegiate football at Northwestern University, professional football (Chicago Bears), professional baseball (Chicago Cubs and Chicago White Sox), professional basketball (Chicago Bulls), professional soccer (Chicago Fire) and professional hockey (Chicago Blackhawks). These professional sports teams attract an estimated 7.0 million attendees annually. The Chicago Marathon registered more than 37,000 participants and drew more than 900,000 spectators in October 2002. Also in October 2002, Arlington Park hosted the 19th Breeders' Cup World Thoroughbred World Championships. Olympia Fields Country Club, located 25 miles south of downtown Chicago, hosted professional golf's 103rd Men's U.S. Open Championship in June 2003. U.S. Cellular Field, home of the Chicago White Sox, hosted professional baseball's 74th All Star Game in July 2003.

Medical and Health

The Chicago Region is home to numerous national healthcare organizations: the American Medical Association, the American Hospital Association, the American Dental Association, and the American College of Surgeons.

In 2000, there were approximately 105 hospitals in the Chicago Region with 25,614 beds, 798,361 admissions and 102,780 full-time employees. The largest private hospital in the area is Rush-Presbyterian-St. Luke's Medical Center (703 beds) and the largest public hospital is the new John H. Stroger, Jr. Hospital of Cook County (opened in December 2002), which includes 1.2 million square-feet of space, 464 beds and an adjacent 2,100-space parking garage. This new hospital cost an estimated $550 million.

Advocate Health Care, recognized as one of the top 10 health care delivery systems in the country, is the largest health care system in the Chicago Region. It has eight hospitals with a total of 3,500 beds, over 200 sites of care, and is affiliated with over 4,600 physicians. With approximately 25,000 employees, Advocate Health Care is the sixth largest employer in the Chicago Region and the second largest in the private sector. Its primary academic and teaching affiliation is with the University of Illinois at Chicago Health Sciences Center.

Another prominent health institution in the Chicago Region is the University of Chicago Hospitals and Health System. It has 546 beds and is regarded as one of the best hospitals in the nation. For the sixth year in a row, the University of Chicago Hospitals has been selected as one of the best 20 hospitals in the United States by *U.S. News and World Report* in their 2002 annual survey of hospitals.

Higher Education

Higher education is provided in the Chicago Region by approximately thirty-three colleges and universities, as well as numerous community colleges, business schools, and technical schools. These institutions enroll over 229,160 students and offer a wide range of continuing educational opportunities. University of Illinois at Chicago, the largest university in the Chicago Region with over 24,610 full and part-time students, awards graduate, professional, bachelor’s, and associate’s degrees in more than 232 fields of study through 15 schools and colleges. In addition, it offers Ph.D.s in 58 areas including engineering, medicine, dentistry, mathematics, and education.

Other colleges or universities in the Chicago Region include DePaul University (19,549 students), Northwestern University (17,041 students), Loyola University Chicago (13,359 students), University of Chicago (12,016 students), Northeastern Illinois University (10,937 students), Chicago State University (7,580 students), and Illinois Institute of Technology (6,062 students). Harry S. Truman College, with an enrollment of approximately 14,147 students, is the largest of 7 colleges that constitute the City Colleges of Chicago system.

2.5.7 Government

Government employment in the Chicago Region increased at a compounded annual growth rate of 0.9 percent between 1992 and 2002. In 2002, this sector accounted for approximately 616,000 employees in the Chicago Region (11.4 percent of total nonagricultural employment).

The government sector in metropolitan Chicago includes federal, state, county, and city employees. Federal employers operating within the Chicago Region include the Internal Revenue Service, Social Security Administration, Department of Agriculture, Seventh Circuit Court of Appeals, Postal Service, and many other entities. As of November 2002, the federal government employed approximately 75,000 people within the Chicago Region across a variety of functions and agencies. The federal Railroad Retirement Board is headquartered in the City of Chicago and employed 1,100 people in 2002. The Great Lakes Naval Training

Center is another major source of federal employment in the Chicago Region. According to U.S. Navy sources, Great Lakes Naval Training Center has an approximately $729,558,000 annual financial impact on metropolitan Chicago and employed an estimated 23,500 people in a variety of military and civilian capacities. Other major governmental employers in the Chicago Region include the Chicago Public Schools (46,179 employees) and the City of Chicago (40,324 employees).

2.6 SUMMARY

A summary of the socioeconomic trends in the Chicago Region includes the following findings:

- Population growth in the Chicago Region exceeded population growth in the Midwest between 1980 and 2002. Following a slight increase in population between 1980 and 1990, population in the Chicago Region increased by a stronger 1.0 percent between 1990 and 2002.

- The Chicago Region includes the nation's second-richest MSA in terms of total EBI. Per capita EBI for the Chicago Region was consistently higher than that for the Midwest and for the nation each year between 1996 and 2001. In addition, per capita EBI for the Chicago Region increased at a rate that was higher than that for the Midwest and for the nation during this same period. The Chicago Region also currently has a significantly larger percentage of households (47.7 percent) with an EBI of $50,000 or more compared to either the Midwest (35.3 percent) or the nation (35.3 percent). According to *Sales and Marketing Management* magazine, continued strong growth in per capita EBI for the Chicago Region is expected between 2001 and 2006.

- Average annual unemployment rates for the Chicago Region generally ranged at levels near unemployment rates for the Midwest and the nation each year between 1992 and 2002. With the exception of 2001, the Chicago Region's labor force increased each year between 1992 and 2002.

- The sectors of nonagricultural employment for the Chicago Region were generally in concert with those of the nation on a percentage basis in 2002, providing the area with an economic base as diversified as the national economy.

- The Chicago Region offers a variety of cultural, recreational, and educational resources and activities.

- The economic base of the Chicago Region is stable and diversified, and is capable of supporting increased demand for air travel at the Airport during the projection period.

3. AIR TRAFFIC

This section describes historical and projected air traffic activity at the Airport and the key factors affecting these activity levels. In particular, this section discusses the airlines serving the Airport, historical Airport activity, the aviation industry, and projected Airport activity.

3.1 AIRLINES SERVING THE AIRPORT

As of June 2003, the Airport had scheduled passenger service provided by 15 U.S. flag air carriers, scheduled and nonscheduled service by 24 foreign flag carriers, and nonscheduled service by six airlines. In addition, as of June 2003, 22 all-cargo carriers provided scheduled cargo at the Airport. **Table 3.1** lists the airlines serving the Airport as of June 2003.

Table 3.2 presents the scheduled U.S. flag air carrier base at the Airport since 1993. As shown, the Airport has had the benefit of a large and relatively stable air carrier base during the years depicted, which has helped promote competitive pricing and scheduling diversity in the Airport's major domestic markets. As also shown, nine of the 16 U.S. flag airlines currently serving the Airport operated there for each of the years shown, including seven of the major U.S. passenger airlines. Activity by those carriers providing significant activity at the Airport is discussed below:

- **United**, with a 42.3 percent share of Airport enplanements in 2002, provides nonstop service to 60 domestic markets and 14 international markets. Operating as United Express, **Atlantic Coast** and **Air Wisconsin** had a combined 6.9 percent share of Airport enplanements in 2002; and provide nonstop service to 83 markets, including two international markets, Montreal and Winnipeg.

- **American**, with a 28.7 percent share of Airport enplanements in 2002, provides nonstop service to 49 domestic markets and 14 international markets.[1] **American Eagle**, a subsidiary of American, had a 5.6 percent share of Airport enplanements in 2002; and provides nonstop service to 45 markets, including one international market, Ottawa.

- **Delta**, with a 2.0 percent share of Airport enplanements in 2002, provides nonstop service to three domestic markets. **US Airways** (a 1.6 percent share in 2002) provides nonstop service to three domestic markets. **Northwest** (a 1.6 percent share in 2002) provides nonstop service to three domestic markets. **Continental** (a 1.4 percent share in 2002) provides nonstop service to two domestic markets. **America West** (a 0.9 percent share in 2002) provides nonstop service to two domestic markets.

Table 3.3 presents the foreign flag air carrier base at the Airport since 1993. As shown, 13 of the 24 current foreign flag carriers serving the Airport operated there for each of the years depicted. Activity by these carriers providing significant activity at the Airport are discussed below:

- **Air Canada**, with a 1.0 percent share of Airport enplanements in 2002, provides nonstop service to Montreal, Ottawa, Toronto, Vancouver, and Winnipeg.

- **Mexicana**, with a 0.8 percent share of Airport enplanements in 2002, provides nonstop service to Durango, Guadalajara, Mexico City, Morelia, Monterrey, and Zacatecas.

- **Lufthansa**, with a 0.7 percent share of Airport enplanements in 2002, provides nonstop service to Frankfurt and Munich.

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[1] Includes activity by Trans World, which was acquired by American in 2001.

TABLE 3.1

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

AIRLINES SERVING THE AIRPORT [1]

Scheduled U.S. Carriers (15)	Foreign Flag Carriers (24)	Other/Nonscheduled Carriers (6)	All-Cargo Carriers (22)
Air Wisconsin (United Express)	Aer Lingus	American Trans Air	Air China
Alaska	AeroMexico	Casino Express	Airborne Express
America West	Air Canada [3]	Champion Air	Asiana
American [2]	Air France	Miami Air	Atlas Air
American Eagle	Air India	Transmeridian	CAL Cargo
Atlantic Coast (United Express)	Air Jamaica	U.S.A. 3000	Cathay Pacific
Atlantic Southeast (Delta Connection)	Alitalia		China Airlines
Comair (Delta Connection)	Aviacsa		China Cargo
Continental	British Airways		China Southern
Continental Express	British Midland		DHL Worldwide
Delta	Cross/Swiss		Emery/ACF
Northwest	El Al Israel		EVA Airways
Spirit	Iberia		Evergreen
United [4]	Japan		FedEx
US Airways [5]	KLM Royal Dutch		Kalitta
	Korean		Lufthansa Cargo
	Kuwait		Martin Air Holland, N.V.
	Lacsa		Nippon
	LOT Polish		Polar
	Lufthansa		Singapore Cargo
	Mexicana		Southern Air
	Royal Jordanian		United Parcel Service
	Scandinavian		
	Turkish		

[1] As of June 2003.

[2] Acquired Trans World in 2001.

[3] Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.

[4] United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.

[5] US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003.

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

TABLE 3.2

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

SCHEDULED U.S. FLAG AIR CARRIER BASE

Air Carrier	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 [1]
Air Wisconsin	●	●	●	●	●	●	●	●	●	●	●
America West	●	●	●	●	●	●	●	●	●	●	●
American [2]	●	●	●	●	●	●	●	●	●	●	●
American Eagle	●	●	●	●	●	●	●	●	●	●	●
Continental	●	●	●	●	●	●	●	●	●	●	●
Delta	●	●	●	●	●	●	●	●	●	●	●
Northwest	●	●	●	●	●	●	●	●	●	●	●
United [3]	●	●	●	●	●	●	●	●	●	●	●
US Airways [4]	●	●	●	●	●	●	●	●	●	●	●
Atlantic Coast						●	●	●	●	●	●
Alaska								●	●	●	●
Comair								●	●	●	●
Spirit								●	●	●	●
Continental Express									●	●	●
Atlantic Southeast											●
Air Carriers No Longer Serving the Airport											
Chautauqua										●	●
Great Lakes	●	●	●	●	●	●	●	●	●	●	●
North American									●	●	●
National									●	●	
Mesa								●	●		
Sun Country	●	●	●	●	●	●	●	●	●		

[1] As of June 2003.

[2] Acquired Reno Air in 1998 and Trans World in 2001. Both airlines served the Airport during the years shown prior to their mergers with American.

[3] United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.

[4] US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003.

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

TABLE 3.3

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

SCHEDULED FOREIGN FLAG AIR CARRIER BASE

Air Carrier	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 [1]
Air Canada [2]	●	●	●	●	●	●	●	●	●	●	●
Air France	●	●	●	●	●	●	●	●	●	●	●
Alitalia	●	●	●	●	●	●	●	●	●	●	●
British Airways	●	●	●	●	●	●	●	●	●	●	●
Cross/Swiss	●	●	●	●	●	●	●	●	●	●	●
El Al	●	●	●	●	●	●	●	●	●	●	●
Japan	●	●	●	●	●	●	●	●	●	●	●
KLM-Royal Dutch	●	●	●	●	●	●	●	●	●	●	●
Korean	●	●	●	●	●	●	●	●	●	●	●
LOT-Polish	●	●	●	●	●	●	●	●	●	●	●
Lufthansa	●	●	●	●	●	●	●	●	●	●	●
Mexicana	●	●	●	●	●	●	●	●	●	●	●
Royal Jordanian	●	●	●	●	●	●	●	●	●	●	●
Air Jamaica	●			●	●	●	●	●	●	●	●
Kuwait			●	●	●	●	●	●	●	●	●
Scandinavian			●	●	●	●	●	●	●	●	●
Air India				●	●	●	●	●	●	●	●
Aer Lingus				●	●	●	●	●	●	●	●
Turkish					●	●	●	●	●	●	●
Iberia							●	●	●	●	●
AeroMexico								●	●	●	●
British Midland									●	●	●
Aviacsa											●
Lacsa											●
Scheduled Foreign Flag Carriers No longer Serving the Airport											
Allegro											●
Singapore									●	●	●
All Nippon							●	●	●		
Virgin Atlantic							●	●	●		
Aeroflot	●	●	●	●	●	●	●	●	●		
Sabena	●	●	●	●	●	●	●	●	●		
Austrian	●	●	●					●	●		
Tarom	●	●	●	●	●	●	●	●			
Taesa	●	●	●	●	●	●	●				
Aviateca	●	●	●								
Czech	●	●	●								
Olympic	●	●									
Varig	●	●									

[1] As of June 2003.

[2] Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.

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

- **British Airways**, with a 0.4 percent share of Airport enplanements in 2002, provides nonstop service to London.

3.2 HISTORICAL AIRPORT ACTIVITY

The following sections review the Airport's historical activity in terms of passenger activity, air service, aircraft operations, aircraft landed weight, and cargo activity.

3.2.1 Passenger Activity

Table 3.4 presents historical data on total enplaned passengers (domestic and international activity combined) at the Airport. As shown, total passenger activity at the Airport increased from approximately 32.0 million enplanements in 1993 to approximately 35.9 million in 1999. This increase represents a compounded annual growth rate of 2.0 percent during this period. Due primarily to labor troubles at United, total enplanements decreased 0.7 percent in 2000 from 1999 levels. Due to the effects of September 11 and the economic slowdown, total enplanements at the Airport decreased 6.7 percent in 2001 from 2000 levels, and then experienced an additional 1.2 percent decrease in 2002. These three years of decreasing activity caused total enplanements to decline from approximately 35.9 million in 1999 to approximately 32.9 million in 2002. The overall decrease in passenger activity at the Airport following September 11 is reflected in the following changes in certain operational activity at the Airport:

- United reduced its service levels at the Airport from approximately 430 daily departures in August 2001 to approximately 340 daily departures in November 2001. United averaged approximately 365 daily departures between December 2001 and June 2003, with approximately 360 daily departures in June 2003.

- American reduced its service levels at the Airport from approximately 350 daily departures in August 2001 to approximately 275 daily departures in November 2001. American averaged approximately 300 daily departures between December 2001 and June 2003, with approximately 290 daily departures in June 2003.

- International carriers also experienced declines following September 11, with a steady decrease in activity from approximately 120 daily departures in August 2001 to approximately 85 daily departures in March 2002. International carriers averaged approximately 100 daily departures between April 2002 and June 2003, with approximately 110 daily departures in June 2003.

Table 3.4 also presents historical data on domestic enplaned passengers at the Airport and the nation. As shown, domestic passenger activity at the Airport increased from approximately 29.1 million enplanements in 1993 to approximately 31.5 million in 1998. This increase represents a compounded annual growth rate of 1.6 percent during this period. Domestic enplanements decreased slightly in 1999 from 1998 levels and, due primarily to labor troubles at United cited earlier, decreased 1.7 percent in 2000 from 1999 levels. Due to the effects of September 11 and the economic slowdown, domestic enplanements at the Airport decreased 6.4 percent in 2001 from 2000 levels, and then experienced an additional 0.5 percent decrease in 2002. These four years of decreasing activity resulted in domestic enplanements declining from approximately 31.5 million in 1998 to approximately 28.6 million in 2002.

TABLE 3.4

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

HISTORICAL ENPLANEMENTS

Year	DOMESTIC Airport Enplanements [1]	DOMESTIC Annual Growth	INTERNATIONAL Airport Enplanements [1]	INTERNATIONAL Annual Growth	TOTAL Airport Enplanements [1]	TOTAL Annual Growth
1993	29,101,964	-	2,882,034	-	31,983,998	-
1994	29,718,206	2.1%	3,040,777	5.5%	32,758,983	2.4%
1995	29,557,080	(0.5%)	3,298,380	8.5%	32,855,460	0.3%
1996	30,538,500	3.3%	3,529,385	7.0%	34,067,885	3.7%
1997	30,889,194	1.1%	3,889,544	10.2%	34,778,738	2.1%
1998	31,453,453	1.8%	4,336,508	11.5%	35,789,961	2.9%
1999	31,190,715	(0.8%)	4,757,001	9.7%	35,947,716	0.4%
2000	30,651,752	(1.7%)	5,049,197	6.1%	35,700,949	(0.7%)
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%)
Compounded Annual Growth Rate						
1993 - 1998		1.6%		8.5%		2.3%
1993 - 1999		1.2%		8.7%		2.0%
1993 - 2000		0.7%		8.3%		1.6%
2000 - 2001		(6.4%)		(8.6%)		(6.7%)
2001 - 2002		(0.5%)		(5.6%)		(1.2%)

[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
Prepared by: Ricondo & Associates, Inc.

Table 3.4 also presents historical data on international enplaned passengers at the Airport. As shown, international passenger activity at the Airport increased from approximately 2.9 million enplanements in 1993 to approximately 5.0 million in 2000. This increase represents a compounded annual growth rate of 8.3 percent during this period. Due to the effects of September 11 and the economic slowdown, international enplanements at the Airport decreased 8.6 percent in 2001 from 2000 levels, and then experienced an additional 5.6 percent decrease in 2002. These two years of decreasing activity resulted in international enplanements to decline from approximately 5.0 million in 2000 to approximately 4.4 million in 2002.

In the late 1990s, American and United formed separate alliances with certain foreign flag carriers serving the Airport to enhance the participating carriers' competitive edge in international activity (i.e., greater network integration, more efficient aircraft use, and single-carrier service between points). In May 1997, United formed a global partnership with Air Canada, Lufthansa, SAS, and Thai Airways International to create Star Alliance. Varig Brazilian and CMA Mexicana subsequently joined Star Alliance in late 1997 and 2000, respectively, and as of July 2003, Air New Zealand, Lauda, British Midland, Austrian, Tyrolean, Singapore, ANA, Asiana, and Spainair are all partners. In February 1999, American formed a global partnership with British Airways, Cathay Pacific, Canadian, and Qantas to create "oneworld." Canadian subsequently withdrew from the alliance in June 1999 following its purchase by Air Canada; however, Aer Lingus and Lan Chile entered into the oneworld alliance in June 2000, and Iberia and Finnair in 2002.

Table 3.5 presents total enplanements by airline at the Airport between 1998 and 2002. As shown, the combined share of total Airport enplanements for United and American steadily decreased during this period, from 76.4 percent in 1998 to 71.0 percent in 2002. This decrease in share of enplanements by these carriers was primarily due to the shifting of their mainline activity to their respective regional affiliates. As also shown, the combined share of Atlantic Coast and Air Wisconsin increased from 1.6 percent in 1998 to 6.9 percent in 2002, while American Eagle's share increased from 4.7 percent to 5.6 percent during this same period. As a result, the combined share of total Airport enplanements for United and its regional affiliates increased from 45.7 percent in 1998 to 49.2 percent in 2002; and American and American Eagle's combined share decreased slightly from 37.0 percent to 34.3 percent during this same period. In general, the other airlines' share of enplanements remained relatively stable between 1998 and 2002.

3.2.2 Air Service

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demands and available services and facilities. **Table 3.6** presents historical data on the Airport's top 50 domestic O&D markets for 2002, as measured by the number of passengers. Given the Airport's central location in the United States, the domestic O&D markets are predominately medium-haul markets. As shown, the Airport's domestic O&D markets in 2002 had an average stage length (i.e., passenger trip distance) of 989 miles, compared to the average stage length of 908 miles nationwide. The average stage length for the Airport has historically been higher than that for the nation, reflecting the strong local demand for service to east coast markets such as New York and Washington and to west coast markets such as Los Angeles, Las Vegas, and San Francisco.

As also shown in Table 3.6, each of the Airport's top 50 domestic O&D markets in 2002 is served with nonstop service. New York, the Airport's top-ranked domestic O&D market, has 403 weekly nonstop flights from the Airport. Other domestic markets with significant nonstop service from the Airport include Washington D.C. (258 weekly nonstop

TABLE 3.5

City of Chicago
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HISTORICAL TOTAL ENPLANEMENTS BY AIRLINE [1]

		1998		1999		2000		2001		2002	
	Airline	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
1	United [2]	15,792,852	44.1%	16,257,105	45.2%	15,284,974	42.8%	14,057,822	42.2%	13,935,560	42.3%
2	American	11,562,650	32.3%	11,010,121	30.6%	11,282,511	31.6%	10,001,205	30.0%	9,436,168	28.7%
3	American Eagle	1,675,520	4.7%	1,621,501	4.5%	1,626,148	4.6%	1,666,814	5.0%	1,841,764	5.6%
4	Atlantic Coast	30,725	0.1%	183,542	0.5%	347,958	1.0%	648,725	1.9%	1,406,700	4.3%
5	Air Wisconsin	548,638	1.5%	527,779	1.5%	794,489	2.2%	987,094	3.0%	854,881	2.6%
6	Delta	1,125,365	3.1%	1,090,189	3.0%	1,040,698	2.9%	874,228	2.6%	658,086	2.0%
7	US Airways [3]	603,719	1.7%	529,712	1.5%	565,734	1.6%	511,322	1.5%	532,549	1.6%
8	Northwest	686,487	1.9%	692,348	1.9%	700,337	2.0%	603,497	1.8%	527,303	1.6%
9	Continental	615,011	1.7%	599,488	1.7%	600,994	1.7%	525,146	1.6%	461,407	1.4%
10	Air Canada [4]	268,806	0.8%	327,778	0.9%	333,599	0.9%	352,240	1.1%	344,910	1.0%
11	America West	220,795	0.6%	233,581	0.6%	284,715	0.8%	306,385	0.9%	310,056	0.9%
12	Spirit	0	0.0%	0	0.0%	25,900	0.1%	223,173	0.7%	298,044	0.9%
13	Mexicana	264,323	0.7%	299,887	0.8%	337,235	0.9%	309,416	0.9%	259,022	0.8%
14	Lufthansa	203,284	0.6%	219,255	0.6%	228,366	0.6%	210,130	0.6%	235,259	0.7%
15	British Airways	179,950	0.5%	170,852	0.5%	169,679	0.5%	123,625	0.4%	146,922	0.4%
	Other	2,011,836	5.6%	2,184,578	6.1%	2,077,612	5.8%	1,909,407	5.7%	1,670,305	5.1%
	Airport Total [5]	35,789,961	100.0%	35,947,716	100.0%	35,700,949	100.0%	33,310,229	100.0%	32,918,936	100.0%

[1] For those airlines that were party to a merger or acquisition, only the acquiring entity is presented in this table. However, the activity for the airlines that are now a part of the acquiring airline is included in the information presented.

[2] United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.

[3] US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003.

[4] Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.

[5] Totals may not add due to individual rounding.

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

TABLE 3.6

City of Chicago
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DOMESTIC O&D PASSENGER MARKETS - 2002

Rank	Market	Weekly Nonstop Flights [1]	Number of Airlines	Trip Length [2]	Total O&D Passengers
1	New York/Newark	403	5	MH	2,107,640
2	Los Angeles	191	3	MH	1,105,320
3	Las Vegas	103	4	MH	873,020
4	Washington	258	3	MH	823,490
5	San Francisco	140	2	LH	773,450
6	Phoenix	97	3	MH	752,890
7	Philadelphia	188	3	MH	694,090
8	Atlanta	155	4	MH	674,190
9	Boston	149	2	MH	649,280
10	Denver	158	2	MH	644,980
11	Dallas	204	3	MH	607,260
12	Orlando	81	3	MH	588,710
13	Detroit	169	4	SH	513,240
14	Houston	115	3	MH	488,820
15	Seattle	101	2	MH	446,380
16	Fort Lauderdale	56	3	MH	440,110
17	Minneapolis	247	3	SH	438,850
18	Baltimore	83	2	MH	415,800
19	Tampa	49	3	MH	383,790
20	St Louis	137	4	SH	375,970
21	San Diego	77	2	MH	374,760
22	Orange County	62	2	MH	338,380
23	Kansas City	83	3	SH	332,720
24	Cleveland	148	4	SH	316,170
25	Miami	79	2	MH	310,450
26	Columbus	121	2	SH	301,770
27	Hartford	83	3	MH	273,560
28	Pittsburgh	121	3	SH	271,320
29	Fort Myers	14	2	MH	255,420
30	Raleigh	83	3	MH	240,550
31	Charlotte	104	4	SH	228,000
32	San Jose	62	2	LH	218,460
33	New Orleans	41	2	MH	212,100
34	Austin	69	3	MH	208,320
35	Portland	68	2	MH	207,900
36	Providence	63	2	MH	195,980
37	San Juan	29	2	LH	195,600
38	Salt Lake City	56	3	MH	186,110
39	Westchester County	79	2	MH	162,360
40	San Antonio	48	2	MH	161,920
41	Nashville	97	4	SH	160,090
42	Cincinnati	142	5	SH	154,460
43	Honolulu	7	1	LH	135,360
44	Memphis	76	3	SH	132,600
45	Tucson	14	1	MH	130,970
46	Omaha	70	2	SH	127,470
47	Sacramento	35	1	MH	123,200
48	Palm Beach	7	1	MH	122,850
49	Manchester	28	1	MH	121,910
50	Indianapolis	111	4	SH	109,090
	Other Markets	2,776			4,265,670
	Total	7,937			24,372,800

Weighted Average

Airport [3]	989 miles
United States	908 miles

[1] For the week of June 14, 2003 through June 20, 2003.

[2] (SH) Short Haul = 1 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles

[3] Weighted average calculated for all of the Airport's O&D markets.

Source: US DOT Origin & Destination Survey of Airline Passenger Traffic
Prepared by: Ricondo & Associates, Inc.

flights), Minneapolis (247 weekly nonstop flights), Dallas (204 weekly nonstop flights), and Los Angeles (191 weekly nonstop flights).

Scheduled nonstop service from the Airport between June 14 and June 20, 2003 is presented in **Table 3.7**. As shown, U.S. flag air carriers provided 7,937 weekly nonstop flights to domestic markets and 418 weekly nonstop flights to international markets during this period. As also shown, foreign flag air carriers provided 334 flights to international markets.

Table 3.8 presents historical data on the Airport's top 50 international O&D markets for 2000, the latest calendar 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. As also shown, 14 of the Airport's top 15 international O&D markets in 2000 are served with nonstop service, as well as 31 of the Airport's top 50 international O&D markets. London, the Airport's top-ranked international O&D market, has 80 weekly nonstop flights from the Airport. Other international markets with significant nonstop service from the Airport include Toronto (130 weekly nonstop flights), Montreal (83 weekly nonstop flights), and Mexico City (43 weekly nonstop flights).

3.2.3 Aircraft Operations

Table 3.9 presents historical operations at the Airport by major user group between 1997 and 2002. As shown, total activity at the Airport increased from 883,761 operations in 1997 to 908,989 in 2000. This increase represents a compounded annual growth rate of 0.9 percent during this period, compared to virtually no growth nationwide. The effects of September 11 and the economic slowdown did not have the same effect on total operations as it did total enplanements at the Airport. As shown, total aircraft operations at the Airport increased 0.3 percent in 2001 and then increased an additional 1.2 percent in 2002, primarily due to a shifting of domestic passenger service from the majors/nationals to their code-sharing regional/commuter partners. Except for the regionals/commuters, however, each major user group at the Airport experienced a decrease in operations between 2000 and 2002.

The Airport's aircraft operational activity had been under the High-Density Rule (HDR). The HDR was implemented in 1968 by the FAA to ease congestion and reduce delays at four of the nation's busiest airports: Chicago O'Hare International Airport, LaGuardia Airport, John F. Kennedy International Airport, and Ronald Reagan Washington National Airport. Special air traffic rules were applied at these airports to restrict the number of instrument flight rules (IFR) operations during certain hours of the day, and allocate slots to air carriers for each takeoff or landing during these restricted periods. The Airport was ultimately limited to 155 operations per hour between 6:45 a.m. and 9:15 p.m. On April 5, 2000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) was enacted into law, which amended and called for the phasing out of the HDR. AIR-21 called for the narrowing of the HDR window at the Airport to the period between 2:45 p.m. and 8:14 p.m. effective July 1, 2001, and total elimination of slots at the Airport by July 1, 2002. In addition, various slot exemptions for aircraft under 71 seats, service to non- and small hubs, and international service were granted almost immediately upon the passing of AIR-21.

General aviation activity at the Airport steadily decreased each year between 1997 and 2000 from the previous year's level, from 47,023 operations in 1997 to 35,565 in 2000. According to the City's Department of Aviation, this decrease was primarily due to lower costs and less delays at outlying airports within the Chicago Region. The effects of September 11 and the economic slowdown also affected general aviation activity at the

TABLE 3.7

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SCHEDULED NONSTOP ACTIVITY FOR U.S. FLAG & FOREIGN FLAG CARRIERS [1]

	Domestic Markets		International Markets				
U.S. Flag Air Carrier	Number of Markets	Weekly Flights	Markets Served	Weekly Flights	Foreign Flag Air Carrier	Markets Served	Weekly Flights
United [2]	60	2,397	Amsterdam, Paris, Frankfurt, Sao Paulo, Hong Kong, London, Aruba, St. Thomas, Mexico City, Tokyo, Beijing, Calgary, Vancouver, Toronto	158	Air Canada [3]	Ottawa, Montreal, Toronto, Vancouver, Winnipeg	111
American	49	1,799	Brussels, Paris, Frankfurt, London, Rome, Glasgow, Manchester, Cancun, Mexico City, Tokyo, Montreal, Calgary, Toronto, Vancouver	197	Mexicana	Guadalajara, Morelia, Monterrey, Mexico City, Durango, Zacatecas	48
American Eagle	45	1,319	Ottawa	28	Lufthansa	Frankfurt, Munich	21
Atlantic Coast	53	999	Montreal	21	British Airways	London	21
Air Wisconsin	30	693	Winnipeg	14	Scandinavian	Stockholm, Copenhagen	14
Northwest	3	160			LOT Polish	Krakow, Warsaw	12
U.S.Airways [4]	3	119			Air Jamaica	Montego Bay	7
Delta	3	114			Air France	Paris	7
Continental	2	103			AeroMexico	Mexico City	7
America West	2	55			Alitalia	Milan	7
Spirit	6	52			Aer Lingus	Dublin	7
Express Jet	1	46			Iberia	Madrid	7
Comair	3	39			Japan	Tokyo	7
Atlantic Southeast	1	33			KLM-Royal Dutch	Amsterdam	7
Alaska	1	7			Swiss	Zurich	7
North American	1	2			Aviacsa	Monterrey	7
					British Midland	Manchester	7
					Korean	Seoul	7
					Privatair	Dusseldorf	6
					Turkish	Istanbul	4
					Lacsa	Guatemala City	4
					Air India	London	3
					Pakistan	Birmingham	2
					Kuwait	Amsterdam	2
					Royal Jordanian	Amman	2
Total		7,937		418			334

[1] Based on June 14, 2003 through June 20, 2003 schedule.

[2] United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.

[3] Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.

[4] US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003.

Source: Official Airline Guide
Prepared by: Ricondo & Associates, Inc.

TABLE 3.8

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

INTERNATIONAL O&D PASSENGER MARKETS - 2000 [1]

Rank	City	Country	Weekly Nonstop Flights [2]	Number of Airlines	Total O&D Passengers
1	London	U.K.	80	4	398,934
2	Toronto	Canada	130	3	243,030
3	Cancun	Mexico	7	1	221,555
4	Mexico City	Mexico	43	4	207,628
5	Tokyo	Japan	28	3	147,310
6	Paris	France	21	3	138,496
7	Guadalajara	Mexico	9	1	109,102
8	Dublin	Ireland	7	1	95,635
9	Montego Bay	Jamaica	7	1	93,173
10	Puerto Vallarta	Mexico	0	0	90,915
11	Rome	Italy	7	1	88,448
12	Frankfurt	Germany	35	3	78,193
13	Amsterdam	Netherlands	16	3	76,035
14	Seoul	S. Korea	7	1	65,298
15	Stockholm	Sweden	7	1	64,484
16	Santo Domingo	Dominican Republic	0	0	61,225
17	Montreal	Canada	83	3	61,060
18	Singapore	Singapore	0	0	60,546
19	Acapulco	Mexico	0	0	60,363
20	Vancouver	Canada	32	3	60,080
21	Vienna	Austria	0	0	55,343
22	Munich	Germany	7	1	54,053
23	Milan	Italy	7	1	51,643
24	Warsaw	Poland	8	1	50,124
25	San Jose	Costa Rica	0	0	48,440
26	Madrid	Spain	7	1	47,575
27	Buenos Aires	Argentina	0	0	47,571
28	Tel Aviv	Israel	0	0	46,130
29	Manila	Philippines	0	0	45,042
30	Brussels	Belgium	7	1	44,444
31	Sao Paulo	Brazil	7	1	43,954
32	Lima	Peru	0	0	43,872
33	Osaka	Japan	0	0	41,276
34	Krakow	Poland	4	1	39,975
35	Zurich	Switzerland	7	1	39,590
36	Nassau	Bahamas	0	0	39,379
37	Calgary	Canada	21	2	36,130
38	Copenhagen	Denmark	7	1	35,036
39	Sydney	Australia	0	0	34,789
40	Ixtapa	Mexico	0	0	34,647
41	Instanbul	Turkey	4	1	33,999
42	Taipei	Taiwan	0	0	33,978
43	Monterrey	Mexico	14	2	33,236
44	Santiago	Chile	0	0	31,914
45	Leon-Guanajuato	Mexico	0	0	31,536
46	Morelia	Mexico	5	1	29,787
47	Manchester	U.K.	14	2	28,021
48	Bombay	India	0	0	27,755
49	Zacatecas	Mexico	4	1	27,611
50	Caracas	Venezuela	0	0	27,531
	Other Markets		110		1,659,202
	Total		752		5,265,093

[1] Canadian markets only include U.S. Flag carriers, and does not include airlines that do not have aircraft with more then 60 seats.

[2] For the week of June 14, 2003 through June 20, 2003.

Sources: BACK Aviation Solutions/Travel Insights
Immigration and Naturalization Service
US DOT Origin & Destination Survey of Airline Passeneger Traffic
Prepared by: Ricondo & Associates, Inc.

TABLE 3.9

City of Chicago
Chicago O'Hare International Airport
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HISTORICAL AIRCRAFT OPERATIONS

Year	Domestic Majors/Nationals	Regionals/ Commuters	International U.S. Flag Carriers	International Foreign Flag Carriers	Total Passenger Airlines	General Aviation [1]	All Cargo	Military	Total
1997	586,050	161,330	35,896	30,662	813,938	47,023	20,630	2,170	883,761
1998	583,973	169,914	38,932	33,804	826,623	43,222	23,999	2,266	896,110
1999	575,837	177,854	39,015	39,172	831,878	39,596	23,984	770	896,228
2000	561,862	201,772	39,982	45,182	848,798	35,565	24,626	0	908,989
2001	541,782	230,292	40,320	41,564	853,958	36,854	21,105	0	911,917
2002	539,269	262,345	36,412	33,691	871,717	30,216	20,790	94	922,817
Compounded Anuual Growth Rate									
1997 - 2000	(1.4%)	7.7%	3.7%	13.8%	1.4%	(8.9%)	6.1%	N/A	0.9%
2000 - 2001	(3.6%)	14.1%	0.8%	(8.0%)	0.6%	3.6%	(14.3%)	N/A	0.3%
2001 - 2002	(0.5%)	13.9%	(9.7%)	(18.9%)	2.1%	(18.0%)	(1.5%)	N/A	1.2%

[1] Includes general aviation, helicopter, and other miscellaneous operations.

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

Airport, with operations decreasing 18.0 percent in 2002 from 2001 levels, compared to a 3.2 percent decrease projected nationwide by the FAA.

Activity by all-cargo carriers at the Airport remained relatively stable prior to the effects of September 11 and the economic slowdown, averaging approximately 24,000 operations between 1998 and 2000. All-cargo activity at the Airport decreased 14.3 percent in 2001 from 2000 levels, and decreased an additional 1.5 percent in 2002 from 2001 levels.

In 1996, the City purchased from the U.S. Government approximately 350 acres of land in the northeast quadrant of the Airport formerly used as a military base for Air Force operations. 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, there was little or no military activity reported at the Airport between 2000 and 2002.

3.2.4 Landed Weight

Table 3.10 presents the share of landed weight by passenger airlines and all-cargo carriers at the Airport between 1998 and 2002. As shown, the combined share of total Airport landed weight for United and American was relatively stable between 1998 and 2000 at approximately 70.0 percent. This combined share decreased to 65.7 percent in 2001 and to 65.1 percent in 2002, as these carriers shifted certain mainline activity to their respective regional affiliates. As also shown, the combined share of Atlantic Coast, Air Wisconsin, and American Eagle increased from approximately 4.6 percent between 1998 and 2000 to 8.0 percent in 2001 and to 9.9 percent in 2002. As a result, the combined share of total Airport landed weight for United and its regional affiliates remained relatively stable during the years depicted, from 42.9 percent in 1998 to 43.9 percent in 2002. American and American Eagle's combined share also remained relatively stable, from 31.6 percent in 1998 to 31.0 percent in 2002. Similar to enplanements, the other passenger airlines' share of landed weight generally remained stable between 1998 and 2002. FedEx accounted for the highest share of landed weight among all-cargo carriers at the Airport between 1998 and 2002, with 1.7 percent to 2.1 percent of total landed weight at the Airport during this period.

3.2.5 Cargo

As discussed earlier, the Airport ranked 14th worldwide in 2002 in total cargo handled with approximately 1.4 million enplaned and deplaned tons. **Table 3.11** presents historical enplaned and deplaned cargo handled at the Airport between 1993 and 2002. As shown, total cargo increased from approximately 1.3 million tons in 1993 to approximately 1.6 million tons in 1999, a compounded annual growth rate of 4.4 percent during this period. Total cargo handled at the Airport decreased 2.6 percent in 2000 from 1999 levels; and the effects of September 11 and the economic slowdown resulted in a further 14.2 percent decrease in 2001 from 2000 levels, followed by an 0.8 percent decrease in 2002.

Table 3.12 presents the share of total cargo handled by passenger airlines and all-cargo carriers at the Airport between 1998 and 2002. As shown, of the all-cargo carriers serving the Airport, FedEx accounted for the highest share of cargo handled at the Airport during each of these years. Between 1998 and 2000, its share of total cargo was approximately 14.5 percent, which increased to 15.6 percent in 2001 and then to 19.5 percent in 2002. This increase was primarily due to FedEx's overall strategy to add capacity and improve service to Europe and Asia based on the growth prospects that these regions represent. As also shown, United accounted for the highest share of total cargo handled among passenger airlines at the Airport each year between 1998 and 2002. Between 1998 and 2000, its share of total cargo was approximately 20.0 percent. Due to its cutback of

TABLE 3.10

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HISTORICAL LANDED WEIGHT BY AIRLINE (000 pounds) [1]

		1998		1999		2000		2001		2002	
	Airline	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
1	United [2]	24,997,634	41.6%	26,203,300	42.4%	25,715,501	41.4%	22,971,006	39.1%	22,260,831	38.4%
2	American	17,007,719	28.3%	17,094,071	27.7%	17,476,273	28.2%	15,627,963	26.6%	15,503,714	26.7%
3	American Eagle	1,969,516	3.3%	1,905,700	3.1%	2,084,923	3.4%	2,317,578	3.9%	2,493,474	4.3%
4	Atlantic Coast	58,045	0.1%	301,975	0.5%	555,446	0.9%	937,227	1.6%	1,910,080	3.3%
5	Air Wisconsin	726,833	1.2%	725,277	1.2%	178,527	0.3%	1,455,630	2.5%	1,308,614	2.3%
6	FedEx	1,061,277	1.8%	1,167,040	1.9%	1,032,693	1.7%	1,156,004	2.0%	1,238,944	2.1%
7	Northwest	1,376,093	2.3%	1,307,022	2.1%	1,272,723	2.1%	1,248,543	2.1%	1,144,055	2.0%
8	Delta	1,633,147	2.7%	1,555,887	2.5%	1,480,772	2.4%	1,331,385	2.3%	1,085,878	1.9%
9	U.S. Airways [3]	839,226	1.4%	789,518	1.3%	849,695	1.4%	850,728	1.4%	806,186	1.4%
10	Continental	893,596	1.5%	852,462	1.4%	793,420	1.3%	749,845	1.3%	672,513	1.2%
11	Air Canada [4]	517,552	0.9%	597,232	1.0%	656,557	1.1%	672,134	1.1%	657,969	1.1%
12	Polar	293,940	0.5%	310,905	0.5%	471,906	0.8%	417,231	0.7%	620,901	1.1%
13	Lufthansa	422,635	0.7%	442,081	0.7%	449,495	0.7%	437,135	0.7%	455,622	0.8%
14	UPS	540,787	0.9%	539,366	0.9%	512,691	0.8%	513,730	0.9%	428,075	0.7%
15	Japan	412,020	0.7%	500,220	0.8%	543,060	0.9%	490,140	0.8%	401,010	0.7%
16	British Airways	436,270	0.7%	432,239	0.7%	414,774	0.7%	390,884	0.7%	397,694	0.7%
17	America West	312,604	0.5%	347,186	0.6%	353,906	0.6%	406,299	0.7%	389,519	0.7%
18	Mexicana	370,658	0.6%	365,676	0.6%	468,458	0.8%	429,060	0.7%	388,786	0.7%
19	Spirit		0.0%		0.0%	34,060	0.1%	267,410	0.5%	366,549	0.6%
20	Korean	443,520	0.7%	459,900	0.7%	568,890	0.9%	465,850	0.8%	365,610	0.6%
	Other	5,731,433	9.5%	5,875,614	9.5%	6,158,817	9.9%	5,678,985	9.7%	5,142,755	8.9%
	Total Airlines [5]	60,044,504	100.0%	61,772,671	100.0%	62,072,587	100.0%	58,814,767	100.0%	58,038,779	100.0%

[1] For those airlines that were party to a merger or acquisition, only the acquiring entity is presented in this table. However, the activity for the airlines that are now a part of the acquiring airline is included in the information presented.

[2] United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.

[3] US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003.

[4] Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.

[5] Totals may not add due to individual rounding.

Sources: City of Chicago Long Form Audit for 1998, City of Chicago draft audit for 1999 & 2000, Department of Aviation Management Records for 2001 and 2002
Prepared by: Ricondo & Associates, Inc.

TABLE 3.11

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

HISTORICAL ENPLANED AND DEPLANED CARGO (tons)

Year	Domestic Cargo	Annual Growth	International Cargo	Annual Growth	Total Cargo	Annual Growth
1993	840,718	-	423,362	-	1,264,080	-
1994	863,509	2.7%	521,104	23.1%	1,384,613	9.5%
1995	819,972	(5.0%)	542,341	4.1%	1,362,313	(1.6%)
1996	824,955	0.6%	564,083	4.0%	1,389,038	2.0%
1997	882,686	7.0%	668,919	18.6%	1,551,605	11.7%
1998	896,873	1.6%	693,209	3.6%	1,590,082	2.5%
1999	882,516	(1.6%)	751,080	8.3%	1,633,596	2.7%
2000	809,460	(8.3%)	782,125	4.1%	1,591,586	(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%
Compounded Annual Growth Rate						
1993 - 2000		(0.5%)		9.2%		3.3%
2000 - 2001		(25.0%)		(3.0%)		(14.2%)
2001 - 2002		(2.7%)		3.6%		0.8%

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

TABLE 3.12

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

HISTORICAL ENPLANED AND DEPLANED CARGO BY AIRLINE (tons) [1]

		1998		1999		2000		2001		2002	
	Airline	Cargo Volume	Share	Cargo Volume	Share	Cargo Volume	Share	Cargo Volume	Share	Cargo Volume	Share
1	FedEx	229,634	14.4%	234,916	14.4%	230,216	14.5%	212,845	15.6%	268,996	19.5%
2	United [2]	313,104	19.7%	326,306	20.0%	311,360	19.6%	205,134	15.0%	179,656	13.1%
3	American	176,111	11.1%	175,131	10.7%	183,487	11.5%	143,152	10.5%	110,402	8.0%
4	UPS	99,477	6.3%	103,223	6.3%	89,067	5.6%	84,813	6.2%	74,112	5.4%
5	Lufthansa Cargo	56,699	3.6%	49,035	3.0%	54,766	3.4%	54,161	4.0%	57,482	4.2%
6	Polar	30,680	1.9%	22,940	1.4%	46,759	2.9%	97,753	7.2%	65,623	4.8%
7	Korean	35,789	2.3%	35,444	2.2%	34,515	2.2%	42,564	3.1%	55,415	4.0%
8	Air France	56,804	3.6%	63,094	3.9%	59,765	3.8%	51,051	3.7%	49,775	3.6%
9	Japan	28,693	1.8%	31,469	1.9%	38,067	2.4%	32,669	2.4%	38,212	2.8%
10	Nippon	29,932	1.9%	17,042	1.0%	20,607	1.3%	19,743	1.4%	32,317	2.3%
11	Cathay Pacific	22,651	1.4%	19,701	1.2%	22,986	1.4%	21,391	1.6%	27,858	2.0%
12	Alitalia	16,011	1.0%	25,358	1.6%	23,151	1.5%	26,477	1.9%	24,234	1.8%
13	Airborne Express	23,246	1.5%	24,197	1.5%	24,641	1.5%	22,001	1.6%	22,416	1.6%
14	KLM	22,066	1.4%	22,528	1.4%	23,377	1.5%	22,695	1.7%	22,117	1.6%
15	EVA	14,314	0.9%	25,301	1.5%	22,367	1.4%	15,945	1.2%	21,430	1.6%
	Other	434,871	27.3%	457,912	28.0%	406,455	25.5%	312,728	22.9%	325,905	23.7%
	Airport Total [3]	1,590,082	100.0%	1,633,596	100.0%	1,591,586	100.0%	1,365,123	100.0%	1,375,947	100.0%

[1] For those airlines that were party to a merger or acquisition, only the acquiring entity is presented in this table. However, the activity for the airlines that are now a part of the acquiring airline is included in the information presented.

[2] United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002.

[3] Totals may not add due to individual rounding.

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

service following the effects of September 11 and the economic slowdown, United's share of total cargo decreased to 15.0 percent in 2001 and to 13.1 percent in 2002.

3.3 AVIATION INDUSTRY

The U.S. aviation industry has been significantly impacted by a number of recent events (i.e., the events of September 11, the economic slowdown, the war with Iraq, the outbreak of the severe acute respiratory syndrome (SARS) virus in Asia, and increasing jet fuel prices), both in terms of levels of operations and workforce, as well as revenues and profitability, resulting generally in substantial financial losses in 2001, 2002, and the first quarter of 2003, and downgrades of airline ratings by the rating agencies. Several U.S. airlines and Air Canada have filed for bankruptcy court protection recently:

- US Airways filed for bankruptcy court protection under Chapter 11 on August 11, 2002. US Airways and seven subsidiaries subsequently emerged from Chapter 11 on March 31, 2003, securing approximately $1.2 billion in new financing and investment.

- United filed for bankruptcy court protection under Chapter 11 on December 9, 2002.

- Hawaiian filed for bankruptcy court protection under Chapter 11 on March 21, 2003.

- Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003.

The Air Transportation Safety and System Stabilization Act, enacted following the events of September 11, provided an infusion of $5 billion in federal grants for direct losses incurred in recognition of the effects of the system shutdown resulting from the events of September 11 and their longer-term impact. In addition, $10 billion in possible loan guarantees were authorized for qualified applicants, with approximately $1.5 billion actually issued through March 31, 2003.[2]

With the enactment of the Aviation and Transportation Security Act in November 2001, the Transportation Security Administration (TSA) was created, which established different and improved security processes and procedures. As a result of these measures, fees and unfunded mandates have added more than $4 billion to the industry's annual costs.

On April 16, 2003, President Bush signed an aid package of approximately $3 billion for the airline industry, part of a larger Iraqi-war spending bill. The aid package also includes a waiver of security fees owed to the government for the last six months of federal fiscal year (FFY) 2003.[3]

In January 2003, UAL Corporation (UAL), the holding company whose primary subsidiary is United, and AMR Corporation (AMR), the parent company of American, reported results for 2002; and for the first quarter of 2003 in May and April 2003, respectively. Key points regarding their financial performance during these periods are discussed below:

- UAL reported a $3.2 billion loss for 2002, compared to a $2.1 billion loss for 2001; and a $510 million loss for the March 2003 quarter, compared to a $1.3 billion loss for the March 2002 quarter. According to Air Transport Association , U.S. passenger carriers reported over $10 billion in net losses for 2002.

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[2] A $380 million federal loan guarantee was issued to America West, $149 million to American Trans Air, $41 million to Aloha, $63 million to Frontier, and $900 million to US Airways.

[3] The federal fiscal year is the 12-month period ending September 30.

- On December 9, 2002, UAL filed for bankruptcy court protection under Chapter 11 and received a commitment for $1.5 billion in debtor-in-possession (DIP) financing. On June 27, 2003, UAL announced that it met its fourth monthly DIP covenant.[4]

- Since December 2002, UAL has taken steps toward restructuring its operations, including reducing 2003 capacity by 6.0 percent, reorganizing its executive team, and realigning divisions. According to its January 31, 2003 press release, UAL has identified approximately $1.4 billion in annual non-labor cost savings and profit improvements to date. On April 30, 2003, UAL reached agreements on cost savings with all of its unions with the ratification of six-year agreements on wage and work rule changes.

- AMR reported a $3.5 billion loss after special items for 2002, compared to a $1.8 billion loss after special items for 2001; and a $1.0 billion loss after special items for the March 2003 quarter, compared to a $1.56 billion loss after special items for the March 2002 quarter.

- AMR has also taken steps toward restructuring its operations, including de-peaking its activity at the Airport and at Dallas/Fort Worth International Airport, simplifying its aircraft fleet, and automating customer ticketing and check-in functions. In April 2003, AMR's labor unions approved $1.8 billion in annual concessions as part of an overall $4.0 billion annual cost reduction plan.

It is expected that the airline industry will continue to be adversely impacted, both operationally and financially, by the events of September 11, the economic slowdown, ongoing conflicts in the Middle East, SARS, and other adverse factors.

3.4 PROJECTED AIRPORT ACTIVITY

Projections of aviation demand were prepared on the basis of local socioeconomic and demographic factors, the Airport's historical shares of U.S. domestic enplanements, anticipated trends in air carrier usage of the Airport, and comparisons to nationwide growth rates projected by the FAA.

Projections of aviation activity are prepared annually by the Statistics and Forecast Branch of the FAA for use in its planning and decision-making processes. During the past several years, the FAA has adopted a decision-theoretic forecasting system, generally accomplished in two stages. The near term projections (FFY 2003 through FFY 2004) for commercial aviation were developed utilizing a set of assumptions regarding future capacity together with expert judgment as to the strength and timing of the recovery from the events of September 11 and the economic slowdown. Projections for FFY 2005 through FFY 2014 were based on results derived from econometric models.

According to the FAA's projections, the outlook for the 12-year projection period is for a slower recovery in activity nationwide relative to last year's projections.[5] This is primarily due to sluggish U.S. and global economic growth, the loss of consumer wealth resulting from the plunge in equity stock prices, and the deterioration in air carrier yields and profitability caused by the loss of significant numbers of full-fare business travelers. The main assumption in the FAA's projection is no further successful terrorist incidents against the U.S. or world aviation. The FAA did not assume a war with Iraq or a major contraction of the aviation industry through bankruptcy or consolidation.

[4] As part of its DIP financing agreements, UAL's lenders required the company to achieve a cumulative EBITDAR (earnings before interest, taxes, depreciation, amortization, and aircraft rent) loss of no more than $738 million between December 1, 2002 and May 31, 2003.
[5] *FAA Aerospace Forecasts, Fiscal Years 2003 – 2014*, March 2003.

The FAA's projections also exclude the impacts of SARS and other recent factors negatively affecting the industry.

In preparing the projections included herein for the Airport, several methodologies were assessed for reasonableness; however, the overall approach was similar to that adopted by the FAA in its nationwide projections (i.e., expert judgment as to the timing and extent of recovery from the events of September 11 and the economic slowdown, followed by long-term growth correlated with socioeconomic trends in the Chicago Region). Two of the methodologies used in reaching the projections presented herein are described below:

- ***Market Share Approach.*** In this methodology, judgments are made as to how and to what extent the Airport's rate of growth in domestic enplanements will differ from that projected for the nation by the FAA. On a macro scale, the FAA's projection provides a growth base reflecting how industry traffic in general is anticipated to grow in the future. The growth rate used for the Airport can be reflected as an increase or decrease in its future share of the market. For projected domestic major/national activity, this approach was used individually for United and American, as well as collectively for the remaining domestic major/national airlines. This same methodology was used for regional/commuter activity: individually for United Express (Atlantic Coast and Air Wisconsin) and American Eagle, as well as collectively for the remaining regional/commuter carriers.

- ***Socioeconomic Regression Approach.*** Statistical linear regression modeling is used in this methodology, with local socioeconomic factors as the independent variable and enplaned passengers as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, per capita income, and employment. Of interest in the analyses, among other factors, was how well each socioeconomic variable explained the annual variations in enplaned passengers at the Airport (i.e., the model's correlation coefficient).

Table 3.13 presents total enplanements at the Airport by month between January 2000 and June 2003. As shown, passenger activity decreased 34.1 percent in September 2001 compared to September 2000, primarily due to the effects of September 11. Using 2000 activity levels as a measurement for recovery, a pattern of recovery is evident at the Airport. As also shown, year-to-date monthly enplanements were consistently higher in 2003 when compared to similar periods in 2002. However, the Airport experienced strong growth in passenger activity during summer 2002 such that August 2002 enplanements were 1.1 percent higher than 2000 levels. As a result, and as discussed later in this section, it is anticipated that total enplanements at the Airport in 2003 will be slightly lower than 2002 levels.

A comparison of trends in cumulative monthly enplanements between January and June (year-to-date) for the Airport and the nation was also examined, using ATA systemwide data for U.S. enplanements – ATA members only. This analysis indicated that 2002 year-to-date enplanements at the Airport were 12.2 percent below 2000 year-to-date levels, compared to a negative 12.5 percent differential nationwide; and that 2003 year-to-date enplanements at the Airport was 6.2 percent below 2000 year-to-date levels, compared to a negative 15.5 percent differential nationwide.

The activity projections included herein are based on the following underlying assumptions:

- Passenger activity at the Airport will recover to 2000 levels generally by 2005 for domestic passengers, and within the 2005 to 2006 period for international passengers. The FAA projects that domestic activity nationwide will recover to FFY 2000 levels generally within the FFY 2004 to FFY 2005 period. As discussed earlier, however, the

TABLE 3.13

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MONTHLY ENPLANEMENT COMPARISONS

	Airport Enplanements [1]				Monthly Percentage Change		
Airline	2000	2001	2002	2003	(01 vs. 00)	(02 vs. 00)	(03 vs. 00)
January	2,441,833	2,467,743	2,190,369	2,476,417	1.1%	(10.3%)	1.4%
February	2,472,043	2,359,244	2,163,385	2,387,153	(4.6%)	(12.5%)	(3.4%)
March	3,232,643	3,005,549	2,789,268	2,907,443	(7.0%)	(13.7%)	(10.1%)
April	2,979,221	2,879,658	2,610,421	2,654,911	(3.3%)	(12.4%)	(10.9%)
May	3,107,966	3,100,108	2,745,919	2,885,718	(0.3%)	(11.6%)	(7.2%)
June	3,341,759	3,329,017	2,929,388	3,165,714	(0.4%)	(12.3%)	(5.3%)
July	3,346,245	3,425,379	3,157,064		2.4%	(5.7%)	
August	3,180,360	3,462,724	3,215,463		8.9%	1.1%	
September	2,879,834	1,898,236	2,651,096		(34.1%)	(7.9%)	
October	3,158,915	2,461,473	2,975,472		(22.1%)	(5.8%)	
November	2,935,269	2,446,623	2,602,567		(16.6%)	(11.3%)	
December [2]	2,624,861	2,474,475	2,888,524		(5.7%)	10.0%	
Total (Jan - Dec)	35,700,949	33,310,229	32,918,936	N/A	(6.7%)	(7.8%)	N/A
Total (Jan - Jun)	17,575,465	17,141,319	15,428,750	16,477,356	(2.5%)	(12.2%)	(6.2%)

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

[2] Includes audited year-end adjustment.

Sources: City of Chicago, Department of Aviation Management Records
Prepared by: Ricondo & Associates, Inc.

FAA projections did not assume a war with Iraq, as well as other recent factors negatively affecting the industry.

- Following this recovery in activity, long-term activity at the Airport will increase as a result of expected growth in population and continued strong economic conditions in the Chicago Region, and at rates produced from the socioeconomic regression approach described above.

- Domestic mainline carriers will continue to shift traffic to their respective regional/commuter partners during the projection period, resulting in a higher growth rate for this group compared to the majors/nationals.

- United and American will continue to operate major connecting hubbing facilities at the Airport such that O&D passengers will continue to account for approximately 45 percent of total domestic passengers at the Airport during the projection period. The continued shift of passengers from the mainline carriers to the regionals/commuters will not have a significant impact on the overall share of the Airport's O&D passenger traffic.

- The Airport provides airlines access to a populous and wealthy market requiring diverse airline service. Activity at the Airport will continue to be served over a broad base of airlines; with United and American, however, continuing to dominate in market share.

- Demand for air service in the Chicago Region 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. Midway will continue to serve the Chicago Region as a low-fare alternative; however, future activity growth will be limited due to capacity constraints. No new airports within the Chicago Region will attract significant demand away from the Airport during the projection period.

- Airline consolidation/mergers or bankruptcies that may occur during the projection period will not negatively impact passenger activity levels at the Airport. New airline alliances, should they develop, will be restricted to code sharing and joint frequent flyer programs, and will not reduce airline competition at the Airport.

- For these analyses, it is assumed that no major act of terrorism will occur in the U.S. during the projection period.

- The SARS virus is considered to be a worldwide health epidemic by the World Health Organization (WHO). Non-essential travel from the Airport to Asian and Canadian markets where the virus has been reported will continue to be negatively impacted in the short term.

- The price of aviation fuel has steadily increased in recent years, requiring some passenger airlines to implement a surcharge to their pricing structure. This situation will continue in the short term due to ongoing conflicts in the Middle East and recent employee strikes affecting oil production in Venezuela (the world's fifth largest oil exporter and a key supplier to the United States). However, fuel prices will not negatively impact air travel demand in the long term due to competitive market pressures.

- Economic disturbances will occur from time-to-time during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.

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 traffic levels at the Airport may differ from projections presented herein because events and circumstances do not occur as expected, and those differences may be material.

3.4.1 Enplanement Projections

Table 3.14 presents historical and projected enplanements at the Airport. As shown, domestic passenger activity is expected to recover from approximately 28.6 million enplanements in 2002 to approximately 30.6 million enplanements in 2005. This increase represents a compounded annual growth rate of 2.3 percent during this period, compared to 7.3 percent projected nationwide by the FAA. Following this recovery to 2000 levels, it is expected that domestic enplanements will increase from approximately 30.6 million in 2005 to approximately 35.6 million in 2012. This increase represents a compounded annual growth rate of 2.2 percent during this period, consistent with growth in domestic activity at the Airport between 1991 and 1998 (a compounded annual growth rate of 2.2 percent during this period).

As also shown, total international passenger activity is expected to recover from approximately 4.4 million enplanements in 2002 to approximately 4.9 million enplanements in 2005. This increase represents a compounded annual growth rate of 3.9 percent during this period. Following this recovery to 2000 levels, it is expected that international enplanements will increase from approximately 4.9 million in 2005 to approximately 6.6 million in 2012. This increase represents a compounded annual growth rate of 4.4 percent during this period, generally consistent with projected growth in international passenger activity at the Airport when correlated with local socioeconomic factors.

Total enplanements at the Airport are projected to increase from approximately 32.9 million in 2002 to approximately 42.2 million in 2012. This increase represents a compounded annual growth rate of 2.5 percent during this period.

3.4.2 Operations Projections

Table 3.15 presents historical and projected aircraft operations for passenger airlines, general aviation, all-cargo carriers, and military. As shown, total aircraft activity at the Airport is projected to increase from 922,817 operations in 2002 to 1,063,940 in 2012. This increase represents a compounded annual growth rate of 1.4 percent during this period.

Passenger airline activity at the Airport is projected to increase from 871,717 operations in 2002 to 1,001,540 in 2012. A shifting of domestic activity in certain markets from mainline service to regional/commuter service is expected to continue during the projection period, resulting in higher growth in regional/commuter activity. In general, the passenger airline projections were developed based on historical relationships among enplaned passengers, load factors, and average seating capacities of aircraft utilized at the Airport. In addition, passenger aircraft operations at the Airport are expected to increase at a higher rate than that experienced historically due, in part, to the elimination of the HDR.

General aviation activity at the Airport is expected to grow moderately during the projection period, reflecting the assumption that growth in this activity will occur primarily at outlying airports within the Chicago Region due to cost and delay considerations. As a result, general aviation activity at the Airport is expected to increase from 30,216 operations in 2002 to 33,100 operations in 2012. This increase represents a compounded annual growth rate of 0.9 percent during this period, compared to 1.1 percent projected by the FAA nationwide.

TABLE 3.14

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ENPLANEMENT PROJECTIONS

Year	Domestic Majors/Nationals	Regionals/ Commuters	Total Domestic	International U.S. Flag Carriers	International Foreign Flag Carriers	Total International	Airport Total
Historical							
1998	28,371,767	3,081,686	31,453,453	2,400,290	1,936,218	4,336,508	35,789,961
1999	28,290,412	2,900,303	31,190,715	2,425,782	2,331,219	4,757,001	35,947,716
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
Projected [1]							
2003	23,767,300	4,450,300	28,217,600	2,325,900	2,084,900	4,410,800	32,628,400
2004	24,800,500	4,762,900	29,563,400	2,398,800	2,188,300	4,587,100	34,150,500
2005	25,586,700	4,968,200	30,554,900	2,554,800	2,340,600	4,895,400	35,450,300
2006	26,402,600	5,118,300	31,520,900	2,714,700	2,510,500	5,225,200	36,746,100
2007	26,836,700	5,320,800	32,157,500	2,806,700	2,675,500	5,482,200	37,639,700
2008	27,287,400	5,503,800	32,791,200	2,900,600	2,833,000	5,733,600	38,524,800
2009	27,765,900	5,681,000	33,446,900	2,995,200	2,980,300	5,975,500	39,422,400
2010	28,275,800	5,856,900	34,132,700	3,092,200	3,114,800	6,207,000	40,339,700
2011	28,818,200	6,025,300	34,843,500	3,187,100	3,234,000	6,421,100	41,264,600
2012	29,391,600	6,191,100	35,582,700	3,282,700	3,335,500	6,618,200	42,200,900
Compounded Annual Growth Rate							
1998 - 2000	(1.4%)	(0.6%)	(1.3%)	1.1%	15.8%	7.9%	(0.1%)
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 - 2005	1.8%	4.9%	2.3%	3.7%	4.3%	3.9%	2.5%
2005 - 2012	2.0%	3.2%	2.2%	3.6%	5.2%	4.4%	2.5%

[1] Projections for 2003 were based on six months of actual data.

Sources: City of Chicago, Department of Aviation Management Records (historical)
Ricondo & Associates, Inc. (projected)
Prepared by: Ricondo & Associates, Inc.

TABLE 3.15

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Chicago O'Hare International Airport
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OPERATIONS PROJECTIONS

Year	Domestic Majors/Nationals	Regionals/ Commuters	International U.S. Flag Carriers	International Foreign Flag Carriers	Total Passenger Airlines	General Aviation	All Cargo	Military	Airport Total
Historical									
1998	583,973	169,914	38,932	33,804	826,623	43,222	23,999	2,266	896,110
1999	575,837	177,854	39,015	39,172	831,878	39,596	23,984	770	896,228
2000	561,862	201,772	39,982	45,182	848,798	35,565	24,626	0	908,989
2001	541,782	230,292	40,320	41,564	853,958	36,854	21,105	0	911,917
2002	539,269	262,345	36,412	33,691	871,717	30,216	20,790	94	922,817
Projected [1]									
2003	524,000	264,400	36,420	33,620	858,440	31,100	22,400	0	911,940
2004	540,400	279,000	37,040	34,860	891,300	31,300	23,500	0	946,100
2005	551,200	286,600	38,900	36,860	913,560	31,500	24,400	0	969,460
2006	562,200	291,000	40,760	39,060	933,020	31,800	25,100	0	989,920
2007	565,000	298,200	41,580	41,160	945,940	32,000	25,600	0	1,003,540
2008	568,000	303,800	42,380	43,080	957,260	32,100	26,300	0	1,015,660
2009	571,400	309,200	43,180	44,800	968,580	32,300	27,000	0	1,027,880
2010	575,400	314,200	43,980	46,280	979,860	32,600	27,700	0	1,040,160
2011	580,000	318,400	44,740	47,520	990,660	32,800	28,500	0	1,051,960
2012	584,800	322,800	45,480	48,460	1,001,540	33,100	29,300	0	1,063,940
Compounded Annual Growth Rate									
1998 - 2000	(1.9%)	9.0%	1.3%	15.6%	1.3%	(9.3%)	1.3%	N/A	0.7%
2000 - 2001	(3.6%)	14.1%	0.8%	(8.0%)	0.6%	3.6%	(14.3%)	N/A	0.3%
2001 - 2002	(0.5%)	13.9%	(9.7%)	(18.9%)	2.1%	(18.0%)	(1.5%)	N/A	1.2%
2002 - 2005	0.7%	3.0%	2.2%	3.0%	1.6%	1.4%	5.5%	N/A	1.7%
2005 - 2012	0.8%	1.7%	2.3%	4.0%	1.3%	0.7%	2.6%	N/A	1.3%

[1] Projections for 2003 were based on six months of actual data.

Sources: City of Chicago, Department of Aviation Management Records (historical)
Ricondo & Associates, Inc. (projected)
Prepared by: Ricondo & Associates, Inc.

All-cargo activity at the Airport is expected to recover to 2000 levels during the 2005 to 2006 period. Strong recovery is expected in the short term with a compounded annual growth rate of 5.5 percent between 2002 and 2005; with growth in line with air carriers nationwide for the remainder of the projection period. As a result, all-cargo activity at the Airport is expected to increase from 20,790 operations in 2002 to 29,300 operations in 2012.

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, no sustained military activity is expected to occur at the Airport during the projected period, with activity by the 126th Air Refueling Wing previously accommodated at the Airport remaining at Scott Air Force Base.

3.4.3 Passenger Airline and All-Cargo Landed Weight Projections

Table 3.16 presents historical and projected passenger airline and all-cargo carrier landed weight at the Airport. As shown, passenger airline landed weight is projected to increase from 53,678,157 thousand pounds in 2002 to 57,776,418 thousand pounds in 2005. Following recovery from the effects of September 11 and the economic slowdown, the increase between 2005 and 2012 represents a compounded annual growth rate of 2.3 percent during this period. As also shown, all-cargo landed weight at the Airport is projected to increase from 4,360,622 thousand pounds in 2002 to 6,533,764 thousand pounds in 2012. This increase represents a compounded annual growth rate of 4.1 percent during this period.

Total landed weight at the Airport is projected to increase from 58,038,779 thousand pounds in 2002 to 74,294,265 thousand pounds in 2012.

TABLE 3.16

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

LANDED WEIGHT PROJECTIONS
(thousand pounds)

Year	Domestic Majors/Nationals	Regionals/ Commuters	International U.S. Flag Carriers	International Foreign Flag Carriers	Total Passenger Airlines	All Cargo	Airport Total
Historical							
1998	42,896,123	3,543,838	4,933,656	5,052,766	56,426,383	3,618,121	60,044,504
1999	42,918,676	3,626,921	5,854,933	5,616,468	58,016,998	3,755,673	61,772,671
2000	41,187,372	3,242,396	7,369,085	6,217,300	58,016,153	4,056,434	62,072,587
2001	38,615,172	4,998,274	5,518,917	5,659,974	54,792,337	4,022,430	58,814,767
2002	37,949,673	5,985,011	4,894,708	4,848,765	53,678,157	4,360,622	58,038,779
Projected [1]							
2003	37,072,097	6,558,063	4,938,497	4,892,105	53,460,762	4,727,992	58,188,754
2004	38,565,179	6,990,737	5,066,008	5,128,073	55,749,999	4,991,305	60,741,304
2005	39,676,257	7,253,133	5,366,025	5,481,003	57,776,418	5,214,790	62,991,208
2006	40,814,097	7,439,827	5,670,404	5,870,363	59,794,691	5,397,650	65,192,341
2007	41,367,205	7,699,335	5,833,245	6,251,544	61,151,329	5,539,091	66,690,420
2008	41,937,186	7,919,942	5,995,180	6,611,789	62,464,098	5,725,396	68,189,494
2009	42,541,323	8,140,397	6,158,991	6,947,139	63,787,851	5,913,556	69,701,407
2010	43,193,167	8,351,558	6,324,679	7,250,369	65,119,773	6,103,571	71,223,343
2011	43,896,714	8,543,758	6,486,444	7,520,333	66,447,248	6,317,607	72,764,856
2012	44,622,682	8,744,457	6,647,069	7,746,293	67,760,501	6,533,764	74,294,265
Compounded Annual Growth Rate							
1998 - 2000	(2.0%)	(4.3%)	22.2%	10.9%	1.4%	5.9%	1.7%
2000 - 2001	(6.2%)	54.2%	(25.1%)	(9.0%)	(5.6%)	(0.8%)	(5.2%)
2001 - 2002	(1.7%)	19.7%	(11.3%)	(14.3%)	(2.0%)	8.4%	(1.3%)
2002 - 2005	1.5%	6.6%	3.1%	4.2%	2.5%	6.1%	2.8%
2005 - 2012	1.7%	2.7%	3.1%	5.1%	2.3%	3.3%	2.4%

[1] Projections for 2003 were based on six months of actual data.

Sources: City of Chicago, Department of Aviation Management Records (historical)
Ricondo & Associates, Inc. (projected)
Prepared by: Ricondo & Associates, Inc.

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4. AIRPORT FACILITIES AND DEVELOPMENT

This chapter presents a review of existing Airport facilities and a description of on-going and potential future capital projects at the Airport.

4.1 EXISTING AIRPORT FACILITIES

The Airport has been the primary commercial airport serving the Chicago Region since 1962. It occupies approximately 6,789 acres of land located 18 miles northwest of downtown Chicago. **Exhibit 4.1** depicts the existing facilities at the Airport. As presented, these facilities consist of the airfield, terminal area, air cargo and maintenance hangar areas, a former military area, and various airport support areas.

4.1.1 *Airfield* [1]

The Airport currently has six main runways used primarily by commercial service air carriers and one runway used for general aviation (Runway 18-36). A network of taxiways, aprons, and aircraft holding areas supports these runways. Three of the runways are over 10,000 feet in length and 11 of 12 individual runway ends have electronic and other navigational aids (NAVAIDS) that permit aircraft landing in most weather conditions. The main runways are arranged in a pattern that creates three sets of parallel runways which allows for simultaneous, independent aircraft operations for each set. During some periods of clear weather conditions, the airfield is able to accommodate an additional stream of independent arriving air traffic on a converging runway; however, as weather conditions deteriorate, arriving traffic is forced to operate only on one set of parallel runways. It is primarily during these periods of poorer weather conditions where air traffic demand exceeds available airfield capacity resulting in aircraft operational delays.

4.1.2 *Terminal Area* [1]

The airlines serving the Airport operate out of four terminal buildings with a total of 178 gates.[2] Three terminal buildings, with a total of 157 gates, serve domestic flights and certain international departures. The total number of domestic gates has recently increased slightly due to modifications to Terminal 2. The domestic terminal complex is centrally located on Airport property within the Terminal Area. The international terminal facility has 21 aircraft gates and five hardstand positions. It serves departures along with all international arrivals requiring federal inspection services (FIS). It also has domestic capability. The International Terminal is located in the eastern portion of the Terminal Area.

Located within the Terminal Area are a hotel, an elevated parking structure and the Airport Heating and Refrigeration (H&R) Plant. The ten-story hotel, currently leased and operated by Hilton Hotels Corporation, provides 858 guest rooms, as well as restaurants and meeting facilities. The six-story parking structure adjacent to the domestic terminals contains approximately 9,200 parking spaces for public and employee parking. The H&R Plant located northeast of the domestic terminals provides heating and air conditioning for all the terminal buildings within the Terminal Area.

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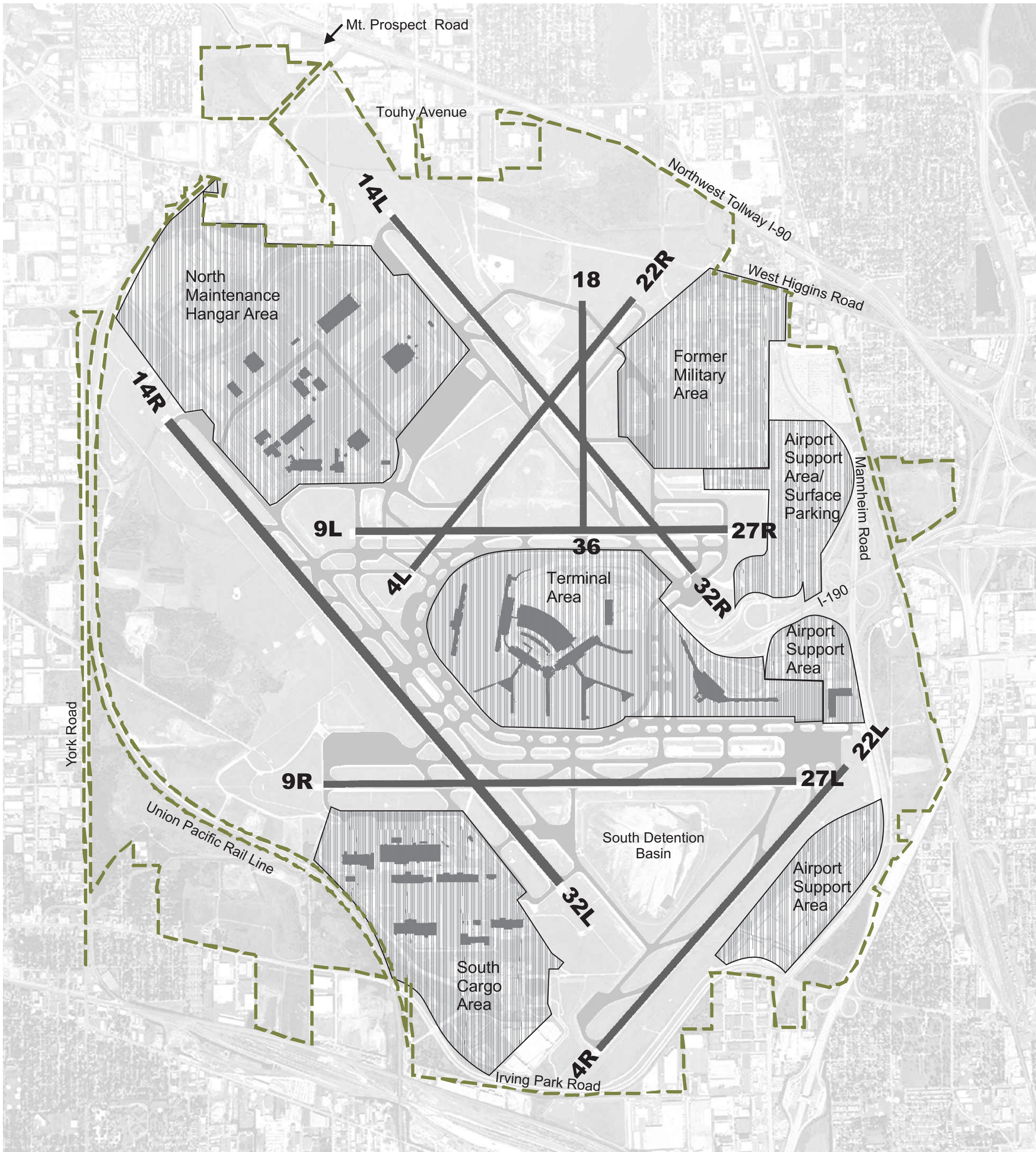
[1] For the purposes of this presentation, the subsection titles represent physical/geographical locations at the Airport that correspond with Exhibit 4.1. These do not necessarily correspond with areas of the Airport identified as the Cost/Revenue Centers of the same or similar names identified in the Airport Use Agreements, which are also defined by reference to geographical locations at the Airport.

[2] A gate is defined as a doorway with an associated holdroom, which provides passenger access to aircraft. It is important to note that a gate, as defined here, may serve multiple aircraft parking positions.



Source: Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

Exhibit 4.1

north

Existing Airport Layout

August 2003

4.1.3 *Air Cargo Areas*

The Airport is a major center for air cargo shipments. In the land support area surrounding the airfield, there are 14 buildings used for air cargo operations. The main cargo area at the Airport is on the southwest side of the Airport – the South Cargo Area. There are some additional cargo facilities located within Airport Support Areas in the eastern and southeastern sections of Airport property. Two U.S. Postal Service facilities are located at the Airport: one at the southern end of Airport property within the South Cargo Area along Irving Park Road, and the other within the Airport Support Area in the southeastern quadrant of Airport property.

4.1.4 *Maintenance / Airport Support Areas*

In the northwest corner of existing Airport property (the North Maintenance Hangar Area), eight aircraft maintenance hangars are leased by airlines along with three additional buildings used for airline ground equipment maintenance, and two flight kitchen facilities. In addition to the North Maintenance Hangar Area, there are other Airport Support Areas surrounding the airfield. An airport maintenance complex, which stores snow removal and other airport maintenance equipment, and another flight kitchen facility are located within the Airport Support Area on the southeast side of the Airport.

4.1.5 *Surface Access /Parking*

Access to the passenger terminal complex is provided via Interstate 190 from the east side of the Airport. This roadway may be accessed from Interstate 90 or Mannheim Road, which borders the Airport to the east. Other roadways that encompass 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 Airport expanded its ground transportation system in 1993 with the opening of the Airport Transit System (ATS), an automated train system that travels approximately 2.7 miles on a dedicated guide way. The ATS provides passengers, free of charge, with a means for 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 mentioned above, a parking structure adjacent to the passenger terminal complex accommodates a major portion of the Airport's short-term public parking demand. This structure is supplemented by additional surface parking for the public and employees in various locations at 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 surface parking capacity includes approximately 13,000 and 18,000 public and employee parking spaces, respectively. These amounts include the recent conversion of the 3,000-space (approximate) remote Parking Lot F from public to employee parking.

4.1.6 *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 military base for Air Force operations. In 1999, the largest remaining unit at the Airport, the Air National Guard Refueling wing, was deactivated and relocated to the Scott Air Force Base in St. Clair

County, Illinois. A portion of this area is now used as a training and staging area for airport emergency services.

4.2 PLANNED AIRPORT DEVELOPMENT

The City's planned Airport capital development is organized into three main programs: the Five-Year Capital Improvement Program (the Five-Year CIP), the O'Hare Modernization Program (OMP), and the World Gateway Program (WGP). The City also participates in an aircraft noise mitigation program (the Noise Program). A general description of these various planning efforts and capital programs is discussed below.

4.2.1 *The Five-Year CIP*

The Airport's planned capital development for the Five-Year CIP is approximately $1.39 billion. The Five-Year CIP addresses the Airport's facility needs to ensure its ability to meet future demand through the year 2007. This Five-Year CIP is comprised of the following types of projects: terminal support improvements, terminal improvements, airfield improvements, H&R system improvements, certain noise mitigation projects, fuel system improvements, and safety and security enhancements.

(1) Terminal Support Improvements

The Airport plans to improve vehicle access and increase parking capacity through extensive Terminal Support improvements at the cost of $200.3 million. Terminal Support improvements include the following: Interstate 190 collector distributor improvements, enhancements to existing parking areas, improvements to ATS vehicles and infrastructure, and roadway rehabilitations. These projects will be staged to ensure minimum traveler delays.

(2) Terminal Improvements

The Airport plans to maximize capacity and passenger convenience currently limited by terminal space constraints, primarily through the implementation of the FACE (Facility and Circulation Enhancement) project. The principal objective of the project is to provide more efficient queuing and circulation space at the departures level in Terminals 2 and 3, and improve vertical circulation in Terminals 1, 2, and 3. The estimated total cost of these and other terminal-related projects in the Five-Year CIP is $425.6 million.

(3) Airfield Improvements

The Airport plans to rehabilitate runways, taxiways and numerous apron ramps, as well as make improvements to airfield drainage and other airside facilities at an approximate cost of $372.2 million. Runway and taxiway improvements consist of the rehabilitation of the existing pavement and placing a new bituminous concrete overlay, various shoulder improvements, grading, grooving, drainage, and lighting adjustments. The terminal apron rehabilitation involves extensive ramp replacement throughout Terminal 2 and 3, much of which is 40 years old.

(4) H&R System Improvements

The Airport plans to upgrade the heating and refrigeration system. The scope of work to be performed includes: replacement of air handling units and penthouse sprinkler systems throughout the Airport, ball joints, structural repairs of the utility ring tunnel, chilled water pipe replacement, installation of water softening systems, replacement of north and east cooling towers, and rehabilitation of the H&R building. The estimated total cost of these and other mechanical and infrastructure-related projects is $102.8 million.

(5) Noise Mitigation Projects

In addition to embarking on the 2003-2009 Noise Program, the Airport plans to complete its existing noise mitigation program for schools and residential homes. The total remaining cost of existing noise mitigation projects is $37.3 million.

(6) Fuel System Improvements

The Airport plans to upgrade the fuel system to increase fueling capacity at an approximate cost of $98.9 million. This fuel system upgrade allows for the elimination of satellite pumping stations and provides for additional pumping capacity at the tank farm. The elimination of underground tanks at the satellite fuel stations will enhance operational efficiency and provide system-wide capacity to support future fueling requirements.

(7) Safety and Security Enhancements

Included in the planned improvements to security are incorporation of explosive detection systems (EDS) into the existing baggage system, equipment upgrades to security systems, layout modifications, additional security checkpoint positions, interactive computer training systems, and enhanced monitoring of vehicles/deliveries accessing the Airport. The estimated total cost of the safety and security enhancements is $145.7 million.

(8) Planning and Other Projects

Additional projects within the Five-Year CIP are land support improvements such as general land planning and projects related to the former military area. The estimated total cost of these projects is $3.3 million.

4.2.2 *The O'Hare Modernization Program*

O'Hare consistently ranks as the nation's first or second busiest airport with more than 30 million annual enplanements and over 900 thousand aircraft operations; however, as air traffic continues to grow, the Airport has become more susceptible to flight delays. The 2001 Airport Capacity Benchmark Report ranks O'Hare as the third most delayed airport in the United States with approximately six percent of all flights delayed more than 15 minutes. O'Hare was also listed as the most delayed airport in the U.S. for calendar year 2002 according to FAA's OPSNET database. The intensity of flight delays is exacerbated during peak traffic periods and during periods of poor weather and/or wet runway conditions. These delay periods impact 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 will continue to worsen, thus further deteriorating the Airport's operational reliability.

The intent of the OMP is to address the aforementioned issues. The OMP preserves and enhances the capacity of the Airport and the national air transportation system, while it also reduces delays; mitigates noise impacts; provides sufficient terminal, landside, and support facilities to accommodate existing and future passenger and cargo demand; provides efficient surface access for existing and future Airport users; and furnishes opportunities for enhanced competition between air carriers.

The overriding physical characteristic of the OMP is the reconfiguration of the airfield from sets of 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 (see **Exhibit 4.2**). This reconfiguration will involve the construction of one new runway, the relocation of three existing runways, the extension of two existing runways, while maintaining the use of two existing runways. The OMP also allows the expansion of terminal facilities to the west and ultimate development of a western access road to the Airport. From an airfield capacity standpoint, the concept provides for triple independent simultaneous approaches in the east/west directions during IFR conditions and quadruple independent simultaneous approaches during visual flight rules (VFR) conditions. Additionally, the Airport will be able to accommodate new, larger Airplane Design Group (ADG) VI aircraft, as classified by the FAA, with wingspans exceeding 214 feet. The major benefits expected through the 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 at levels of higher demand.[3] The proposed runway layout will ultimately provide balanced arrival and departure capabilities to address delay issues during all weather conditions and peak periods.
- **Capacity Increase:** The capacity increases achieved through the OMP are expected to meet aviation demand beyond 2030.

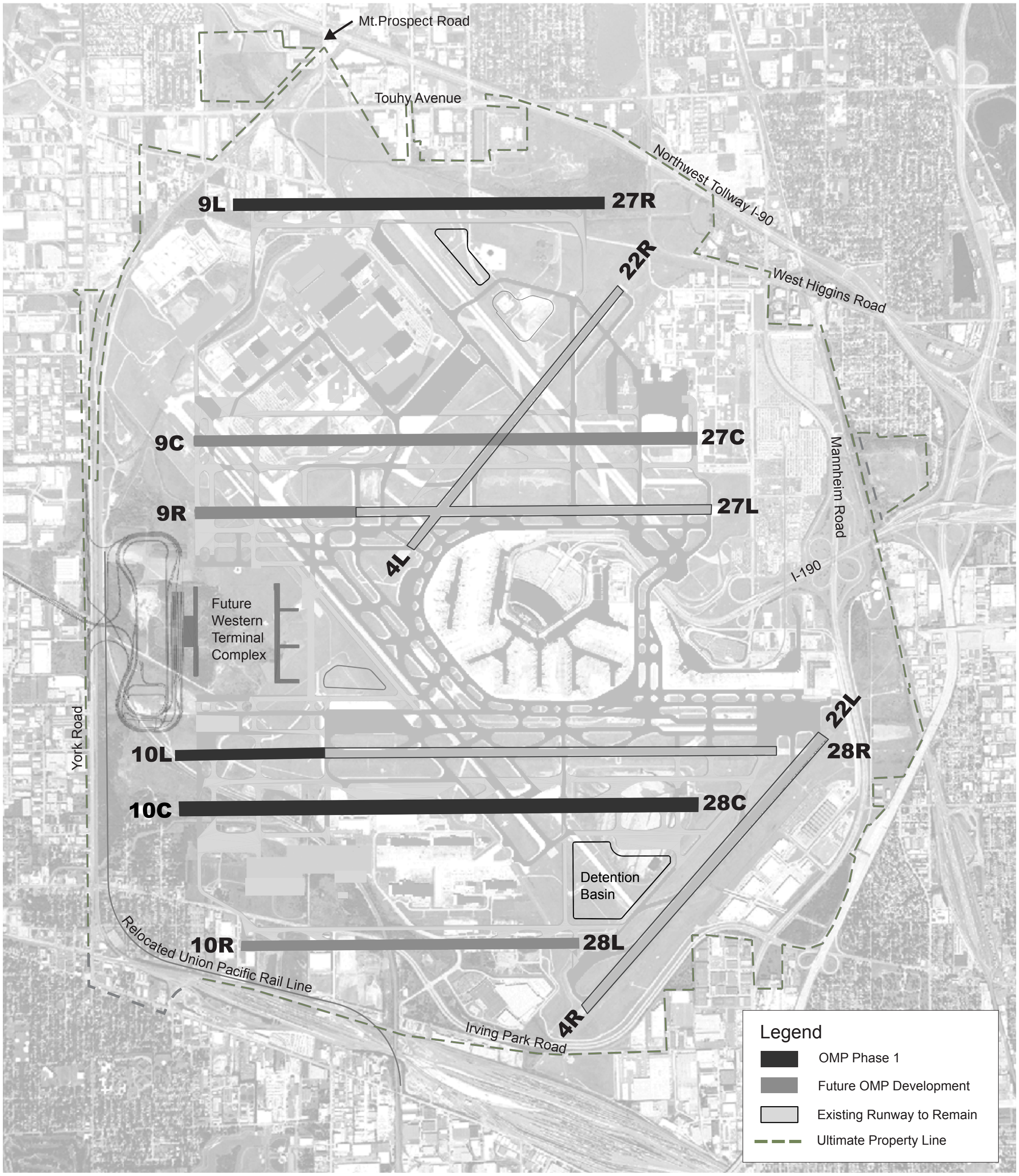
In addition to airfield modifications, the OMP will enhance other areas of the Airport, as well. Both railways and buildings will be relocated to accommodate the reconfigured runways. New NAVAIDS will be added and existing NAVAIDS will be upgraded. New north and south airport traffic control towers (ATCTs) will be constructed in order 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 (APM) will link a future west terminal to the existing terminal core.

OMP-Phase 1

The OMP will be implemented in phases, and is expected to be a complex, multi-year process entailing the construction of runways, associated taxiways and related facilities, relocating existing facilities, and construction of a new western passenger terminal complex with supporting roadway and parking facilities. OMP-Phase 1 is defined as the initial phase of development for the OMP. The major project components included as part of OMP-Phase 1 are:

- The completion of all physical and operational planning, environmental permitting, and preliminary engineering for the full OMP.
- Ongoing property acquisition and relocation services for the full OMP, including approximately 433 acres of land near the northwest and southeast quadrants of the Airport property, as well as two cemeteries.
- The required wetlands mitigation for OMP-Phase 1.

[3] Airport Layout Plan Submittal, O'Hare International Airport, Ricondo & Associates, Inc., December 2002.



Source: Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

Exhibit 4.2

north

O'Hare Modernization Program Runway Configuration

August 2003

- The proposed far north Runway 9L-27R.
- The proposed westward extension of Runway 10L-28R.[4]
- The proposed closely-spaced south Runway 10C-28C.[5]

Further detail on the runway projects and associated enabling projects included as part of the OMP-Phase 1 development is presented below.

- **Proposed Runway 9L-27R**

  Proposed Runway 9L-27R, including associated taxiways and support facilities, will be developed as part of OMP-Phase 1. This runway will be the first to be completed and will reduce aircraft delay during IFR conditions. The construction of this runway is dependent on the relocation and/or reconfiguration of various facilities, roads, waterways, and the acquisition of land in the northwest quadrant of the Airport. The following enabling projects are associated with this proposed runway development:

  - Acquisition of approximately 135 acres of land near the northwest quadrant of Airport property. Existing facilities in this area are required to be demolished.
  - Relocation of a portion of Willow-Higgins Creek and associated culvert development.
  - Relocation of a major water main crossing the alignment of the proposed runway.
  - Expansion of the northern storm water detention facilities.
  - Development of a new ATCT in the North Maintenance Hangar Area.
  - Realignment of an Airport service/employee access roadway along Mt. Prospect Road, and relocation of the associated guard post and security facilities.

- **Proposed Extension of Runway 10L-28R**

  Development of a proposed 2,859-foot westward extension to Runway 10L-28R, associated taxiways, and other support facilities will also be undertaken as part of OMP-Phase 1. This proposed extension will increase the runway's available length to 13,000 feet. The runway will become the longest at the Airport after existing Runway 14R-32L is shortened and ultimately decommissioned as part of the full OMP development. The following are the associated enabling projects required with this proposed runway development:

  - Relocation of a segment of the Union Pacific Railroad line in the southwest corner of the Airport. In its current alignment, the rail line encroaches into

[4] This runway is currently designated as 9R-27L. Its designation is proposed to change to Runway 10L-28R as part of the OMP.
[5] This runway will ultimately be designated 10C-28C following completion of the planned far south runway in a future phase of the OMP; however, it may have a different interim designation. For the purposes of this document, this runway will be referred to as proposed Runway 10C-28C; thus, not to confuse reference to the future far south Runway 10R-28L planned as part of the full OMP.

critical FAA safety areas associated with the proposed Runway 10L-28R extension.

- Reconfiguration of the intersection of Irving Park and York Roads.

- Relocation of NAVAIDS and runway approach light systems.

- **Proposed Runway 10C-28C**

Proposed Runway 10C-28C, associated taxiways, and required support facilities are also to be developed as part of the OMP-Phase 1. The following are the associated enabling projects required with this proposed runway:

- Relocation of St. Johannes and Resthaven Cemeteries.
- Reconfiguration of the South Detention Basin. Additional stormwater capacity will also be constructed in the existing detention basin west of Runway 14R-32L.
- Relocation of existing cargo facilities within the northern half of the South Cargo Area.
- Rerouting of the Bensenville Ditch.

As necessary, various improvements will be also be 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, etc.), vehicle service road segments, and perimeter fencing. The total capital cost of OMP-Phase 1 is approximately $2.7 billion (escalated dollars).

For purposes of identifying its phased development, OMP-Phase 1 has also been further categorized into four sub-phases: 1A, 1B, 1C, and 1D. The following is a general description of each sub-phase.

- Phase 1A: Includes the completion of all physical and operational planning, environmental permitting, and preliminary engineering for the full OMP. This sub-phase also includes the construction of the proposed far north Runway 9L-27R, including enabling projects.
- Phase 1B: Includes the ongoing property acquisition and relocation services for the full OMP. This sub-phase also includes the reconfiguration of the intersection of Irving Park and York Roads, and certain projects associated with the relocation of the segment of the Union Pacific Railroad line.
- Phase 1C: Includes the remaining projects associated with the relocation of the segment of the Union Pacific Railroad line and required wetlands mitigation. This sub-phase also includes certain enabling projects associated with the construction of the proposed westward extension of Runway 10L-28R and the proposed Runway 10C-28C.
- Phase 1D: Includes the remaining projects associated with the construction of the proposed westward extension of Runway 10L-28R and the proposed Runway 10C-28C.

OMP-Phase 1A and 1B have received all necessary airline approvals and are expected to be completed by the end of calendar year 2006. Commencement of OMP-Phase

1C and 1D is dependent upon meeting certain operational conditions or receiving additional airline approval.

4.2.3 *The Noise Program*

The Airport, in accordance with criteria established by the O'Hare Noise Compatibility Commission, plans to continue providing sound insulation of eligible schools and single-family, owner-occupied 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, addition of insulation to exterior walls and ceilings, and addition of baffling devices to exterior vents. The total cost of the Noise Program is expected to be $140 million for the seven-year period of 2003 to 2009. This is in addition to and separate from the completion of the existing noise mitigation projects described below as part of the Five-Year CIP.

4.2.4 *The World Gateway Program*

The World Gateway Program was conceived to expand gate capacity and provide additional improvements within the Airport's core Terminal Area. The WGP is comprised of the following:

- The WGP Phase 1: 1) construction of a new Terminal 6 Complex (including terminal and concourse facilities, curb front and circulation roads, parking structure, realignment of terminal access roadways); 2) realignment of the ATS; 3) construction of a Concourse K extension; 4) Terminal 2 interior upgrades; and 5) reconfiguration of Taxiway A/B and construction of new Taxiway N.

- The WGP Phase 2: 1) construction of a new Terminal 4 including an FIS facility; and 2) a reconfigured Terminal 2 including a new FIS facility.

In December 2000, the City commenced work on the formulation of WGP Phase 1. In September 2002, in light of changed conditions in the industry and the economy, the City and the airlines agreed to suspend 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. Work had not begun on either the Concourse K extension or the Terminal 2 interior upgrades.

All deliverables (including 30-percent design for the Terminal 6 Complex) have been reviewed; WGP project records (electronic and hard copy) have been archived; and a manual of program restart procedures has been prepared to facilitate the efficient resumption of the program. The City continues to monitor gate usage and demand, as well as financial impacts, in order to determine the appropriate timing for the restart of the WGP. The total cost of the completed WGP Phase 1 Formulation Project is $69.7 million (actual project cost).

A summary of the project costs for the Five-Year CIP, the OMP-Phase 1, the Noise Program, and the WGP Formulation Project is presented on **Table 4.1**. The capital costs presented on this table are current working estimates for each planned development program and do not necessarily represent projects to be funded from the Series 2003 Bonds.

TABLE 4.1

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

CAPITAL PROJECT COSTS ($000s) [1]

Uses of Funds	Amount
Five-Year CIP: [2]	
Terminal Support Improvements	$200,264
Terminal Improvements	425,622
Airfield Improvements	372,198
Heating and Refrigeration	102,761
Noise Mitigation Projects	37,305
Fueling System	98,934
Safety and Security	145,734
Planning and Other Projects	3,333
Subtotal Five-Year CIP	**1,386,151**
OMP-Phase 1: [3, 4]	
Program-Wide Formulation/Requirements and Preliminary Engineering	$103,899
Land Acquisition/Wetlands Mitigation	394,004
Proposed Runway 9L-27R	618,506
Proposed Extension of Runway 10L-28R	565,334
Proposed Runway 10C-28C	1,062,210
Subtotal OMP-Phase 1 [5]	**$2,743,953**
Noise Program [6]	**$140,000**
WGP Formulation Project [7]	**$69,700**
Total	**$4,339,804**

[1] The capital costs presented on this table are current working estimates for each planned development program. Only a portion of the Five-Year CIP projects will be funded from the Series 2003 Bonds. Totals may not add up due to individual rounding.

[2] Five-Year CIP project costs are stated in escalated dollars.

[3] OMP-Phase 1 project costs are stated in escalated dollars. These current working estimates are based on current planning-level cost estimates. Future adjustments among components may be required.

[4] OMP-Phase 1 includes enabling projects as well as associated taxiway and other supporting airfield development.

[5] The costs of OMP-Phase 1A and 1B represent an estimated $1.3 billion of the total estimated cost of OMP-Phase 1.

[6] The cost of the Noise Program is not subject to escalation.

[7] Project costs for WGP Formulation Project have already been incurred.

Source: City of Chicago, O'Hare Partners, and Ricondo & Associates, Inc.

Prepared by Ricondo & Associates, Inc.

4.3 THE SERIES 2003 PROJECTS

The Series 2003 Projects are those Five-Year CIP projects funded in part by the proceeds of the Series 2003B Bonds. Approximately $314.6 million of the total capital cost of the Series 2003 Projects will be funded with proceeds of the Series 2003 Bonds.

5. FINANCIAL ANALYSIS

This chapter of the report examines the financial structure of the Airport, cost and financial implications of the issuance of the Series 2003 Bonds, as well as future bonds to complete the funding of OMP-Phase 1A and 1B[1], operation and maintenance expense and non-airline revenue projections, passenger facility charges (PFCs), debt service, net airline requirements, airline rates and charges, and projected cost per enplanement. The last section of this chapter presents a "Sensitivity Analysis" to quantify the impacts financially in the event an airline with a large market share at the Airport materially alters or ceases its hub operations at the Airport.

5.1 FINANCIAL STRUCTURE

This section discusses Airport accounting practices, including the cost/revenue center structure utilized for airline rate-setting purposes, the requirements governing the issuance of airport revenue bonds by the City of Chicago (the City), and the rate-setting mechanism in place at the Airport.

5.1.1 Airport Accounting

The Airport is owned by the City and operated by the Department of Aviation. 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 Amended and Restated Airport Use Agreement and Terminal Facilities Lease (Airport Use Agreements), and by the City's General Airport Revenue Bond Ordinance (the Bond Ordinance), the Second Lien Indenture and the Third Lien Indenture (collectively, the Indentures). The City's fiscal year ends December 31.

Under the Airport Use Agreements, in order to equitably allocate the net cost of operating, maintaining, improving and expanding the Airport among the airlines that are signatory to an Airport Use Agreement (the Airline Parties), various physical and functional areas of the Airport are segregated for the purpose of accounting for the operation and maintenance expenses (O&M Expenses), revenues, required fund deposits, and debt service on Airport Obligations. Each such designated area is a Cost-Revenue Center (CRC). Except for the Land Support Area, an allocable share of the net deficit generated in the Terminal Area, the Airfield Area and the Fueling System CRCs is paid by the Airline Parties as part of their fees, rentals, and charges for the use of the Airport. The Airport Use Agreements provide that the aggregate of fees, rentals, and charges paid by the Airline Parties will be sufficient to pay for the net cost of operating, maintaining and developing the Airport (excluding the Land Support Area) including the satisfaction of coverage, deposit, and payment requirements of the Indentures.

Five CRCs in the Airport's financial structure impact the calculation and adjustment of airline fees, rentals, and charges at the Airport. The CRCs are described as follows:

- **Airfield Area.** The Airfield Area CRC includes the aircraft parking areas, runways, taxiways, approach and clear zones, infield areas, navigational aids, and other facilities related to aircraft taxiing, landing, and takeoff.

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[1] OMP-Phase 1A and 1B have received all necessary airline approvals. Accordingly, the debt service associated with OMP-Phase 1A and 1B is included in the debt service presented in Table 5.4 (excluding future debt service expected to be paid with PFC Revenue). Commencement of OMP-Phase 1C and 1D is dependent upon meeting certain operational conditions or receiving additional airline approval, and is, thus, not included for this analysis.

- **Terminal Area.** The Terminal Area CRC includes the domestic terminal structures, and a designated portion of the H&R facility.

- **Terminal Support Area.** The Terminal Support Area CRC 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 CRC includes the International Terminal and a designated portion of the H&R facility.

- **Fueling System.** The Fueling System CRC includes tank farm and all facilities that are part of the Airport's hydrant fueling system.

The expenses of the Land Support Area CRC, which is described below, are not included in the calculation of Airline Parties' fees, rentals, and charges.

- **Land Support Area.** The Land Support Area CRC 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 the Airport property.

5.1.2 The Indentures

The Bond Ordinance was adopted by City Council of the City on March 31, 1983, and specifies the security for bondholders and provides conditions for the issuance of airport revenue bonds. The Bond Ordinance has been supplemented and amended from time to time. Certain provisions of the Bond Ordinance as well as the Second Lien Indenture and Third Lien Indenture are described in Appendix B of the Official Statement.

5.1.3 Airport Use Agreements

The City's main financial and operational arrangement with the major airline users of the Airport is contained in the Airport Use Agreements, which provide, among other things, contractual support of the Airline Parties for bonds 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 users and the Airport. Currently, the City has Airport Use Agreements with Air Canada, American, American Eagle, America West, Atlantic Coast, Continental, Delta, FedEx, Northwest, Trans World, United, US Airways, United Parcel Service, and Air Wisconsin (collectively, the Airline Parties). The term of the Airport Use Agreements expires on May 11, 2018. In the aggregate, the Airline Parties represented approximately 86.0 percent of the total landed weight at the Airport in calendar year 2002. The remaining 14.0 percent of landed weight represents those airlines and other aircraft operations that are not signatories to an Airport Use Agreement.

Under the Airport Use Agreements, the City can finance Airport Capital Projects with Airport Obligations upon receipt of approval of a Majority-In-Interest (MII) of the Airline Parties.

Each of the CRCs (except the Land Support Area) has allocated to it Revenues, O&M Expenses, Debt Service (including a Debt Service coverage component) and certain Fund Deposit requirements. Net deficits generated in the Terminal Area and the Airfield Area CRCs are paid by the Airline Parties in the form of Terminal Area use charges and

Landing Fees, respectively. The net cost of the Fueling System CRC is paid in the form of a Fueling System Fee.

The Airport Use Agreements do not provide for any specific fees and charges related to the Terminal Support Area CRC or the International Terminal Area CRC. Any Terminal Support Area net deficit or net surplus is allocated to the Terminal Area and the International Terminal Area. The net cost of the International Terminal Area is paid by the airline carriers that are signatory to an International Terminal Use Agreement (International Terminal Airline Parties or ITAPs). 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. The Airline Parties and ITAPs are collectively referred to as the Signatory Airlines.

5.2 FINANCING PLAN

Approximately $407.6 million of the total cost of the Series 2003 Projects remains to be funded. **Table 5.1** presents the estimated funding sources for the remaining costs, which the City intends to fund through a combination of FAA Airport Improvement Program (AIP) grants, PFC revenue, Series 2003 Bond proceeds and other Airport funds. A portion of the Series 2003 Project costs already have been funded from other sources, including Commercial Paper proceeds and other Airport Obligations. As shown in Table 5.1, approximately $314.6 million of Series 2003 B Bond proceeds will be used to pay a portion of the remaining $407.6 million cost of the Series 2003 Projects. Proceeds of the Series 2003 Bonds, together with other available Airport funds, also will be used to refund approximately $242.1 million of outstanding Series 1984A Bonds, Series 1988A Bonds, and Series 1993A Bonds, as well as $250.2 million of outstanding Commercial Paper. The proceeds of some of this Commercial Paper funded a portion of the cost of the Series 2003 Projects.

5.2.1 Sources of Funding for Series 2003 Projects

FAA Airport Improvement Program

The City expects to use a combination of discretionary and entitlement grants for eligible Airport projects. The City expects to receive at a minimum $10.2 million in AIP grants for the implementation of the Series 2003 Projects.

Passenger Facility Charges

Approximately $80.8 million of the cost of the Series 2003 Projects are expected to be funded with Pay-As-You-Go (PAYG) PFC revenues.

Other Funds

Approximately $2.0 million is expected to be contributed from other funding sources for a portion of the Series 2003 Projects.

Series 2003 Bonds

Series 2003B Bonds proceeds are assumed to be the remaining source of funding for the Series 2003 Projects. Approximately $314.6 million of project costs are expected to be funded through proceeds of the Series 2003B Bonds.

TABLE 5.1

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

SERIES 2003 PROJECTS ($000s)

TOTAL PROJECT COSTS REMAINING TO BE FUNDED

	FAA Funded	PAYG PFC	Other Funds	Series 2003B Bonds	Total [1]
SERIES 2003 PROJECTS					
Airfield	$9,245	$0	$296	$25,380	$34,921
Terminal	1,002	65,197	300	164,190	230,689
Terminal Support	0	0	1,371	7,312	8,683
H&R	0	15,634	0	21,723	37,357
Fueling	0	0	0	95,999	95,999
SERIES 2003 PROJECTS TOTAL	$10,247	$80,831	$1,968	$314,603	$407,649

[1] Totals may not add due to rounding.

Source: City of Chicago, Fullerton & Friar, Inc.
Prepared by: Ricondo & Associates, Inc.

5.3 OPERATION AND MAINTENANCE EXPENSES

O&M Expenses are the costs associated with operating and maintaining the Airport. O&M Expenses are categorized into multiple expense categories as follows:

- Salaries & Wages[*]
- Employee Benefits[*]
- Energy
- Materials & Supplies
- Equipment and Property Rental
- Repairs and Maintenance
- Engineering and Professional Services
- Machinery
- Vehicles and Equipment
- Insurance and Miscellaneous

These expenses are further allocated to the various CRCs for rate-setting purposes.

The O&M Expenses for the Airport increased from $265.0 million in 1998 to $321.6 million in 2002, a compounded annual growth rate of 5.0 percent. During this period, O&M Expenses increased steadily from 1998 though 2000 at a compounded annual growth rate of 9.6 percent; however, in recent years, O&M has remained relatively stable at a compounded annual growth of 0.5 percent from 2000 through 2002. Historical O&M Expenses for 1998 through 2002 are presented in the following chart:

CHICAGO O'HARE INTERNATIONAL AIRPORT
HISTORICAL O&M EXPENSES[1]

	1998	1999	2000	2001	2002
Total O&M Expenses ($000)	$264,970	$301,929	$318,410	$320,341	$321,554

Compounded Annual Growth Rate

1998 – 2000	9.6 %
2000 – 2002	0.5 %
1998 – 2002	5.0 %

[1] Excludes Land Support Area and Includes PFC Expenses

Source: City of Chicago Audited Financial Statements

[*] Collectively, Personnel Expenses

O&M Expenses are expected to increase due to inflationary impacts as well as operational impacts. Projected O&M Expenses are presented in **Table 5.2**. Future O&M Expenses have been projected based on the type of expense, and are based on an analysis of historical O&M Expenses, projections of future inflation rates and impacts related to future projects. As shown in Table 5.2, total O&M Expenses are projected to increase from $321.9 million in 2003 to $527.1 million in 2012 or a compounded annual growth rate of 5.6 percent.

5.3.1 Personnel Expenses

Personnel Expenses include salaries, wages and employee benefits for Airport staff 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 are projected to increase at a compounded annual growth rate of 6.0 percent for the period 2003 to 2012 attributable primarily to salary increases, escalating insurance premiums and other benefit increases as well as additional expenses attributable to future projects.

5.3.2 Repairs and Maintenance

Repairs and Maintenance Expenses at the Airport include the costs for outside contractors that provide ramp repair, taxiway painting, outside janitorial for terminals, heating and air conditioning, trash removal, escalator/elevator maintenance and other miscellaneous repairs. Repairs and Maintenance Expenses are projected to increase at a compounded annual growth rate of 5.8 percent from 2003 to 2012 primarily due to inflationary impacts, additional costs associated with maintaining existing aging facilities, and additional expenses related to future projects.

5.3.3 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 4.6 percent for the period 2003 to 2012.

5.3.4 Materials and Supplies

Materials and Supplies include operating expenses for deicing fluid, office supplies, cleaning supplies, keys and locks, and other general maintenance supplies for the Airport. Materials and Supplies are projected to increase at a compounded annual growth rate of 2.5 percent from 2003 to 2012 reflecting primarily inflationary impacts, and additional expenses related to future projects.

5.3.5 Engineering and Professional Services

Engineering and Professional Services include fees for specialized engineering, legal and other technical services. These expenses are projected to increase at a compounded annual growth rate of 5.5 percent for the period 2003 to 2012 representing primarily increases in billing rates. Utilization levels of outside professional services are assumed to remain constant through the projection period.

TABLE 5.2

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

OPERATION & MAINTENANCE EXPENSES

	Budget	Projected								
	2003 [1]	2004	2005	2006	2007	2008	2009	2010	2011	2012
Personnel Expenses [2]	$168,140,474	$180,517,976	$190,582,815	$201,202,583	$217,024,853	$229,101,701	$241,844,181	$255,288,916	$269,474,545	$284,441,830
Repairs & Maintenance [3]	33,393,376	35,230,012	37,167,662	39,211,884	42,552,860	44,893,267	47,362,397	49,967,328	52,715,532	55,614,886
Energy [4]	22,385,757	23,393,116	24,445,806	25,545,868	27,023,680	28,239,746	29,510,534	30,838,508	32,226,241	33,676,422
Materials & Supplies [5]	11,762,059	11,997,300	12,237,246	12,481,991	13,354,278	13,621,364	13,893,791	14,171,667	14,455,100	14,744,202
Engineering & Professional Services [6]	33,131,059	34,953,267	36,875,697	38,903,860	41,043,573	43,300,969	45,682,522	48,195,061	50,845,789	53,642,308
Other Operating Expenses [7]	58,195,513	61,125,354	64,204,146	67,439,531	72,156,897	75,801,237	79,631,423	83,657,019	87,888,087	92,335,211
Subtotal O & M Expenses	$327,008,238	$347,217,026	$365,513,372	$384,785,717	$413,156,140	$434,958,284	$457,924,848	$482,118,500	$507,605,295	$534,454,860
Less: Land Support Area	5,157,530	4,883,211	5,144,434	5,419,708	5,674,473	5,978,299	6,298,481	6,635,905	6,991,503	7,366,258
Total O & M Expenses Less Land Support Area	$321,850,709	$342,333,815	$360,368,939	$379,366,009	$407,481,667	$428,979,985	$451,626,367	$475,482,595	$500,613,791	$527,088,602

[1] As of July 1, 2003.

[2] 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.

[3] Equipment maintenance contracts, snow removal equipment rentals, painting, glass replacement, office fixtures, furnishings and other repair contracts.

[4] Gas, water, electricity and fuel oil required to operate the Airport.

[5] Disposable, cleaning supplies, airfield deicing chemicals and other items used in daily Airport operations and maintenance.

[6] Fees for specialized engineering, legal and other technical services.

[7] All remaining expenses of operations such as purchase of vehicles, equipment and property rental, specialized mechanical items, insurance, allowance for bad debts, and other miscellaneous items.

Source: 2003 - City of Chicago Department of Aviation
2004-2012 - Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

5.3.6 Other Operating Expenses

Other Operating Expenses include Equipment and Property Rental; Machinery, Vehicles, and Equipment; and Miscellaneous (administrative expenses, telephone and bad debt expenses) O&M Expenses. Equipment and Property Rental expenses include the rental of heavy equipment with operators, rental of unarmed security systems, operation of the Automated Transit System, rental of shuttle bus services, rental of office equipment, and lease of a warehouse. Other O&M Expenses are projected to increase at a compounded annual growth rate of 5.3 percent from 2003 to 2012 reflecting primarily inflationary impacts, the need to replace various equipment, and additional expenses related to future projects.

5.3.7 O&M Expenses Related to Future Projects

As the proposed Airfield projects included in the OMP Phase 1A and 1B become operational, additional O&M Expenses can be expected resulting from the operation and maintenance of the runway. Projections of O&M Expenses resulting from these projects have been developed based on the incremental increase in runway pavement surface area. As a result of a comprehensive analysis, Airfield Area O&M Expenses are projected to increase by $8.1 million in 2007, exclusive of other projected O&M Expenses.

5.4 NON-SIGNATORY AIRLINE & NON-AIRLINE REVENUE

Non-Signatory Airline Revenues represent revenues from airlines that are not parties to an Airport Use Agreement or an International Terminal Use Agreement. Non-Airline Revenues are those revenues generated at the Airport other than by airline fees and charges. Signatory Airline Revenues are revenues generated from fees, rentals, and charges under the Airport Use Agreements and the International Terminal Use Agreements including landing fees, terminal rentals, terminal use charges, and fueling system fees.

Most of the Airport's Non-Airline Revenues come from concession revenue. The following table presents concession revenue from 1998 through 2002 and as shown, concession revenue increased at a compounded annual growth rate of 1.7 percent for that period. However, this growth rate has been impacted in recent years due primarily to the impacts of the events of September 11 and the overall weakened economy with concession revenue decreasing by 5.1 percent from 2000 through 2002. For the 1998 through 2000 period, concession revenue grew steadily at a compounded annual growth rate of 9.0 percent.

CHICAGO O'HARE INTERNATIONAL AIRPORT
HISTORICAL CONCESSION REVENUE

	1998	1999	2000	2001	2002
Total Concession Revenues ($000)	$137,014	$146,597	$162,651	$151,094	$146,553

	Compounded Annual Growth Rate
1998 – 2000	9.0 %
2000 – 2002	(5.1 %)
1998 – 2002	1.7 %

Source: City of Chicago Audited Financial Statements

Projections of Non-Signatory Airline and Non-Airline Revenues are presented in **Table 5.3**. Estimates of future Airport revenues are based upon a review of historical trends, future activity levels, and inflationary impacts. No Non-Airline Revenue impacts are expected related to the Series 2003 Projects. Land rentals for hangar and cargo facilities are allocated to the Land Support Area CRC. These revenues are used to offset expenses incurred in the Land Support Area CRC and are not Revenues, as defined under the Bond Ordinance, pledged as security for airport revenue bonds, thus, are not included in Table 5.3 as Non-Airline Revenues. Further information regarding Non-Airline Revenues at the Airport is provided in the following paragraphs.

5.4.1 Non-Signatory Airline Revenues

Non-Signatory Airline Revenues include landing fees and terminal rental revenues 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 rentals, fees and charges of the Airline Parties, based on O&M Expenses, Debt Service, and fund deposits. As shown in Table 5.3, Non-Signatory Revenues are expected to increase from $9.0 million in 2003 to $15.6 million in 2012 for a compounded annual growth rate of 6.3 percent, and can be primarily attributed to increasing O&M Expenses and Debt Service.

5.4.2 CICA TEC and Other Rentals

The Chicago International Carriers Association Terminal Equipment Corporation (CICA TEC) operates and maintains certain common-use airline equipment, including baggage systems and loading bridges for the airlines serving the Airport's International Terminal. This corporation was originally formed by the foreign flag carriers that operate at the facility, and United 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 Revenue. In addition to CICA TEC, the City receives lease payments from other non-airline operators at the Airport. As shown in Table 5.3, this category of Non-Airline revenue is expected to decrease from 2003 to 2004 and then again in 2005. As construction of the runways is undertaken, land available for rent declines in 2004 and is eliminated in 2005. Revenues from 2006 forward represent solely CICA TEC rentals and increase primarily due to inflationary impacts.

5.4.3 Concessions

Total concession revenues are projected to increase at a compounded annual growth rate of 4.3 percent from 2003 through 2012. Concessions includes revenue derived from the operation of the Airport in the terminal buildings such as restaurants and gift shops, and all other Airport associated businesses outside the main terminals that cater to the Airport such as automobile parking, automobile rental, and bus service. Revenue projections are created by applying growth rates that are specific to each category of revenue. The categories and their growth rate basis are described below:

- *Automobile Parking* – Projected to increase by a combination of O&D enplanement growth and periodic rate increases.
- *Automobile Rental* – Projected to increase by a combination of O&D enplanement growth and inflation impacts.
- *Hotel* – Projected to increase by a combination of enplanement growth and inflation impacts.
- *Bus Service* - Projected to increase by a combination of enplanement growth and inflation impacts.

TABLE 5.3

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

NON-SIGNATORY AIRLINE REVENUE & NON-AIRLINE REVENUE [1]

	Budget 2003 [2]	Projected 2004	2005	2006	2007	2008	2009	2010	2011	2012
Non-Signatory Airline Revenue [3]	$8,967,400	$9,161,950	$10,043,440	$10,668,305	$13,822,601	$14,157,340	$14,535,872	$15,056,284	$14,442,199	$15,564,622
Non-Airline Revenue:										
CICA TEC and Other Rentals	$8,663,001	$7,819,375	$6,948,491	$7,052,718	$7,158,509	$7,265,886	$7,374,875	$7,485,498	$7,597,780	$7,711,747
Concessions:										
Automobile Parking - Net of Tax	$80,819,010	$85,801,465	$90,354,171	$95,012,162	$98,747,872	$102,551,153	$106,478,788	$110,553,571	$114,746,623	$119,071,440
Automobile Rental [4]	15,510,000	16,466,184	17,339,896	18,233,812	18,950,733	19,680,622	20,434,375	21,216,368	22,021,058	22,851,035
Restaurant	19,740,000	20,956,962	22,068,958	23,206,670	24,119,115	25,048,064	26,007,387	27,002,651	28,026,801	29,083,136
News & Gifts	7,792,445	8,272,846	8,711,811	9,160,927	9,521,118	9,887,825	10,266,521	10,659,406	11,063,693	11,480,686
Other [5]	22,073,125	23,153,587	24,165,362	25,202,028	26,084,422	26,985,521	27,915,442	28,878,379	29,869,511	30,891,418
Total Non-Airline Concession Revenue	$145,934,580	$154,651,045	$162,640,198	$170,815,599	$177,423,260	$184,153,184	$191,102,514	$198,310,375	$205,727,686	$213,377,715
Reimbursements & Other [6]	7,396,519	7,716,915	7,943,810	8,177,397	8,417,876	8,665,452	8,920,336	9,182,746	9,452,904	9,731,043
Total Non-Airline Revenue	$161,994,101	$170,187,334	$177,532,498	$186,045,714	$192,999,645	$200,084,523	$207,397,725	$214,978,618	$222,778,371	$230,820,505
Total Non-Signatory Airline & Non-Airline Revenue	$170,961,501	$179,349,284	$187,575,938	$196,714,018	$206,822,247	$214,241,863	$221,933,596	$230,034,902	$237,220,570	$246,385,127

[1] Excludes Land Support Area per the Airport Use Agreements.
[2] As of July 1, 2003.
[3] Includes landing fee revenue and terminal rental and use charge revenue from the Non-Signatory Airlines.
[4] Includes percentage of gross receipts of six rental car companies operating under agreements at the Airport.
[5] Includes rentals and fees from other concessions such as hotel rental, bus service, display advertising, public pay phones, other specialty shops and duty free.
[6] Includes CICA TEC Energy Reimbursement and Airport interest income.

Source: 2003 - City of Chicago Department of Aviation
2004-2012 - Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

- *Restaurant* – Projected to increase by a combination of enplanement growth and inflation impacts.
- *News and Gifts*– Projected to increase by a combination of enplanement growth and inflation impacts.
- *Telecommunications* – Projected to remain constant throughout the projection period.
- *Duty Free* – Projected to increase by a combination of international enplanement growth and inflation impacts.
- *Retail Gift Shops* – Projected to increase by a combination of enplanement growth and inflation impacts.
- *Display Advertising* – Projected to increase by inflation impact.
- *Miscellaneous* – Projected to increase by inflation impact.

5.4.4 Reimbursements & Other

Reimbursements are primarily comprised of utilities. Many of the buildings on the Airport property are separately metered for utilities; however, the Airport pays the utility companies directly for all utilities. The Airport bills each tenant for individual metered usage at regular scheduled rates that are no higher than what the tenant would pay to the utility companies if it were to secure the utility services directly from the company. 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 activity levels and are based on inflationary impacts. Other Non-Airline Revenues include interest income.

5.4.5 ***Impacts of Series 2003 Projects on Non-Airline Revenue***

None of the projects included in the Series 2003 Projects nor OMP-Phase 1A and 1B is expected to generate Non-Airline Revenue.

5.5 DEBT SERVICE

Table 5.4 below presents the Airport's Net Debt Service Requirements to be included in the calculation of airline rates and charges for the projection period. Such Net Debt Service Requirements are divided into the following categories:

- **Debt Service on Outstanding Bonds:**
  - The debt service on all outstanding First Lien General Airport Revenue Bonds (GARBs), reduced by approximately $5 to $6 million per year to reflect a prior City commitment to the airlines to apply PFCs in that amount toward such debt service.
  - The debt service on the Second Lien GARBs that will remain outstanding after the issuance of the Series 2003 Bonds.
  - Includes approximately $9.0 million of debt service deposits through July 1, 2003 on the refunded Second Lien GARBS.
  - The debt service on all outstanding Third Lien GARBS.
  - Approximately $2.6 million per year of debt service on certain Special Facility Revenue Bonds required to be included in the rates and charges of the Airline Parties under the Airport Use Agreements.

TABLE 5.4

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

ANNUAL NET DEBT SERVICE REQUIREMENTS [1]

Rates & Charges Year	Debt Service on Outstanding Bonds [2]	Series 2003 Bonds [3]	Projected Savings from Future Refunding [4]	Future New Money Debt Service [5]	Total Projected Future Debt Service
2003	$129,381,909	$6,720,898	$0	$0	$136,102,808
2004	179,707,857	21,176,463	(32,277,008)	0	168,607,312
2005	195,349,153	26,189,809	(9,768,152)	0	211,770,810
2006	196,024,710	27,152,146	(1,287,333)	0	221,889,523
2007	198,883,624	53,322,332	(18,808,978)	28,885,856	262,282,834
2008	205,786,763	53,397,406	(17,257,312)	26,173,569	268,100,425
2009	199,826,927	53,158,328	(17,258,693)	26,173,569	261,900,130
2010	199,874,053	53,158,328	(17,260,417)	26,173,569	261,945,532
2011	200,068,515	53,158,328	(66,607,675)	26,173,569	212,792,737
2012	199,248,208	72,690,428	(61,959,309)	26,173,569	236,152,895

[1] All debt service in this table is shown only for projection period. All amounts reflect certain adjustments required to be made under the Airport Use Agreements for the purpose of calculating airlines fees, rentals, and charges. These include a charge for debt service coverage, a credit for debt service coverage collected in the previous year, a credit for projected investment income on debt service reserve funds, and an allowance for program fees on variable rate debt.

[2] Includes debt service on all outstanding First Lien GARBs reduced by $5 to $6 million per year to reflect a prior City commitment to the airlines to apply PFCs toward such debt service, the debt service on the Second Lien GARBs that will remain outstanding after the issuance of the Series 2003 Bonds, Third Lien GARBs, and certain Special Facility Revenue Bonds required to be included in the Airline Parties' rates and charges under the Airport Use Agreements. Also, includes approximately $9.0 million of debt service deposits and payments through July 1, 2003 on the refunded Second Lien GARBs.

[3] Includes new money and refunding debt service on the Series 2003 Bonds at an assumed rate of 5.50 percent. Amounts are net of capitalized interest.

[4] Expected future refundings and restructurings other then those associated with the Series 2003 Bonds.

[5] Includes projected debt service, net of capitalized interest, on additional Third Lien GARBs required for implementation of OMP-Phase 1A and 1B. Does not include projected future double-barreled Third Lien GARBs which the city intends to repay with PFCs.

Source: Fullerton & Friar, Inc.
Prepared by: Ricondo & Associates, Inc.

- **Series 2003 Bonds:** Includes estimated debt service on the Series 2003 Bonds at an assumed interest rate of 5.50%, net of capitalized interest.

- **Projected Savings from Future Refundings:** Reflects annual debt service savings projected to be realized from future refundings and restructurings of certain series of outstanding First and Second Lien GARBs.

- **Future New Money Debt Service:**

  - Includes estimated debt service, net of capitalized interest, on the approximately $400 million of additional Third Lien GARBs projected to be required to complete the funding of OMP-Phase 1A and 1B at an assumed interest rate of 5.91%.
  - Does not include debt service on future double-barreled Third Lien GARBs projected to be required for a portion of the costs of OMP-Phase 1A and 1B, which the City intends to repay from PFCs.
  - Does not include debt service on future Airport Obligations for those Five-Year CIP projects that have not received airline approval, or for OMP-Phase 1C and 1D, which the airlines have also not yet unconditionally approved.

The amounts in each of these categories reflect certain adjustments required to be made to actual debt service under the Use Agreements for the purpose of calculating of airline fees, rentals, 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, and an allowance for program fees on variable rate debt.

5.6 FUND DEPOSIT REQUIREMENTS

One of the components of the fees, rentals, and charges paid by the Airline Parties under the Airport Use Agreements and the ITAPs under the International Terminal Use Agreements are annual required deposits into the O&M Reserve Fund, the Maintenance Reserve Fund and the Special Capital Project Fund. **Table 5.5** presents the projected required annual deposits.

5.7 NET SIGNATORY AIRLINE REQUIREMENT

Table 5.6 indicates the Airport's ability to generate sufficient revenues to cover O&M Expenses, net Debt Service and fund deposit requirements.

The projections of O&M Expenses, Non-Airline and Non-Signatory Airline Revenues including annual coverage requirements, are included in Table 5.6. The Net Signatory Airline Requirement constitutes the total amount which must be paid by the Airline Parties and the ITAPs under the Airport Use Agreements and the International Terminal Use Agreements, respectively, through landing fees, terminal rentals, terminal use charges, and fueling system fees during the year.

The Net Signatory Airline Requirement is projected to increase from $292.3 million in 2003 to $526.9 million in 2012.

5.8 CALCULATION OF AIRLINE PARTIES' FEES, RENTALS, AND CHARGES

Under the Airport Use Agreements and the International Terminal Use Agreements, the Airfield Area CRC, the Terminal Area CRC, the International Terminal Area CRC, and the Fueling System CRC each generate fees, rentals, or charges payable by the airlines that are signatory to such

TABLE 5.5

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

FUND DEPOSIT REQUIREMENTS

	Budget	Projected								
	2003 [1]	2004	2005	2006	2007	2008	2009	2010	2011	2012
FUND DEPOSIT REQUIREMENTS:										
O&M Reserve Fund	$1,948,487	$5,120,776	$4,508,781	$4,749,268	$7,028,914	$5,374,579	$5,661,596	$5,964,057	$6,282,799	$6,618,703
Maintenance Reserve Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Special Capital Project Fund	337,000	347,110	357,523	368,249	379,296	390,675	402,396	414,467	426,902	439,709
Total Fund Deposit Requirements	$5,285,487	$8,467,886	$7,866,304	$8,117,517	$10,408,211	$8,765,255	$9,063,991	$9,378,524	$9,709,701	$10,058,411
TOTAL FUND DEPOSITS BY COST/REVENUE CENTER:										
Airfield Area	$1,931,598	$2,984,359	$2,795,767	$2,884,356	$3,811,113	$3,256,105	$3,365,777	$3,481,110	$3,602,404	$3,729,972
Terminal Area	1,659,710	2,735,057	2,527,341	2,606,662	3,283,910	2,740,611	2,832,910	2,930,174	3,032,668	3,140,673
International Terminal Area	442,699	692,487	640,568	661,344	833,991	696,676	720,803	746,215	772,982	801,178
Terminal Support Area	1,251,481	2,055,984	1,902,628	1,965,155	2,479,197	2,071,863	2,144,502	2,221,026	2,301,647	2,386,589
Total Fund Deposit Requirements	$5,285,487	$8,467,886	$7,866,304	$8,117,517	$10,408,211	$8,765,255	$9,063,991	$9,378,524	$9,709,701	$10,058,411

[1] As of July 1, 2003.

Source: 2003 - City of Chicago Department of Aviation
2004-2012 - Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

TABLE 5.6

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

NET SIGNATORY AIRLINE REQUIREMENT [1]

	Estimated	Projected								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
O & M Expenses	$321,850,709	$342,333,815	$360,368,939	$379,366,009	$407,481,667	$428,979,985	$451,626,367	$475,482,595	$500,613,791	$527,088,602
Net Debt Service [2]	136,102,808	168,607,312	211,770,810	221,889,523	262,282,834	268,100,425	261,900,130	261,945,532	212,792,737	236,152,895
Fund Deposit Requirements	5,285,487	8,467,886	7,866,304	8,117,517	10,408,211	8,765,255	9,063,991	9,378,524	9,709,701	10,058,411
Total Expenses, Net Debt Service and Fund Deposits	$463,239,004	$519,409,013	$580,006,053	$609,373,049	$680,172,712	$705,845,665	$722,590,488	$746,806,651	$723,116,229	$773,299,907
Less:										
Non-Airline Revenue	$161,994,101	$170,187,334	$177,532,498	$186,045,714	$192,999,645	$200,084,523	$207,397,725	$214,978,618	$222,778,371	$230,820,505
Non-Signatory Airline Revenue	8,967,400	9,161,950	10,043,440	10,668,305	13,822,601	14,157,340	14,535,872	15,056,284	14,442,199	15,564,622
Total Non-Airline and Non-Signatory Revenue	$170,961,501	$179,349,284	$187,575,938	$196,714,018	$206,822,247	$214,241,863	$221,933,596	$230,034,902	$237,220,570	$246,385,127
Net Signatory Airline Requirement	$292,277,503	$340,059,729	$392,430,115	$412,659,031	$473,350,465	$491,603,802	$500,656,892	$516,771,749	$485,895,659	$526,914,780

[1] Excludes Land Support Area.
[2] See Table 5.4.

Source: Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

agreements. The Airline fees and charges presented in this section for 2003 through 2012 represent the methodology contained within the Airport Use Agreements and the International Terminal Use Agreements.

Each of these CRCs had allocated to it revenues attributable to such CRC, as well as the following costs, in order to calculate applicable rates used to generate such rentals, fees 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, coverage and investment earnings, attributable to the CRC.

- ***Fund Deposit Requirements* -** Includes the allocated portions of the amounts required to be deposited to the funds described in Section 5.6.

Table 5.7 presents such fees, rentals, and charges for the projection period. The following sections describe each specific rate calculation in greater detail.

5.8.1 Airfield Area CRC

Landing Fees are calculated by adding the items described above for the Airfield Area CRC and then deducting the projected Non-Airline Revenues to yield the net deficit of the Airfield Area. The net deficit is then divided by landed weight to yield the Landing Fee rate. Total Landing Fee revenues are equal to the sum of the Signatory Airline Landing Fee rate multiplied by the Signatory Airline Landed Weight and the Non-Signatory Landing Fee rate multiplied by the Non-Signatory Landed Weight.

As presented in Table 5.7, the Landing Fee rate is projected to increase from an estimated rate of $2.58 in 2003 to $3.55 in 2012, per thousand pounds of landed weight.

5.8.2 Terminal Area CRC

The Airport Use Agreements establish a $5 per square foot Terminal Area Rental for space exclusively leased to the Airline Parties. The O&M Expenses, Debt Service and fund deposit requirements allocated to the Terminal Area CRC are added together and offset by Non-Airline Revenues and Non-Signatory Airline Revenues attributable to the Terminal Area CRC. A portion of the Terminal Support Area CRC net deficit or net revenue is then allocated to the Terminal Area CRC to yield the Terminal Area net deficit. The net deficit of the Terminal Area CRC 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 basis. The projected average Terminal Area use charge is presented in Table 5.7. This rate is estimated at $57.08 per square foot in 2003, and is projected to increase to $95.40 per square foot by 2012.

5.8.3 International Terminal

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 CRC. The ITAPs pay terminal rentals and common use charges based on their use of the International Terminal.

Each of the sub-cost centers has allocated to it a portion of the O&M Expenses, Debt Service on GARBs, and Non-Airline Revenues, as well as a portion of the Terminal Support

TABLE 5.7

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Report of the Airport Consultant

AIRLINE FEES, RENTALS AND CHARGES

	Estimated	Projected								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
LANDING FEE RATE: [1]										
Signatory Airline	$2.581	$2.530	$2.672	$2.740	$3.530	$3.524	$3.539	$3.582	$3.361	$3.545
Non-Signatory Airline	$2.581	$2.530	$2.672	$2.740	$3.530	$3.524	$3.539	$3.582	$3.361	$3.545
TERMINAL AREA:										
Average Use Charge [2]	$57.08	$69.95	$78.88	$82.65	$82.66	$89.23	$90.28	$94.15	$86.30	$95.40
INTERNATIONAL TERMINAL AREA:										
Exclusive Use Rental Rate [2]										
Base Rental Rate	$54.35	$60.81	$84.67	$84.39	$85.01	$87.03	$87.87	$88.54	$87.24	$89.74
Common Use Charge per Enplaned Passenger										
Base Rate	$11.96	$12.63	$15.93	$15.48	$15.32	$15.37	$15.26	$15.13	$14.74	$14.86
Common Use Charge per Deplaned Passenger										
Base Rate	$10.63	$11.22	$14.15	$13.75	$13.61	$13.66	$13.56	$13.44	$13.10	$13.20
FUELING SYSTEM:										
Average Cost Per Gallon	$0.00497	$0.00555	$0.00747	$0.01005	$0.01510	$0.01446	$0.01425	$0.01409	$0.00923	$0.01233

[1] Per thousand pounds
[2] Per square foot

Source: Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

Area net deficit or net revenue, allocated to the International Terminal Area under the Airport Use Agreements. These sub-cost center allocations generally are made on the basis of the relative square footage of the respective sub-cost centers, and yield a net requirement for each sub-cost center.

The net requirement of the Exclusive Use Cost Center generates a base terminal rental rate based on leased square footage; the net requirement of the Enplaned Common Use Cost Center generates a base enplaned passenger common use charge rate based on the number of International Terminal enplaned passengers; and the Deplaned Common Use Cost Center generates a base deplaned passenger common use charge rate based on International Terminal deplaned passengers.

As presented in Table 5.7, the base terminal rental rate is projected to increase from an estimated rate of $54.35 per square foot in 2003, to $89.74 per square foot in 2012.

As presented in Table 5.7, the base common use charge rate per enplaned passenger is projected to increase from an estimated rate of $11.96 per enplaned passenger in 2003, to $14.86 in 2012.

As presented in Table 5.7, the base common use charge rate per deplaned passenger is projected to increase from an estimated rate of $10.63 in 2003, to $13.20 in 2012.

5.8.4 Fueling System

The net cost of the Fueling System CRC is comprised of O&M Expenses and Net Debt Service allocated to the Fueling System CRC. Ten percent of this net cost 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 carriers based on number of gallons utilized.

5.9 AIRLINE REVENUE

Table 5.8 presents the Airline Revenue resulting from the previously described fees, rentals, and charges. Consistent with the residual Airport Use Agreements and International Terminal Use Agreements, the Total Signatory Airline Revenue presented on Table 5.8 is equal to the Net Signatory Airline Requirement presented on Table 5.6.

5.10 DEBT SERVICE COVERAGE

Table 5.9 presents the Debt Service Coverage ratio projected for 2003 through 2012. As shown, the Debt Service Coverage ratio is projected to meet the minimum requirement of 1.10.

5.11 COST PER ENPLANEMENT

A general test of reasonableness for Airport user fees is the average cost per enplaned passenger. The total cost per enplaned passenger is calculated by dividing the Total Airline Requirement by the number of enplaned passengers at the Airport. **Table 5.10** presents the total cost per enplaned passenger for the projected period 2003 through 2012. The total cost per enplaned passenger at the Airport in 2003 is estimated to be $9.23 in current dollars. In 2010, the cost per enplanement peaks at $13.18 and then decreases to $12.85 by the end of the projection period in 2012, which equates to approximately $9.85 in 2003 dollars. In summary, the cost per enplanement throughout the projection period appears reasonable.

TABLE 5.8

City of Chicago
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AIRLINE REVENUE

	Estimated	Projected								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
LANDING FEE REVENUE:										
Signatory Airline [1]	$129,259,416	$145,232,712	$159,098,861	$168,844,143	$222,485,086	$227,102,986	$233,151,856	$241,134,382	$231,111,250	$248,875,618
Non-Signatory Airline	7,510,988	8,439,162	9,244,895	9,811,172	12,928,132	13,196,469	13,547,956	14,011,803	13,429,380	14,461,630
Total Landing Fee Revenue	$136,770,404	$153,671,874	$168,343,756	$178,655,315	$235,413,218	$240,299,455	$246,699,811	$255,146,185	$244,540,630	$263,337,248
TERMINAL AREA RENTAL AND USE CHARGE REVENUE:										
Airline Parties	$105,343,444	$129,101,231	$145,585,072	$152,544,477	$152,564,569	$164,688,715	$166,636,205	$173,765,625	$159,283,266	$176,076,448
Non-Signatory Airline	1,456,412	722,787	798,545	857,133	894,469	960,871	987,916	1,044,481	1,012,819	1,102,992
Total Terminal Rental and Use Charge Revenue	$106,799,856	$129,824,018	$146,383,618	$153,401,609	$153,459,038	$165,649,586	$167,624,121	$174,810,106	$160,296,085	$177,179,440
INTERNATIONAL TERMINAL AREA RENTAL AND USE CHARGE REVENUE:										
Total International Terminal Revenue	$52,344,067	$59,556,994	$79,234,219	$79,573,266	$80,490,171	$82,546,348	$83,659,611	$84,643,717	$84,095,183	$86,548,411
FUELING SYSTEM FEE REVENUE:										
Fixed Charges	$533,058	$616,879	$851,196	$1,169,715	$1,781,064	$1,726,575	$1,720,922	$1,722,803	$1,140,596	$1,541,430
Variable Charges	4,797,519	5,551,913	7,660,766	10,527,431	16,029,575	15,539,178	15,488,298	15,505,223	10,265,365	13,872,874
Total Fueling System Fee Revenue	$5,330,577	$6,168,792	$8,511,963	$11,697,145	$17,810,639	$17,265,753	$17,209,220	$17,228,025	$11,405,961	$15,414,304
Total Airline Revenue	$301,244,903	$349,221,679	$402,473,555	$423,327,335	$487,173,066	$505,761,142	$515,192,763	$531,828,033	$500,337,858	$542,479,403
Less: Non-Signatory Airline Revenue	8,967,400	9,161,950	10,043,440	10,668,305	13,822,601	14,157,340	14,535,872	15,056,284	14,442,199	15,564,622
Total Signatory Airline Revenue	$292,277,503	$340,059,729	$392,430,115	$412,659,031	$473,350,465	$491,603,802	$500,656,892	$516,771,749	$485,895,659	$526,914,781

[1] Includes airlines that are signatory to the Airport Use Agreements and/or International Terminal Use Agreements.

Source: Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

TABLE 5.9

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

NET REMAINING REVENUE AND DEBT SERVICE COVERAGE

	Estimated	Projected								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Signatory Landing Fee Revenue	$129,259,416	$145,232,712	$159,098,861	$168,844,143	$222,485,086	$227,102,986	$233,151,856	$241,134,382	$231,111,250	$248,875,618
Terminal Area Rental and Use Charge Revenue	105,343,444	129,101,231	145,585,072	152,544,477	152,564,569	164,688,715	166,636,205	173,765,625	159,283,266	176,076,448
International Terminal Area Rental and Use Charge Revenue	52,344,067	59,556,994	79,234,219	79,573,266	80,490,171	82,546,348	83,659,611	84,643,717	84,095,183	86,548,411
Fueling System Fee Revenue	5,330,577	6,168,792	8,511,963	11,697,145	17,810,639	17,265,753	17,209,220	17,228,025	11,405,961	15,414,304
Non-Airline and Non-Signatory Airline Revenue	170,961,501	179,349,284	187,575,938	196,714,018	206,822,247	214,241,863	221,933,596	230,034,902	237,220,570	246,385,127
Investment Income from Debt Service Reserve Fund	8,481,032	6,117,728	7,647,293	8,159,681	9,556,639	9,844,093	9,626,256	9,605,652	7,990,539	8,636,130
Total Revenue	$471,720,036	$525,526,741	$587,653,346	$617,532,730	$689,729,351	$715,689,758	$732,216,744	$756,412,303	$731,106,768	$781,936,038
Applied PFC Revenue [1]	5,334,236	5,466,502	6,099,470	7,201,806	7,851,988	6,789,886	5,540,405	5,490,457	5,556,523	6,455,406
Total Revenue plus Applied PFC Revenue	$477,054,272	$530,993,243	$593,752,816	$624,734,536	$697,581,339	$722,479,644	$737,757,149	$761,902,760	$736,663,291	$788,391,444
Less:										
O&M Expenses	$321,850,709	$342,333,815	$360,368,939	$379,366,009	$407,481,667	$428,979,985	$451,626,367	$475,482,595	$500,613,791	$527,088,602
O&M Reserve Requirement	1,948,487	5,120,776	4,508,781	4,749,268	7,028,914	5,374,579	5,661,596	5,964,057	6,282,799	6,618,703
Maintenance Reserve Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Debt Service [2]	141,819,832	172,428,674	216,118,740	227,400,607	270,608,542	278,918,675	272,800,400	272,322,500	226,403,950	245,038,050
Net Remaining Revenue	$8,435,244	$8,109,978	$9,756,356	$10,218,653	$9,462,215	$6,206,404	$4,668,786	$5,133,608	$362,750	$6,646,089
COVERAGE CALCULATION										
Total Revenue plus Applied PFC Revenue	$477,054,272	$530,993,243	$593,752,816	$624,734,536	$697,581,339	$722,479,644	$737,757,149	$761,902,760	$736,663,291	$788,391,444
Plus: Prior Period Debt Service Coverage	14,853,574	14,733,229	17,479,224	21,849,408	23,313,374	27,304,684	28,125,980	27,503,588	27,444,720	22,830,110
Adjusted Total Revenue	$491,907,846	$545,726,472	$611,232,040	$646,583,944	$720,894,713	$749,784,328	$765,883,129	$789,406,348	$764,108,011	$811,221,554
Less:										
O&M Expenses	$321,850,709	$342,333,815	$360,368,939	$379,366,009	$407,481,667	$428,979,985	$451,626,367	$475,482,595	$500,613,791	$527,088,602
O&M Reserve Requirement	1,948,487	5,120,776	4,508,781	4,749,268	7,028,914	5,374,579	5,661,596	5,964,057	6,282,799	6,618,703
Maintenance Reserve Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Net Revenue Available for Coverage	$165,108,650	$195,271,881	$243,354,320	$259,468,667	$303,384,131	$312,429,764	$305,595,167	$304,959,696	$254,211,420	$274,514,250
Debt Service [2]	$141,819,832	$172,428,674	$216,118,740	$227,400,607	$270,608,542	$278,918,675	$272,800,400	$272,322,500	$226,403,950	$245,038,050
GARB Debt Service Coverage	1.16	1.13	1.13	1.14	1.12	1.12	1.12	1.12	1.12	1.12

[1] Non-pledged PFC revenue applied to existing outstanding debt service pursuant to a letter agreement with the airlines.

[2] Net of capitalized interest. Actual and projected debt service. Does not include adjustments required for calculation of airline rates and charges (see Section 5.5 and Table 5.4). Interest rate of four percent assumed on variable rate issues.

Source: City of Chicago, Fullerton & Friar, Inc., Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

TABLE 5.10

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

PROJECTED COST PER ENPLANED PASSENGER

	Estimated	Projected								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Signatory Airline Requirement	$292,277,503	$340,059,729	$392,430,115	$412,659,031	$473,350,465	$491,603,802	$500,656,892	$516,771,749	$485,895,659	$526,914,780
Non-Signatory Airline Requirement	8,967,400	9,161,950	10,043,440	10,668,305	13,822,601	14,157,340	14,535,872	15,056,284	14,442,199	15,564,622
Total Airline Requirement	$301,244,903	$349,221,679	$402,473,555	$423,327,335	$487,173,066	$505,761,142	$515,192,763	$531,828,033	$500,337,858	$542,479,403
Total Projected Enplaned Passengers	32,628,400	34,150,500	35,450,300	36,746,100	37,639,700	38,524,800	39,422,400	40,339,700	41,264,600	42,200,900
Total Cost Per Enplaned Passenger										
Current Dollars	$9.23	$10.23	$11.35	$11.52	$12.94	$13.13	$13.07	$13.18	$12.13	$12.85
2003 Constant Dollars [1]	$9.23	$9.93	$10.70	$10.54	$11.50	$11.32	$10.94	$10.72	$9.57	$9.85

[1] Inflation rate assumed at 3 percent.

Source: Ricondo & Associates, Inc
Prepared by: Ricondo & Associates, Inc.

5.12 SENSITIVITY ANALYSIS

In Chapter 3 of this report, a number of assumptions were identified which were taken into consideration for the development of the aviation activity projections presented in that chapter. Implicit in those assumptions was that the nature of air traffic at the Airport would remain as presently exists. This includes the distribution of air passengers as either O&D or connecting passengers. Given the uncertainties facing the airline/airport industry today, an alternative growth scenario is presented here that reflects a reduction in enplaned passengers whereby the equivalent of a single major carrier including its regional affiliates (the Hub Carrier) with approximately 50 percent of the Airport's enplanements is assumed to discontinue its hubbing activity at the Airport. The following definitions are used for the purposes of this analysis:

- The Base Projection refers to the 2004-2012 projections of enplanements (including underlying projections of Hub Carrier's O&D and connecting passengers), operations, and aircraft landed weight included in this Report of the Airport Consultant as Tables 3.13, 3.14, 3.15, and 3.16, respectively.
- The Sensitivity Projection refers to the 2004-2012 projections of enplanements, operations, and aircraft landed weight based on the impact of the Hub Carrier ceasing operations at the Airport.

An overview of the underlying assumptions and resulting financial impacts of the Sensitivity Analysis are presented below.

5.12.1 Assumptions

The following assumptions are used in the preparation of the sensitivity analysis:

Air Traffic

- The Hub Carrier ceases operations at the Airport on December 31, 2003.
- The Sensitivity Projection reduces the Hub Carrier's projected O&D passenger volume by 15 percent in 2004. Other airlines are assumed to absorb the remaining 85 percent of the displaced O&D passenger demand in 2004. The Sensitivity Projection assumes O&D passenger traffic returns to Base Projection levels in 2005.
- The Hub Carrier's current percentage of connecting passenger traffic versus O&D traffic is 60 percent.
- The Sensitivity Projection assumes that only 10 percent of the Hub Carrier's connecting passenger volume connects through the Airport in 2004 and gradually increases throughout the projection period. The result is that total Airport enplanements recover to 2003 levels in 2008.
- The Sensitivity Projection for operations and aircraft landed weight is adjusted in accordance with the same methodology used to determine the relationships among enplanements, operations, and aircraft landed weight in the Base Projection.

Financial

- PFC revenue is reduced in direct proportion with the reduction assumed in enplaned passengers. As a result, Airline Parties would pay the increased amount of debt service not met from PFC revenue through higher rates and charges pursuant to the requirements of the Airport Use Agreements.

- Certain Non-Airline Revenues are reduced. Automobile parking and automobile rental revenue is reduced in proportion to O&D passengers. Restaurant and news & gifts revenues are reduced in proportion to total enplaned passengers.
- Certain Terminal Area O&M Expenses—repairs and maintenance, energy, and materials and supplies—are reduced by eight percent in 2004 and 2005 and four percent in 2006 and 2007, and return to the Base Projection in 2008.

5.12.2 Financial Impacts

Table 5.11 presents the projected financial impacts of the sensitivity analysis. Enplanements are projected to increase from 32.6 million in 2003 to 41.1 million in 2012, the Debt Service Coverage Requirement of 1.10 is met during the projection period, and the cost per enplaned passenger increases from $9.23 in 2003 to $13.96 in 2012; peaking in 2007 at $16.56.

In summary, should a scenario similar to this materialize at the Airport, the resultant airline cost per enplanement appears reasonable compared to other large hub airports either undertaking, or planning to undertake, major capital development programs.

TABLE 5.11

City of Chicago
Chicago O'Hare International Airport
Report of the Airport Consultant

SENSITIVITY ANALYSIS PROJECTED COST PER ENPLANED PASSENGER

	Estimated	Projected								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Signatory Airline Requirement	$292,277,503	$345,943,101	$391,127,325	$415,263,760	$505,475,270	$525,361,458	$532,615,550	$547,876,870	$516,080,765	$556,130,519
Non-Signatory Airline Requirement	8,967,400	9,954,657	10,522,666	11,004,780	15,781,642	15,853,377	16,201,395	16,714,858	16,093,283	17,207,675
Total Airline Requirement	$301,244,903	$355,897,758	$401,649,991	$426,268,539	$521,256,912	$541,214,835	$548,816,946	$564,591,728	$532,174,048	$573,338,194
Total Projected Enplaned Passengers	32,628,400	24,585,900	27,662,900	29,700,400	31,472,100	33,278,100	35,136,900	37,056,500	39,028,400	41,058,300
Total Cost Per Enplaned Passenger										
Current Dollars	$9.23	$14.48	$14.52	$14.35	$16.56	$16.26	$15.62	$15.24	$13.64	$13.96
2003 Constant Dollars [1]	$9.23	$14.05	$13.69	$13.13	$14.72	$14.03	$13.08	$12.39	$10.76	$10.70

[1] Inflation rate assumed at 3 percent.

Source: Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc.

APPENDIX F

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

APPENDIX F-1

[Form of Series 2003D Opinion]

December 2, 2003

City of Chicago
City Hall
Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $67,000,000 aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003D (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 limited obligations of the City issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on March 31, 1983, and 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 SAID BONDS," as supplemented (the "General Airport Revenue Bond Ordinance"), and an ordinance adopted by the City Council of the City on October 1, 2003, authorizing the Bonds (the "Bond Ordinance"). Terms used herein that are defined in the Indenture and the Fifth Supplemental Indenture (as hereinafter defined) shall have the meanings set forth therein unless otherwise defined herein.

The Bonds are authorized by the City for the primary purpose of providing funds to finance the cost of certain capital projects at Chicago O'Hare International Airport (the "Airport").

The Bonds are being issued pursuant to a Master Indenture of Trust Securing Chicago O'Hare International Airport Third Lien Obligations, dated as of March 1, 2002 (the "Indenture"), between the City and LaSalle Bank National Association, as Trustee (the "Trustee"), and a Fifth Supplemental Indenture Securing Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2003D, dated as of November 1, 2003 (the "Fifth Supplemental Indenture"). The Bonds are Junior Lien Obligations of the City permitted to be issued under the General Airport Revenue Bond Ordinance and Third Lien Obligations authorized under the Indenture and are payable solely from and secured by pledges of Junior Lien Revenues and Third Lien Revenues as, and to the extent, provided in the Indenture and the Fifth Supplemental Indenture.

Under the terms of the General Airport Revenue Bond Ordinance, the City has previously issued First Lien Bonds that are presently outstanding and the City may hereafter authorize and issue additional First Lien Bonds. First Lien Bonds are entitled to the benefit and security of the General Airport Revenue Bond Ordinance, including the pledge of Revenues and other funds maintained for the benefit of the First Lien Bonds by the First Lien Trustee. Under the terms of the Master Indenture of Trust Securing Chicago-O'Hare International Airport Second Lien Obligations, dated September 1, 1984, as amended (the "Second Lien Indenture") between the City and J.P. Morgan Trust Company, National Association, as trustee (the "Second Lien Trustee"), the City has previously issued Second Lien Obligations that are presently outstanding and the City may hereafter authorize and issue additional Second Lien Obligations only for the purposes permitted by the Second Lien Indenture and the Indenture. Second Lien Obligations are entitled to the benefit and security of the Second Lien Indenture, including the pledge of Second Lien Revenues and other funds maintained for the benefit of the Second Lien Obligations by the Second Lien Trustee. The Bonds and all other Third Lien Obligations are junior in right of payment and security to the First Lien Bonds and the Second Lien Obligations, as and to the extent provided in the General Airport Revenue Bond Ordinance, the Second Lien Indenture and the Indenture.

The Bonds are dated December 2, 2003 and bear interest from their date payable on January 1, 2004, 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 maturing in each such year bear interest at the respective rates of interest per annum set opposite such years in the following table:

Year	Principal Amount	Rate of Interest
2005	$ 1,005,000	3.000%
2006	5,030,000	3.500
2019	2,595,000	4.500
2020	2,720,000	4.500
2021	2,855,000	4.625
2022	2,995,000	4.750
2023	3,145,000	4.750
2028	18,210,000	4.875
2034	28,445,000	5.000

The Bonds maturing on or after January 1, 2019, are subject to redemption, otherwise than from mandatory sinking fund payments, at the option of the City, on or after January 1, 2014, as a whole or in part at any time, and if in part in such order of maturity as the City shall determine, and within any maturity by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

The Bonds maturing on January 1, 2028 are subject to mandatory redemption prior to maturity, in part by lot on January 1, 2024 and on each January 1 thereafter, by application of sinking fund payments, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing on January 1, 2034 are subject to mandatory redemption prior to maturity, in part by lot on January 1, 2029 and on each January 1 thereafter, by application of sinking fund payments, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds are issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof.

In connection with the issuance of the Bonds we have examined the following:

The Constitution of the State of Illinois, certified copies of the General Airport Revenue Bond Ordinance and the Bond Ordinance and such laws as we deemed pertinent to this opinion;

Executed counterparts of the Second Lien Indenture, the Indenture and the Fifth Supplemental Indenture;

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:

The City is a municipal corporation duly existing under the laws of the State of Illinois and is a home rule unit of local government within the meaning of Section 6(a) of Article VII of the 1970 Illinois Constitution. The City has all requisite power and authority under the Constitution and the laws of the State of Illinois, the General Airport Revenue Bond Ordinance and the Bond Ordinance (i) to enter into the Indenture and the Fifth Supplemental Indenture with the Trustee and to issue the Bonds thereunder, and (ii) to improve, maintain and operate the Airport and to charge and collect rents, fees and other charges for the use and services of the Airport and to perform all of its obligations under the General Airport Revenue Bond Ordinance, the Indenture and the Fifth Supplemental Indenture in those respects.

The Bond Ordinance is in full force and effect and is valid and binding upon the City in accordance with its terms. The Indenture and the Fifth Supplemental Indenture have been duly authorized, executed and delivered by the City, constitute valid and binding obligations of the City and are legally enforceable in accordance with their terms.

The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the City, are entitled to the benefits and security of the Indenture and the Fifth Supplemental Indenture, and are enforceable in accordance with their terms.

The Bonds are payable solely from the Third Lien Revenues deposited in the 2003D Dedicated Sub-Fund maintained by the Trustee under the Fifth Supplemental Indenture, the Common Debt Service Reserve Account on a parity with other Common Reserve Bonds, and certain other amounts as provided in the Indenture and the Fifth Supplemental Indenture. The Bonds and the interest thereon are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any state constitutional or statutory limitation or give rise to a charge against its general credit or taxing powers. Neither the faith and credit nor the taxing power of the State of Illinois, the City or any political subdivision of the State of Illinois is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

The Indenture and the Fifth 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 Indenture and the Fifth Supplemental Indenture.

Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the 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. You are advised, however, 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. 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 with the proceeds of the Bonds or a "related person" (as defined in Section 147(a) of the Code). 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 of America, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Bonds. The City has covenanted in the Bond Ordinance and the 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 Indenture and the Fifth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

Appendix F-2

[Form of Series 2003E Opinion]

December 2, 2003

City of Chicago
City Hall
Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $66,625,000 aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003E (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 limited obligations of the City issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on March 31, 1983, and 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 SAID BONDS," as supplemented (the "General Airport Revenue Bond Ordinance"), and an ordinance adopted by the City Council of the City on October 1, 2003, authorizing the Bonds (the "Bond Ordinance"). Terms used herein that are defined in the Indenture and the Sixth Supplemental Indenture (as hereinafter defined) shall have the meanings set forth therein unless otherwise defined herein.

The Bonds are authorized by the City for the primary purpose of providing funds to refund the City's outstanding Chicago-O'Hare International Airport General Airport Revenue Refunding Bonds, 1993 Series A (the "Refunded Bonds"), which were issued by the City to refund certain airport revenue bonds (the "Original Bonds") issued to finance the cost of certain capital projects at Chicago O'Hare International Airport (the "Airport").

The Bonds are being issued pursuant to a Master Indenture of Trust Securing Chicago O'Hare International Airport Third Lien Obligations, dated as of March 1, 2002 (the "Indenture"), between the City and LaSalle Bank National Association, as Trustee (the "Trustee"), and a Sixth Supplemental Indenture Securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003E, dated as of November 1, 2003 (the "Sixth Supplemental Indenture"). The Bonds are Junior Lien Obligations of the City permitted to be issued under the General Airport Revenue Bond Ordinance and Third Lien Obligations authorized under the Indenture and are payable solely from and secured by pledges of Junior Lien Revenues and Third Lien Revenues as, and to the extent, provided in the Indenture and the Sixth Supplemental Indenture.

Under the terms of the General Airport Revenue Bond Ordinance, the City has previously issued First Lien Bonds that are presently outstanding and the City may hereafter authorize and issue additional First Lien Bonds. First Lien Bonds are entitled to the benefit and security of the General Airport Revenue Bond Ordinance, including the pledge of Revenues and other funds maintained for the benefit of the First Lien Bonds by the First Lien Trustee. Under the terms of the Master Indenture of Trust Securing Chicago-O'Hare International Airport Second Lien Obligations, dated September 1, 1984, as amended (the "Second Lien Indenture") between the City and J.P. Morgan Trust Company, National Association, as trustee (the "Second Lien Trustee"), the City has previously issued Second Lien Obligations that are presently outstanding and the City may hereafter authorize and issue additional Second Lien Obligations only for the purposes permitted by the Second Lien Indenture and the Indenture. Second Lien Obligations are entitled to the benefit and security of the Second Lien Indenture, including the pledge of Second Lien Revenues and other funds maintained for the benefit of the Second Lien Obligations by the Second Lien Trustee. The Bonds and all other Third Lien Obligations are junior in right of payment and security to the First Lien Bonds and the Second Lien Obligations, as and to the extent provided in the General Airport Revenue Bond Ordinance, the Second Lien Indenture and the Indenture.

The Bonds are dated December 2, 2003 and bear interest from their date payable on January 1, 2004, 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 maturing in each such year bear interest at the respective rates of interest per annum set opposite such years in the following table:

Year	Principal Amount	Rate of Interest
2005	$ 1,000,000	3.00%
2006	5,000,000	3.50
2019	2,580,000	5.25
2020	2,705,000	5.25
2021	2,840,000	5.25
2022	2,975,000	5.25
2023	3,130,000	5.25
2024	3,280,000	5.25
2029	18,990,000	4.75
2034	24,125,000	5.00

The Bonds maturing on or after January 1, 2019, are subject to redemption, otherwise than from mandatory sinking fund payments, at the option of the City, on or after January 1, 2014, as a whole or in part at any time, and if in part in such order of maturity as the City shall determine, and within any maturity by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

The Bonds maturing on January 1, 2029 are subject to mandatory redemption prior to maturity, in part by lot on January 1, 2025 and on each January 1 thereafter, by application of sinking fund payments, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing on January 1, 2034 are subject to mandatory redemption prior to maturity, in part by lot on January 1, 2030 and on each January 1 thereafter, by application of sinking fund payments, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds are issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof.

In connection with the issuance of the Bonds we have examined the following:

The Constitution of the State of Illinois, certified copies of the General Airport Revenue Bond Ordinance and the Bond Ordinance and such laws as we deemed pertinent to this opinion;

Executed counterparts of the Second Lien Indenture, the Indenture and the Sixth Supplemental Indenture;

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:

The City is a municipal corporation duly existing under the laws of the State of Illinois and is a home rule unit of local government within the meaning of Section 6(a) of Article VII of the 1970 Illinois Constitution. The City has all requisite power and authority under the Constitution and the laws of the State of Illinois, the General Airport Revenue Bond Ordinance and the Bond Ordinance (i) to enter into the Indenture and the Sixth Supplemental Indenture with the Trustee and to issue the Bonds thereunder, and (ii) to improve, maintain and operate the Airport and to charge and collect rents, fees and other charges for the use and services of the Airport and to perform all of its obligations under the General Airport Revenue Bond Ordinance, the Indenture and the Sixth Supplemental Indenture in those respects.

The Bond Ordinance is in full force and effect and is valid and binding upon the City in accordance with its terms. The Indenture and the Sixth 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.

The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the City, are entitled to the benefits and security of the Indenture and the Sixth Supplemental Indenture, and are enforceable in accordance with their terms.

The Bonds are payable solely from the Third Lien Revenues deposited in the 2003E Dedicated Sub-Fund maintained by the Trustee under the Sixth Supplemental Indenture, the Common Debt Service Reserve Account on a parity with other Common Reserve Bonds, and certain other amounts as provided in the Indenture and the Sixth Supplemental Indenture. The Bonds and the interest thereon are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any state constitutional or statutory limitation or give rise to a charge against its general credit or taxing powers. Neither the faith and credit nor the taxing power of the State of Illinois, the City or any political subdivision of the State of Illinois is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

The Indenture and the Sixth 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 Indenture and the Sixth Supplemental Indenture.

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. 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 with the proceeds of the Original Bonds, the

Refunded Bonds and the Bonds or a "related person" (as defined in Section 147(a) of the Code). 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 of America, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Original Bonds, the Refunded Bonds and the Bonds. The City has covenanted in the Bond Ordinance and the 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 Indenture and the Sixth 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 F-3

[Form of Series 2003F Opinion]

December 2, 2003

City of Chicago
City Hall
Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $15,705,000 aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003F (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 limited obligations of the City issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on March 31, 1983, and 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 SAID BONDS," as supplemented (the "General Airport Revenue Bond Ordinance"), and an ordinance adopted by the City Council of the City on October 1, 2003, authorizing the Bonds (the "Bond Ordinance"). Terms used herein that are defined in the Indenture and the Seventh Supplemental Indenture (as hereinafter defined) shall have the meanings set forth therein unless otherwise defined herein.

The Bonds are authorized by the City for the primary purpose of providing funds to refund the City's outstanding Chicago-O'Hare International Airport General Airport Second Lien Revenue Refunding Bonds, 1993 Series B (the "Refunded Bonds"), which were issued by the City to refund certain airport revenue bonds (the "Original Bonds") issued to finance the cost of certain capital projects at Chicago O'Hare International Airport (the "Airport").

The Bonds are being issued pursuant to a Master Indenture of Trust Securing Chicago O'Hare International Airport Third Lien Obligations, dated as of March 1, 2002 (the "Indenture"), between the City and LaSalle Bank National Association, as Trustee (the "Trustee"), and a Seventh Supplemental Indenture Securing Chicago O'Hare International Airport General Airport Third Lien Revenue Refunding Bonds, Series 2003F, dated as of November 1, 2003 (the "Seventh Supplemental Indenture"). The Bonds are Junior Lien Obligations of the City permitted to be issued under the General Airport Revenue Bond Ordinance and Third Lien Obligations authorized under the Indenture and are payable solely from and secured by pledges of Junior Lien Revenues and Third Lien Revenues as, and to the extent, provided in the Indenture and the Seventh Supplemental Indenture.

Under the terms of the General Airport Revenue Bond Ordinance, the City has previously issued First Lien Bonds that are presently outstanding and the City may hereafter authorize and issue additional First Lien Bonds. First Lien Bonds are entitled to the benefit and security of the General Airport Revenue Bond Ordinance, including the pledge of Revenues and other funds maintained for the benefit of the First Lien Bonds by the First Lien Trustee. Under the terms of the Master Indenture of Trust Securing Chicago-O'Hare International Airport Second Lien Obligations, dated September 1, 1984, as amended (the "Second Lien Indenture") between the City and J.P. Morgan Trust Company, National Association, as trustee (the "Second Lien Trustee"), the City has previously issued Second Lien Obligations that are presently outstanding and the City may hereafter authorize and issue additional Second Lien Obligations only for the purposes permitted by the Second Lien Indenture and the Indenture. Second Lien Obligations are entitled to the benefit and security of the Second Lien Indenture, including the pledge of Second Lien Revenues and other funds maintained for the benefit of the Second Lien Obligations by the Second Lien Trustee. The Bonds and all other Third Lien Obligations are junior in right of payment and security to the First Lien Bonds and the Second Lien Obligations, as and to the extent provided in the General Airport Revenue Bond Ordinance, the Second Lien Indenture and the Indenture.

The Bonds are dated December 2, 2003 and bear interest from their date payable on January 1, 2004, 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 maturing in each such year bear interest at the respective rates of interest per annum set opposite such years in the following table:

Year	Principal Amount	Rate of Interest
2005	$ 435,000	3.000%
2006	445,000	3.500
2007	465,000	2.125
2008	475,000	2.500
2009	6,255,000	5.000
2010	50,000	3.000
2011	50,000	3.250
2012	50,000	3.500
2013	55,000	3.625
2014	55,000	3.750
2015	7,370,000	5.500

The Bonds maturing on January 1, 2015, are subject to redemption, at the option of the City, on or after January 1, 2014, as a whole or in part at any time, and if in part, by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

The Bonds are issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof.

In connection with the issuance of the Bonds we have examined the following:

The Constitution of the State of Illinois, certified copies of the General Airport Revenue Bond Ordinance and the Bond Ordinance and such laws as we deemed pertinent to this opinion;

Executed counterparts of the Second Lien Indenture, the Indenture and the Seventh Supplemental Indenture;

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:

The City is a municipal corporation duly existing under the laws of the State of Illinois and is a home rule unit of local government within the meaning of Section 6(a) of Article VII of the 1970 Illinois Constitution. The City has all requisite power and authority under the Constitution and the laws of the

State of Illinois, the General Airport Revenue Bond Ordinance and the Bond Ordinance (i) to enter into the Indenture and the Seventh Supplemental Indenture with the Trustee and to issue the Bonds thereunder, and (ii) to improve, maintain and operate the Airport and to charge and collect rents, fees and other charges for the use and services of the Airport and to perform all of its obligations under the General Airport Revenue Bond Ordinance, the Indenture and the Seventh Supplemental Indenture in those respects.

The Bond Ordinance is in full force and effect and is valid and binding upon the City in accordance with its terms. The Indenture and the Seventh 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.

The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the City, are entitled to the benefits and security of the Indenture and the Seventh Supplemental Indenture, and are enforceable in accordance with their terms.

The Bonds are payable solely from the Third Lien Revenues deposited in the 2003F Dedicated Sub-Fund maintained by the Trustee under the Seventh Supplemental Indenture, the Common Debt Service Reserve Account on a parity with other Common Reserve Bonds, and certain other amounts as provided in the Indenture and the Seventh Supplemental Indenture. The Bonds and the interest thereon are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any state constitutional or statutory limitation or give rise to a charge against its general credit or taxing powers. Neither the faith and credit nor the taxing power of the State of Illinois, the City or any political subdivision of the State of Illinois is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

The Indenture and the Seventh 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 Indenture and the Seventh Supplemental Indenture.

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. 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 with the proceeds of the Original Bonds, the Refunded Bonds and the Bonds or a "related person" (as defined in Section 147(a) of the Code). 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 of America, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Original Bonds, the Refunded Bonds and the Bonds. The City has covenanted in the Bond Ordinance and the 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 Indenture and the Seventh 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,

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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CIFG

CDC IXIS Financial Guaranty North America, Inc.
825 Third Avenue, Sixth Floor
New York, NY 10022
For information, contact (212) 909-3939
Toll-free (866) 243-4212

FINANCIAL GUARANTY INSURANCE POLICY

ISSUER:

Policy No.: CIFGNA-#

CUSIP:

Effective Date:

OBLIGATIONS:

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. ("CIFGNA"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFGNA irrevocably and unconditionally guarantees:

(1) payment of any amount required to be paid under this Policy by CIFGNA following CIFGNA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto and

(2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law (such payment to be made by CIFGNA in accordance with Endorsement No. 1 hereto).

CIFGNA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFGNA hereunder. Upon disbursement in respect of an Obligation, CIFGNA shall become the owner of the Obligation, appurtenant coupon, if any, and all rights to payment of principal thereof or interest thereon.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; *provided, however, that* any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFGNA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" shall have the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFGNA, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations, except a contemporaneous or subsequent agreement or instrument given by CIFGNA or to which CIFGNA has given its written consent, or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premium due to CIFGNA. Payments under this Policy may not be accelerated except at the sole option of CIFGNA.

In witness whereof, CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC.

By ______________________________

Authorized Officer