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# **2001 Annual Report**

## **Near South Redevelopment Project Area**



**Pursuant to 65 ILCS 5/11-74.4-5(d)**

***JUNE 30, 2002***

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June 30, 2002

Ms. Alicia Mazur Berg  
Commissioner  
Department of Planning and Development  
121 N. LaSalle St.  
Chicago, Illinois 60602

Dear Commissioner:

Enclosed is the annual report for the Near South Redevelopment Project Area, which we compiled at the direction of the Department of Planning and Development pursuant to Section 5(d) of the Illinois Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as amended. The contents are based on information provided to us by Chicago Departments of Planning and Development, Finance, and Law. We have not audited, verified, or applied agreed upon accounting and testing procedures to the data contained in this report. Therefore, we express no opinion on its accuracy or completeness.

It has been a pleasure to work with representatives from the Department of Planning and Development and other City Departments.

Very truly yours,



Ernst & Young LLP

# Near South Redevelopment Project Area 2001 Annual Report

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City of Chicago  
Richard M. Daley, Mayor

Department of Planning  
and Development

Alicia Mazur Berg  
Commissioner

121 North LaSalle Street  
Chicago, Illinois 60602  
(312) 744-4190  
(312) 744-2271 (FAX)

<http://www.cityofchicago.org>

June 30, 2002

The Honorable Daniel Hynes  
Comptroller  
State of Illinois  
Office of the Comptroller  
201 Capitol  
Springfield, IL 62706

Dear Comptroller Hynes:

We have compiled the attached information for the Near South  
Redevelopment Project Area (Report) pursuant to 65 ILCS 5/11-74.4-5(d).

Sincerely,

Alicia Mazur Berg  
Commissioner

NEIGHBORHOODS



**Near South Redevelopment Project Area  
2001 Annual Report**

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**(1) DATE OF DESIGNATION OR TERMINATION - 65 ILCS 5/11-74.4-5(d)(1.5)**

The Project Area was designated on November 28, 1990. The Project Area may be terminated no later than November 28, 2013.

4. Lobby (including the main stair leading from the first (1<sup>st</sup>) to the second (2<sup>nd</sup>) floor): no changes proposed except the possible addition of a free-standing reception desk.

The Permit Review Committee concurs that the scope of work complies with the requirements for Class L and will recommend the project to the Commission. The full Commission will review the project as part of the Class-L application at its meeting on January 3, 2001.

If you have any questions, please call Eleanor Esser Gorski, Supervising Architect, at (telephone number omitted for printing purposes)

Sincerely,

(Signed)

James Peters  
James Peters,  
Deputy Commissioner  
Landmarks Division

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APPROVAL OF AMENDMENT NUMBER 3 TO NEAR SOUTH  
TAX INCREMENT FINANCING REDEVELOPMENT  
PROJECT AND PLAN.

The Committee on Finance submitted the following report:

CHICAGO, March 28, 2001.

*To the President and Members of the City Council:*

Your Committee on Finance, having had under consideration an ordinance authorizing an amendment to the Near South Redevelopment Plan and Project Area, having had the same under advisement, begs leave to report and recommend that Your Honorable Body *Pass* the proposed ordinance transmitted herewith.

This recommendation was concurred in by a viva voce vote of the members of the committee.

Respectfully submitted,

(Signed) EDWARD M. BURKE,  
*Chairman.*

On motion of Alderman Burke, the said proposed ordinance transmitted with the foregoing committee report was *Passed* by yeas and nays as follows:

*Yeas* -- Aldermen Granato, Haithcock, Tillman, Preckwinkle, Hairston, Beavers, Beale, Pope, Balcer, Frias, Olivo, Burke, T. Thomas, Coleman, L. Thomas, Murphy, Rugai, Troutman, DeVille, Munoz, Zalewski, Chandler, Solis, Ocasio, Burnett, E. Smith, Carothers, Wojcik, Suarez, Matlak, Mell, Austin, Banks, Mitts, Allen, Laurino, O'Connor, Doherty, Natarus, Daley, Levar, Schulter, M. Smith, Moore, Stone -- 45.

*Nays* -- None.

Alderman Beavers moved to reconsider the foregoing vote. The motion was lost.

The following is said ordinance as passed:

WHEREAS, Pursuant to ordinances adopted on November 28, 1990 and published in the Journal of Proceedings of the City Council (the "Journal of Proceedings") for such date at pages 25969 -- 26047, in accordance with the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4, et seq. (1998 State Bar Edition), as amended (the "Act"), the City Council (the "City Council") of the City of Chicago (the "City"): (i) approved a redevelopment plan and project (the "Original Plan") for a portion of the City known as the "Central Station Project Area" (the "Original Area")(the "Original Plan Ordinance"); (ii) designated the Original Area as a "redevelopment project area" (the "Designation Ordinance"); and (iii) adopted tax increment allocation financing for the Original Area (the "T.I.F. Adoption Ordinance")(the Original Plan Ordinance, the Designation Ordinance and the T.I.F. Adoption Ordinance are collectively referred to in this ordinance as the "T.I.F. Ordinances"); and

WHEREAS, The City subsequently determined that the Original Area be expanded to include additional contiguous areas (the "Added Property" and, together with the Original Area, the "Expanded Project Area"); and

WHEREAS, In connection with the addition of the Added Property to the Original Area, the City Council adopted the following ordinances amending and supplementing T.I.F. Ordinances on August 3, 1994 and published in the Journal of Proceedings for such date at pages 57846 -- 54950, in accordance with the provisions of the Act: (i) an Ordinance Approving the Near South Tax Increment Financing Redevelopment Project and Plan (the "Expanded Area Plan") for the Expanded Project Area (the "Plan Ordinance"); (ii) an Ordinance Designating the Expanded Project Area as a "Redevelopment Project Area" Pursuant to the Act, Which Re-confirmed the Designation of the Original Area and Designated the Expanded Project Area as a "Redevelopment Project Area"; and (iii) an Ordinance Adopting Tax Increment Allocation Financing for the Expanded Project Area (collectively, the "Expanded Area T.I.F. Ordinances"); and

WHEREAS, Pursuant to ordinances adopted on May 12, 1999, and published in the Journal of the Proceedings for such date at pages 1002 -- 1012, the City determined that an additional amendment to the Expanded Area Plan ("Amendment Number 2", and together with the Expanded Area Plan, the "Redevelopment Plan") was necessary in order to incorporate the "portability" language included in the Act and in the Illinois Industrial Jobs Recovery Law, 65 ILCS 5/11-74.6-15(s) (1998 State Bar Edition), in order to permit the City to transfer tax increment revenues to and from the Expanded Project Area and other redevelopment areas contiguous to or separated only by a public right-of-way from, the Expanded Project Area, and vice versa; and

WHEREAS, The Redevelopment Plan established the estimated dates of completion of the redevelopment project described in the Redevelopment Plan and of the retirement of obligations issued to finance redevelopment project costs to be November 28, 2013, which date is not more than twenty-three (23) years from the date of the adoption of the Designation Ordinance, and the City Council made a finding in the Plan Ordinance that such dates were not more than twenty-three (23) years from the date of the adoption of the Designation Ordinance in accordance with the provisions of Section 11-74.4-3(n)(3) of the Act in effect on the date of adoption of the T.I.F. Ordinances and the Expanded Area T.I.F. Ordinances; and

WHEREAS, Public Act 91-478 (the "Amendatory Act"), which became effective November 1, 1999, amended the Act, among other things, to (i) change the dates set forth in Section 11-74.4-3(n)(3) of the Act by which redevelopment projects must be completed and obligations issued to finance redevelopment project costs must be retired to be no later than December 31 of the year in which the payment to a municipal treasurer as provided in Section 11-74.4-8(b) of the Act is to be made



with respect to ad valorem taxes levied in the twenty-third (23<sup>rd</sup>) calendar year after the year in which the ordinance approving a redevelopment project area is adopted, and (ii) provide that a municipality may amend an existing redevelopment plan to conform such redevelopment plan to Section 11-74.4-3(n)(3) of the Act, as amended by the Amendatory Act, by an ordinance adopted without further hearing or notice and without complying with the procedures provided in the Act pertaining to an amendment to or the initial approval of a redevelopment plan and project and designation of a redevelopment project area; and

WHEREAS, The City desires to amend the Redevelopment Plan to conform the Redevelopment Plan to Section 11-74.4-3(n)(3) of the Act, as amended by the Amendatory Act, in accordance with the procedures set forth in amended Section 11-74.4-3(n)(3); now, therefore,

*Be It Ordained by the City Council of the City of Chicago:*

SECTION 1. Recitals. The above recitals are incorporated herein and made a part hereof.

SECTION 2. Amendment To Ordinance Approving Redevelopment Plan. Paragraphs (f) and (g) of Section 1 of the ordinance approving the Redevelopment Plan, published in the Journal of Proceedings of August 3, 1994 at page 54880, are hereby amended to read as follows:

(f) The estimated date for final completion of the redevelopment project (as defined in the Act) is not later than December 31, 2014.

(g) The estimated date for retirement of obligations issued after the date of the adoption of the ordinance approving the Redevelopment Plan to finance Expanded Project Area costs is no later than December 31, 2014.

SECTION 3. Approval Of Amendment To Redevelopment Plan. The "Amendment Number 3 to Near South Tax Increment Financing Redevelopment Project and Plan", a copy of which is attached hereto as Exhibit A (the "Amendment Number 3") is hereby approved.

SECTION 4. Finding. The City Council hereby finds that the estimated dates of completion of (a) the redevelopment project described in the Redevelopment Plan, as amended by Amendment Number 3, and in Section 2 of this ordinance, and (b) the retirement of obligations issued to finance redevelopment project costs set forth in the Redevelopment Plan, as amended by Amendment Number 3, and Section 2 of this ordinance, conform to the provisions of Section 11-74 4-3(n)(3) of the Act, as amended by the Amendatory Act.

SECTION 5. Invalidation Of Any Section. If any provision of this ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this ordinance.

SECTION 6. Superseder. All ordinances (including, without limitation, the T.I.F. Ordinances, the Expanded Area T.I.F. Ordinances and the ordinance approving Amendment Number 2), resolutions, motions, or orders in conflict with this ordinance are hereby repealed to the extent of such conflicts.

SECTION 7. Effective Date. This ordinance shall be in full force and effect immediately upon its passage.

Exhibit "A" referred to in this ordinance reads as follows:

*Exhibit "A".*

*Amendment Number 3 To Near South Tax Increment  
Financing Redevelopment Project And Plan.*

1. The subsection entitled, "Issuance of Obligations", under Section 5, "Near South Tax Increment Financing Redevelopment Project", is amended to read as follows:

Amendment -- March 2001.

The City may issue obligations secured by the tax increment special tax allocation fund pursuant to Section 11-74.4-7 of the Act.

All obligations issued by the City pursuant to this Redevelopment Plan and the Act shall be retired no later than December 31 of the year in which the payment to the municipal treasurer as provided in Section 11-74.4-8(b) of the Act is to be levied in the twenty-third (23<sup>rd</sup>) calendar year after the year in which the ordinance approving the Original Redevelopment Project Area and the Original Redevelopment Project and Plan was adopted, such ultimate retirement date occurring on December 31, 2014. Also, the final maturity date of any such obligations which are issued may not be later than twenty (20) years from their respective dates of issuance. One (1) or more series of obligations may be sold

at one (1) or more times in order to implement this Redevelopment Plan. The amounts payable in any year as principal and interest on all obligations issued by the City pursuant to the Redevelopment Plan and the Act shall not exceed the amounts available, or projected to be available, from tax increment revenues and from such bond sinking funds or other sources of funds as may be provided by ordinance. Obligations may be of a parity or senior/junior lien natures. Obligations issued may be serial or term maturities, and may or may not be subject to mandatory sinking fund redemptions.

Revenues shall be used for the scheduled and/or early retirement of obligations, and for reserves, bond sinking funds and Redevelopment Project Costs, and, to the extent that real property tax increment is not used for such purposes, may be declared surplus and shall then become available for distribution annually to taxing districts in the Redevelopment Project Area in the manner provided by the Act.

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ESTABLISHMENT OF PARKING FEES  
FOR MILLENNIUM PARK GARAGE.

The Committee on Finance submitted the following report:

CHICAGO, March 28, 2001.

*To the President and Members of the City Council:*

Your Committee on Finance, having had under consideration an amended ordinance authorizing the establishment of parking fees for the Millennium Park Garage, having had the same under advisement, begs leave to report and recommend that Your Honorable Body *Pass* the proposed amended ordinance transmitted herewith.

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(2) AUDITED FINANCIALS - 65 ILCS 5/11-74.4-5(d)(2)**

Please see attached.

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH  
REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 2001 AND 2000

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

C O N T E N T S

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**BANSLEY AND KIENER, L. L. P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

125 SOUTH WACKER DRIVE

CHICAGO, ILLINOIS 60606-4496

AREA CODE 312 263-2700

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying combined balance sheet of the Near South Redevelopment Project of the City of Chicago, Illinois, as of December 31, 2001, and the related combined statements of revenues, expenditures and changes in fund balance - governmental funds for the years ended December 31, 2001 and 2000. These combined financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We previously audited and reported upon the combined balance sheet as of December 31, 2000, totals of which are included for comparative purposes only.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Near South Redevelopment Project of the City of Chicago, Illinois, as of December 31, 2001, and the results of its governmental funds operations and changes in fund balance for the years ended December 31, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The schedule of expenditures by statutory code on page 7, which is also the responsibility of the City of Chicago's management, is presented for purposes of additional analysis and is not a required part of the combined financial statements of Near South Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the combined financial statements taken as a whole.

*Bansley and Kiener, L.L.P.*  
Certified Public Accountants

May 28, 2002

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

COMBINED BALANCE SHEETS  
DECEMBER 31, 2001  
(With Comparative Totals for 2000)

<u>ASSETS</u>	<u>Governmental Funds</u>	<u>General Long-term Debt Account Group</u>	<u>Total 2001</u>	<u>Total 2000</u>
Cash and investments	\$ 71,194,698	\$ -	\$ 71,194,698	\$ 25,233,043
Property taxes receivable	11,800,000	-	11,800,000	10,730,974
Accrued interest receivable	190,407	-	190,407	119,101
Amount available for debt service	-	16,776,381	16,776,381	9,733,103
Amount to be provided for retirement of general long-term debt	-	72,240,381	72,240,381	35,406,897
<b>Total assets</b>	<b><u>\$ 83,185,105</u></b>	<b><u>\$ 89,016,762</u></b>	<b><u>\$ 172,201,867</u></b>	<b><u>\$ 81,223,118</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>  				
Vouchers payable	\$ 72,268	\$ -	\$ 72,268	\$ 709,741
Due to other City funds	252,274	-	252,274	106,797
Accrued interest payable	548,000	-	548,000	278,494
Deferred revenue	11,597,010	-	11,597,010	10,145,758
Bonds payable (Note 2)	-	89,016,762	89,016,762	45,140,000
<b>Total liabilities</b>	<b><u>12,469,552</u></b>	<b><u>89,016,762</u></b>	<b><u>101,486,314</u></b>	<b><u>56,380,790</u></b>
Fund balance				
Reserved for debt service	16,776,381	-	16,776,381	9,733,103
Designated for future redevelopment project costs	53,939,172	-	53,939,172	15,109,225
<b>Total fund balance</b>	<b><u>70,715,553</u></b>	<b><u>-</u></b>	<b><u>70,715,553</u></b>	<b><u>24,842,328</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 83,185,105</u></b>	<b><u>\$ 89,016,762</u></b>	<b><u>\$ 172,201,867</u></b>	<b><u>\$ 81,223,118</u></b>

The accompanying notes are an integral part of the combined financial statements.



CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Revenues		
Property tax	\$ 11,685,650	\$ 8,809,910
Rental revenue	91,862	-
Interest	1,585,967	1,439,273
	<u>13,363,479</u>	<u>10,249,183</u>
Total revenues		
Expenditures		
Capital projects	6,264,315	12,281,142
Bond issuance costs	2,491,736	-
Debt service		
Principal retirement	2,365,000	2,245,000
Interest	3,164,997	2,238,550
	<u>14,286,048</u>	<u>16,764,692</u>
Total expenditures		
Expenditures over revenues	<u>922,569</u>	<u>6,515,509</u>
Other financing sources		
Proceeds of debt	46,795,794	-
Sale of Land	-	2,055,000
	<u>46,795,794</u>	<u>2,055,000</u>
Total other financing sources		
Revenues and other financing sources over (under) expenditures	45,873,225	(4,460,509)
Fund balance, beginning of year	<u>24,842,328</u>	<u>29,302,837</u>
Fund balance, end of year	<u>\$ 70,715,553</u>	<u>\$ 24,842,328</u>

The accompanying notes are an integral part of the combined financial statements.

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT  
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

*Description of Project*

The Near South Tax Increment Redevelopment Project Area (Project) (formerly known as the Central Station Redevelopment Project) was established in August 1994. The area has been established to finance improvements, leverage private investment, create and retain jobs and to retire the Redevelopment Tax Increment Bonds (Near South Redevelopment Project), Series 1994A in the principal amount of \$23,000,000. Reimbursements, if any, are made to the developer for project costs, as infrastructure improvements are completed and pass City Inspection. Phase I of the project was residential. Subsequent phases will include a combination of residential and commercial development.

Principal and interest on the bonds will be paid from incremental property taxes generated by the redevelopment district.

*Basis of Accounting*

The Project is accounted for within the capital project, debt service and special revenue funds of the City. The Bonds Payable are recorded in the City's General Long-term Debt Account Group. The report is presented herein on a combined basis.

The financial statements are prepared on the modified accrual basis of accounting and current financial resources measurement focus with only current assets and liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

Fixed assets are not capitalized in the general operating funds but, instead, are charged as current expenditures when purchased. The General Fixed Asset Account Group of the City includes the capital assets, if any, of the Project.

*Management's Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT  
NOTES TO COMBINED FINANCIAL STATEMENTS  
(Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

*Illinois Tax Increment Redevelopment Allocation Act Compliance*

The Project's expenditures include reimbursements for various eligible costs as described in subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act and the Redevelopment Agreement relating specifically to the Project. Eligible costs include but are not limited to survey, property assembly, rehabilitation, public infrastructure, financing and relocation costs.

*Cash and Investments*

The bond proceeds and incremental taxes associated with the Near South Tax Increment Financing District are deposited with the City Treasurer or in a separate trust account. Eligible project expenditures are approved by the Department of Planning and Development in accordance with the project budget and paid from the trust account. Eligible project expenditures may be paid from bond proceeds or incremental taxes in excess of next year's annual debt service, after fully funding of all other funds and accounts.

Cash belonging to the City is generally deposited with the City Treasurer as required by the Municipal Code of Chicago. The City Comptroller issues warrants for authorized City expenditures which represent a claim for payment when presented to the City Treasurer. Payment for all City warrants clearing is made by checks drawn on the City's various operating bank accounts.

The City Treasurer and City Comptroller share responsibility for investing in authorized investments. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances.

The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

*Property Taxes*

Property taxes are susceptible to accrual and recognized as a receivable in the year levied. Revenue recognition is deferred unless the taxes are received within 60 days subsequent to year-end.

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS  
(Continued)

Note 2 – Bonds Payable

In March 1999, the City issued \$50,000,000 of Near South Tax Increment Allocation Bonds (the "1999 Bonds"), Series 1999A and B (Taxable) in order to advance refund the Series 1994 bonds and provide monies for project costs. The 1999 Bonds are payable serially through November 15, 2013, beginning November 15, 1999. The 1999 Bonds have an interest rate of between 4.0 percent to 5.65 percent. Net proceeds of \$32,800,000 were used to finance certain project costs in the Near South Redevelopment Project Area (\$27,300,000) and to fund debt service and related reserve accounts (\$5,500,000). The refunding decreased the City's total debt service payments by \$9,500,000 and provided an economic gain of \$2,300,000.

In July 2001, the City issued \$46,241,762 of Near South Junior Lien Tax Increment Allocation Bonds (the "2001 Bonds") Series 2001A and B (Taxable) to provide monies for project costs. The 2001 Bonds are payable serially through November 15, 2014, beginning November 15, 2003. The 2001 Bonds have an interest rate of between 4.75 percent to 6.25 percent. Net proceeds of \$44,321,806 were used to finance certain project costs in the Near South Redevelopment Project Area (\$38,830,000) and to fund debt service and related reserve accounts (\$5,491,806).

The aggregate maturities of the bonds (principal portion only) are as follows:

	<u>Series 1999A</u>	<u>Series 1999B</u>	<u>Series 2001A</u>	<u>Series 2001B</u>	<u>Total</u>
2002	\$ 2,225,000	\$275,000	\$ -	\$ -	\$ 2,500,000
2003	2,605,000	-	-	1,225,000	3,830,000
2004	2,720,000	-	-	2,910,000	5,630,000
2005	2,830,000	-	-	3,095,000	5,925,000
2006	2,970,000	-	3,300,000	-	6,270,000
Thereafter	<u>29,150,000</u>	<u>-</u>	<u>35,711,762</u>	<u>-</u>	<u>64,861,762</u>
	<u>\$42,500,000</u>	<u>\$275,000</u>	<u>\$39,011,762</u>	<u>\$7,230,000</u>	<u>\$89,016,762</u>

Note 3 – Commitments

As of December 31, 2001 the Project has entered into contracts for approximately \$2,167,000 for services and construction projects.

**SUPPLEMENTARY INFORMATION**

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

<u>Code Description</u>	<u>2001</u>	<u>2000</u>
Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, marketing	\$ 434,398	\$ 348,155
Costs of property assembly, including but not limited to acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, and the clearing and grading of land	5,394,318	8,164,262
Costs of rehabilitation, reconstruction, or repair or remodeling of existing public or private buildings and fixtures	60,761	93,372
Costs of the construction of public works or improvements	289,222	3,486,474
Costs of job training and retraining projects	-	179,054
Costs of financing, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto	8,021,733	4,493,150
Costs of relocation to the extent that a municipality determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or state law	85,616	225
	<u>\$ 14,286,048</u>	<u>\$ 16,764,692</u>

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(3) MAYOR'S CERTIFICATION - 65 ILCS 5/11-74.4-5(d)(3)**

Please see attached.

STATE OF ILLINOIS     )  
  )  
COUNTY OF COOK        )

CERTIFICATION

TO:

Daniel W. Hynes  
Comptroller of the State of Illinois  
James R. Thompson Center  
100 West Randolph Street, Suite 15-500  
Chicago, Illinois 60601  
Attention: Carol Reckamp, Director of Local  
Government

Dolores Javier, Treasurer  
City Colleges of Chicago  
226 West Jackson Boulevard, Rm. 1149  
Chicago, Illinois 60606

Gwendolyn Clemons, Director  
Cook County Department of Planning &  
Development  
69 West Washington Street, Room 2900  
Chicago, Illinois 60602  
Attn: Kay Kosmal

Dean L. Viverito, Comptroller  
Forest Preserve District of Cook County  
536 North Harlem Avenue  
River Forest, Illinois 60305  
Attn: Barbara McKinzie

Michael Koldyke, Chairman  
Chicago School Finance Authority  
135 S. LaSalle Street, Suite 3800  
Chicago, Illinois 60603

David Doig, General Superintendent & CEO  
Chicago Park District  
541 N. Fairbanks Court, 7th Floor  
Chicago, Illinois 60611

Arne Duncan, Chief Executive Officer  
Chicago Board of Education  
125 South Clark Street, 5th Floor  
Chicago, Illinois 60603  
Attn: Linda Wrightsell

Mary West, Director of Finance  
Metropolitan Water Reclamation District of  
Greater Chicago  
100 East Erie Street, Room 2429  
Chicago, Illinois 60611

Lawrence Gulotta, Treasurer  
South Cook County Mosquito Abatement  
District  
155th & Dixie Highway  
P.O. Box 1030  
Harvey, Illinois 60426  
Attn: Dr. K. Lime, Manager

I, RICHARD M. DALEY, in connection with the annual report (the "Report") of information required by Section 11-74.4-5(d) of the Tax Increment Allocation Redevelopment Act, 65 ILCS5/11-74.4-1 et seq., (the "Act") with regard to the Near South Redevelopment Project Area (the "Redevelopment Project Area"), do hereby certify as follows:



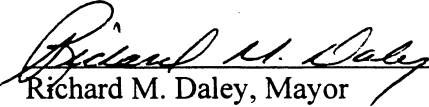
1. I am the duly qualified and acting Mayor of the City of Chicago, Illinois (the "City") and, as such, I am the City's Chief Executive Officer. This Certification is being given by me in such capacity.

2. During the preceding fiscal year of the City, being January 1 through December 31, 2001, the City complied, in all material respects, with the requirements of the Act, as applicable from time to time, regarding the Redevelopment Project Area.

3. In giving this Certification, I have relied on the opinion of the Corporation Counsel of the City furnished in connection with the Report.

4. This Certification may be relied upon only by the addressees hereof.

IN WITNESS WHEREOF, I have hereunto affixed my official signature as of this 28th day of June, 2002.

  
Richard M. Daley, Mayor  
City of Chicago, Illinois

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(4) OPINION OF LEGAL COUNSEL - 65 ILCS 5/11-74.4-5(d)(4)**

Please see attached.



City of Chicago  
Richard M. Daley, Mayor

Department of Law

Mara S. Georges  
Corporation Counsel

City Hall, Room 600  
121 North LaSalle Street  
Chicago, Illinois 60602  
(312) 744-6900  
(312) 744-8538 (FAX)  
(312) 744-2963 (TTY)

<http://www.ci.chi.il.us>

June 28, 2002

Daniel W. Hynes  
Comptroller of the State of Illinois  
James R. Thompson Center  
100 West Randolph Street, Suite 15-500  
Chicago, Illinois 60601  
Attention: Carol Reckamp, Director of Local  
Government

Dolores Javier, Treasurer  
City Colleges of Chicago  
226 West Jackson Boulevard, Rm. 1149  
Chicago, Illinois 60606

Gwendolyn Clemons, Director  
Cook County Department of Planning &  
Development  
69 West Washington Street, Room 2900  
Chicago, Illinois 60602  
Attn: Kay Kosmal

Dean L. Viverito, Comptroller  
Forest Preserve District of Cook County  
536 North Harlem Avenue  
River Forest, Illinois 60305  
Attn: Barbara McKinzie

Michael Koldyke, Chairman  
Chicago School Finance Authority  
135 S. LaSalle Street, Suite 3800  
Chicago, Illinois 60603

David Doig, General Superintendent &  
CEO  
Chicago Park District  
541 N. Fairbanks Court, 7th Floor  
Chicago, Illinois 60611

Arne Duncan, Chief Executive Officer  
Chicago Board of Education  
125 South Clark Street, 5th Floor  
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Mary West, Director of Finance  
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100 East Erie Street, Room 2429  
Chicago, Illinois 60611

Lawrence Gulotta, Treasurer  
South Cook County Mosquito Abatement  
District  
155th & Dixie Highway  
P.O. Box 1030  
Harvey, Illinois 60426  
Attn: Dr. K. Lime, Manager

Re: Near South Redevelopment Project Area (the "Redevelopment  
Project Area")

Dear Addressees:

I am Corporation Counsel of the City of Chicago, Illinois (the "City"). In such capacity, I am providing the opinion required by Section 11-74.4-5(d)(4) of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq. (the "Act"), in connection with the submission of the report (the "Report") in accordance with, and containing the information required by, Section 11-74.4-5(d) of the Act for the Redevelopment Project Area.

NEIGHBORHOODS



June 28, 2002

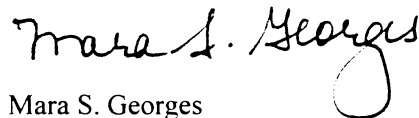
Attorneys, past and present, in the Law Department of the City familiar with the requirements of the Act have had general involvement in the proceedings affecting the Redevelopment Project Area, including the preparation of ordinances adopted by the City Council of the City with respect to the following matters: approval of the redevelopment plan and project for the Redevelopment Project Area, designation of the Redevelopment Project Area as a redevelopment project area and adoption of tax increment allocation financing for the Redevelopment Project Area, all in accordance with the then applicable provisions of the Act. Various departments of the City, including, if applicable, the Law Department, Department of Planning and Development, Department of Housing, Department of Finance and Office of Budget and Management, have personnel responsible for and familiar with the activities in the Redevelopment Project Area affecting such Department(s) and with the requirements of the Act in connection therewith. Such personnel are encouraged to seek and obtain, and do seek and obtain, the legal guidance of the Law Department with respect to issues that may arise from time to time regarding the requirements of, and compliance with, the Act.

In my capacity as Corporation Counsel, I have relied on the general knowledge and actions of the appropriately designated and trained staff of the Law Department and other applicable City Departments involved with the activities affecting the Redevelopment Project Area. In addition, I have caused to be examined or reviewed by members of the Law Department of the City the certified audit report, to the extent required to be obtained by Section 11-74.4-5(d)(9) of the Act and submitted as part of the Report, which is required to review compliance with the Act in certain respects, to determine if such audit report contains information that might affect my opinion. I have also caused to be examined or reviewed such other documents and records as were deemed necessary to enable me to render this opinion. Nothing has come to my attention that would result in my need to qualify the opinion hereinafter expressed, subject to the limitations hereinafter set forth, unless and except to the extent set forth in an Exception Schedule attached hereto as Schedule 1.

Based on the foregoing, I am of the opinion that, in all material respects, the City is in compliance with the provisions and requirements of the Act in effect and then applicable at the time actions were taken from time to time with respect to the Redevelopment Project Area.

This opinion is given in an official capacity and not personally and no personal liability shall derive herefrom. Furthermore, the only opinion that is expressed is the opinion specifically set forth herein, and no opinion is implied or should be inferred as to any other matter. Further, this opinion may be relied upon only by the addressees hereof and the Mayor of the City in providing his required certification in connection with the Report, and not by any other party.

Very truly yours,



Mara S. Georges  
Corporation Counsel

**SCHEDULE 1**

(Exception Schedule)

No Exceptions

Note the following Exceptions:

**Near South Redevelopment Project Area  
2001 Annual Report**

**(5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND - 65 ILCS 5/11-74.4-5(d)(5)**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2001	
	2001
<b>Revenues</b>	
Property tax	\$ 11,685,650
Rental revenue	91,862
Interest	1,585,967
<b>Total revenues</b>	<b>13,363,479</b>
<b>Expenditures</b>	
Costs of studies, admin., and professional services. (q)(1)	434,398
Marketing costs. (q)(1.6)	-
Property assembly, demolition, site preparation and environmental site improvement costs. (q)(2)	5,394,318
Costs of rehabilitation, reconstruction, repair or remodeling and of existing buildings. (q)(3)	60,761
Costs of construction of public works and improvements. (q)(4)	289,222
Cost of job training and retraining. (q)(5)	-
Financing costs. (q)(6)	8,021,733
Approved capital costs of overlapping taxing districts. (q)(7)	-
Cost of reimbursing school district for their increase costs caused by TIF assisted housing projects (q)(7.5)	-
Relocation costs. (q)(8)	85,616
Payments in lieu of taxes. (q)(9)	-
Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. (q)(10)	-
Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects. (q)(11)(A-E)	-
Costs of construction of new housing units for low income and very low income households. (q)(11)(F)	-
Cost of day care services and operational costs of day care centers. (q)(11.5)	-
<b>Total expenditures</b>	<b>14,286,048</b>
<b>Expenditures over revenues</b>	<b>922,569</b>
<b>Other financing sources</b>	
Proceeds of debt	46,795,794
<b>Revenues and other financing sources over expenditures</b>	<b>45,873,225</b>
<b>Fund balance, beginning of year</b>	<b>24,842,328</b>
<b>Fund balance, end of year</b>	<b>\$ 70,715,553</b>
<b>Fund balance</b>	
Reserved for debt service	16,776,381
Reserved for encumbrances	-
Designated for future redevelopment project costs	<u>\$ 53,939,172</u>
<b>Total fund balance</b>	<b>\$ 70,715,553</b>

**Near South Redevelopment Project Area  
2001 Annual Report**

**(5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND - 65 ILCS 5/11-74.4-5(d)(5)  
cont.**

Below is listed all vendors, including other municipal funds, that were paid in excess of \$5,000 during the current reporting year.

Name	Service	Amount
Administrative Costs <sup>1</sup>	Administration	\$227,224
Arthur Andersen LLP	Consulting	\$80,979
Gonzalez Hasbrouck	Consulting	\$49,037
Earl L. Neal & Associates, LLC	Consulting	\$25,789
Joseph A. Renzi & Associates	Consulting	\$16,000
Trkla, Pettigrew, Allen & Payne	Consulting	\$27,372
East Lake Management	Property Assembly	\$20,842
Roosevelt, LLC	Property Assembly	\$2,350,000
LaSalle National Bank Trust #10-39699-09	Property Assembly	\$1,394,995
American National Bank t/u/t 60-0410-01	Property Assembly	\$1,650,330
Pacific Construction	Cost of Rehabilitation	\$62,102
Chicago Department of Transportation	Costs of Construction of Public Improvements	\$22,290
Consoer Townsend	Costs of Construction of Public Improvements	\$10,750
Public Building Commission	Costs of Construction of Public Improvements	\$255,901
Cole Taylor Bank	Financing Costs	\$5,534,997
Siebert Brandford Shank Co., LLC	Financing Costs	\$541,167
ACA Insurance Co	Financing Costs	\$1,623,431
Schiff, Hardin White	Financing Costs	\$78,500
Charity & Associates	Financing Costs	\$31,500
The Knight Group	Financing Costs	\$50,000
Trkla, Pettigrew, Allen & Payne	Financing Costs	\$121,000
Standard & Poor's	Financing Costs	\$18,000
Bowne of Chicago	Financing Costs	\$23,138
David Young	Relocation Costs	\$7,561

<sup>1</sup> Costs relate directly to the salaries of Department of Planning employees working solely on tax increment financing districts and their related fringe benefits.

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND - 65 ILCS 5/11-74.4-5(d)(5)  
cont.**

Below is listed all vendors, including other municipal funds, that were paid in excess of \$5,000 during the current reporting year.

Name	Service	Amount
Robert Dillard	Relocation Costs	\$6,206
Paul Morgan	Relocation Costs	\$5,052
Lawrence Harris	Relocation Costs	\$11,586
Calvin Fisher	Relocation Costs	\$7,365
David Banks	Relocation Costs	\$6,312
Michael Sims	Relocation Costs	\$6,417
Michael Greene	Relocation Costs	\$7,307
Bill DeJean	Relocation Costs	\$7,126
Michael Andrews	Relocation Costs	\$10,529
Kenneth Johnson	Relocation Costs	\$6,510



**Near South Redevelopment Project Area  
2001 Annual Report**

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**(6) DESCRIPTION OF PROPERTY - 65 ILCS 5/11-74.4-5(d)(6)**

**TABLE 6  
DESCRIPTION OF PROPERTY PURCHASED BY THE MUNICIPALITY WITHIN THE REDEVELOPMENT PROJECT AREA**

STREET ADDRESS	APPROXIMATE SIZE OR DESCRIPTION OF PROPERTY	PURCHASE PRICE	SELLER OF PROPERTY
901 S. STATE/15 E. 9TH STREET <sup>1</sup>	N/A	\$1,650,330	AMERICAN NATIONAL BANK & TRUST TR#60- 0410-01
600-08 S. WABASH <sup>1</sup>	IRREGULAR 10,642 SQ. FT.	\$1,394,995	LASALLE NATIONAL BANK ASSOCIATION TR# 10-39699-09, DEBRA A. WOLFE, ANDROUS AND LAYLA YOUKHANA AND SOUTH LOOP PARKING

<sup>1</sup> This property was acquired either through a condemnation court proceeding or by negotiated settlement in lieu of condemnation.

## **Near South Redevelopment Project Area 2001 Annual Report**

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### **(7) STATEMENT OF ACTIVITIES - 65 ILCS 5/11-74.4-5(d)(7)**

- (A)** Projects implemented in the preceding fiscal year.
- (B)** A description of the redevelopment activities undertaken.
- (C)** Agreements entered into by the City with regard to disposition or redevelopment of any property within the Project Area.
- (D)** Additional information on the use of all Funds received by the Project Area and steps taken by the City to achieve the objectives of the Redevelopment Plan.
- (E)** Information on contracts that the City's consultants have entered into with parties that have received, or are receiving, payments financed by tax increment revenues produced by the Project Area.
- (F)** Joint Review Board reports submitted to the City.
- (G)** Project-by-project review of public and private investment undertaken from 11/1/00 to 12/31/01, and of such investments expected to be undertaken in Year 2002; also, a project-by-project ratio of private investment to public investment from 11/1/00 to 12/31/01, and an estimated ratio of such investments as of the completion of each project and as estimated to the completion of the redevelopment project.

**SEE TABLES AND/OR DISCUSSIONS ON THE FOLLOWING PAGES.**

**Near South Redevelopment Project Area  
2001 Annual Report**

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(7)(A) - 65 ILCS 5/11-74.4-5(d)(7)(A)

TABLE 7(A)  
PROJECTS IMPLEMENTED IN THE PROCEEDING FISCAL YEAR

NAME  
OF PROJECT

Somerset Hotel, LLC, NRPRH, LLC, and Roosevelt Hotel LP.

Chicago Public Schools- Jones Commercial High School

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(7)(B) - 65 ILCS 5/11-74.4-5(d)(7)(B)**

Redevelopment activities undertaken within this Project Area during the year 2001, if any, have been made pursuant to i) the Redevelopment Plan for the Project Area, and ii) any Redevelopment Agreements affecting the Project Area, and are set forth on Table 5 herein by TIF-eligible expenditure category.

**(7)(C) - 65 ILCS 5/11-74.4-5(d)(7)(C)**

**TABLE 7 (C)  
AGREEMENTS ENTERED INTO WITH REGARD TO THE DISPOSITION & REDEVELOPMENT OF  
PROPERTY WITHIN THE PROJECT AREA**

PARTIES TO AGREEMENT WITH CITY	NATURE OF AGREEMENT	PROJECT DESCRIPTION	ADDRESS	JOBS CREATED/ RETAINED
Somerset Hotel, L.L.C., NRPRH, L.L.C., and Roosevelt Hotel. L.P.	Redevelopment Agreement	The redevelopment and re-use of an existing historic building. The rehabilitated building will include 42 residential units, 3,400 square feet of retail space and 30 parking spaces	1152 South Wabash	n/a
Chicago Public Schools- Jones Commercial High School	Redevelopment Agreement	The renovation and construction of an addition for the Jones Commercial High School.	606 South State	16/109

## **Near South Redevelopment Project Area 2001 Annual Report**

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### **(7)(D) - 65 ILCS 5/11-74.4-5(d)(7)(D)**

The Project Area has received \$ 43,832,046 of property tax and sales tax (if applicable) increment since the creation of the Project Area. These amounts have been used to pay for project costs within the Project Area and for debt service (if applicable). The Project Area's fund balance as shown on Table 5 represents (on a modified accrual basis) financial resources (including increment) that have not been expended.

### **(7)(E) - 65 ILCS 5/11-74.4-5(d)(7)(E)**

During 2001, no contracts were entered into by the City's tax increment advisors or consultants with entities or persons that have received, or are receiving, payments financed by tax increment revenues produced by the Project Area.

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(7)(F) - 65 ILCS 5/11-74.4-5(d)(7)(F)**

During 2001, no reports were submitted to the City by the Joint Review Board.

**(7)(G) - 65 ILCS 5/11-74.4-5(d)(7)(G)**

**TABLE 7(G)  
PROJECT BY PROJECT REVIEW OF PUBLIC AND PRIVATE INVESTMENT  
AND RATIO OF PRIVATE TO PUBLIC INVESTMENT \***

Projects Undertaken in This Redevelopment Project Area	Private Investment Undertaken		Public Investment Undertaken		Ratio Of Private/Public Investment	
	11/1/2000 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/2000 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/2000 to End of Reporting FY	Ratio Estimated as of Project Completion
Project 1: Somerset Hotel, L.L.C, NRPRH, L.L.C., and Roosevelt Hotel, L.P.	n/a	\$7,351,025	n/a	\$2,350,000	n/a	3:1
Project 2: Chicago Public Schools-Jones Commercial High School	n/a	\$1,000,000	n/a	\$53,000,000	n/a	n/a
<b>Total:</b>	n/a	\$8,351,025	n/a	\$55,350,000	n/a	n/a

\* Each public investment amount reported is the maximum amount that could be made under the provisions of the corresponding Project/Redevelopment Agreement and may not necessarily reflect actual expenditures, if any, as reported under Sections 2 or 5 herein. The total public investment ultimately made under the Project/Redevelopment Agreement will depend upon each future occurrence of various conditions set forth in that agreement.

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(8) DOCUMENTS RELATING TO OBLIGATIONS ISSUED BY THE  
MUNICIPALITY - 65 ILCS 5/11-74.4-5(d)(8)(A)**

This information is contained in the official statements, limited offering memoranda, promissory notes or debt service schedules of such obligations. See attached.

## MATURITY SCHEDULE

### \$39,011,761.50 Series 2001A Junior Lien Bonds

#### \$32,805,000 Series 2001A Junior Lien Bonds (Current Interest Bonds)

<u>Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2006	\$3,300,000	5.000%	4.620%
2007	3,470,000	5.000	4.820
2008	3,655,000	4.750	4.970
2011	4,255,000	5.000	5.250

\$7,875,000 5.00% Term Bonds due November 15, 2010, Price: 98.891%  
 \$10,250,000 6.25% Term Bonds due November 15, 2013, Price: 106.662%

(Accrued interest from July 1, 2001 to be added)

#### \$6,206,761.50 Series 2001A Junior Lien Bonds (Capital Appreciation Bonds)

<u>Maturity (November 15)</u>	<u>Original Principal Amount</u>	<u>Original Principal Amount per \$5,000 Accreted Amount at Maturity</u>	<u>Approximate Yield to Maturity</u>	<u>Accreted Amount at Maturity</u>
2014	\$6,206,761.50	\$2,286.10	5.950%	\$13,575,000

#### \$7,230,000 Series 2001B Junior Lien Bonds (Taxable) (Current Interest Bonds)

<u>Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2003	\$1,225,000	5.700%	100%
2004	2,910,000	6.000	100
2005	3,095,000	6.200	100

(Accrued interest from July 1, 2001 to be added)



**CITY OF CHICAGO**

**MAYOR**

**Richard M. Daley**

**CITY TREASURER**

**Judith C. Rice**

**CITY CLERK**

**James J. Laski**

**CITY COUNCIL COMMITTEE ON FINANCE**

**Edward M. Burke, Chairman**

**CHIEF FINANCIAL OFFICER**

**Walter K. Knorr**

**BUDGET DIRECTOR**

**Michael E. Harris**

**CITY COMPTROLLER**

**Phoebe S. Selden**

**DEPARTMENT OF PLANNING AND DEVELOPMENT**

**Alicia Mazur Berg, Commissioner**

**CORPORATION COUNSEL**

**Mara S. Georges**

**CO-BOND COUNSEL**

**Schiff Hardin & Waite**

**Charity & Associates, P.C.**

**CONSULTANT**

**Trkla, Pettigrew, Allen & Payne, Inc.**

**FINANCIAL ADVISOR**

**The Knight Group, Inc.**

This Official Statement does not constitute an offer to sell the Series 2001 Junior Lien Bonds in any jurisdiction to any person to whom it is unlawful to make an offer in that jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representations, other than those contained in this Official Statement, in connection with the offering of the Series 2001 Junior Lien Bonds, and, if given or made, such other information or representations must not be relied upon. The delivery of this Official Statement at any time does not imply that the information or opinions in this Official Statement are correct as of any time subsequent to its date. Information set forth in this Official Statement has been obtained by the Underwriter from the City, the Consultant, DTC, ACA Financial Guaranty Corporation and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. All expressions of opinion in this Official Statement whether or not so stated as such are intended merely as such and not as representations of fact. No statement in this Official Statement is to be considered as a contract with any purchaser or Owner of the Series 2001 Junior Lien Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City's beliefs as well as assumptions made by, and information currently available to, the City. These 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 representation is made regarding whether the Series 2001 Junior Lien Bonds constitute legal investments under the laws of any state for banks, savings banks, savings and loan associations, life insurance companies, and other institutions organized in such state, or fiduciaries subject to the laws of such state.

Neither the delivery of this Official Statement nor any sale under this Official Statement shall, under any circumstances, create any implication that there has been no change in the redevelopment project described in this Official Statement or in the affairs of the City or any other party since the dates as of which information is given.

The Series 2001 Junior Lien Bonds will not be registered under the Securities Act of 1933, as amended, pursuant to an exemption from the registration requirement of the said act, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement or, other than the authorizing action by the City, approved the Series 2001 Junior Lien Bonds for sale. Any representation to the contrary may be a criminal offense.

In connection with the issuance of the Series 2001 Junior Lien Bonds, the City will enter into a Continuing Disclosure Undertaking. See the caption "SECONDARY MARKET DISCLOSURE."

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2001 JUNIOR LIEN BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2001 JUNIOR LIEN BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE UNDERWRITER IS NOT OBLIGATED TO TAKE SUCH ACTIONS, AND SUCH STABILIZING ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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## OFFICIAL STATEMENT

**\$46,241,761.50 CITY OF CHICAGO  
JUNIOR LIEN TAX INCREMENT ALLOCATION BONDS  
(NEAR SOUTH REDEVELOPMENT PROJECT)  
\$39,011,761.50 SERIES 2001A JUNIOR LIEN BONDS  
\$7,230,000 SERIES 2001B JUNIOR LIEN BONDS (TAXABLE)**

### INTRODUCTION

This Official Statement, including the cover page, the inside cover page and Appendices, sets forth information concerning the City of Chicago (the "City") and the City's \$39,011,761.50 Junior Lien Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001A (the "Series 2001A Junior Lien Bonds") and the City's \$7,230,000 Junior Lien Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001B (Taxable) (the "Series 2001B Junior Lien Bonds" and together with the Series 2001A Junior Lien Bonds, the "Series 2001 Junior Lien Bonds"). The Series 2001 Junior Lien Bonds are being issued under and pursuant to the Tax Increment Allocation Redevelopment Act, Section 11-74.4-1 *et seq.* of the Illinois Municipal Code, as supplemented and amended (the "Act"), an ordinance adopted by the City Council of the City on March 28, 2001 (the "Ordinance") and a Junior Lien Trust Indenture dated as of July 1, 2001 from the City to Cole Taylor Bank, as trustee (the "Junior Lien Trustee"), as supplemented by a First Supplemental Indenture dated as of July 1, 2001 (the "Junior Lien First Supplemental Indenture") from the City to the Junior Lien Trustee relating to the Series 2001 Junior Lien Bonds. The Junior Lien Trust Indenture and the Junior Lien First Supplemental Indenture are hereinafter referred to collectively as the "Junior Lien Indenture." Capitalized words and terms used in this Official Statement and not defined elsewhere have the meanings set forth in APPENDIX A to this Official Statement.

The Series 2001 Junior Lien Bonds are limited obligations of the City, payable solely from Junior Lien Revenues, as described in this Official Statement, and from amounts on deposit in and pledged to certain funds and accounts established under the Junior Lien Indenture. Payment of the Series 2001 Junior Lien Bonds is subject and subordinate to the prior pledge of Pledged Revenues to (1) the payment of the Senior Lien Bonds as provided in the Senior Lien Indenture and (2) certain deposit requirements therein provided. For a summary of the Senior Lien Indenture see the caption "THE SENIOR LIEN INDENTURE."

For a description of the use of proceeds of the Series 2001 Junior Lien Bonds, see the caption "ESTIMATED SOURCES AND USES OF FUNDS."

The City's Near South Redevelopment Project Area was designated pursuant to an ordinance adopted by the City Council of the City on August 3, 1994, and is referred to in this Official Statement as the "Near South Redevelopment Project Area." The Near South Redevelopment Project Area is an expansion of the approximate 127-acre Central Station Area Redevelopment Project Area originally established by the City on November 28, 1990 (the "Original Project Area"). On August 3, 1994, the City Council re-designated the Original Project Area as the Near South Redevelopment Project Area and expanded the size of the Near South Redevelopment Project Area to approximately 375 acres. See the caption "NEAR SOUTH REDEVELOPMENT PROJECT AREA."

Payment of the principal of and interest on the Series 2001 Junior Lien Bonds when due will be insured by two municipal bond insurance policies (collectively, the "Policy") to be issued by ACA Financial Guaranty Corporation ("ACA") upon the delivery of the Series 2001 Junior Lien Bonds. The Policy extends for the life of the Series 2001 Junior Lien Bonds and cannot be canceled by ACA. See "BOND INSURANCE POLICY" and "APPENDIX D - Specimen Bond Insurance Policy." So long as ACA is not in default under the Policy, it will have the right, exercisable in each case without notice to, or the consent of, the Owner of the Series 2001 Junior Lien Bonds, to: (i) consent, on behalf of the Owners, to material amendments to the Junior Lien Indenture; and (ii) direct the Junior Lien Trustee to take action and give consents, approvals or notices under the Junior Lien Indenture.

**INVESTMENT IN THE SERIES 2001 JUNIOR LIEN BONDS INVOLVES THE ASSUMPTION OF CERTAIN RISKS. SEE THE CAPTION "BONDOWNER'S RISKS."**

The summaries of, and references to, all documents, agreements, ordinances, statutes, reports or other instruments referred to in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document, agreement, ordinance, statute, report or instrument.

## **THE CITY**

The City was incorporated in 1837. The City is a municipal corporation and home rule unit of local government under the 1970 Illinois Constitution and, except as limited by the 1970 Illinois Constitution, "may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt." The General Assembly of the State of Illinois may limit, by a three-fifths vote of the members elected to each legislative house, the amount of debt incurred by home rule municipalities. To date, the General Assembly has not done so.

## **NEAR SOUTH REDEVELOPMENT PROJECT AREA**

### **General Description**

On November 28, 1990, the City adopted the Central Station Area Tax Increment Financing Redevelopment Project and Plan (the "Original Area Redevelopment Plan") which provided for the redevelopment of approximately 127 acres located south of the City's central business district known as the "Loop" and generally bounded on the north by 11th Street, on the south by Cullerton Street, on the east by the southbound lanes of Lake Shore Drive, and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of-way (between 16th and Cullerton Streets) (the "Original Project Area").

On August 3, 1994, the City adopted the Near South Tax Increment Financing Redevelopment Project and Plan (the "Near South Redevelopment Plan"), which incorporates and replaces the Original Area Redevelopment Plan, to provide for the continued redevelopment of the Original Project Area and the redevelopment of approximately 248 additional acres (the "Added Project Area"). The Original Project Area and the Added Project Area together constitute the "Near South Redevelopment Project Area."

The Original Area Redevelopment Plan and the Near South Redevelopment Plan were adopted to overcome conditions of blight and obsolescence found throughout the approximate 375 acres contained within the Near South Redevelopment Project Area and to improve the economic and physical well-being of the City.

The Near South Redevelopment Project Area is generally located immediately south of the Loop; directly west of Lake Shore Drive, the Museum Campus containing the Field Museum of Natural History, John G. Shedd Aquarium and Soldier Field; and immediately north and west of the McCormick Place Exposition facilities.

### **Improvements and Projects**

Since 1990, many of the major redevelopment activities identified in the Original Area Redevelopment Plan and the Near South Redevelopment Plan have been implemented. Significant public improvements (generally consisting of the construction of new roadways, sewers and parks) and new developments were completed, replacing the vacant railroad property that led to the formation of, and served as the basis for, the Original Project Area. The development efforts undertaken in the Original Project Area spread into the adjacent Added Project Area. Numerous deteriorated and abandoned warehouse and commercial buildings were converted into residential developments. New buildings were constructed on the scattered vacant sites present throughout the Near South Redevelopment Project Area.

The construction of these public improvements facilitated the construction of various private development projects. In summary, the following private development projects are located within the Near South Redevelopment Project Area.

- 24 “completed private projects” (comprised of private development projects for which full assessment of improvements for property tax purposes is reflected in assessments for levy year 1999, the most recent levy year for which assessed values are available) including a total of 1,061 completed residential units, 42,000 square feet of office space within a mixed use building, 13,000 square feet of commercial space within two restaurants and three institutional projects that are educational, cultural or social service related;
- 24 “constructed private projects” (comprised of private development projects that have been completed, but which were not fully assessed in levy year 1999) including a total of 741 completed residential units, 16,400 square feet of retail space within two residential developments, 21,000 square feet of an office development, two restaurants, one small hotel and seven institutional developments which are educational/cultural in nature; and
- 21 “private projects under construction” (comprised of private development projects under construction as of the date of the Consultant's Report which were either assessed to reflect the pre-construction state of the property or to reflect a construction phase in levy year 1999) including a total of 1,689 residential units (84% of which have been purchased or are under contract), a total of 172,300 square feet of retail space located within a grocery store, a storage center and four residential developments, 300 square feet of office space located within one residential development and one institutional development which is educational/cultural in nature.

The estimates of Incremental Taxes discussed in the Consultant's Report, include the values of (i) completed private projects, (ii) constructed private projects, (iii) all non-residential private projects under construction and (iv) residential units within the “private projects under construction” category that have been purchased or are under contract. See the Consultant's Report attached as APPENDIX B.

## DESCRIPTION OF THE SERIES 2001 JUNIOR LIEN BONDS

### General Description

The Series 2001 Junior Lien Bonds other than Capital Appreciation Bonds (the "Series 2001 Current Interest Bonds") will be dated, mature and bear interest (computed on the basis of a 360-day year of twelve 30-day months) as described on the cover page and inside cover page of this Official Statement. The Series 2001 Current Interest Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

The Series 2001A Junior Lien Bonds which are Capital Appreciation Bonds (the "Series 2001A Capital Appreciation Bonds") will mature on November 15 of the years set forth on the inside cover page of this Official Statement. The amount of interest payable on the Series 2001A Capital Appreciation Bonds is the amount of interest accrued from the date of delivery of the bond on the original principal amount at the approximate yield to maturity specified on the inside cover page of this Official Statement, compounded semiannually, on each November 15 and May 15, commencing November 15, 2001, and will be payable only at maturity. The Series 2001A Capital Appreciation Bonds will be sold in denominations that will produce \$5,000 of Accreted Amount at maturity or integral multiples thereof, at the prices set forth on the inside cover page of this Official Statement. As used herein, the term "Accreted Amount" means, as of a particular date of calculation or at maturity, the original principal amount of a Capital Appreciation Bond plus all interest that has accreted and compounded periodically, to the particular date of calculation or at maturity, as the case may be.

The principal of and the premium, if any, on the Series 2001 Junior Lien Bonds will be payable at the principal corporate trust office of the Junior Lien Trustee, or its successor in trust, upon presentation of such Series 2001 Junior Lien Bonds. Payment of interest on the Series 2001 Junior Lien Bonds shall be made to the Owners and shall be paid by check or bank draft mailed or delivered by the Junior Lien Trustee to the person in whose name each Series 2001 Junior Lien Bond is registered on the Record Date at his or her address as it appears on the registration books of the City maintained by the Junior Lien Trustee or at any other address furnished in writing by the Owner to the Junior Lien Trustee. The "Record Date" for the Series 2001 Junior Lien Bonds is May 1 and November 1 of each year.

### Redemption Prior to Maturity

*Optional Redemption.* The Series 2001A Junior Lien Bonds, which are Current Interest Bonds which mature on November 15, 2013, are subject to redemption prior to maturity at the option of the City, in whole or in part, on or after November 15, 2011 from any available funds of the City, and if in part, in maturities selected by the City and by lot within a maturity as determined by the Junior Lien Trustee at the redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

The Series 2001A Capital Appreciation Bonds and Series 2001B Junior Lien Bonds are not subject to optional redemption prior to maturity.

*Mandatory Redemption.* Of the Series 2001 Junior Lien Bonds that are Current Interest Bonds (the "Series 2001 Current Interest Bonds"), the Series 2001A Junior Lien Bonds maturing on November 15, 2010 and November 15, 2013 are term bonds subject to mandatory redemption prior to maturity at a redemption price of 100 percent of the principal amount thereof. The City shall deposit or cause to be deposited in the Principal and Interest Account in the Junior Lien Revenue Fund in accordance with the provisions of the Junior Lien Indenture a sum in immediately available funds which, together with other moneys available for the purpose of the Principal and Interest Account in the Junior Lien Revenue Fund, is sufficient to redeem such bonds in part by lot in such manner as shall be designated by the Junior Lien Trustee (plus accrued interest to the date fixed for redemption) in the following principal amounts on November 15 of the following years:



<b>Term Bonds due on November 15, 2010</b>		<b>Term Bonds due on November 15, 2013</b>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2009	\$3,835,000	2012	\$4,475,000
2010 (maturity)	4,040,000	2013 (maturity)	5,775,000

*General Redemption Provisions.* If less than all the Series 2001 Current Interest Bonds of a like maturity are to be redeemed, the particular Series 2001 Current Interest Bonds to be redeemed shall be selected at random by the Junior Lien Trustee in any manner that the Junior Lien Trustee determines to be fair and appropriate. The aggregate amount to be redeemed will be \$5,000 or any integral multiple thereof. If all of the outstanding Series 2001 Current Interest Bonds are held in book-entry form, the particular Series 2001 Current Interest Bonds or portions of Series 2001 Current Interest Bonds to be redeemed shall be selected by the securities depository for the Series 2001 Current Interest Bonds (initially DTC) in any manner as the securities depository shall determine.

The Junior Lien Trustee will receive notice from the City of its election or direction to redeem Series 2001 Current Interest Bonds pursuant to the Junior Lien Indenture. The Junior Lien Trustee must provide notice, in the City's name, when redemption of Series 2001 Current Interest Bonds is required by the Junior Lien Indenture. The notice will specify the maturities of the Series 2001 Current Interest Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon the date fixed for redemption will be payable and, if less than all of the Series 2001 Current Interest Bonds of a like maturity are to be redeemed, the letters and numbers or other distinguishing marks to be redeemed. In the case of Series 2001 Current Interest Bonds to be redeemed in part only, the notice will also specify the respective portions of the principal amount to be redeemed. The notice will further state that on the redemption date there will become due and payable the Redemption Price of each Series 2001 Current Interest Bond to be redeemed or the Redemption Price of the specified portions of the principal of such Series 2001 Current Interest Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption and that from and after such date interest will cease to accrue and be payable. The Junior Lien Trustee will mail copies of the notice by first class mail, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owners of the Series 2001 Current Interest Bonds to be redeemed at their addresses as shown on the registration books of the City maintained by the Junior Lien Registrar. If the Junior Lien Trustee mails notice of redemption as provided in the Junior Lien Indenture, notice shall be conclusively presumed to have been given to all Owners.

#### **Negotiability, Transfer, Exchange and Registry**

The Series 2001 Junior Lien Bonds will be negotiable, subject to the following provisions for registration, exchange and transfer. The City shall maintain and keep, at the office of the Junior Lien Registrar, books for the registration and transfer of Series 2001 Junior Lien Bonds. The City has appointed the Junior Lien Trustee to serve as the Junior Lien Registrar pursuant to the Junior Lien Indenture.

Each Series 2001 Junior Lien Bond shall be transferable only by the Owner of the Series 2001 Junior Lien Bond in person or by the Owner's attorney duly authorized in writing, upon surrender of the Series 2001 Junior Lien Bond together with a written instrument of transfer satisfactory to the Junior Lien Registrar, duly executed by the Owner or the Owner's duly authorized attorney. Upon the surrender for transfer of any Series 2001 Junior Lien Bond, the City shall execute and the Junior Lien Trustee shall authenticate and deliver a new Series 2001 Junior Lien Bond(s) registered as directed by the instrument of transfer, of the same aggregate principal amount and maturity as the surrendered Series 2001 Junior Lien Bonds. The Series 2001 Junior Lien Bonds may, upon surrender at the office of the Junior Lien Registrar with a written

instrument of transfer satisfactory to the Junior Lien Registrar, duly executed by the Owner or the Owner's duly authorized attorney, be exchanged for an equal aggregate principal amount of Series 2001 Junior Lien Bonds of the same maturity and interest rate.

The City and each Fiduciary may deem and treat the person in whose name any Series 2001 Junior Lien Bond is registered upon the registration books of the City as the absolute Owner of such Series 2001 Junior Lien Bond, whether the Series 2001 Junior Lien Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of, redemption premium, if any, and interest on the Series 2001 Junior Lien Bond and for all other purposes, and all such payments so made to any Owner or upon its order will be valid and effective to satisfy and discharge the liability upon the Series 2001 Junior Lien Bond to the extent of the sum(s) so paid, and neither the City nor any Fiduciary will be affected by any notice to the contrary.

For every transfer or exchange of Series 2001 Junior Lien Bonds, the City, the Junior Lien Trustee or any Junior Lien Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Junior Lien Registrar and the Junior Lien Trustee will not be required to make any registration, transfer or exchange of Series 2001 Junior Lien Bonds during the period between each Record Date and the next succeeding Interest Payment Date (or, if a Series 2001A Capital Appreciation Bond, the maturity date) or after a Series 2001 Current Interest Bond has been called for redemption or, in the case of any proposed redemption, during the fifteen (15) days next preceding the date of first giving notice of redemption.

#### **Book-Entry System**

*The following information concerning The Depository Trust Company, New York, New York ("DTC"), has been furnished by DTC. Neither the City nor the Underwriter takes responsibility for its accuracy or completeness.*

The Series 2001 Junior Lien Bonds will initially be issued as registered bonds through a book-entry system operated by DTC, acting as securities depository for the Series 2001 Junior Lien Bonds. The ownership of one fully registered Series 2001 Junior Lien Bond for each maturity as set forth on the cover and inside cover page, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC has advised the City that it is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of participating members (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Ownership interests in the Series 2001 Junior Lien Bonds may be purchased only by or through DTC Participants. Such DTC Participants and the persons for whom they acquire interests in the Series 2001 Junior Lien Bonds as nominees will not receive certificated Series 2001 Junior Lien Bonds, but each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Series 2001 Junior Lien Bonds, which will be confirmed in accordance with DTC's standard procedures. Each person for whom a DTC Participant has an interest in the Series 2001 Junior Lien Bonds, as nominee, may desire to make arrangements with such DTC Participant to have all notices of redemption, if any, or other communications of the City to DTC which may affect such persons forwarded in writing by such DTC Participant and to have notification made of all principal and interest payments. NEITHER THE

CITY NOR THE JUNIOR LIEN TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION IN ANY RESPECT TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2001 JUNIOR LIEN BONDS.

DTC will receive payment of interest and principal and premium, if any, on the Series 2001 Junior Lien Bonds from the Junior Lien Trustee, to be remitted to the DTC Participants for the benefit of the beneficial owners, and thereafter paid by the DTC Participants to the beneficial owners. The ownership interest of each beneficial owner in the Series 2001 Junior Lien Bonds will be recorded through the computerized book-entry system operated by DTC and through the records of the DTC Participants.

When reference is made to any action which is required or permitted to be taken by the beneficial owners, such reference relates only to those persons permitted to act (by statute, regulation or otherwise) on behalf of such beneficial owners for such purposes. When notices are given, they will be sent by the City or the Junior Lien Trustee to DTC with a request that DTC forward (or cause to be forwarded) the notices to the DTC Participants so that such DTC Participants may forward (or cause to be forwarded) the notices to the beneficial owners.

It will be the responsibility of the DTC Participants to furnish confirmations of purchases of the Series 2001 Junior Lien Bonds to the beneficial owners. Transfers of ownership interests in the Series 2001 Junior Lien Bonds will be accomplished by book entries made by DTC and the DTC Participants who act on behalf of the beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Series 2001 Junior Lien Bonds, except as specifically provided in the Junior Lien Indenture. Interest, principal and premium, if any, will be paid by the Junior Lien Trustee to DTC, then paid by DTC to the DTC Participants, and thereafter paid by the DTC Participants to the beneficial owners when due.

For every transfer and exchange of the Series 2001 Junior Lien Bonds, the City, the Junior Lien Trustee, DTC and the DTC Participants may charge the beneficial owner a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to it.

DTC may determine to discontinue providing its services with respect to the Series 2001 Junior Lien Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City is obligated to deliver Series 2001 Junior Lien Bond certificates as described in the Junior Lien Indenture. If the Authorized Officer of the City determines that DTC or a successor is incapable of discharging its responsibilities as a securities depository for the Series 2001 Junior Lien Bonds or that it is in the best interests of the beneficial owners that they be able to obtain certificated Series 2001 Junior Lien Bonds, the City may cause the Junior Lien Trustee to authenticate and deliver Series 2001 Junior Lien Bond certificates to DTC Participants. If DTC is no longer to serve as securities depository for the Series 2001 Junior Lien Bonds, DTC, the City and the Junior Lien Trustee shall cooperate with one another in taking appropriate action to make available separate certificates evidencing the Series 2001 Junior Lien Bonds to the DTC Participants having Series 2001 Junior Lien Bonds credited to their DTC accounts or arrange for another securities depository operating a book-entry securities depository to maintain custody of certificates evidencing the Series 2001 Junior Lien Bonds.

The City and the Junior Lien Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2001 Junior Lien Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, of any notice with respect to the Series 2001 Junior Lien Bonds, including any notice of redemption, if any, or (iii) the payment to any DTC Participant or any other person, other than an Owner, of any amount with respect to principal of, premium, if any or interest on the Series 2001 Junior Lien Bonds.

## SECURITY FOR THE SERIES 2001 JUNIOR LIEN BONDS

### Limited Obligations

The Series 2001 Junior Lien Bonds, together with the interest and premium, if any, on them, are limited obligations of the City, payable solely from Junior Lien Revenues and the amounts on deposit in and pledged to certain funds and accounts as provided for in the Junior Lien Indenture. No Owner of any Series 2001 Junior Lien Bond will have the right to compel the exercise of any taxing power of the City for payment of principal of the Series 2001 Junior Lien Bonds or interest or premium, if any, on the Series 2001 Junior Lien Bonds. THE SERIES 2001 JUNIOR LIEN BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF ILLINOIS OR ANY OF ITS POLITICAL SUBDIVISIONS OR A LOAN OF THEIR CREDIT WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION.

### Pledge of Junior Lien Revenues

The Series 2001 Junior Lien Bonds and any additional Junior Lien Bonds subsequently issued pursuant to the Junior Lien Indenture on a parity basis with the Series 2001 Junior Lien Bonds (collectively, the "Junior Lien Bonds") are secured by a pledge of (i) Junior Lien Revenues, (ii) amounts on deposit in all funds, accounts and sub-accounts, established pursuant to the Junior Lien Indenture, except for the Junior Lien Program Expense Account and Junior Lien Rebate Account; provided that any sub-account established within the Reserve and Redemption Account for any Series of Bonds pursuant to a supplemental indenture shall only secure and be pledged to the payment of such Series of Bonds unless otherwise provided in the supplemental indenture, and (iii) any and all other moneys, securities and property furnished from time to time to the Junior Lien Trustee by the City or on behalf of the City or by any other Persons to be held by the Junior Lien Trustee under the terms of the Junior Lien Indenture. The term "Junior Lien Revenues" means those amounts transferred from time to time by the Senior Lien Trustee from the General Account established under the Senior Lien Indenture to the Junior Lien Trustee for deposit to the Junior Lien Revenue Fund necessary to satisfy the City's obligations under the Junior Lien Indenture. See the subcaptions "Pledged Revenues and Application Thereof Under the Senior Lien Indenture" and "Junior Lien Revenue Fund" below. The Junior Lien Indenture provides that the Junior Lien Revenues are and will be free and clear of any pledge, lien, charge or encumbrance prior to, or of equal rank with, the pledge and lien created by the Junior Lien Indenture. The pledge of Junior Lien Revenues is irrevocable until the obligations of the City are discharged under the Junior Lien Indenture.

The pledge of Junior Lien Revenues is subject and subordinate to the prior pledge of Pledged Revenues in favor of all Senior Lien Bonds issued and outstanding under the Senior Lien Indenture. Pledged Revenues means "Incremental Taxes and any other revenues from any source whatsoever designated to pay principal of, premium, if any, or interest on the Senior Lien Bonds, including, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Program Expenses Account and the Rebate Account under the Senior Lien Indenture) as provided in the Senior Lien Indenture, together with interest earnings on such moneys."

The Senior Lien Indenture provides that all Incremental Taxes will be set aside as collected and will be deposited by the Treasurer in the Incremental Taxes Fund established under the Senior Lien Indenture. See the subcaption "Pledged Revenues and Application Thereof Under the Senior Lien Indenture" below. The pledge is irrevocable until the obligations of the City are discharged under the Senior Lien Indenture. The final maturity of the outstanding Series 1999 Senior Lien Bonds is November 15, 2013 and the final maturity of the Series 2001 Junior Lien Bonds is November 15, 2014. It is anticipated that Incremental Taxes levied in 2013 and collectable in 2014 will be available, on a subordinate basis, to pay Outstanding Series 2001 Junior Lien Bonds at such final maturity on November 15, 2014. The Near South Redevelopment Project terminates on December 31, 2014, and there is no assurance the Senior Lien Trustee will receive Incremental Taxes collected after that date. However, the City has covenanted in the Junior Lien Indenture to deposit, or cause to be deposited, Incremental Taxes the City receives that are attributable to levy year

2013 or any prior levy year, to the credit of the Incremental Taxes Fund in accordance with the Senior Lien Indenture. See the captions "BONDOWNER'S RISKS - Limited Source of Payment" and "ESTIMATED DEBT SERVICE AND DEBT SERVICE COVERAGE."

The payment of principal of and interest on the Junior Lien Bonds is subject and subordinate to the payment of the Senior Lien Bonds, as provided in the Senior Lien Indenture, and certain deposit requirements therein provided. See the subcaption "Pledged Revenues and Application Thereof Under the Senior Lien Indenture" below and the caption "The Senior Lien Indenture."

### **Pledged Revenues and Application Thereof Under the Senior Lien Indenture**

In accordance with the provisions of the Act and the Senior Lien Indenture, Incremental Taxes are to be paid to the Treasurer by the officers who collect or receive Incremental Taxes and then deposited into the Incremental Taxes Fund established under the Senior Lien Indenture. All Pledged Revenues, including Incremental Taxes, deposited in the Incremental Taxes Fund are required to be transferred by the Treasurer to the Senior Lien Trustee for application in accordance with the Senior Lien Indenture, as follows: (1) to pay Senior Lien Program Expenses for the next succeeding calendar year; (2) to pay principal of and redemption premium, if any, and interest on the Senior Lien Bonds as the same become due in the next succeeding calendar year; (3) for transfer to the Reserve Account established for each Series of Senior Lien Bonds outstanding until the amount on deposit therein equals the Debt Service Reserve Requirement for the Senior Lien Bonds; and (4) the balance of any Incremental Taxes shall be transferred to the Treasurer and credited to the General Account. The City irrevocably directs the Senior Lien Trustee to transfer in each Bond Year all amounts otherwise available for deposit into the General Account established under the Senior Lien Indenture directly to the Junior Lien Trustee until in such Bond Year, the Junior Lien Trustee has on deposit an amount equal to the amount necessary to satisfy the City's obligations under the Junior Lien Indenture prior to any other permissible use of monies in the General Account. Moneys in the General Account may be used: (1) if necessary, to remedy any deficiencies in any prior accounts in the Incremental Taxes Fund, including the Rebate Account under the Senior Lien Indenture, as determined by the Senior Lien Trustee; (2) for the purpose of crediting the amounts to the respective accounts established under any indenture with respect to Junior Lien Obligations, including deposits to the Junior Lien Revenue Fund under the Junior Lien Indenture; and (3) for any other authorized purpose as directed by the Chief Financial Officer of the City.

### **Junior Lien Revenue Fund**

The Junior Lien Revenue Fund is established under the Junior Lien Indenture as a special fund of the City, to be held by the Junior Lien Trustee subject to the provisions of the Junior Lien Indenture, separate and apart from all other funds and accounts of the City. Separate accounts have been established within the Junior Lien Revenue Fund known as the "Junior Lien Program Expenses Account," "Principal and Interest Account," "Reserve and Redemption Account" and "Junior Lien Rebate Account." Within the Principal and Interest Account, a Capitalized Interest Sub-Account will be established. Within the Reserve and Redemption Account, a separate Sub-Account will be established for each Series of Junior Lien Bonds. All moneys on deposit in such accounts and sub-accounts, other than the Junior Lien Program Expense Account and Junior Lien Rebate Account, are pledged to the payment of the Junior Lien Bonds; provided that any separate sub-account established within the Reserve and Redemption Account for any Series of Junior Lien Bonds pursuant to a Junior Lien First Supplemental Indenture shall only secure and be pledged to such Series of Junior Lien Bonds unless otherwise provided in the Junior Lien Indenture.

The City covenants and agrees to make, or cause to be made, transfers from the General Account established under the Senior Lien Indenture to the Junior Lien Revenue Fund established under the Junior Lien Indenture on the later of: (a) November 15 of each year, or (b) thirty (30) days following receipt of the second installment of Incremental Taxes if not received by November 15 of such year, so as to provide sufficient funds to make the annual deposits into the accounts described below. The Junior Lien Trustee agrees to calculate the amounts necessary to make the deposits into the accounts specified below and to

provide the calculation to the City and the Senior Lien Trustee when needed to make the transfers but not later than December 1 of each year. As money is deposited into the Junior Lien Fund, it shall be credited in the following priority:

*Junior Lien Program Expense Account.* From Junior Lien Revenues first received by the Junior Lien Trustee, the Junior Lien Trustee shall credit to and deposit into the Junior Lien Program Expense Account an amount of Junior Lien Revenues sufficient to pay Junior Lien Program Expenses for the next succeeding calendar year. The City shall provide to the Junior Lien Trustee information, calculations or estimates of the Junior Lien Program Expenses for the next succeeding calendar year, and the Junior Lien Trustee may reasonably rely upon the information, calculations or estimates of Junior Lien Program Expenses as necessary to determine the proper amounts of the deposit into the Junior Lien Program Expense Account. At the direction of the City, a portion of the proceeds of the Series 2001 Junior Lien Bonds may also be deposited into the Junior Lien Program Expense Account and applied by the Junior Lien Trustee to pay costs incurred in connection with the offering of the Series 2001 Junior Lien Bonds. Amounts on deposit in the Junior Lien Program Expense Account are not pledged to payment of the Junior Lien Bonds.

*Principal and Interest Account.* The Junior Lien Trustee shall next transfer into the Principal and Interest Account an amount of Junior Lien Revenues sufficient to pay the principal of, and interest on, all Outstanding Junior Lien Bonds coming due during the next succeeding calendar year. Except as provided below, such moneys shall be used solely and only for the purpose of paying principal of and redemption premium, if any, and interest on the Junior Lien Bonds as the same become due. Any capitalized interest received upon the sale of Junior Lien Bonds that is deposited in the Capitalized Interest Sub-Account shall be used to pay interest coming due on the Junior Lien Bonds prior to applying any other moneys for that purpose.

*Reserve and Redemption Account.* The Junior Lien Trustee shall next transfer the Junior Lien Revenues into the Reserve and Redemption Account until the aggregate amount in the account equals the Debt Service Reserve Requirement. Thereafter, no further transfers shall be made into such Account for such purpose, except that when any money is paid out of that Account payments shall be resumed and continued until that account has been restored to an aggregate amount equal to the Debt Service Reserve Requirement for the Junior Lien Bonds. The Junior Lien Trustee shall value the investments in the Reserve and Redemption Account and each sub-account, if any, on the fifteenth (15<sup>th</sup>) Business Day preceding each May 15 and November 15, commencing on November 15, 2001. In determining the value of the investments in the Reserve and Redemption Account and in each of its sub-accounts, such investments shall be valued at their market price or as otherwise provided in the Junior Lien Indenture. Moneys on deposit in each sub-account of the Reserve and Redemption Account shall be transferred to the Principal and Interest Account as may be necessary from time to time to prevent or remedy a default in the payment of principal of, redemption premium if any, or interest on, the applicable Series of Bonds. Whenever a transfer is made from a sub-account in the Reserve and Redemption Account to the Principal and Interest Account, the Trustee shall promptly give written notice of such transfer to the City.

*Junior Lien Rebate Account.* The Junior Lien Trustee shall next transfer the Junior Lien Revenues into the Junior Lien Rebate Account to the extent necessary to ensure sufficient moneys to make, at the required times, all rebate payments to the United States of America required to be made by Section 148 of the Code and applicable provisions of the Income Tax Regulations. The City shall provide to the Junior Lien Trustee information, calculations or estimates of amounts to be deposited in the Junior Lien Rebate Account for the next succeeding calendar year. The Trustee may reasonably rely upon the information,

calculations or estimates to determine the proper amount to be deposited into the Junior Lien Rebate Account and shall not be required to make transfers of the Junior Lien Revenues into the Junior Lien Rebate Account if it has not been provided with such information, calculations and estimates. The Junior Lien Trustee shall make any necessary rebate payments to the United States of America that are required by the Code and Income Tax Regulations from moneys on deposit in the Junior Lien Rebate Account. Amounts on deposit in the Junior Lien Rebate Account are not pledged to payments of the Junior Lien Bonds.

Immediately after the foregoing deposits have been made, the Junior Lien Trustee shall transfer any balance remaining in the Junior Lien Revenue Fund to the Senior Lien Trustee under the Senior Lien Indenture for deposit into the Incremental Taxes Fund.

### **Project Fund**

The Junior Lien Indenture establishes the Project Fund as a separate, segregated fund to be held by the City in a Depositary. The Junior Lien Indenture requires payment into the Project Fund of amounts required to be so paid by the provisions of the Junior Lien Indenture and any supplemental indenture, and there may be paid into the Project Fund, at the option of the City, any moneys determined to be so applied by the City. The City is required to establish within the Project Fund, in connection with the issuance of each Series of Junior Lien Bonds after the first Series, separate, segregated sub-accounts for the deposit of proceeds of such Junior Lien Bonds issued to finance additional Project Costs. Upon the completion of the project for which a sub-account is established in the Project Fund, the balance in that sub-account in excess of the amount, if any, needed to complete the project must be applied by the City in the following order of priority: (1) to the applicable sub-account of the Reserve and Redemption Account, to the extent necessary to cause the amount on deposit in the Reserve and Redemption Account to equal the applicable Debt Service Reserve Requirement; and (2) the remainder to the City for any lawful purpose under the Act.

### **Investments**

Moneys held in any fund, account or sub-account by the City, the Junior Lien Trustee or a Depositary shall be invested and reinvested by the City at the direction of an Authorized Officer in Investment Securities that mature no later than necessary to provide moneys when needed for payments from such fund, account or sub-account. Any earnings on such investments in the Reserve and Redemption Account shall be credited to and held in the applicable sub-accounts of the Reserve and Redemption Account so long as the balance of any sub-account is less than the Debt Service Reserve Requirement for the sub-account, and next shall be transferred to the Principal and Interest Account. All other investment earnings shall be attributed to the account and sub-account within the Junior Lien Revenue Fund for which the investment was made.

### **Debt Service Reserve Requirement**

At the time of delivery of the Series 2001 Junior Lien Bonds, an amount equal to \$4,624,176.15 will be deposited into a separate sub-account of the Reserve and Redemption Account established for the Series. Amounts on deposit in the sub-account in excess of the Debt Service Reserve Requirement will be transferred to the Principal and Interest Account and applied to the payment of principal of the Series 2001 Junior Lien Bonds.

## **Additional Junior Lien Bonds**

Subject to complying with the conditions set forth in the Junior Lien Indenture, the City may issue additional Junior Lien Bonds and Junior Lien Refunding Bonds in the future. With respect to any Series of Junior Lien Bonds, other than certain Junior Lien Refunding Bonds, issued and delivered subsequent to the delivery of the Series 2001 Junior Lien Bonds, the City is required to satisfy certain conditions prior to issuance including a requirement that the City deliver to the Junior Lien Trustee a certificate of an Authorized Officer:

(i) setting forth the amount of the projected Pledged Revenues for the current Bond Year and each Bond Year thereafter, which projection shall be based (as to projected Incremental Taxes) on a report prepared by an Independent consultant having recognized urban renewal and tax increment financing expertise;

(ii) setting forth for the current Bond Year and for each subsequent Bond Year, the aggregate of (A) the "Maximum Annual Debt Service Requirement" (as that term is defined in the Senior Lien Indenture) for all Senior Lien Bonds then outstanding and (B) the Maximum Annual Debt Service Requirement on account of all Junior Lien Bonds then Outstanding and the bonds proposed to be issued;

(iii) establishing that (A) the amounts shown in subparagraph (i) above for each Bond Year up to and including the Bond Year ending November 15, 2012 are not less than 100 percent of the amount shown in paragraph (ii) above for the following Bond Year, and (B) the aggregate of the amounts shown in subparagraph (i) above for Bond Years ending November 15, 2013 and November 15, 2014 is not less than 100 percent of the sum of the amount shown in subparagraph (ii) above for Bond Year ending November 15, 2014; *provided*, that the calculations pursuant to subparagraph (ii) above shall be exclusive of the final maturing principal amount of any series to the extent of the applicable Debt Service Reserve Requirement if amounts held in the Reserve Account or the Reserve and Redemption Account, as applicable, for the series are expected to be available to pay Senior Lien Bonds or Junior Lien Bonds, as applicable, of such series on such final maturity date; and

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Junior Lien Indenture and under the Senior Lien Indenture are current.

For a more detailed description of the conditions required to issue additional Junior Lien Bonds and Junior Lien Refunding Bonds, see the caption "THE JUNIOR LIEN INDENTURE - Additional Bonds and Refunding Bonds."

Subject to compliance with the conditions set forth in the Junior Lien Indenture and the Senior Lien Indenture, the City may issue additional Junior Lien Bonds or Junior Lien Obligations for the purposes authorized in the Near South Redevelopment Plan.

The City has no present plans to issue additional Senior Lien Bonds, Senior Lien Refunding Bonds, other Junior Lien Bonds or other Junior Lien Obligations, but may do so in the future.

## **Additional Senior Lien Bonds**

In addition to the tests in the Senior Lien Indenture (see the caption "THE SENIOR LIEN INDENTURE - Additional Senior Lien Bonds; Senior Lien Refunding Bonds; Junior Lien Obligations"), the City covenants and agrees with the Owners of the Junior Lien Bonds that, as long as any Junior Lien Bonds remain Outstanding, the City will not issue any additional Senior Lien Bonds unless, at or before the time the Senior Lien Bonds are issued, the City provides the Junior Lien Trustee with a certificate of an Authorized Officer:



(i) setting forth the amount of the projected Pledged Revenues for the current Bond Year and for each Bond Year thereafter, which projection shall be based (as to projected Incremental Taxes) on a report prepared by an Independent consultant having recognized urban renewal and tax increment financing expertise;

(ii) setting forth, for the current Bond Year and for each Bond Year thereafter, the aggregate of the "Principal and Interest Requirements" (as that term is defined in the Senior Lien Indenture) on account of all Senior Lien Bonds then outstanding and the Senior Lien Bonds proposed to be issued;

(iii) setting forth, for the current Bond Year and for each Bond Year thereafter, the Annual Debt Service Requirement on account of all Junior Lien Bonds then Outstanding;

(iv) establishing that (A) the amounts shown in subparagraph (i) above for each Bond Year up to and including the Bond Year ending November 15, 2012 are not less than 100 percent of the sum of the amount shown in subparagraph (ii) above and the amount shown in paragraph (iii) above for the following Bond Year, and (B) the aggregate of the amounts shown in subparagraph (i) above for the Bond Years ending November 15, 2013 and November 15, 2014 is not less than 100 percent of the sum of the amount shown in subparagraph (ii) above and the amount shown in subparagraph (iii) above for the Bond Year ending November 15, 2014; provided, that the calculations pursuant to subparagraphs (ii) and (iii) above shall be exclusive of the final maturing principal amount of any series to the extent of the applicable Debt Service Reserve Requirement if amounts held in the Reserve Account or the Reserve and Redemption Account, as applicable, for the series are expected to be available to pay Senior Lien Bonds or Junior Lien Bonds, as applicable, of such series on such final maturity date; and

(v) stating, that all required deposits to all funds, accounts and sub-accounts under the Junior Lien Indenture are current.

### **BOND INSURANCE POLICY**

*The following information has been provided by ACA for use in this Official Statement and has not been independently confirmed or verified by the City or the Underwriter. No representation is made herein as to the accuracy or adequacy of the information provided or as to the absence of material changes in the information subsequent to the date of the information or the date hereof. Reference is made to APPENDIX D for a specimen of the Policy.*

#### **Payment Pursuant to Bond Insurance Policy**

ACA has entered into a commitment to issue two bond insurance policies (collectively, the "Policy") relating to the Series 2001 Junior Lien Bonds effective as of the date of issuance of the Series 2001 Junior Lien Bonds. Under the terms of the Policy, ACA unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Trustee or, at the election of ACA, directly to an Owner, that portion of the principal of and interest on the Series 2001 Junior Lien Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Policy). ACA will make such payments to or for the benefit of each Owner on the later of the day on which such principal and interest becomes Due for Payment or within one Business Day following the Business Day on which ACA shall have received Notice of Nonpayment (as such terms are defined in the Policy). The Policy is non-cancelable for any reason.

The Policy will insure an amount equal to: (i) the principal of (either at the stated maturity or pursuant to a mandatory sinking fund payment) and interest on, the Series 2001 Junior Lien Bonds as such payments shall become Due for Payment but shall not be so paid by reason of Nonpayment by the City

(except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner pursuant to a final non-appealable order of a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any redemption premium which may at any time be payable with respect to any Series 2001 Junior Lien Bond. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2001 Junior Lien Bonds upon tender by an Owner; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the Series 2001 Junior Lien Bonds resulting from the insolvency, negligence or any other act or omission of the trustee or paying agent for the Series 2001 Junior Lien Bonds.

Upon receipt of telephonic or electronic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by ACA from the Trustee or any Owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, ACA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with the Trustee, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2001 Junior Lien Bonds or presentment of such other proof of ownership of the Series 2001 Junior Lien Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2001 Junior Lien Bonds as are paid by ACA, and appropriate instruments to effect the appointment of ACA as agent for Owners of the Series 2001 Junior Lien Bonds in any legal proceeding related to payment of insured amounts on the Series 2001 Junior Lien Bonds, such instruments being in a form satisfactory to ACA, ACA shall disburse to such Owners or the Trustee payment of the insured amounts due on such Series 2001 Junior Lien Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

#### **ACA's Rights Under the Financing Documents**

Under the financing documents, ACA has certain rights to consents, notices and to control certain procedures, including, without limitation, rights to impose limitations on the City's ability to issue additional Series 2001 Junior Lien Bonds, additional Senior Lien Bonds and the right to control proceedings, without the consent of Owners, following an event of default under the financing documents. These rights are solely for the benefit of ACA and are not intended to provide Owners of the Series 2001 Junior Lien Bonds with any additional rights. Reference is made to the provisions of the financing documents for a more complete description of ACA's rights thereunder.

#### **ACA Financial Guaranty Corporation**

ACA is domiciled in the State of Maryland and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands of the United States and the Territory of Guam. State laws regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by ACA, changes in control and transactions among affiliates. Additionally, ACA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of March 31, 2001, ACA had, on an unaudited basis, admitted assets of \$227,779,544, total liabilities of \$112,582,912, and total capital and surplus of \$115,196,632, as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Copies of ACA's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from ACA. The address of ACA is 140 Broadway 47<sup>th</sup> Floor, New York, New York 10005. The telephone number of ACA is (888) 427-2833.

Fitch, Inc. ("Fitch") and Standard & Poor's Rating Service ("S&P") rate the financial strength of ACA "A." Each rating of ACA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of ACA and its ability to pay claims on its policies of insurance. 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 Series 2001 Junior Lien 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 Series 2001 Junior Lien Bonds. ACA does not guarantee the market price of the Series 2001 Junior Lien Bonds nor does it guarantee that the ratings on the Series 2001 Junior Lien Bonds will not be revised or withdrawn.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ACA FINANCIAL GUARANTY CORPORATION ("ACA") CONTAINED UNDER THE CAPTION "BOND INSURANCE POLICY" HEREIN AND THE SPECIMEN BOND INSURANCE POLICY ATTACHED HERETO AS APPENDIX D, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ACA AND ACA MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE SERIES 2001 JUNIOR LIEN BONDS; OR (III) THE TAX EXEMPT STATUS OF THE INTEREST ON THE SERIES 2001 JUNIOR LIEN BONDS.

#### **BONDOWNER'S RISKS**

Investment in the Series 2001 Junior Lien Bonds involves the assumption of certain risks. The following summary is not intended to be complete and does not purport to identify all possible risks that should be considered by prospective purchasers of Series 2001 Junior Lien Bonds. For a further discussion of risks, see the Consultant's Report attached hereto as APPENDIX B.

In particular, prospective purchasers of the Series 2001 Junior Lien Bonds should note that changes in any of the matters affecting the amount or collection of Incremental Taxes (such as, for example, assessed valuation, the multiplier, tax rates or changes in law or tax procedures) could reduce the amount of Incremental Taxes to an amount that, together with any available funds, is insufficient to pay debt service on the Series 2001 Junior Lien Bonds when due.

#### **Limited Source of Payment**

The Series 2001 Junior Lien Bonds are limited obligations of the City, payable solely from Junior Lien Revenues, as described herein, and from amounts on deposit in and pledged to certain funds and accounts established under the Junior Lien Indenture. The Series 2001 Junior Lien Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation or a pledge of the full faith and credit of the City or the State of Illinois. No Owner of the Series 2001 Junior Lien Bonds will have the right to compel the exercise of any taxing power of the City, the State or any other political subdivision of the State, for payment of the principal of or interest or premium, if any, on the Series 2001 Junior Lien Bonds.

#### **Subordinate Revenue Pledge**

Payment of the Series 2001 Junior Lien Bonds and any other Junior Lien Bonds is subject and subordinate to the prior pledge of Pledged Revenues to (1) the payment of the Senior Lien Bonds as provided in the Senior Lien Indenture and (2) certain deposit requirements therein provided. As of the date of this Official Statement, the principal amount of the outstanding Senior Lien Bonds is \$45,140,000. Additional Senior Lien Bonds payable and secured on a parity basis with the Senior Lien Bonds may be issued in the

future subject to satisfying certain tests. See the captions entitled "SECURITY FOR THE SERIES 2001 JUNIOR LIEN BONDS – Additional Senior Lien Bonds" and "THE SENIOR LIEN INDENTURE – Additional Senior Lien Bonds; Senior Lien Refunding Bonds; Junior Lien Obligations." If additional Senior Lien Bonds are issued, payment of principal and interest on the Junior Lien Bonds will be subordinated to the additional Senior Lien Bonds.

### **Duration of the Near South Redevelopment Plan**

The Near South Redevelopment Plan will terminate on December 31, 2014. There is no assurance that Incremental Taxes collected after that date will be available for payment of, first, the Senior Lien Bonds and, second, the Junior Lien Bonds. However, the City has covenanted in the Junior Lien Indenture to deposit, or cause to be deposited, Incremental Taxes the City receives that are attributable to levy year 2013 or any prior levy year, to the credit of the Incremental Taxes Fund in accordance with the Senior Lien Indenture. See the captions "SECURITY FOR THE SERIES 2001 JUNIOR LIEN BONDS - Pledge of Junior Lien Revenues" and "ESTIMATED DEBT SERVICE AND DEBT SERVICE COVERAGE."

### **Assumptions in Consultant's Projections**

The City has engaged the consulting firm of Trkla, Pettigrew, Allen & Payne, Inc. (the "Consultant") to prepare an estimate of Incremental Taxes to be collected annually from the Near South Redevelopment Project Area during the period from tax collection year 2000 through tax collection year 2014 (the "Consultant's Report"). The Consultant's Report is attached as APPENDIX B. The Consultant's Report is based on numerous assumptions described therein. These assumptions are material to the estimate of Incremental Taxes to be collected. One of the Consultant's important assumptions is that none of the risks enumerated in the Consultant's Report will occur. The occurrence of one or more of the enumerated risks could adversely affect the collection and receipt of Incremental Taxes. Certain of the risks described in the Consultant's Report are summarized in the following subcaptions. The City has not independently verified the projections of Incremental Taxes contained in the Consultant's Report.

### **Economic Risks Affecting Incremental Taxes**

Future collections of Incremental Taxes could be adversely affected by a number of economic factors not within the City's control resulting in reductions in Incremental Taxes available to pay debt service. For example, (1) relocation of major property owners to sites outside the Near South Redevelopment Project Area or sales of major properties to tax-exempt entities could reduce the Assessed Valuation of the Near South Redevelopment Project Area; or (2) substantial damage to, or destruction of, improvements in the Near South Redevelopment Project Area could cause a material decline in Assessed Valuation and could impair the ability of the taxpayers in the Near South Redevelopment Project Area to pay their respective real estate taxes. There can be no assurance that the improvements in the Near South Redevelopment Project Area are or will be insured under fire and extended coverage insurance policies, and, even if insurance exists, that the proceeds thereof will be assigned as security for the payment of real estate taxes. In addition, any insurance proceeds may not be sufficient to repair or rebuild the improvements. The restoration of the improvements may be delayed by other factors, or the terms of then-applicable mortgage financing could require the application of insurance proceeds to the reduction of mortgage balances. Any of the foregoing circumstances could result in the Assessed Valuation of property in the Near South Redevelopment Project Area remaining depressed for an unknown period of time and decrease the amount of Incremental Taxes available to pay debt service on the Junior Lien Bonds.

### **Lack of Feasibility Study**

No market feasibility study has been performed to determine the real estate market values or conditions that exist in the Near South Redevelopment Project Area. Results of operation of properties within the Near South Redevelopment Project Area depend, in part, on the rental rates and tenant occupancy levels, which may be adversely affected by competition, the suitability of property for the desired purpose, local unemployment, availability of transportation, neighborhood changes, crime levels in the Near South

Redevelopment Project Area, vandalism, rising operating costs, and similar factors. Poor operating results of properties within the Near South Redevelopment Project Area may cause delinquencies in the payment of real estate taxes, reduce Assessed Valuations and increase the risk of foreclosures. Successful petitions by taxpayers to reduce their Assessed Valuations on the basis of poor operating results or otherwise could adversely affect Incremental Taxes available to pay debt service on the Junior Lien Bonds.

### **Methodology to Determine Assessed Valuation**

From time to time, the classification percentages used for determining a property's Assessed Valuation may be reduced or the methodology for determining a property's Assessed Valuation may be modified. In addition, the Assessed Valuation of a property is subject to appeal before the Cook County Board of Review and the Illinois Property Tax Appeal Board (the "PTAB"). In two PTAB opinions rendered in March 2000, the PTAB did not apply the Cook County Classification Ordinance assessment levels. If, as a result of any such reduction, modification or appeal, the Assessed Valuations of properties located in the Near South Redevelopment Project Area were materially decreased, there could be an adverse material effect on Incremental Taxes generated in the Near South Redevelopment Project Area. See the caption "REAL PROPERTY TAX SYSTEM - Real Property Assessment, Tax Levy and Collection Procedures - Assessment" and Section III of the Consultant's Report attached as APPENDIX B.

### **Changes in Multiplier and Tax Rates**

The equalization factor determined annually by the Illinois Department of Revenue for properties located within Cook County (commonly referred to as the "multiplier") may vary substantially in future years. See the caption "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures - Equalization." A decrease in the multiplier would reduce the Equalized Assessed Valuation of the taxable real property in the Near South Redevelopment Project Area and, therefore, the Incremental Taxes available to pay debt service on the Senior Lien Bonds and the Junior Lien Bonds. The future tax rates of the units of local government levying taxes in the Near South Redevelopment Project Area (the "Units" described in "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures - Tax Levy"), either individually or on a composite basis, may differ from their historical levels. Any decrease in the composite tax rate of the Units would decrease the amount of Incremental Taxes available to pay debt service on the Senior Lien Bonds and the Junior Lien Bonds. Decreases in the composite tax rate of the Units could occur in future years as a result of various factors, including, but not limited to, one or more of the following: (a) reduced governmental costs; (b) constitutional or statutory spending, tax extension or tax rate limitations; (c) reduced reliance on real property taxes as a source of local government funding; or (d) governmental reorganization or consolidation. See the caption "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures - Property Tax Limits" herein.

### **Changes in Law**

In recent years, a number of states have considered or enacted various legislation significantly reducing the reliance of local governmental units on real estate taxes. Illinois has considered, but not yet enacted, any legislation. Any such legislation could reduce the tax levy amount that could be extended to property in a redevelopment project area (including the Near South Redevelopment Project Area) and, consequently, could reduce the amount of incremental taxes generated in that area.

There can be no assurance that laws will not be enacted or amended that would have the effect of reducing or abating real estate taxes, which could have a material adverse effect on the amount of Incremental Taxes generated in the Near South Redevelopment Project Area and the City's ability to pay debt service on the Junior Lien Bonds from Junior Lien Revenues. Similarly, other changes in law reducing governmental reliance on real property taxes or amending the Act could adversely affect the amount of Incremental Taxes collected by the City, and any such adverse effect may be material.

## **Changes in Tax Procedures**

The estimates of Incremental Taxes contained in the Consultant's Report relate to collections of Incremental Taxes from the Near South Redevelopment Project Area by tax code. In particular, the City and the Consultant have assumed, based on the Cook County Clerk's current practice and procedures, that a future decline in the Equalized Assessed Valuation of properties in one tax code below the certified initial Equalized Assessed Valuation of the properties would not adversely affect the estimates of Incremental Taxes for properties covered by the other tax codes set forth in the Consultant's Report. However, neither the City nor the Consultant can assure that the County Clerk will not change its practice and procedures in the future in a manner that would adversely affect the estimates of Incremental Taxes. See the caption "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures - Property Tax Limits" and Section III of the Consultant's Report in APPENDIX B.

## **Transfer of Amounts from Incremental Taxes Fund**

The Near South Redevelopment Project Area is contiguous with other redevelopment project areas designated by the City pursuant to the Act and may become contiguous with others. The Act allows the City to expend Incremental Taxes collected from the Near South Redevelopment Project Area which are in excess of the amounts required in each year to pay and secure obligations issued and Project Costs incurred with respect to the Near South Redevelopment Project Area to pay for costs eligible for payment under the Act which are incurred in these contiguous areas. In addition, the Act permits the City to utilize revenues or proceeds of obligations authorized under the Act to pay for costs which involve public property that either is contiguous to, or separated only by a public right of way from, the Near South Redevelopment Project Area. If the Incremental Taxes from the Near South Redevelopment Project Area exceed the amounts required to pay principal and interest coming due on the Senior Lien Bonds and the Junior Lien Bonds or other Junior Lien Obligations in any year and are allocated to a contiguous redevelopment project area or public property, any Incremental Taxes transferred will not be available to remedy any future deficiency in the required balances in the funds and accounts within the Incremental Taxes Fund.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

	<u>Series 2001A</u>	<u>Series 2001B (Taxable)</u>	<u>Total</u>
<i>Sources of Funds</i>			
Par Amount of Bonds	\$39,011,761.50	\$7,230,000.00	\$46,241,761.50
Net Reoffering Premium	554,032.10	0.00	554,032.10
Accrued Interest from July 1 to July 10, 2001	<u>43,980.94</u>	<u>10,907.88</u>	<u>54,888.82</u>
<b>TOTAL SOURCES</b>	<b><u>\$39,609,774.54</u></b>	<b><u>\$7,240,907.88</u></b>	<b><u>\$46,850,682.42</u></b>
 <i>Uses of Funds</i>			
Costs of Issuance <sup>(1)</sup>	\$2,180,795.23	\$348,081.40	\$2,528,876.63
Deposit to Principal and Interest Account <sup>(2)</sup>	697,803.16	169,826.48	867,629.64
Deposit to Reserve and Redemption Account	3,901,176.15	723,000.00	4,624,176.15
Deposit to Project Fund	<u>32,830,000.00</u>	<u>6,000,000.00</u>	<u>38,830,000.00</u>
<b>TOTAL USES</b>	<b><u>\$39,609,774.54</u></b>	<b><u>\$7,240,907.88</u></b>	<b><u>\$46,850,682.42</u></b>

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- (1) Includes the costs of issuance, Underwriter's discount and premium due and owing at closing for the Policy for the Series 2001 Junior Lien Bonds.
- (2) Includes amounts for accrued interest (Series 2001A Junior Lien Bonds: \$43,980.94 and Series 2001B Junior Lien Bonds: \$10,907.88) and capitalized interest (Series 2001A Junior Lien Bonds: \$653,822.22 and Series 2001B Junior Lien Bonds: \$158,918.60) on the Series 2001 Junior Lien Bonds.

## ESTIMATED DEBT SERVICE AND DEBT SERVICE COVERAGE

The following table is based on certain information derived from the Consultant's Report prepared by Trkla, Pettigrew, Allen & Payne, Inc. attached to this Official Statement as APPENDIX B and on certain assumptions made by the Underwriter as referenced in the following footnotes.

### Series 2001 Junior Lien Debt Service<sup>(1)</sup>

Year Ending Nov. 15	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Estimated Junior Lien Program Expenses<sup>(2)</sup></u>	<u>Reserve and Redemption Account Earnings and Capitalized Interest<sup>(3)</sup></u>	<u>Principal and Interest Account Earnings<sup>(4)</sup></u>	<u>Net Debt Service</u>
2001		\$817,233	\$817,233	\$159,391	\$956,624	\$0	\$20,000
2002		2,195,553	2,195,553	160,556	231,209	38,422	2,086,477
2003	\$1,225,000	2,195,553	3,420,553	158,115	231,209	81,297	3,266,162
2004	2,910,000	2,125,728	5,035,728	150,695	231,209	139,050	4,816,163
2005	3,095,000	1,951,128	5,046,128	142,799	231,209	142,470	4,815,248
2006	3,300,000	1,759,238	5,059,238	134,371	231,209	146,287	4,816,113
2007	3,470,000	1,594,238	5,064,238	125,522	231,209	149,349	4,809,202
2008	3,655,000	1,420,738	5,075,738	116,213	231,209	152,788	4,807,954
2009	3,835,000	1,247,125	5,082,125	106,464	231,209	156,050	4,801,330
2010	4,040,000	1,055,375	5,095,375	96,205	231,209	159,869	4,800,502
2011	4,255,000	853,375	5,108,375	85,414	231,209	163,859	4,798,721
2012	4,475,000	640,625	5,115,625	74,082	231,209	167,836	4,790,663
2013	5,775,000	360,938	6,135,938	58,977	231,209	208,441	5,755,264
2014	<u>6,206,762</u>	<u>7,368,239</u>	<u>13,575,000</u>	<u>20,000</u>	<u>4,855,385</u>	<u>475,125</u>	<u>8,264,490</u>
<i>Totals</i>	<u>\$46,241,762</u>	<u>\$25,585,082</u>	<u>\$71,826,843</u>	<u>\$1,588,804</u>	<u>\$8,586,515</u>	<u>\$2,180,843</u>	<u>\$62,648,290</u>

- (1) Amounts reflected in the table are rounded to the nearest whole dollar.
- (2) This amount includes the estimated ongoing bond insurance premium payable to the Bond Insurer.
- (3) This amount includes amounts in the Reserve and Redemption Account and earnings on the Reserve and Redemption Account estimated at 4.5%.
- (4) Earnings on amounts in the Principal and Interest Account are estimated at 3.5% (principal for 12 months and each semi-annual interest for 6 months).



**Series 2001 Junior Lien Bonds Debt Service Coverage<sup>(1)</sup>**

<u>Year Ending Nov. 15</u>	<u>Projected Incremental Taxes <sup>(2)</sup></u>	<u>Senior Lien Net Obligation Including 1999 Debt Service <sup>(3)</sup></u>	<u>Net Incremental Taxes Available for Junior Lien Obligation</u>	<u>Junior Lien Net Obligation Including 2001 Debt Service <sup>(4)</sup></u>	<u>Junior Lien Coverage</u>
2001	\$8,396,000	\$4,174,357	\$4,221,643	\$2,086,477	2.023
2002	10,120,000	4,172,974	5,947,026	3,266,162	1.821
2003	12,438,000	4,168,775	8,269,225	4,816,163	1.717
2004	15,753,000	4,168,029	11,584,971	4,815,248	2.406
2005	16,404,000	4,164,106	12,239,894	4,816,113	2.541
2006	16,408,000	4,162,954	12,245,046	4,809,202	2.546
2007	17,926,000	4,159,259	13,766,741	4,807,954	2.863
2008	18,045,000	4,159,216	13,885,784	4,801,330	2.892
2009	18,052,000	4,156,544	13,895,456	4,800,502	2.895
2010	19,632,000	4,150,534	15,481,466	4,798,721	3.226
2011	19,769,000	4,150,402	15,618,598	4,790,663	3.260
2012	19,784,000	3,005,761	16,778,239	5,755,264	2.915
2013	21,435,000	0	21,435,000	8,264,490	2.594
2014	<u>21,584,000</u>	<u>0</u>	<u>21,584,000</u>	<u>0</u>	
<b>Totals</b>	<b><u>\$235,746,000</u></b>	<b><u>\$48,792,912</u></b>	<b><u>\$186,953,088</u></b>	<b><u>\$62,628,290</u></b>	

- (1) Amounts reflected in the table are rounded to the nearest whole dollar.
- (2) Per Consultant's Report dated June 14, 2001 attached hereto as APPENDIX B.
- (3) Series 1999A and Series 1999B Senior Lien Bond scheduled debt service plus Senior Lien Program Expenses less (a) the Reserve and Redemption Account, (b) earnings on the Reserve and Redemption Account estimated at 4.5% and (c) earnings on the Principal and Interest Account estimated at 3.5% (principal for 12 months and each semi-annual interest for 6 months). Pursuant to the Senior Lien Indenture, the Senior Lien Trustee must transfer to the Senior Lien Principal and Interest Account an amount of Incremental Taxes sufficient to pay principal of, and interest on, all outstanding Senior Lien Bonds coming due during the next succeeding calendar year. Amounts shown in the column reflect funding of the Principal and Interest Account one calendar year in advance.
- (4) Series 2001A and Series 2001B Junior Lien Bond scheduled debt service plus Junior Lien Program Expenses less (a) the Reserve and Redemption Account, (b) earnings on the Reserve and Redemption Account estimated at 4.5% and (c) earnings on the Principal and Interest Account estimated at 3.5% (principal for 12 months and each semi-annual interest for 6 months). See the Series 2001 Junior Lien Debt Service chart above. Pursuant to the Junior Lien Indenture, the Junior Lien Trustee must transfer to the Junior Lien Principal and Interest Account an amount of Junior Lien Revenues sufficient to pay principal of, and interest on, all Outstanding Junior Lien Bonds coming due during the next succeeding calendar year. Amounts shown in the column reflect funding of the Principal and Interest Account and Junior Lien Program Expenses one calendar year in advance.

## FINANCIAL INFORMATION

A summary of Incremental Tax receipts for the Near South Redevelopment Project Area for the assessment years ended December 31, 1992 through 2000 is set forth below.

### Summary of Incremental Tax Receipts for the Near South Redevelopment Project Area

<u>Assessment Year</u>	<u>Collection Year</u>	<u>Total Receipts<sup>(1)</sup></u>
1992	1993	\$826,838
1993	1994	859,473
1994	1995	2,035,088
1995	1996	2,768,858
1996	1997	3,679,857
1997	1998	5,561,099
1998	1999	6,000,101
1999	2000	9,209,267
2000	2001	3,649,061 <sup>(2)</sup>

Source: Office of the City Comptroller.

- (1) Original Project Area only for Assessment Years 1992 - 1993. Near South Redevelopment Project Area for subsequent years. Actual receipts during each collection year and actual receipts attributable to prior levy years.
- (2) Actual receipts through June 1, 2001.

## TAX INCREMENT FINANCING

The Act authorizes the use of tax increment financing as a means for municipalities, after the approval of a "redevelopment plan and project," to redevelop "blighted," "conservation" or "industrial park conservation" areas by financing redevelopment project costs with incremental real estate tax revenues. Incremental real estate tax revenue is derived from the increase in the equalized assessed valuation of real property within the redevelopment project area over and above the equalized assessed valuation in effect at the time the redevelopment project area is established (the "Certified Initial Equalized Assessed Valuation"). Any increase in equalized assessed valuation above the Certified Initial Equalized Assessed Valuation is then multiplied, on an annual basis, by the aggregate tax rate resulting from the levy of real property taxes by all units of local government having taxing power over that real property. The product of this calculation, net of loss in collection, is the amount of incremental real estate tax revenues generated within the redevelopment project area. See the caption "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures."

Tax increment financing does not generate revenues by increasing tax rates. Instead, it generates revenues by allowing a municipality to capture all tax revenues resulting from increases in the equalized assessed valuation within the area which has been designated for redevelopment. The incremental real estate tax revenue is deposited into a special tax allocation fund from which redevelopment project costs and principal of and interest on obligations issued to finance redevelopment project costs are paid. Under tax increment financing, all overlapping taxing districts continue to receive real estate tax revenue from the redevelopment project area based on the Certified Initial Equalized Assessed Valuation. When the amount of incremental real estate tax revenue applicable to the redevelopment project area is greater than the amount required to pay for expected redevelopment project costs and principal of and interest on obligations issued to pay such costs, the municipality is required to return such money to the county for distribution to the overlapping taxing districts. If a redevelopment plan and project so provides, a municipality may use incremental real estate tax revenue for eligible costs in a contiguous redevelopment project area or one separated only by a public right of way. See the caption "BONDOWNER'S RISKS - Transfer of Amounts from Incremental Taxes Fund."

To finance redevelopment project costs, a municipality may issue obligations secured by the anticipated tax increment revenue generated within the redevelopment project area. These redevelopment project costs include, but are not limited to, costs of studies and surveys, costs associated with the acquisition of land, costs of rehabilitation or repair of existing public or private buildings, costs of construction of public works or improvements, costs of job training and retraining programs and financing costs. Subject to certain limitations, tax increment financing may also apply to certain interest costs incurred by the developer of a project.

For an area to be designated as a tax increment financing redevelopment project area, a municipality must demonstrate that the prospective redevelopment project area qualifies as a "blighted area," as a "conservation area" or as an "industrial park conservation area" within the definitions set forth in the Act. A "blighted area" may be either improved or vacant. When the Near South Redevelopment Project Area was created, the Act required the presence of five or more of the following factors in an improved area: age, dilapidation, obsolescence, deterioration, illegal use of individual structures, structures below minimum code standards, excessive vacancies, overcrowding of structures and community facilities, lack of ventilation, light or sanitary facilities, inadequate utilities, excess land coverage, deleterious land-use or lay-out, depreciation of physical maintenance or lack of community planning. For a vacant area, the Act required the municipality

to find that sound growth of the taxing districts was impaired by a combination of two or more of the following factors: obsolete platting, diversity of ownership, tax and special assessment delinquencies, flooding, deterioration of structures or site improvements on adjacent land; otherwise the municipality had to demonstrate that the vacant land was a blighted improved area immediately before becoming vacant, or the area consisted of an unused quarry, railyard, railtracks or railroad rights of way, or was subject to chronic flooding as particularly provided in the Act, or the area consisted of an unused disposal site, containing earth, stone, building debris or similar material, which were removed from construction, demolition, excavation, or dredge sites, or the area was not less than 50 nor more than 100 acres, 75 percent (75%) of which was vacant. The Act defined "conservation area" as any improved area within the boundaries of a redevelopment project area in which 50 percent (50%) or more of the structures had an age of 35 years or more. Such an area was not yet a blighted area but was in danger of becoming a blighted area and was detrimental to the public safety, health, morals or welfare because of a combination of three or more of the following factors: dilapidation, obsolescence, deterioration, illegal use of individual structures, presence of structures below minimum code standards, abandonment, excessive vacancies, overcrowding of structures and community facilities, lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage, deleterious land use or layout, depreciation of physical maintenance, lack of community planning. Recent amendments to the Act have redefined "blighted area" and "conservation area." See the subcaption "Recent Legislation" below.

At the time that the Near South Redevelopment Project Area was created, the Act required a municipality to hold a public hearing and convene an advisory joint review board to consider the proposal. Pursuant to that version of the Act, the joint review board consisted of representatives selected by certain taxing districts having taxing power over the area, and a member of the public. After considering all comments made by the public and the joint review board, if any, the municipality could adopt the necessary ordinances to create a redevelopment project area, but only after adopting an ordinance approving a redevelopment plan. Then an ordinance approving tax increment allocation financing could be adopted.

### **Recent Legislation**

In each of the last five years, the Illinois General Assembly has considered legislation to amend the Act. In 1999, the Illinois General Assembly adopted substantial amendments to the Act (the "Act Amendments") that became effective on November 1, 1999. The Act Amendments include the following provisions:

- adding definitions for each eligibility factor for blighted and conservation areas and for each factor relating to improved and vacant land; certain eligibility factors have been eliminated and others have been added, and additional findings are required to be made for blighted areas;
- prohibiting the inclusion in redevelopment plans of certain types of developments, such as vacant land with a golf course and related facilities and public land designated for recreational activities or nature preserves;
- permitting the estimated date of completion of a redevelopment project to be extended to December 31 of the year in which the payment to the municipal treasurer is to be made with respect to property taxes levied in the twenty-third calendar year after the year in which the ordinance approving the redevelopment project area is adopted;

- requiring the provision of replacement housing and relocation assistance where the redevelopment plan displaces low-income or very low-income persons;
- adding certain items to the definition of “redevelopment project costs” to include, among other things, the increased educational cost attributable to assisted housing units for which financing assistance was obtained, up to 50 percent (50%) of the costs of construction of low-income and very low-income housing units, site improvements that serve as environmental barriers and certain costs of day care services for children of employees from low-income families;
- restricting the use of incremental taxes for items such as the construction of certain types of new municipal public buildings, a municipality’s general overhead or administrative costs and marketing costs;
- adding procedural steps in the process by which redevelopment plans and projects are adopted and operated, such as requiring a municipality to adopt an ordinance or resolution providing for a feasibility study to be conducted for a proposed redevelopment project area, requiring the establishment of an interested party’s registry, requiring municipalities planning to include 75 or more inhabited residential units or to remove ten or more inhabited residential units within a proposed redevelopment project area to hold a public meeting before mailing the notices of the public hearing and to conduct a housing impact study;
- expanding the membership and duties of the joint review board;
- expanding the annual reporting requirements for all redevelopment project areas and municipalities and designating the State Comptroller as the repository for these reports; and
- clarifying the definition of “surplus funds” to include any portion of the balance in the special tax allocation fund at the end of the fiscal year that has not been identified as required, pledged, earmarked or otherwise designated for payment of or securing of obligations or anticipated redevelopment project costs and requiring the distribution of any surplus funds from the special tax allocation fund to the taxing districts and the Illinois Department of Revenue.

## **REAL PROPERTY TAX SYSTEM AND LIMITS**

### **Real Property Assessment, Tax Levy and Collection Procedures**

*General.* Substantially all (approximately 99.98 percent) of the “Equalized Assessed Valuation” (described below) of taxable property in the City, including all of the Near South Redevelopment Project Area, is located in Cook County (the “County”). The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County. The laws of the State of Illinois relating to real property taxation are contained in the Illinois Property Tax Code (the “Property Tax Code”).

*Assessment.* The Cook County Assessor (the "Assessor") is responsible for assessing all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. Suburbs in the northern and northwestern portions of the County will be reassessed in 2001; the City is in the process of being reassessed; and suburbs in the western and southern portions of the County were reassessed in 1999.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. The current classification percentages range from sixteen percent (16%) for certain residential, commercial and industrial properties to thirty-six percent (36%) and thirty-eight percent (38%), respectively, for other industrial and commercial property.

On April 18, 2000, the Cook County Board of Commissioners adopted an amendment to the County's Real Property Assessment Classification Ordinance, pursuant to which the Assessed Valuation of real property is established. Among other things, the amendment reduced the classification percentage for mixed-use residential/commercial buildings having less than six units from its current level of thirty-three percent (33%) to sixteen percent (16%) in 2000; changed the number of renewals of the period for a classification percentage of sixteen percent (16%) for certain buildings rehabilitated or constructed for multi-family housing with affordable units from two renewals to an indefinite number; and extended the period for reduced classification percentages for certain rehabilitated landmark buildings from sixteen percent (16%) for the first eight years, twenty-three percent (23%) for the ninth year and thirty percent (30%) in the tenth year, to sixteen percent (16%) for the first 10 years, twenty-three percent (23%) in the eleventh year and thirty percent (30%) in the twelfth year; except for rehabilitated, industrial landmark properties which may apply for an indefinite number of 10-year renewal periods for the sixteen percent (16%) classification. The tax increment projections included in the Consultant's Report take into account the effect of this amendment and assume that only one property within the Near South Redevelopment Project Area will achieve the classification of a rehabilitated landmark building. The possible effects if other potential properties fall within this classification were not estimated in the Consultant's Report. See Section IV of the Consultant's Report.

The Assessor has established procedures enabling taxpayers to contest their tentative Assessed Valuations. Once the Assessor certifies the final Assessed Valuations, a taxpayer can seek review of the assessment by filing a complaint with the Cook County Board of Review (the "Board of Review") which consists of three members elected by the voters of the County. The Board of Review has the power to review and adjust Assessed Valuations set by the Assessor.

Taxpayers are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. In two PTAB opinions rendered in March 2000, the PTAB chose not to apply the Cook County Classification Ordinance assessment levels. Instead, the PTAB utilized the median level of assessments derived from the Illinois Department of Revenue's sales ratio studies as the mechanism for determining the assessment levels. As a result, property tax refunds were granted to the two commercial and industrial property owners who petitioned the PTAB.

Currently, the Assessor's office is pursuing a remedy to this situation in the Illinois legislature. The most recent initiative was in the form of House Amendment No. 1 to Senate Bill 747 of the 91<sup>st</sup> General

Assembly, which would have required that the classification levels of the County Real Property Assessment Classification Ordinance must be applied, except for residential properties of six units or less. The 91<sup>st</sup> General Assembly closed on January 9, 2001 without finalizing action on SB 747 and thus the bill expired. In the event that any successor bill providing for an equal remedy to that intended by SB 747 is not adopted, it is possible that the PTAB could continue to apply the median level of assessments derived from the Illinois Department of Revenue's sales ratio studies in place of the County Real Property Assessment Classification Ordinance assessment levels and, as a result, projected Incremental Taxes could be adversely affected. In the Consultant's opinion, if the PTAB continues to apply the methodology applied by the PTAB in these two recent opinions, the impact on Incremental Taxes generated in the Near South Redevelopment Project Area would be minimal. See Section III of the Consultant's Report.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court of Cook County. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a certificate of error.

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

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The following table sets forth the Equalization Factors for the levy years ended December 31, 1989 through 1999:

<u>Levy Year</u>	<u>Equalization Factor</u>
1989	1.9133
1990	1.9946
1991	2.0523
1992	2.0897
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489
1998	2.1799
1999	2.2505

In 1991, legislation was enacted by the State which provided that beginning in levy year 1992, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. This legislation impacted only those taxing districts subject to rate limits and currently does not apply to the City. See the subcaption "Property Tax Limits" below.

*Exemptions.* The annual homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of any increase over the 1977 Equalized Assessed Valuation, up to a maximum reduction of \$4,500. Additional exemptions exist for (i) senior citizens, with the Assessor authorized annually to reduce the Equalized Assessed Valuation on a senior citizen's home by \$2,500, and (ii) disabled veterans, with the Assessor authorized annually to exempt up to \$50,000 of the Assessed Valuation of certain property owned and used exclusively by such veterans, their spouses or unmarried surviving spouses of such veterans for residential purposes. A homestead improvement exemption allows owners of single family residences to make certain home improvements without increasing the Assessed Valuation of their property for at least four years. Through December 31, 1997, the amount of this exemption was limited to \$30,000; effective January 1, 1998, the amount of this exemption was increased to \$45,000. For rehabilitation of certain historic property, the Assessed Valuation is limited for eight years to the value when the rehabilitation work began. The Senior Citizens Tax Freeze Homestead Exemption was enacted in 1994 and freezes property tax assessments for homeowners who are 65 and older and have annual incomes of \$35,000 or less. In addition, certain property is exempt from taxation on the basis of ownership and/or use.

Additionally, since 1996, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under this exemption, longtime, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. The County has not established such a property tax exemption. However, if the County were, in the future, to provide for such a property tax exemption, the City would be required to participate in the program.

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

As part of the annual budgetary process, each Unit determines how much to levy. The tax levy proceedings impose each Unit's respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the "County Collector").

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



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

The Truth in Taxation Law contained within the Illinois Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in prescribed form must be published if the aggregate annual levy is estimated to exceed one hundred five percent (105%) for the levy of the preceding year, exclusive of levies for debt service, election costs and amounts due under public building commission leases. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit, on the adoption of the annual levy. No amount in excess of one hundred five percent (105%) of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures.

Effective January 1, 2000, the Property Tax Code relating to the Truth in Taxation Law was amended to state that a "taxing district" as defined in the law does not include taxing districts having territory in the County from January 1, 2000 through December 31, 2002. This amendment also created the "Cook County Truth in Taxation Law." The Cook County Truth in Taxation Law imposes procedural limitations on Units having territory in the County and requires that notice in prescribed form must be published if the aggregate annual levy is estimated to exceed the aggregate annual levy of the preceding year, exclusive of levies for debt service, election costs and amounts due under public building commission leases. A public hearing must also be held on the stated day in the first week of December, which may not be in conjunction with the budget hearing of the Unit, on the intention to adopt an aggregate annual levy. Pursuant to a provision in the Cook County Truth in Taxation Law, it is repealed as of January 1, 2003. As of the date of this Official Statement, the City is in compliance with the Cook County Truth in Taxation Law.

*Abatement.* The Property Tax Code authorizes any taxing unit, upon a majority vote of its governing authority and the determination of the Assessed Valuation of its property, to abate any portion of its taxes on certain types of property, including commercial and industrial facilities. The term and aggregate amount of the abatement is limited, depending on the property involved. The terms range from 10 to 20 years and the aggregate amounts allowed for abatement range from \$3,000,000 to \$12,000,000. The Property Tax Code also authorizes abatements for certain leasehold interests, leased low-rent housing and property within areas of urban decay.

Additionally, the Illinois Enterprise Zone Act authorizes the Illinois Department of Commerce and Community Affairs to certify a limited number of enterprise zones. Each unit of local government has the authority to abate property tax on business improvements added to real estate following the creation of an enterprise zone. The abatement applies to any class of property and is limited to the term of the enterprise zone. However, the Illinois Enterprise Zone Act provides that a municipality may not create a redevelopment project area that overlaps with an enterprise zone unless it amends the enterprise zone designating ordinance to limit the eligibility for tax abatements as provided in Section 5.4.1 of the Illinois Enterprise Zone Act.

*Collection.* Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the second

installment tax bills, if later. The first installment is an estimated bill equal to one-half of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, Assessed Valuation and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

Other than as described below, for the last ten years, the second installment "penalty date" (the date after which interest is due on unpaid amounts) was no later than September 25. The second installment "penalty date" for 1994 taxes was November 3, 1995, because of delays in the assessment process. The second installment "penalty date" for the 1997 taxes was October 28, 1998, because of changes to the assessment appeal process described above. The second installment "penalty date" for 1998 taxes was November 1, 1999, also because of changes to the assessment appeal process described above. It is possible that delays in the assessment process or changes to the assessment appeal process described above will cause delays similar to those experienced in 1995, 1998 and 1999 in preparing and mailing second installment tax bills in future years.

The County may provide for tax bills to be payable in four installments instead of two. To date, the County has not required the payment of tax bills in four installments.

During the periods of peak collections, tax receipts are forwarded to each Unit weekly. Upon receipt of taxes from the County Collector, the City Treasurer credits the taxes received to the funds for which they were levied.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5 percent (1.5%) per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 18 percent (18%) for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and are eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

A scavenger sale (the "Scavenger Sale"), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is scheduled to be held every two years on all property on which two or more years of taxes are delinquent. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

## Property Tax Limits

*State of Illinois.* The Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units of local government located in the County, five adjacent counties, and other Illinois counties in which a referendum has been held on the imposition of the State Tax Cap within those counties and the referendum passed, and (b) the ability of those entities to issue general obligation bonds without voter approval (the "State Tax Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent (5%) or the percent increase in the Consumer Price Index, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to the issuance of "limited bonds" payable from a Unit's "debt service extension base" or "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act.

The City is excluded from the State Tax Cap because it is a home rule unit of local government. However, from time to time, various public officials have stated that the State Tax Cap also should be made applicable to the City and other home rule municipalities. In addition, an advisory referendum posing the question "should the Illinois General Assembly limit annual property tax extension increases to a maximum of five percent (5%) or as provided by the Consumer Price Index, whichever is less," was considered by County voters at the November 1994 general election. This advisory question was approved by approximately 83 percent (83%) of County voters who cast ballots on the question.

Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a three-fifths vote of the members elected to each house of the Illinois General Assembly and the concurrence of the Governor of the State of Illinois. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

A recently enacted State law imposes certain notice and public hearing requirements on non-home rule Units of local government that propose to issue general obligation debt that is not approved by the voters. Those requirements do not apply to the City because it is a home rule unit of local government or to the Series 2001 Junior Lien Bonds, which are not general obligations of the City.

*The City.* In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance"), limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent (5%), or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance provides a safe harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to an annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases. The City Council amended the City Tax Limitation Ordinance in October 1997 to exclude certain school improvement taxes

and in September 1999, to exclude the tax levy for its General Obligation Bonds, Series 1999 (City Colleges of Chicago Project), from the limits set forth therein.

The tax limits set forth in the City Tax Limitation Ordinance may in future years adversely affect the City's ability to finance operations at current levels and limit the ability of the City to finance capital improvement projects through the issuance of property tax-supported bonds. However, the City Council may repeal or modify the City Tax Limitation Ordinance at any time.

See the Consultant's Report attached as APPENDIX B for a discussion of the estimated effect of property tax limits on the tax rates of Units which collect real property taxes within the Near South Redevelopment Project Area.

### **THE JUNIOR LIEN INDENTURE**

The following is a summary of certain provisions of the Junior Lien Indenture. Other provisions of the Junior Lien Indenture are described earlier in this Official Statement, under the captions "DESCRIPTION OF THE SERIES 2001 JUNIOR LIEN BONDS" and "SECURITY FOR THE SERIES 2001 JUNIOR LIEN BONDS." Neither the following summary nor the descriptions contained elsewhere in this Official Statement are intended to be comprehensive or definitive and are qualified in their entirety by reference to the Junior Lien Indenture, copies of which are available for review prior to the issuance and delivery of the Series 2001 Junior Lien Bonds at the office of the City Comptroller, Room 600, 33 North LaSalle Street, Chicago, Illinois 60602, and thereafter at the office of the Junior Lien Trustee.

#### **Application of Bond Proceeds**

Accrued interest received by the City upon the sale of the Series 2001 Junior Lien Bonds will be deposited in the Capitalized Interest Sub-Account of the Principal and Interest Account and will be used to pay interest first coming due on the Series 2001 Junior Lien Bonds. In addition, a portion of the proceeds from the sale of the Series 2001 Junior Lien Bonds, representing capitalized interest, will be deposited into the Capitalized Interest Sub-Account of the Principal and Interest Account and used to pay interest coming due on the Series 2001 Junior Lien Bonds.

Pursuant to the Junior Lien Indenture, the City will establish separate, segregated accounts within the Project Fund to be known as the "2001A Project Account" and "Series 2001B Project Account." Proceeds deposited in these accounts will be applied upon the written direction of an Authorized Officer to pay Project Costs, including the payment of costs related to the issuance of the Series 2001 Junior Lien Bonds. See the caption "ESTIMATED SOURCES AND USES OF FUNDS."

An amount equal to the initial Debt Service Reserve Requirement for the Series 2001 Junior Lien Bonds will be deposited in a separate sub-account of the Reserve and Redemption Account at closing. The Debt Service Reserve Requirement is equal to the lesser of: (a) ten percent (10%) of the original principal amount of the Series 2001 Junior Lien Bonds, (b) Maximum Annual Debt Service of the Series 2001 Junior Lien Bonds, or (c) one hundred twenty-five percent (125%) of Average Annual Debt Service of the Series 2001 Junior Lien Bonds. See the caption "SECURITY FOR THE SERIES 2001 JUNIOR LIEN BONDS -- Debt Service Reserve Requirement."

## **Additional Bonds and Refunding Bonds**

Subject to compliance with the conditions described below, the City may issue additional Junior Lien Bonds for the purposes authorized in the Near South Redevelopment Plan or may issue Junior Lien Refunding Bonds. Except with respect to sub-accounts of the Reserve and Redemption Account which secure particular Series of Junior Lien Bonds and as otherwise provided in the Junior Lien Indenture, (a) any such additional Junior Lien Bonds or Junior Lien Refunding Bonds will share ratably and equally with the Series 2001 Junior Lien Bonds in the Junior Lien Revenues and (b) additional Junior Lien Bonds and Junior Lien Refunding Bonds shall not have any terms creating a preference or priority of any Series of additional Junior Lien Bonds or Junior Lien Refunding Bonds over the Series 2001 Junior Lien Bonds, or any other Series of additional Junior Lien Bonds or Junior Lien Refunding Bonds.

The City has no present plans to issue additional Senior Lien Bonds, Senior Lien Refunding Bonds, additional Junior Lien Bonds or other Junior Lien Obligations, but may do so in the future.

*General Provisions for Issuance and Delivery of Bonds.* (a) Each Series of Junior Lien Bonds is created by a Junior Lien Supplemental Indenture which is required to prescribe expressly or by reference with respect to such Series (unless otherwise determined in the Junior Lien Indenture):

- (i) the authorized principal amount, designation and Series of such Junior Lien Bonds;
- (ii) the purposes for which such Series of Junior Lien Bonds is being issued, which may include refunding or advance refunding any or all outstanding Senior Lien Bonds of one or more series outstanding under the Senior Lien Indenture;
- (iii) the manner in which the proceeds of the Junior Lien Bonds of such Series are to be applied;
- (iv) the date and the maturity date or dates of the Junior Lien Bonds of such Series;
- (v) the interest rate or rates of the Junior Lien Bonds of such Series, or the manner of determining such rate or rates, and the Interest Payment Dates and Record Dates;
- (vi) the authorized denominations and the manner of dating, numbering and lettering of the Junior Lien Bonds of such Series;
- (vii) the Junior Lien Registrar and the Paying Agent(s) for the Junior Lien Bonds of such Series;
- (viii) the Redemption Price(s), if any, and any redemption dates and terms for the Junior Lien Bonds of such Series;
- (ix) the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Junior Lien Bonds of such Series or the manner of designating the same;
- (x) the amount and date of each Sinking Fund Installment, if any, for Junior Lien Bonds of like maturity of such Series, provided that the aggregate of such Sinking Fund Installments shall equal the aggregate principal amount of all such Junior Lien Bonds less the principal amount scheduled to be retired at maturity;

- (xi) provisions as to registration of the Junior Lien Bonds of such Series;
- (xii) the form and text of the Junior Lien Bonds of such Series and provision for the Junior Lien Trustee's authentication of such Junior Lien Bonds by certificate or otherwise;
- (xiii) the amount of the Debt Service Reserve Requirement with respect to such Series of Junior Lien Bonds, if any, calculated immediately after such authentication and delivery; and
- (xiv) any other provisions deemed advisable by the City as shall not conflict with the provisions of the Junior Lien Indenture.

(b) Junior Lien Bonds of the same Series and maturity must be of a like tenor except as to denomination and form. After the original issuance of Junior Lien Bonds of a Series, no Junior Lien Bonds of such Series shall be issued except in lieu of or in substitution for the Junior Lien Bonds of such Series pursuant to the Junior Lien Indenture.

(c) Junior Lien Bonds issued pursuant to the Junior Lien Indenture may be issued as Current Interest Bonds, Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Tender Option Bonds, Variable Rate Bonds, Serial Bonds or Term Bonds, or any combination thereof, all as provided in the Junior Lien Supplemental Indenture providing for their issuance; provided, that the City shall not issue Tender Option Bonds unless it shall have delivered to the Junior Lien Trustee upon the authentication of such bonds a Credit Facility which the Junior Lien Trustee or another Fiduciary may draw upon to pay the purchase price of any such bonds.

*Conditions Precedent to the Delivery of any Series.* Junior Lien Bonds of any Series will be executed by the City and delivered to the Junior Lien Trustee and thereupon will be authenticated by the Junior Lien Trustee and delivered to the City or upon its order, but only following the receipt by the Junior Lien Trustee of:

(a) A copy of an ordinance adopted by the City Council, certified by the City Clerk, authorizing the execution and delivery of the applicable Junior Lien Supplemental Indenture;

(b) A Counsel's Opinion to the effect that (i) the City had the right and power to adopt the ordinance referred to in (a) above; (ii) the ordinance has been duly and lawfully adopted by the City Council, is in full force and effect and is valid and binding upon the City and is enforceable in accordance with its terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iii) the Junior Lien Indenture and the applicable Junior Lien Supplemental Indenture have been duly and lawfully executed by authorized officers of the City and delivered, are in full force and effect, are valid and binding upon the City, and are enforceable in accordance with their terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iv) the Junior Lien Indenture and the applicable Junior Lien Supplemental Indenture create the valid pledge of Junior Lien Revenues, moneys and securities held under them for the benefit and security of the Junior Lien Bonds, subject to their application in the manner provided therein; and (v) upon the execution, authentication and delivery thereof, the Junior Lien Bonds of such Series will have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of Illinois, the Junior Lien Indenture and such Junior Lien Supplemental Indenture;

(c) A written order as to the delivery of such Series, executed by an Authorized Officer (i) stating the identity of the purchasers, aggregate purchase price and date and place of delivery of such Series and that no event of default has occurred and is continuing under the Junior Lien Indenture and (ii) fixing and determining all terms and provisions of the Junior Lien Bonds of such Series not fixed or determined by the Junior Lien Indenture or the applicable Junior Lien Supplemental Indenture;

(d) An original executed counterpart of the Junior Lien Indenture (or a copy duly certified by the City Clerk of the City) and the applicable Junior Lien Supplemental Indenture;

(e) With respect to all Series of Junior Lien Bonds, other than Junior Lien Refunding Bonds to the extent permitted by the Junior Lien Indenture as described below, issued and delivered subsequent to the delivery of the Series 2001 Junior Lien Bonds, a certificate of an Authorized Officer:

(i) setting forth the amount of projected Pledged Revenues for the current Bond Year and each Bond Year thereafter, which projection shall be based (as to projected Incremental Taxes) on a report prepared by an Independent consultant having recognized urban renewal and tax increment financing expertise;

(ii) setting forth for the current Bond Year and each subsequent Bond Year, the aggregate amount of (A) the "Maximum Annual Debt Service Requirement" (as that term is defined in the Senior Lien Indenture) for all Senior Lien Bonds then outstanding and (B) the Maximum Annual Debt Service Requirement on account of all Junior Lien Bonds then Outstanding and the bonds proposed to be issued;

(iii) establishing that (A) the amounts shown in subparagraph (i) above for each Bond Year up to and including the Bond Year ending November 15, 2012 are not less than 100 percent of the amount shown in paragraph (ii) above for the following Bond Year, and (B) the aggregate of the amounts shown in subparagraph (i) above for the Bond Years ending November 15, 2013 and November 15, 2014 is not less than 100 percent of the sum of the amount shown in subparagraph (ii) above for the Bond Year ended November 15, 2014; *provided*, that the calculations pursuant to subparagraph (ii) above shall be exclusive of the final maturing principal amount of any series to the extent of the applicable Debt Service Reserve Requirement if amounts held in the Reserve Account or the Reserve and Redemption Account, as applicable, for such series are expected to be available to pay Senior Lien Bonds or Junior Lien Bonds, as applicable, of such series on such final maturity date; and

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Junior Lien Indenture and under the Senior Lien Indenture are current.

*Refunding Bonds.* (a) One or more Series of Junior Lien Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Junior Lien Bonds of one or more Series, to pay costs and expenses incident to the issuance of such Junior Lien Refunding Bonds and to make deposits in any fund, account or sub-account under the Junior Lien Indenture as determined by the City in the Junior Lien Supplemental Indenture authorizing such Junior Lien Bonds.

(b) Junior Lien Refunding Bonds of a Series shall be authenticated and delivered by the Junior Lien Trustee only upon receipt by it (in addition to the documents, securities and moneys required by paragraphs (a), (b), (c) and (d) under the subcaption "*Conditions Precedent to the Delivery of any Series*" above) of:

(i) Such instructions to the Junior Lien Trustee as necessary to comply with all requirements set forth in the Junior Lien Indenture so that the Junior Lien Bonds to be refunded or advance refunded will be paid or deemed to be paid pursuant to the Junior Lien Indenture.

(ii) Either (A) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Junior Lien Bonds to be refunded or advance refunded on and prior to their redemption date or maturity date, as the case may be, which moneys shall be held by the Junior Lien Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Junior Lien Bonds to be refunded or advance refunded, or (B) Government Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Junior Lien Trustee at the same time, to comply with the provisions of the Junior Lien Indenture relating to payment or deemed payment.

(iii) A certificate of an Authorized Officer evidencing either that (A) (1) the term of the Junior Lien Refunding Bonds does not exceed the term of the Junior Lien Bonds being refunded, and (2) the Annual Debt Service Requirement for any Bond Year on account of all Junior Lien Bonds Outstanding, after the issuance of such Junior Lien Refunding Bonds and the redemption or provision for payment of the Junior Lien Bonds to be refunded, shall not exceed the Annual Debt Service Requirement for the corresponding Bond Years on account of all the Junior Lien Bonds Outstanding, including the Junior Lien Bonds to be refunded, immediately prior to the issuance of such Junior Lien Refunding Bonds, or (B) in the case of a refunding of Outstanding Junior Lien Bonds that does not meet the requirements of the preceding clause (A), satisfaction of the test set forth in paragraph (e) under the subcaption "*Conditions Precedent to the Delivery of any Series*" above as applied to the Junior Lien Refunding Bonds to be issued under the provisions described under this subcaption, giving effect to the redemption or provision for payment of the Junior Lien Bonds being refunded.

(c) In applying the test set forth in subparagraph (b)(iii) above, if any of the Junior Lien Bonds Outstanding immediately prior to or after the issuance of the Junior Lien Refunding Bonds to be issued constitute Tender Option Bonds or Variable Rate Bonds, the following provisions shall be applied in determining the Annual Debt Service Requirements of such Junior Lien Bonds:

(X) *Tender Option Bonds.* If any of the Outstanding Junior Lien Bonds constitute Tender Option Bonds, then for purposes of the amounts to be shown as set forth in subparagraph (b)(iii) above, the options of the Owners of such Junior Lien Bonds to tender the same for payment prior to their stated maturity shall be ignored, and (1) if such Junior Lien Bonds also constitute Variable Rate Bonds, the City shall adjust such amounts to be shown as set forth in subparagraph (b)(iii) above as provided in subparagraph (Y) below, (2) if such Junior Lien Bonds are secured by a Credit Facility, the Credit Bank or obligations secured by credit facilities issued by such Credit Bank shall be rated in one of the three highest rating categories (without reference to gradations such as "plus" or "minus") by any of the Rating Agencies, and (3) any obligation of the City may have, other than its obligation on such Junior Lien Bonds (which need not be uniform as to all Owners), to reimburse any Credit Bank, including any obligations so to reimburse in excess of the Annual Debt Service Requirements of such Junior Lien Bonds (determined without regard to whether such Credit Bank shall then be holding or shall then have had pledged to it such Junior Lien Bonds) shall be subordinated to the obligation of the City on such Junior Lien Bonds.

(Y) *Variable Rate Bonds.* If any of the Outstanding Junior Lien Bonds constitute Variable Rate Bonds, then for purposes of the amounts to be shown as set forth in subparagraph (b)(iii) above, the interest rate used in such computation shall be the lesser of (a) the maximum interest rate established in the Junior



Lien Supplemental Indenture authorizing such Junior Lien Bonds and (b) if and so long as a Qualified Swap Agreement is in effect, the interest rate determined as if the Variable Rate Bonds had interest payments equal to the interest payable on those Variable Rate Bonds less any payments to the City from the Swap Provider and plus any payments by the City to the Swap Provider as required in the Qualified Swap Agreement (other than fees for providing the Qualified Swap Agreement). The conversion of Junior Lien Bonds constituting Variable Rate Bonds to bear interest at a different variable rate or a fixed rate(s), in accordance with their terms, shall not constitute a new issuance of Junior Lien Bonds under the Junior Lien Indenture.

### **Junior Lien Trustee**

The Junior Lien Indenture provides for the appointment of the Junior Lien Trustee and sets forth the duties and responsibilities of the Junior Lien Trustee. Generally, the Junior Lien Trustee is not under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit, or to advance any of its own moneys, unless it is properly indemnified. Subject to the provisions of the following sentence, the Junior Lien Trustee is not liable in connection with the performance of its duties under the Junior Lien Indenture except for its own negligence or misconduct. However, if an Event of Default has occurred and has not been remedied, the Junior Lien Trustee is required to exercise such of the rights and powers vested in it by the Junior Lien Indenture, and to use the same degree of care and skill in the exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Junior Lien Trustee will not be deemed to have notice of any default under the Junior Lien Indenture except a default described under paragraphs (a) and (b) under the subcaption "Events of Default and Remedies" below or the failure of the City to file with the Junior Lien Trustee any document required by the Junior Lien Indenture unless any officer in the Junior Lien Trustee's corporate trust department has actual knowledge of such default or the Junior Lien Trustee is specifically notified in writing of such default by the City or by the Owners of not less than a majority in principal amount of the Junior Lien Bonds Outstanding. All notices and other instruments required by the Junior Lien Indenture to be delivered to the Junior Lien Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Junior Lien Trustee.

So long as the Series 2001 Junior Lien Bonds are insured under the Policy, ACA may remove the Junior Lien Trustee at any time or for any reason. Additionally, the Junior Lien Trustee may not resign or be otherwise removed until ACA approves any successor Junior Lien Trustee.

### **General Covenants**

Under the Junior Lien Indenture, the City covenants as follows:

*Payment of Bonds.* The City will cause to be punctually paid from the Junior Lien Revenue Fund, but solely to the extent that adequate amounts of Junior Lien Revenues are on deposit in that Fund for that purpose, the principal of, Sinking Fund Installments, if any, interest on and premium, if any, to become due in respect of the Junior Lien Bonds in strict conformity with the terms of the Junior Lien Bonds and the Junior Lien Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements thereof.

*Discharge of Liens.* The City will cause to be paid and discharged, from the Junior Lien Revenue Fund, but solely to the extent that adequate amounts are on deposit in that fund for that purpose, any and all lawful claims which, if unpaid, might become a lien or charge upon the Junior Lien Revenues, or any part thereof, or upon any funds in the hands of the Junior Lien Trustee, or which might impair the security of the

Junior Lien Bonds; provided, that nothing contained in the Junior Lien Indenture will require the City to make any such payment so long as the City in good faith is contesting the validity of such claims.

*Maintenance of Books and Records.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries will be made of all transactions relating to the Junior Lien Bonds and to the Junior Lien Revenues. Such books of record and accounts will at all times during regular business hours be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Junior Lien Bonds then outstanding, or their representatives authorized in writing.

*Financial Statements.* The City will prepare or cause the preparation of, within two hundred seventy (270) days after the close of each fiscal year of the City so long as any of the Junior Lien Bonds are outstanding, audited financial statements with respect to the preceding fiscal year showing the Junior Lien Revenues received and all disbursements from the funds and accounts created by the Junior Lien Indenture, on a consolidated basis, as of the end of such fiscal year, which statements shall be accompanied by a certificate or opinion in writing of an Independent certified public accountant.

*Defense of Claims.* The City will preserve and protect the security of the Junior Lien Bonds and the rights of their Owners and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Junior Lien Bonds by the City, the Junior Lien Bonds will be incontestable by the City.

*Further Actions.* The City will execute and deliver any and all instruments and assurances, as may be reasonably necessary or proper to carry out the intention of, or to facilitate the performance of, the Junior Lien Indenture, and to better assure and confirm unto the Owners of the Junior Lien Bonds the rights and benefits provided in the Junior Lien Indenture.

#### **Events of Default and Remedies**

Each of the following constitutes an "Event of Default" pursuant to the Junior Lien Indenture:

- (a) default in the payment of the principal of or Redemption Price on any Junior Lien Bond when the same becomes due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) default in the payment of any installment of interest on any Junior Lien Bond when and as such installment of interest becomes due and payable; or
- (c) default by the City in the performance of any obligation in respect of the Reserve and Redemption Account if such default continues for sixty (60) days thereafter; or
- (d) the City (1) commences a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (2) makes an assignment for the benefit of its creditors, (3) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (4) is adjudicated a bankrupt or has entered against it any order for relief in respect of an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law if such order continues in effect for a period of sixty (60) days without stay or vacation; or

(e) a court of competent jurisdiction enters an order, judgment or decree appointing a receiver of the City, or of the whole or any substantial part of its property, or approves a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable federal or state law or statute if such order, judgment or decree is not vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the City or of the whole or any substantial part of its property, if such custody or control is not terminated or stayed within sixty (60) days from the date of assumption of such custody or control; or

(g) the City defaults in the performance of any other of the covenants, conditions, agreements and provisions contained in the Junior Lien Bonds or in the Junior Lien Indenture on the part of the City to be performed, if such default continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Junior Lien Trustee (which may give such notice whenever it determines that such a default is subsisting and shall give such notice at the written request of the Owners of not less than a majority in principal amount of the Junior Lien Bonds then outstanding).

Upon the occurrence of an Event of Default under the Junior Lien Indenture, the Junior Lien Trustee may, and upon the written request of the Owners of a majority in principal amount of the Junior Lien Bonds affected by the Event of Default and then outstanding shall, proceed to protect and enforce its rights and the rights of the Owners of the Junior Lien Bonds by a suit, action or special proceeding in equity or at law, by mandamus or otherwise, either for the specific performance of any covenant or agreement contained in the Junior Lien Indenture or in aid of the execution of any power granted in the Junior Lien Indenture or for any enforcement of any proper legal or equitable remedy as the Junior Lien Trustee, being advised by counsel, deems most effective to protect and enforce such rights.

No Owner of any Junior Lien Bond shall have the right to cause the acceleration of the Junior Lien Bonds if any Event of Default occurs under the Junior Lien Indenture.

#### **Application of Revenues and Other Moneys after Default**

If an Event of Default shall happen and shall not have been remedied, the Junior Lien Trustee shall apply all moneys, securities and funds received by the Junior Lien Trustee pursuant to any right given or action taken under the provisions of the Junior Lien Indenture as follows and in the following order:

(a) First, to the payment of the reasonable and proper expenses of the Junior Lien Trustee, the Junior Lien Registrar and Paying Agents, and thereafter;

(b) Second, to the payment of principal or redemption premium, if any, and interest then due on the Junior Lien Bonds as follows:

(i) Unless the principal of all the Junior Lien Bonds shall have become due and payable, all such moneys shall be applied as follows:

(A) first, to the payment to the Persons so entitled of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled to such payment, without any discrimination or preference;

(B) second, to the payment to the Persons so entitled of the unpaid principal of any of the Junior Lien Bonds which shall have become due (other than Junior Lien Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Junior Lien Indenture), in the order of their due dates, with interest upon such Junior Lien Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Junior Lien Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal ratably according to the amount of such principal due on such date, to the Persons entitled to payment without any discrimination or preference; and

(C) third, to the payment of the Redemption Price of any Junior Lien Bonds called for redemption pursuant to the provisions of the Junior Lien Indenture.

(ii) If the principal of all the Junior Lien Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Junior Lien Bonds, with interest on the Junior Lien Bonds as provided above, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Junior Lien Bond over any other Junior Lien Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled to payment without any discrimination or preference.

Whenever moneys are to be applied by the Junior Lien Trustee pursuant to the provisions described above under this heading, such moneys shall be applied by the Junior Lien Trustee at such times, and from time to time, as the Junior Lien Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys, in trust for the proper purpose, shall constitute proper application by the Junior Lien Trustee; and the Junior Lien Trustee shall incur no liability whatsoever to the City, to any Owner or to any other Person for any delay in applying any such funds, so long as the Junior Lien Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Junior Lien Indenture as may be applicable at the time of application by the Junior Lien Trustee. Whenever the Junior Lien Trustee shall exercise such discretion in applying such funds, it shall fix the date (which shall be an Interest Payment Date unless the Junior Lien Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Junior Lien Trustee shall give such notice as it may deem appropriate of the fixing of any such date and of the endorsement to be entered on each Junior Lien Bond on which payment shall be made, and shall not be required to make payment to the Owner of any unpaid Junior Lien Bond until such Junior Lien Bond shall be presented to the Junior Lien Trustee for appropriate endorsement, or some other procedure deemed satisfactory by the Junior Lien Trustee.

### **Restriction on Owners' Action**

No Owner of any Junior Lien Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Junior Lien Indenture or for any remedy thereunder, unless such Owner shall have previously given to the Junior Lien Trustee written notice of the occurrence of an Event of Default, as provided in the Junior Lien Indenture, and the Owners of at least a majority in principal amount of the Junior Lien Bonds then Outstanding shall have filed a written request with the Junior Lien Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Junior Lien Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Junior Lien Trustee adequate security and indemnity against the costs, expenses and liabilities so to be incurred, and the Junior Lien Trustee shall have refused or failed to comply with such request within sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Junior Lien Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Junior Lien Indenture or to enforce any right under the Junior Lien Indenture, except in the manner provided in the Junior Lien Indenture.

### **Supplemental Indentures**

Without the consent of, or notice to, any of the Owners of the Junior Lien Bonds, the City and the Junior Lien Trustee may enter into an indenture or indentures supplemental to, and consistent with the terms and provisions of, the Junior Lien Indenture for any one or more of the following purposes:

- (a) to authorize a Series of Junior Lien Bonds and to specify, determine or authorize any matters and things concerning any such Junior Lien Bonds which are not contrary to or inconsistent with the Junior Lien Indenture;
- (b) to close the Junior Lien Indenture against, or impose additional limitations or restrictions on, the issuance of Junior Lien Bonds, or of other notes, bonds, obligations or evidences of indebtedness;
- (c) to impose additional covenants or agreements to be observed by the City;
- (d) to impose other limitations or restrictions upon the City;
- (e) to surrender any right, power or privilege reserved to or conferred upon the City by the Junior Lien Indenture;
- (f) to confirm, as further assurance, any pledge of or lien upon the Junior Lien Revenues or any other moneys, securities or funds;
- (g) to cure any ambiguity, omission or defect in the Junior Lien Indenture;
- (h) to provide for the appointment of a successor securities depository in the event any Series of Junior Lien Bonds is held in book-entry only form;
- (i) to provide for the appointment of any successor Fiduciary; and

(j) to make any other change which, in the judgment of the Junior Lien Trustee, is not to the prejudice of the Junior Lien Trustee or the Owners.

In addition to supplemental indentures for the purposes described above, the City and the Junior Lien Trustee may enter into any other supplemental indenture or indentures for the purpose of modifying or amending the Junior Lien Indenture with the written consent (a) of the Owners of at least a majority in principal amount of the Junior Lien Bonds which are Outstanding at the time such consent is given, and (b) in case less than all of the several Series of Junior Lien Bonds then outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Junior Lien Bonds of each Series so affected and Outstanding at the time such consent is given; provided, that if such modification or amendment will, by its terms, not take effect so long as any Junior Lien Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Junior Lien Bonds shall not be required and such Junior Lien Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Junior Lien Bonds for this purpose. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Junior Lien Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Junior Lien Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For this purpose, a Series shall be deemed to be affected by a modification or amendment of the Junior Lien Indenture if the same adversely affects or diminishes the rights of the Owners of Junior Lien Bonds of such Series. The Junior Lien Trustee may in its discretion determine whether or not the rights of the Owners of Junior Lien Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the City and all Owners of the Junior Lien Bonds.

#### **Discharge of the Junior Lien Indenture**

If the City (a) pays or causes to be paid to the Owners of the Junior Lien Bonds, the principal, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein and in the Junior Lien Indenture, (b) pays or causes to be paid all fees and expenses of the Junior Lien Trustee, the bond registrar and the paying agent and (c) performs and observes all of its covenants in the Junior Lien Bonds and in the Junior Lien Indenture, then the Junior Lien Indenture and the rights granted thereby with respect to the Junior Lien Bonds so paid will terminate.

Junior Lien Bonds will be deemed to have been paid within the meaning of the Junior Lien Indenture when sufficient moneys or sufficient Defeasance Obligations (including interest thereon when due) have been deposited with the Junior Lien Trustee (whether upon or prior to the maturity or the redemption date of such Junior Lien Bonds) to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Junior Lien Bonds on and prior to each specified redemption date or maturity date of such Junior Lien Bonds, as the case may be; provided, however, that if such Junior Lien Bonds are to be redeemed prior to maturity, notice of redemption has been given as provided in the Junior Lien Indenture or arrangements satisfactory to the Junior Lien Trustee have been made for the giving thereof.

## Bond Insurer

*Payments Under the Policy.* As long as any Policy shall be in full force and effect with respect to the Series 2001 Junior Lien Bonds, the City, the Junior Lien Trustee and any Paying Agent agree to comply with the following provisions:

(a) At least two (2) Business Days prior to all interest and principal payment dates on the Series 2001 Junior Lien Bonds, the Junior Lien Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the funds and accounts maintained under the Junior Lien Indenture to pay the principal of or interest on the Series 2001 Junior Lien Bonds on such payment date. If the Junior Lien Trustee or Paying Agent, if any, determines that there will be insufficient funds in such funds or accounts, the Junior Lien Trustee or Paying Agent, if any, shall immediately so notify ACA or its designee by telephone or electronic mail, confirmed in writing by registered or certified mail. Such notice shall specify the amount of the anticipated deficiency, the Series 2001 Junior Lien Bonds to which such deficiency is applicable and whether such Series 2001 Junior Lien Bonds will be deficient as to principal or interest, or both.

(b) If the deficiency is made up in whole or in part prior to or on the interest or principal payment date, as applicable, the Junior Lien Trustee or Paying Agent, if any, shall so notify ACA or its designee.

(c) If the Junior Lien Trustee or Paying Agent, if any, has notice that any Bondholder has been required to disgorge payments of principal or interest on any of the Series 2001 Junior Lien Bonds pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Junior Lien Trustee or Paying Agent, if any, shall notify ACA or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

(d) The Junior Lien Trustee or Paying Agent, if any, is irrevocably designated, appointed, directed and authorized under the Junior Lien Indenture to act as attorney-in-fact for Owners of the Series 2001 Junior Lien Bonds as follows:

(i) if and to the extent there is a deficiency in amounts required to pay interest on the Series 2001 Junior Lien Bonds, the Junior Lien Trustee or Paying Agent, if any, shall:

(A) execute and deliver to ACA, in form satisfactory to ACA, an instrument appointing ACA as agent for such Owners of the Series 2001 Junior Lien Bonds in any legal proceeding related to the payment of such interest and an assignment to ACA of the claims for interest to which such deficiency relates and which are paid by ACA,

(B) receive as designee of the respective Owners of the Series 2001 Junior Lien Bonds (and not as Junior Lien Trustee or Paying Agent) in accordance with the tenor of the Policy payment from ACA with respect to the claims for interest so assigned, and

(C) disburse the same to such respective Owners of the Series 2001 Junior Lien Bonds; and

(ii) if and to the extent of a deficiency in amounts required to pay principal of the Series 2001 Junior Lien Bonds, the Junior Lien Trustee or Paying Agent, if any, shall:

(A) execute and deliver to ACA, in form satisfactory to ACA, an instrument appointing ACA as agent for such Owners of the Series 2001 Junior Lien Bonds in any legal proceeding related to the payment of such principal and an assignment to ACA of the Series 2001 Junior Lien Bonds surrendered to ACA in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the Junior Lien Trustee or Paying Agent, if any, and available for such payment (but such assignment shall be delivered only if payment from ACA is received),

(B) receive as designee of the respective Owners of the Series 2001 Junior Lien Bonds (and not as Junior Lien Trustee or Paying Agent) in accordance with the tenor of the Policy payment therefor from ACA, and

(C) disburse the same to such Owners of the Series 2001 Junior Lien Bonds.

(e) Payments with respect to claims for interest on and principal of Series 2001 Junior Lien Bonds disbursed by the Junior Lien Trustee or Paying Agent, if any, from proceeds of the Policy shall not be considered to discharge the obligation of the City with to such Series 2001 Junior Lien Bonds, and ACA shall become the owner of such unpaid Series 2001 Junior Lien Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the City and the Junior Lien Trustee or Paying Agent, if any, agree in the Junior Lien Indenture for the benefit of ACA that:

(i) they recognize that to the extent ACA makes payments directly or indirectly (as by paying through the Junior Lien Trustee or Paying Agent), on account of principal of or interest on the Series 2001 Junior Lien Bonds, ACA will be subrogated to the rights of such Owners of the Series 2001 Junior Lien Bonds to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in the Junior Lien Indenture, the Junior Lien First Supplemental Indenture and the Series 2001 Junior Lien Bonds; and

(ii) they will accordingly pay to ACA the amount of such principal and interest, with interest thereon as provided in the Junior Lien Indenture, the Junior Lien First Supplemental Indenture and the Series 2001 Junior Lien Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Series 2001 Junior Lien Bonds to the Owners thereof, and will otherwise treat ACA as the Owner of such rights to the amount of such principal and interest.

(g) ACA shall be entitled to pay principal or interest on the Series 2001 Junior Lien Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Policy), whether or not ACA has received a Notice (as defined in the Policy) of Nonpayment or a claim upon the Policy.

*Consent of ACA.* (a) Any provision of the Junior Lien Indenture or the Junior Lien First Supplemental Indenture expressly recognizing or granting rights in or to ACA may not be amended in any manner which affects the rights of ACA without the prior written consent of ACA.



- (b) The consent of ACA shall be required under the following circumstances:
- (i) whenever the Junior Lien Indenture requires the consent of the Owners;
  - (ii) prior to the City changing boundaries of the Near South Redevelopment Project Area, which consent shall not be unreasonably withheld;
  - (iii) in the event of any reorganization or liquidation plan with respect to the City; in such case, ACA shall have the right to vote on behalf of all Owners who hold Series 2001 Junior Lien Bonds absent a default by ACA under the Policy; and
  - (iv) prior to amending the Senior Lien Indenture, which consent shall not be unreasonably withheld.

*ACA Deemed Bondholder.*

Upon Default. Upon the occurrence and continuance of an Event of Default, ACA shall have the right to vote on behalf of all Owners who hold Series 2001 Junior Lien Bonds absent a default by ACA under the Policy.

Defeasance. Notwithstanding anything in the Junior Lien Indenture or the Junior Lien First Supplemental Indenture to the contrary, in the event that the principal of or interest on the Series 2001 Junior Lien Bonds shall be paid by ACA pursuant to the Policy, the Series 2001 Junior Lien Bonds shall remain Outstanding for all purposes, shall not be deemed to be defeased or otherwise satisfied and not considered paid by the City, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the City to the Owners of the Series 2001 Junior Lien Bonds shall continue to exist and shall run to the benefit of ACA, and ACA shall be subrogated to the rights of such Owners.

Unless ACA otherwise consents, no Series 2001 Junior Lien Bonds shall be deemed to be paid within the meaning of the Junior Lien Indenture by the deposit of moneys and Defeasance Obligations in escrow with the Junior Lien Trustee as contemplated therein unless there shall have been delivered to ACA (A) a report of an independent certified public accounting firm verifying that such moneys and the receipts from such Defeasance Obligations are sufficient to pay the principal of and interest and redemption premium, if any, on such Series 2001 Junior Lien Bonds when due, (B) an opinion or opinions of independent counsel to the effect that (1) such Series 2001 Junior Lien Bonds are deemed to have been paid within the meaning of the Junior Lien Indenture, and (2) the establishment of such escrow will not adversely affect the exclusion of interest on the Series 2001 Junior Lien Bonds from gross income for federal income tax purposes, and (C) such Defeasance Obligations in such escrow may not be replaced without a confirming verification report and confirming legal opinions as described above and the written consent of ACA.

## **THE SENIOR LIEN INDENTURE**

The Series 2001 Junior Lien Bonds constitute Junior Lien Obligations under the Senior Lien Indenture. Payment of the Series 2001 Junior Lien Bonds and any other Junior Lien Bonds is subject and subordinate to the prior pledge of Pledged Revenues to (1) the payment of the Series 1999 Senior Lien Bonds and any Additional Senior Lien Bonds issued in the future, as provided in the Senior Lien Indenture and (2) certain deposit requirements therein provided. As of the date of this Official Statement, the principal amount of the outstanding Series 1999 Senior Lien Bonds is \$45,140,000. Below is a summary of the Senior Lien

Indenture, as amended by Amendment No. 1 to the Trust Indenture from City of Chicago to Cole Taylor Bank, as Senior Lien Trustee dated April 1, 2001 ("Amendment No. 1"). Defined terms used in this section have the same meaning ascribed to them in the Senior Lien Indenture, as amended. Neither the following summary nor the descriptions contained elsewhere in this Official Statement are intended to be comprehensive or definitive and are qualified in their entirety by reference to the Senior Lien Indenture and Amendment No. 1, copies of which are available for review prior to the issuance and delivery of the Series 2001 Junior Lien Bonds at the office of the City Comptroller, Room 600, 33 North LaSalle Street, Chicago, Illinois 60602, and thereafter at the office of the Junior Lien Trustee.

### **Additional Senior Lien Bonds; Senior Lien Refunding Bonds; Junior Lien Obligations**

Subject to compliance with the conditions described below, under the Senior Lien Indenture, the City may issue Additional Senior Lien Bonds or Junior Lien Obligations for the purposes authorized in the Near South Redevelopment Plan or may issue Senior Lien Refunding Bonds. Except with respect to sub-accounts of the Reserve Account (as defined in the Senior Lien Indenture) which secure particular Series of Senior Lien Bonds and as otherwise provided in the Senior Lien Indenture, any such Additional Senior Lien Bonds or Senior Lien Refunding Bonds will share ratably and equally with the Series 1999 Senior Lien Bonds in the Pledged Revenues, including Incremental Taxes and the funds and accounts established by the Senior Lien Indenture. Except with respect to sub-accounts of the Reserve Account which secure particular Series of Senior Lien Bonds and as otherwise provided in the Senior Lien Indenture, Additional Senior Lien Bonds and Senior Lien Refunding Bonds shall not have any terms creating a preference or priority of any Series of Additional Senior Lien Bonds or Senior Lien Refunding Bonds over the Series 1999 Senior Lien Bonds or any other Series of Additional Senior Lien Bonds or Senior Lien Refunding Bonds. Any Junior Lien Obligations (including the Series 2001 Junior Lien Bonds) shall be subordinate to the Senior Lien Bonds and any Additional Senior Lien Bonds and Senior Lien Refunding Bonds and shall have the terms established in the supplemental indenture, resolution or indenture authorizing such issuance of Junior Lien Obligations.

*General Provisions for Issuance and Delivery of Senior Lien Bonds.* (a) Each Series of Senior Lien Bonds shall be created by a supplemental indenture which shall prescribe expressly or by reference with respect to such Series (unless otherwise determined in the Senior Lien Indenture):

- (i) the authorized principal amount, designation and Series of such Senior Lien Bonds;
- (ii) the purposes for which such Series of Senior Lien Bonds is being issued;
- (iii) the manner in which the proceeds of the Senior Lien Bonds of such Series are to be applied;
- (iv) the date and the maturity date or dates of the Senior Lien Bonds of such Series;
- (v) the interest rate(s) of the Senior Lien Bonds of such Series, or the manner of determining such rate or rates, and the Interest Payment Dates and Record Dates therefor;
- (vi) the Authorized Denominations and the manner of dating, numbering and lettering of the Senior Lien Bonds of such Series;
- (vii) the Registrar and the Paying Agent or Paying Agents for the Senior Lien Bonds of such Series;

(viii) the Redemption Price(s), if any, and any redemption dates and terms for the Senior Lien Bonds of such Series;

(ix) the place or places of payment of the Redemption Price of, and interest on, the Senior Lien Bonds of such Series or the manner of designating the same;

(x) the amount and date of each Sinking Fund Installment, if any, for Senior Lien Bonds of like maturity of such Series; provided that the aggregate of such Sinking Fund Installments shall equal the aggregate principal amount of all such Senior Lien Bonds less the principal amount scheduled to be retired at maturity;

(xi) provisions as to registration of the Senior Lien Bonds of such Series,

(xii) the form and text of the Senior Lien Bonds of such Series and provision for the Senior Lien Trustee's authentication thereof by certificate or otherwise;

(xiii) the amount of the Debt Service Reserve Requirement with respect to such Series of Senior Lien Bonds, if any, calculated immediately after such authentication and delivery; and

(xiv) any other provisions deemed advisable by the City as shall not conflict with the provisions of the Senior Lien Indenture.

(b) Senior Lien Bonds of the same Series and maturity shall be of like tenor except as to denomination and form. After the original issuance of Senior Lien Bonds of a Series, no Senior Lien Bonds of such Series shall be issued except in lieu of or in substitution for the Senior Lien Bonds of such Series pursuant to the Senior Lien Indenture.

(c) Senior Lien Bonds may be issued as Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Tender Option Bonds (provided the City shall deliver to the Senior Lien Trustee upon the authentication of such bonds a Credit Facility which the Senior Lien Trustee or another Fiduciary may draw upon to pay the purchase price of any such bonds), Serial Bonds or Term Bonds or any combination thereof, all as provided in the supplemental indenture providing for their issuance.

*Conditions Precedent to Delivery of Any Series.* Senior Lien Bonds of any Series shall be executed by the City and delivered to the Senior Lien Trustee and thereupon shall be authenticated by the Senior Lien Trustee and delivered to the City or upon its order, but only following the receipt by the Senior Lien Trustee of:

(a) A copy of an ordinance adopted by the City Council, certified by the City Clerk, authorizing the execution and delivery of the applicable supplemental indenture;

(b) A counsel's opinion to the effect that (i) the City had the right and power to adopt the ordinance referred to in (a) above; (ii) the ordinance has been duly and lawfully adopted by the City Council, is in full force and effect and is valid and binding upon the City and is enforceable in accordance with its terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iii) the Senior Lien

Indenture and such supplemental indenture have been duly and lawfully executed by authorized officers of the City, are in full force and effect and are valid and binding upon the City and are enforceable in accordance with their terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iv) the Senior Lien Indenture and the supplemental indenture create the valid pledge of Pledged Revenues, moneys and securities held thereunder for the benefit and security of the Senior Bonds, subject to application thereof in the manner provided therein; and (v) upon the execution, authentication and delivery thereof, the Senior Lien Bonds of such Series will have been duly and validly authorized and issued in accordance with the constitution and laws of the State of Illinois, the Senior Lien Indenture and such supplemental indenture;

(c) A written order as to the delivery of such Series, executed by an Authorized Officer: (i) stating the identity of the purchasers, aggregate purchase price and date and place of delivery of such Series, (ii) stating that no Event of Default has occurred and is continuing under the Senior Lien Indenture, and (iii) fixing and determining all terms and provisions of the Senior Lien Bonds of such Series not fixed or determined by the Senior Lien Indenture or the applicable supplemental indenture;

(d) An original executed counterpart of the Senior Lien Indenture (or a copy duly certified by the City Clerk of the City) and the applicable supplemental indenture;

(e) With respect to all Series of Senior Lien Bonds, other than Senior Lien Refunding Bonds to the extent permitted by the Senior Lien Indenture as described below, issued and delivered subsequent to the delivery of the Series 1999 Senior Lien Bonds, a certificate of an Authorized Officer:

(i) setting forth the amount of the Pledged Revenues in the most recently ended Bond Year next preceding the date of issuance of such Senior Lien Bonds;

(ii) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Senior Lien Bonds then outstanding and the Senior Lien Bonds proposed to be issued;

(iii) establishing that the amount shown in subparagraph (i) above shall be not less than 115 percent of the Average Annual Debt Service Requirement on account of all Senior Lien Bonds then outstanding and the Senior Lien Bonds proposed to be issued; and

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Senior Lien Indenture are current.

In applying the foregoing test, if any of the Senior Lien Bonds outstanding immediately prior to or after the issuance of the Senior Lien Bonds to be issued, constitute Tender Option Bonds or Variable Rate Bonds, the provisions set forth in the Senior Lien Indenture shall be applied in determining the Annual Debt Service Requirements of such Senior Lien Bonds.

*Senior Lien Refunding Bonds.* (a) One or more Series of Senior Lien Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all outstanding Senior Lien Bonds of one or more Series, to refund or advance refund any Junior Lien Obligations, to pay costs and expenses incident to the issuance of such Senior Lien Refunding Bonds and to make deposits in any fund,

account or sub-account under the Senior Lien Indenture as determined by the City in the supplemental indenture authorizing such Senior Lien Bonds.

(b) Senior Lien Refunding Bonds of a Series to refund or advance refund outstanding Senior Lien Bonds shall be authenticated and delivered by the Senior Lien Trustee only upon receipt by it (in addition to the documents, securities and moneys required by paragraphs (a), (b), (c) and (d) under the subcaption "--Conditions Precedent to Delivery of Any Series" above) of:

(i) Such instructions to the Senior Lien Trustee as necessary to comply with all requirements set forth in the Senior Lien Indenture so that the Senior Lien Bonds to be refunded or advance refunded will be paid or deemed to be paid pursuant to the Senior Lien Indenture.

(ii) Either (A) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Senior Lien Bonds to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case may be, which moneys shall be held by the Senior Lien Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Senior Lien Bonds to be refunded or advance refunded, or (B) Government Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Senior Lien Trustee at the same time, to comply with the provisions of the Senior Lien Indenture.

(iii) A certificate of an Authorized Officer evidencing either that (A) (1) the term of the Senior Lien Refunding Bonds does not exceed the term of the Senior Lien Bonds being refunded, and (2) the Annual Debt Service Requirement for any Bond Year on account of all Senior Lien Bonds outstanding after the issuance of such Senior Lien Refunding Bonds and the redemption or provision for payment of the Senior Lien Bonds to be refunded, shall not exceed the Annual Debt Service Requirement for the corresponding Bond Year on account of all the Senior Lien Bonds outstanding, including the Senior Lien Bonds to be refunded, immediately prior to the issuance of such Senior Lien Refunding Bonds, or (B) in the case of a refunding of outstanding Senior Lien Bonds that does not meet the requirements of the preceding clause (A), delivery of a certificate of an Authorized Officer:

(1) setting forth the amount of the Pledged Revenues in the most recently ended Bond Year next preceding the date of issuance of such Senior Lien Refunding Bonds;

(2) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Senior Lien Bonds then outstanding and the Senior Lien Refunding Bonds proposed to be issued;

(3) establishing that the amount shown in subparagraph (1) above shall be not less than 115 percent of the Average Annual Debt Service Requirement on account of all Senior Lien Bonds then outstanding and the Senior Lien Refunding Bonds proposed to be issued;

(iv) stating that all required deposits to all funds, accounts and sub-accounts hereunder are current; and

(v) attaching the written consent of the Owners of all Senior Lien Bonds then outstanding to the issuance of such Senior Lien Refunding Bonds.

In applying the test set forth in subparagraph (b)(iii) above, if any of the Senior Lien Bonds outstanding immediately prior to or after the issuance of the Senior Lien Refunding Bonds to be issued constitute Tender Option Bonds or Variable Rate Bonds, the following provisions shall be applied in determining the Annual Debt Service Requirements of such Senior Lien Bonds:

(X) *Tender Option Bonds.* If any of the outstanding Senior Lien Bonds constitute Tender Option Bonds, then for purposes of the amounts to be shown as set forth in optional subparagraph (b)(iii) above, the options of the Owners of such Senior Lien Bonds to tender the same for payment prior to their stated maturity or maturities shall be ignored, and (1) if such Senior Lien Bonds also constitute Variable Rate Bonds, the City shall adjust such amounts to be shown as set forth in subparagraph (b)(iii) above as provided in subparagraph (Y) below, (2) if such Senior Lien Bonds are secured by a Credit Facility, the Credit Bank or obligations secured by credit facilities issued by such Credit Bank shall be rated in one of the three highest rating categories (without reference to gradations such as “plus” or “minus”) by any of the Rating Agencies, and (3) any obligation the City may have other than its obligation on such Senior Lien Bonds (which need not be uniform as to all Owners thereof) to reimburse any Credit Bank including any obligations so to reimburse in excess of the Annual Debt Service Requirements on such Senior Lien Bonds (determined without regard to whether such Credit Bank shall then be holding or shall then have had pledged to it such Senior Lien Bonds) shall be subordinated to the obligation of the City on the Senior Lien Bonds.

(Y) *Variable Rate Bonds.* If any of the outstanding Senior Lien Bonds constitute Variable Rate Bonds, then for purposes of the amounts to be shown as set forth in subparagraph (b)(iii) above, the interest rate used in such computation shall be the least of (a) the maximum interest rate established in the supplemental indenture authorizing such Senior Lien Bonds and (b) if and so long as a Qualified Swap Agreement is in effect, the interest rate shall be determined as if the Variable Rate Bonds had interest payments equal to the interest payable on those Variable Rate Bonds less any payments to the City from the Swap Provider and plus any payments by the City to the Swap Provider as provided by the Qualified Swap Agreement (other than fees for providing the Qualified Swap Agreement). The conversion of Senior Lien Bonds constituting Variable Rate Bonds to bear interest at a different variable rate or a fixed rate or rates, in accordance with their terms, shall not constitute a new issuance of Senior Lien Bonds.

(c) Refunding Senior Lien Bonds of a Series issued to refund or advance refund Junior Lien Obligations shall be authenticated and delivered by the Senior Lien Trustee only upon receipt by it (in addition to the documents, securities and moneys required under the subcaption “- Conditions Precedent to Delivery of Any Series” above) of:

(i) A certificate of an Authorized Officer evidencing satisfaction of the test set forth in paragraph (e) under the subcaption “- Conditions Precedent to Delivery of Any Series” as applied to the Senior Lien Refunding Bonds to be used under the provisions of this subcaption.

(ii) A certificate of the trustee then duly appointed or acting under the supplemental indenture, indenture, ordinance or other appropriate instrument securing and authorizing such Junior Lien Obligations or of the City if there shall be no such trustee, that (A) provision has been duly made for the redemption or payment at maturity of such Junior Lien Obligations in accordance with the terms thereof, (B) the pledge of Pledged Revenues securing such Junior Lien Obligations and all other rights granted by such indenture, ordinance or instrument shall have been discharged and

satisfied, and (C) such trustee or the paying agents for such Junior Lien Obligations hold in trust the moneys or securities, together with investment income thereon, required to effect such redemption or payment.

(iii) A counsel's opinion to the effect that all actions required under the supplemental indenture, ordinance or other appropriate instrument securing and authorizing such Junior Lien Obligations to provide for the redemption or payment of such Junior Lien Obligations has been taken.

(iv) The proceeds, including accrued interest, of the Senior Lien Refunding Bonds of each Series shall be applied upon their delivery as follows: (A) there shall be deposited in any fund, account or sub-account under the Senior Lien Indenture the amount, if any, required by the supplemental indenture authorizing such Series including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Senior Lien Refunding Bonds, (B) the amount of such proceeds needed for the refunding of the Junior Lien Obligations to be refunded and for the payment of expenses incidental to such refunding shall be used for such purposes, and (C) any balance of such proceeds shall be deposited in the Incremental Taxes Fund for application pursuant to the Senior Lien Indenture.

*Junior Lien Obligations.* (a) The City may authorize and issue Junior Lien Obligations from time to time pursuant to supplemental indentures for any of the purposes for which Senior Lien Bonds may be issued under the Senior Lien Indenture. The Junior Lien Obligations shall be payable out of the Pledged Revenues and may be secured by a pledge and assignment of such amounts in the accounts and sub-accounts established pursuant to the Senior Lien Indenture and the respective supplemental indenture as may from time to time be available for the purpose of payment thereof as provided in the Senior Lien Indenture; provided, however, that any such pledge and assignment shall be, and shall be expressed to be, subordinate to the pledge of the Trust Estate under the Senior Lien Indenture as security for the Senior Lien Bonds to the extent provided in the Senior Lien Indenture.

(b) Prior to the issuance of any Junior Lien Obligations, there shall be delivered to the Senior Lien Trustee a certificate of an Authorized Officer:

(i) setting forth the amount of the Pledged Revenues projected to be available to pay debt service on outstanding Senior Lien Bonds and such Junior Lien Obligations for each Bond Year during the period such Junior Lien Obligations will be outstanding, which projection of Pledged Revenues shall be based (as to projected Incremental Taxes) on a report prepared by an Independent consultant having recognized urban renewal and tax increment financing expertise;

(ii) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Senior Lien Bonds and Junior Lien Obligations then outstanding and the Junior Lien Obligations proposed to be issued under the Senior Lien Indenture;

(iii) establishing that (A) the amount shown in subparagraph (i) above for each Bond Year to and including the Bond Year ending November 15, 2012, shall be not less than 100 percent of the Maximum Annual Debt Service Requirement for the following Bond Year on account of all Senior Lien Bonds and Junior Lien Obligations then outstanding and the Junior Lien Obligations proposed to be issued and (B) the amount shown in subparagraph (i) for the Bond Years ending November 15, 2013 and November 15, 2014, in the aggregate, shall not be less than 100 percent of

the Maximum Annual Debt Service Requirement on account of all Senior Lien Bonds and Junior Lien Obligations then outstanding and the Junior Lien Obligations proposed to be issued for the Bond Year ending November 15, 2014; provided, that calculations pursuant to subparagraph (ii) above shall be exclusive of the final maturing principal amount of any series to the extent of the applicable Debt Service Reserve Requirement if amounts held in the Reserve Account or Reserve and Redemption Account (as applicable) for such series are expected to be available to pay Senior Lien Bonds or Junior Lien Obligations (as applicable) of such series on such final maturity date; and,

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Senior Lien Indenture are current.

In applying the foregoing test, if any of the Junior Lien Obligations outstanding immediately prior to or after the issuance of the Junior Lien Obligations to be issued, constitute Tender Option Bonds or Variable Rate Bonds, the provisions set forth above under the subcaption "-- Senior Lien Refunding Bonds" shall be applied in determining the Annual Debt Service Requirements of such Junior Lien Obligations.

(c) The Junior Lien Obligations shall have such terms and provisions as shall be set forth in the supplemental indenture providing for the issuance thereof; provided, however, that no holder of a Junior Lien Obligation shall have the right to cause the acceleration of such Junior Lien Obligation in the event of a default thereunder.

#### **Senior Lien Trustee**

The Senior Lien Indenture provides for the appointment of the Senior Lien Trustee and sets forth the duties and responsibilities of the Senior Lien Trustee. Generally, the Senior Lien Trustee is not under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit, or to advance any of its own moneys, unless it is properly indemnified. Subject to the provisions of the following sentence, the Senior Lien Trustee is not liable in connection with the performance of its duties under the Senior Lien Indenture except for its own negligence or misconduct. However, if an Event of Default has occurred and has not been remedied, the Senior Lien Trustee is required to exercise the rights and powers vested in it by the Senior Lien Indenture, and to use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Senior Lien Trustee will not be deemed to have notice of any default under the Senior Lien Indenture except a default described under Paragraphs (a) or (b) under the subcaption "-- Events of Default and Remedies" below or the failure of the City to file with the Senior Lien Trustee any document required by the Senior Lien Indenture unless any officer in the Senior Lien Trustee's corporate trust department has actual knowledge of the default or the Senior Lien Trustee is specifically notified in writing of the default by the City or by the Owners of not less than a majority in principal amount of the Senior Lien Bonds outstanding. All notices or other instruments required by the Senior Lien Indenture to be delivered to the Senior Lien Trustee must, in order to be effective, be delivered to the principal corporate trust office of the Senior Lien Trustee.

#### **General Covenants**

Under the Senior Lien Indenture, the City covenants as follows:

*Payment of Bonds.* The City covenants and agrees that it will pay or cause payment to be made, when due, solely from Pledged Revenues, the principal at maturity and Redemption Price, if any, of every



outstanding Senior Lien Bond, and the interest thereon, solely from Pledged Revenues, at the places, on the dates and in the manner provided in the Senior Lien Indenture and in the Senior Lien Bonds. The City further covenants and agrees that it will make deposits, solely from Pledged Revenues, to meet all Sinking Fund Installments for the Senior Lien Bonds and for each other Series of Senior Lien Bonds for which Sinking Fund Installments are established, in accordance with and subject to the provisions of the Senior Lien Indenture and each supplemental indenture.

*Extension of Payment of Bonds.* If the maturity of any Senior Lien Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof and in accordance with all applicable laws and regulations, such Senior Lien Bond or installment of interest shall not be entitled, in case of any default under the Senior Lien Indenture, to the benefit of the Senior Lien Indenture or to payment out of Pledged Revenues or the funds, accounts and sub-accounts established by the Senior Lien Indenture or moneys held by Fiduciaries or Depositories (except moneys held in trust for the payment of such Senior Lien Bond or installment of interest) until the prior payment of the principal of all Senior Lien Bonds outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Senior Lien Bonds as shall not be represented by such extended claims for interest.

*Offices for Servicing Bonds.* The City shall at all times maintain one or more Paying Agents and Registrars in Chicago, Illinois, or in New York, New York, where Senior Lien Bonds may be presented for payment and where Senior Lien Bonds may be presented for registration, transfer or exchange.

*Further Assurances.* At any and all times the City shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming, all and singular, the rights, Pledged Revenues and other moneys, securities and funds pledged or assigned under the Senior Lien Indenture, or which the City may become bound to pledge or assign.

*Power to Issue Bonds and Pledge Pledged Revenues and Other Funds.* The City is duly authorized under all applicable laws to issue the Senior Lien Bonds and to execute and deliver the Senior Lien Indenture and to pledge the Pledged Revenues and other moneys, securities and funds pledged by the Senior Lien Indenture and to grant the lien granted by the Senior Lien Indenture thereon in the manner, and to the extent provided in the Senior Lien Indenture. Except as provided in the Senior Lien Indenture, the Pledged Revenues and other moneys, securities and funds so pledged, and subject to such lien, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Senior Lien Indenture, and all action on the part of the City to that end has been and will be duly and validly taken. The Senior Lien Bonds and the provisions of the Senior Lien Indenture are and will be valid and legally enforceable obligations of the City in accordance with their terms and the terms of the Senior Lien Indenture and any supplemental indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The City covenants that upon the date of issuance of any of the Senior Lien Bonds, all conditions, acts and things required by the constitution and laws of the State of Illinois and the Senior Lien Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Senior Lien Bonds shall exist, have happened and have been performed. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Pledged Revenues and other moneys, securities and funds pledged under the Senior Lien Indenture and all the rights of the Owners under the Senior Lien Indenture against all claims and demands.

*Indebtedness and Liens.* The City shall not issue any bonds or other evidences of indebtedness, other than the Senior Lien Bonds and Junior Lien Obligations, which are secured by a pledge of, or lien on, the Pledged Revenues or the moneys, securities or funds held or set aside by the City or by the Senior Lien Trustee under the Senior Lien Indenture, and shall not, except as expressly authorized in the Senior Lien Indenture, create or cause to be created any lien or charge on the Pledged Revenues or such moneys, securities or funds; provided, however, that nothing contained in the Senior Lien Indenture shall prevent the City from issuing evidences of indebtedness payable from, or secured by the pledge of, Pledged Revenues to be derived on and after such date as the pledge of Pledged Revenues provided in the Senior Lien Indenture shall be discharged and satisfied as provided in the Senior Lien Indenture.

*Covenants of the City.* The City covenants and agrees with the Owners of the Senior Lien Bonds that so long as any Senior Lien Bonds remain outstanding and unpaid:

(a) The City will cause to be punctually paid from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that fund for that purpose, the principal of, interest on and premium, if any, to become due in respect of the Senior Lien Bonds in strict conformity with the terms of the Senior Lien Bonds, the Senior Lien Indenture and the applicable supplemental indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Senior Lien Bonds, the Senior Lien Indenture and each supplemental indenture

(b) The City will cause to be punctually paid and discharged, from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that fund for that purpose, any and all lawful claims which, if unpaid, might become a lien or charge upon the Pledged Revenues, or any part of the Pledged Revenues, or upon any funds in the hands of the Senior Lien Trustee, or which might impair the security of the Senior Lien Bonds. Nothing in the Senior Lien Indenture shall require the City to make any such payment so long as the City in good faith shall contest the validity of said claims.

(c) The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Senior Lien Bonds and to the Pledged Revenues. The books of record and accounts, and any other report shall at all times during regular business hours be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Senior Lien Bonds then outstanding, or their representatives authorized in writing.

The City will prepare, or cause the preparation of, within two hundred seventy (270) days after the close of each Fiscal Year of the City so long as any of the Senior Lien Bonds are outstanding, audited financial statements with respect to the preceding Fiscal Year showing the Pledged Revenues received and all disbursements from the funds and accounts created by the Senior Lien Indenture, on a consolidated basis, as of the end of such Fiscal Year, which statements shall be accompanied by a certificate or opinion in writing of an Independent certified public accountant. The City will provide such audited financial statements upon request to any Person holding more than fifty percent (50%) of the Senior Lien Bonds.

(d) The City will preserve and protect the security of the Senior Lien Bonds and the rights of the Owners, and will warrant and defend their rights against all claims, and demands of all Persons. From and after the sale and delivery of any of the Senior Lien Bonds by the City, the Senior Lien Bonds shall be incontestable by the City.

(e) The City will execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention of, or to facilitate the performance of, the Senior Lien Indenture, and for the better assuring and confirming unto the registered Owners of the Senior Lien Bonds of the rights and benefits provided in the Senior Lien Indenture.

(f) Upon request of any Person holding more than fifty percent (50%) of the Senior Lien Bonds, the City will provide the most recent information available regarding the Equalized Assessed Valuation of each taxable lot, block, tract or parcel of real property in the Near South Redevelopment Project Area.

#### **Events of Default and Remedies**

Each of the following constitutes an Event of Default pursuant to the Senior Lien Indenture:

(a) default shall be made in the payment of the principal of or redemption premium, if any, on any Senior Lien Bond when such payment shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) default shall be made in the payment of any installment of interest on any Senior Lien Bond when and as such payment shall become due and payable; or

(c) default shall be made by the City in the performance of any obligation in respect of the Reserve Account and such default shall continue for sixty (60) days after such default; provided, however, that if the nature of the default is such that it cannot be cured within the sixty (60) day period following receipt of notice specifying such default, but can be cured within a longer period, no event of default shall occur if the City institutes corrective action within such sixty (60) day period and diligently pursues such action until the default is corrected; or

(d) the City shall (1) commence a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (2) make an assignment for the benefit of its creditors, (3) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (4) be adjudicated a bankrupt or have entered against it any order for relief in respect of an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law and such order continues in effect for a period of sixty (60) days without stay or vacation; or

(e) a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of the City, or of the whole or any substantial part of its property, or approving a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable federal or state law or statute and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry of such order, judgment or decree; or

(f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property and such custody or control shall not be terminated or stayed within sixty (60) days from the date of assumption of such custody or control; or

(g) the City shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions, contained in the Senior Lien Bonds or in the Senior Lien Indenture on the part of the City to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring such default to be remedied shall have been given to the City by the Senior Lien Trustee (which may give such notice whenever it determines that such a default is subsisting and shall give such notice at the written request of the registered Owners of not less than the Owners of a majority of the principal amount of the Senior Lien Bonds then outstanding); provided, however that if the nature of the default is such that it cannot be cured with the sixty (60) day period following receipt of notice specifying such default but can be cured within a longer period, no event of default shall occur if the City institutes corrective action within such sixty (60) day period and diligently pursues such action until the default is corrected; then in each and every such case the Senior Lien Trustee may, and upon the written request of the Owners of a majority of the principal amount of the Senior Lien Bonds affected by the Event of Default and then outstanding under the Senior Lien Indenture shall proceed to protect and enforce its rights, and the rights of the Owners of the Senior Lien Bonds by a suit, action or special proceeding in equity or at law, by mandamus or otherwise, either for the specific performance of any covenant or agreement contained in the Senior Lien Indenture or in aid or execution of any power granted by the Senior Lien Indenture or for any enforcement of any proper legal or equitable remedy as the Senior Lien Trustee, being advised by counsel, shall deem most effectual to protect and enforce those rights.

During the continuance of an Event of Default, all moneys received by the Senior Lien Trustee under the Senior Lien Indenture from the City or from any other source shall be applied by the Senior Lien Trustee in accordance with the terms of the Senior Lien Indenture.

#### **Proceedings Brought by Senior Lien Trustee**

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Senior Lien Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than a majority in principal amount of the Senior Lien Bonds outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Senior Lien Bonds under the Senior Lien Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the indenture, or in aid of the execution of any power granted in the Senior Lien Indenture, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Senior Lien Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Senior Lien Indenture.

(b) All rights of action under the Senior Lien Indenture may be enforced by the Senior Lien Trustee without the possession of any of the Senior Lien Bonds or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Senior Lien Trustee shall be brought in its name.

(c) All actions against the City under the Senior Lien Indenture shall be brought in a state or federal court located in the State of Illinois and situated in the County of Cook.

(d) The Owners of not less than a majority in principal amount of the Senior Lien Bonds then outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Senior Lien Indenture or for the enforcement of any remedy available to the Senior Lien Trustee, or exercising any trust or power conferred upon the trustee,

provided that the Senior Lien Trustee shall have the right to decline to follow any such direction if the Senior Lien Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Senior Lien Trustee in good faith shall determine that the action or proceeding so directed would involve the Senior Lien Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

(e) Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Senior Lien Trustee to enforce any right under the Senior Lien Indenture, the Senior Lien Trustee shall be entitled to exercise any and all rights and powers conferred in the Senior Lien Indenture and provided to be exercised by the Senior Lien Trustee upon the occurrence of any Event of Default.

(f) Regardless of the happening of an Event of Default, the Senior Lien Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Senior Lien Bonds then outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Senior Lien Indenture and to preserve or protect its interests and the interests of the Owners.

#### **Senior Lien Supplemental Indentures**

The City and the Senior Lien Trustee may without the consent of, or notice to, any of the Owners, enter into a supplemental indenture or supplemental indentures for any one or more of the following purposes:

(a) to authorize a Series of Senior Lien Bonds and to specify, determine or authorize any matters and things concerning any such Senior Lien Bonds which are not contrary to or inconsistent with the Senior Lien Indenture;

(b) to close the Senior Lien Indenture against, or impose additional limitations or restrictions on, the issuance of Senior Lien Bonds, or of other notes, bonds, obligations or evidences of indebtedness;

(c) to impose additional covenants or agreements to be observed by the City;

(d) to impose other limitations or restrictions upon the City;

(e) to surrender any right, power or privilege reserved to or conferred upon the City by the Senior Lien Indenture;

(f) to confirm, as further assurance, any pledge of or lien upon the Pledged Revenues or any other moneys, securities or funds;

(g) to authorize the issuance of Junior Lien Obligations and in connection therewith, specify and determine any matters and things relative thereto which are not contrary to or inconsistent with the Senior Lien Indenture as then in effect;

(h) to cure any ambiguity, omission or defect in the Senior Lien Indenture;

(i) to provide for the appointment of a successor securities depository in the event any Series of Senior Lien Bonds is held in book-entry only form;

(j) to provide for the appointment of any successor Fiduciary; and

(k) to make any other change which, in the judgment of the Senior Lien Trustee, is not to the prejudice of the Senior Lien Trustee or the Owners.

In addition to supplemental indentures for the purposes described above, any modification or amendment of the Senior Lien Indenture and of the rights and obligations of the City and of the Owners of the Senior Lien Bonds under it, in any particular, may be made by a supplemental indenture with the written consent (a) of the Owners of at least a majority in principal amount of the Senior Lien Bonds that are Outstanding at the time the consent is given, and (b) in case less than all of the several Series of Senior Lien Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Senior Lien Bonds of each Series so affected and Outstanding at the time the consent is given; provided that if such modification or amendment will, by its terms, not take effect so long as any Senior Lien Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Senior Lien Bonds shall not be required and such Senior Lien Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Senior Lien Bonds which are Outstanding under this section. No such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Senior Lien Bonds which are Outstanding, or of any installment of interest on any Senior Lien Bonds, or a reduction in the principal amount of or in the rate of interest on any Senior Lien Bonds, without the consent of the Owner of such Senior Lien Bond, or shall reduce the percentages or otherwise affect the classes of Senior Lien Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written asset. For the purposes of this section, a Series of Senior Lien Bonds shall be deemed to be affected by a modification or amendment of the Senior Lien Indenture if the modification or amendment adversely affects or diminishes the rights of the Owners of Senior Lien Bonds of such Series. The Senior Lien Trustee may in its discretion determine whether or not the rights of the Owners of Senior Lien Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the City and all Owners of the Senior Lien Bonds.

#### **Discharge of the Senior Lien Indenture**

If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Senior Lien Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Senior Lien Indenture, then the pledge of any Pledged Revenues and other moneys and securities pledged under the Senior Lien Indenture and all covenants, agreements and other obligations of the City to the Owners shall thereupon be discharged and satisfied. In such event, the Senior Lien Trustee, upon request of the City shall provide an accounting of the assets managed by the Senior Lien Trustee to be prepared and filed with the City for any year or part thereof requested, and shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the City all moneys and securities held by them pursuant to the Senior Lien Indenture which are not required for the payment of Senior Lien Bonds not previously surrendered for such payment or redemption. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all outstanding Senior Lien Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion shall be selected by lot by the Senior Lien Trustee

in the manner provided in the Senior Lien Indenture for the selection of Senior Lien Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon; at the times and in the manner stipulated therein and in the Senior Lien Indenture, such Senior Lien Bonds shall cease to be entitled to any lien, benefit or security under the Senior Lien Indenture, and all covenants, agreements and obligations of the City to the Owners of such Senior Lien Bonds and to the Senior Lien Trustee shall thereupon be discharged and satisfied.

Senior Lien Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Escrow Agent at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in the Senior Lien Indenture if the City shall have delivered to or deposited with the Escrow Agent (i) irrevocable instructions to pay or redeem all of these Senior Lien Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than, the respective due dates of their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Senior Lien Bonds to be redeemed, (iii) either money in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Senior Lien Trustee at the same time, shall be sufficient to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on these Senior Lien Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (iv) if any of these Senior Lien Bonds are not to be redeemed within the next succeeding sixty (60) days, irrevocable instructions to mail to all Owners of these Senior Lien Bonds a notice that such deposit has been made with the Senior Lien Trustee that these Senior Lien Bonds are deemed to have been paid in accordance with the Senior Lien 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 applicable, of these Senior Lien Bonds. The Defeasance Obligations and moneys deposited with the Senior Lien Trustee shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on these Senior Lien Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, these Senior Lien Bonds unless after such withdrawal the amount held by the Senior Lien Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on such Senior Lien Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Senior Lien Trustee for the payment of the principal of and interest on any Senior Lien Bonds deemed to be paid pursuant to the Senior Lien Indenture, if so directed by the City shall be applied by the Senior Lien Trustee to the purchase of such Senior Lien Bonds in accordance with the Senior Lien Indenture. Senior Lien Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The principal amount of Senior Lien Bonds to be redeemed shall be reduced by the principal amount of Senior Lien Bonds so purchased. Senior Lien Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to the Senior Lien Indenture, plus accrued interest and such purchases shall be made in such manner as the Senior Lien Trustee shall determine. No purchase shall be made by the Senior Lien Trustee pursuant to the Senior Lien Indenture if such purchase would result in the Senior Lien Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Senior Lien Bonds deemed to be paid pursuant to the Senior Lien Indenture.

The City may purchase with any available funds any Senior Lien Bonds deemed to be paid pursuant to the Senior Lien Indenture. Senior Lien Bonds for which a redemption date has been established may be

purchased by the City on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the City shall give notice to the Senior Lien Trustee of its intention to surrender such Senior Lien Bonds on the redemption date. The Senior Lien Trustee shall proceed to call for redemption the remainder of the Senior Lien Bonds due on the redemption date and shall pay to the City on the redemption date the Redemption Price of and interest on such Senior Lien Bonds upon surrender of such Senior Lien Bonds to the Senior Lien Trustee. Senior Lien Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Senior Lien Trustee shall pay to the City the principal amount of and interest on such Senior Lien Bonds upon surrender of such Senior Lien Bonds on the maturity date.

Any time after any Senior Lien Bonds are deemed to be paid pursuant to the Senior Lien Indenture, the City shall not at any time permit any of the proceeds of the Senior Lien Bonds or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Senior Lien Bond to be an "arbitrage bond" as defined in the Code and Regulations.

Each Fiduciary shall continue to be entitled to reasonable compensation for all services rendered under the Senior Lien Indenture, notwithstanding that any Senior Lien Bonds are deemed to be paid pursuant to the Senior Lien Indenture.

Anything in the Senior Lien Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Senior Lien Bonds which remain unclaimed for two years after the date when such Senior Lien Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such Senior Lien Bonds become due and payable, shall, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of such Senior Lien Bonds shall look only to the City for the payment of such Senior Lien Bonds.

### **Bond Insurer**

*Payments Under a Bond Insurance Policy.* As long as any Bond Insurance Policy shall be in full force and effect with respect to the Senior Lien Bonds, the City, the Senior Lien Trustee and any Paying Agent must comply with the following provisions:

(A) At least one (1) day prior to all interest payment dates on the Senior Lien Bonds, the Senior Lien Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the funds and accounts maintained under the Senior Lien Indenture to pay the principal of or interests on the Senior Lien Bonds on such interest payment date. If the Senior Lien Trustee or Paying Agent, if any, determines that there will be insufficient funds in such funds or accounts, the Senior Lien Trustee or Paying Agent, if any, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Senior Lien Bonds to which such deficiency is applicable and whether such Senior Lien Bonds will be deficient as to principal or interest, or both. If the Senior Lien Trustee or Paying Agent, if any, has not so notified the Bond Insurer at least one (1) day prior to the interest payment date, the Bond Insurer will make payments of principal or interest due on the Senior Lien Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Senior Lien Trustee or Paying Agent, if any.



(B) The Senior Lien Trustee or Paying Agent, if any, shall, after giving notice to the Bond Insurer as provided in (A) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Senior Lien Trustee or Paying Agent, if any, and all records relating to the funds and accounts maintained under the Senior Lien Indenture and the applicable supplemental indenture.

(C) The Senior Lien Trustee or Paying Agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of Owners of Senior Lien Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Senior Lien Bonds entitled to receive funds or partial interest payments from the Bond Insurer and (ii) to pay principal upon Senior Lien Bonds surrendered to the Insurance Trustee by the Owners of Senior Lien Bonds entitled to receive full or partial payments from the Bond Insurer.

(D) The Senior Lien Trustee or Paying Agent, if any, shall, at the time it provides notice to the Bond Insurer pursuant to (A) above, notify Owners of Senior Lien Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payment next coming due upon proof of entitlement of such Owners to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Senior Lien Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee or permit ownership of such Senior Lien Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Senior Lien Trustee or Paying Agent, if any, and that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Senior Lien Bonds for payment thereon first to the Senior Lien Trustee or Paying Agent, if any, and then along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(E) In the event that the Senior Lien Trustee or Paying Agent, if any, has notice that any payment of principal or interest on a Senior Lien Bond which has become Due for Payment (as defined in the Bond Insurance Policy) and which made to an Owner of Senior Lien Bonds by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Senior Lien Trustee or Paying Agent, if any, shall, at the time the Bond Insurer is notified pursuant to (A) above, notify all Owners of the Senior Lien Bonds that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the Bond Insurance to the extent of such recovery if sufficient funds are not otherwise available and the Senior Lien Trustee or Paying Agent, if any, shall furnish to the Bond Insurer its records evidencing the payment of principal or interest on the Senior Lien Bonds which have been made by the Senior Lien Trustee or Paying Agent, if any, and subsequently recovered from Owners of Senior Lien Bonds and the dates on which such payments were made.

(F) In addition to those rights granted the Bond Insurer under the Senior Lien Indenture and the applicable supplemental indenture, the Bond Insurer shall, to the extent it makes payments of principal or interest on the Senior Lien Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of

subrogation as to claims for past due interest, the Senior Lien Trustee or Paying Agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the City maintained by the Senior Lien Trustee or Paying Agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Owners of the Senior Lien Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Senior Lien Trustee or Paying Agent, if any, shall note the Bond Insurer's right as subrogee on the registration books of the City maintained by the Senior Lien Trustee or Paying Agent if any, upon surrender of the Senior Lien Bonds by the Owners thereof together with proof of the payment of principal thereof.

*Consent of Bond Insurer.* (A) Any provision of the Senior Lien Indenture or the applicable supplemental indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

(B) The consent of the Bond Insurer shall be required in addition to the consent of the Owners of the Senior Lien Bonds, when required, for the following purposes:

- (i) execution and delivery of any supplemental indenture; and
- (ii) initiation or approval of any action not described in (i) above which requires consent of the Owners of the Senior Lien Bonds.

*Defeasance.* Notwithstanding anything in the Senior Lien Indenture or the applicable supplemental indenture to the contrary, in the event that the principal of or interest on the Senior Lien Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Senior Lien Bonds shall remain outstanding for all purposes, shall not be deemed to be defeased or otherwise satisfied and not considered paid by the City, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the City to the Owners of the Senior Lien Bond shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

*Rights of Bond Insurer Upon Default or Insolvency.* Notwithstanding anything in the Senior Lien Indenture or the applicable supplemental indenture to the contrary, upon the occurrence and continuance of an Event of Default, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Senior Lien Bonds or the Senior Lien Trustee for the benefit of the Owners of the Senior Lien Bonds under the Senior Lien Indenture.

In the event of any reorganization or liquidation, the Bond Insurer will have the right to vote on behalf of all Owners who hold Senior Lien Bonds secured by the Bond Insurance Policy absent a default by the Bond Insurer under the Bond Insurance Policy.

## CONSULTANT'S REPORT

The City has received the Consultant's Report attached to this Official Statement as APPENDIX B. The Consultant's Report documents the Consultant's estimates of the Incremental Taxes to be derived from the Near South Redevelopment Project Area from tax collection year 2001 through tax collection year 2014. The Consultant's Report is based on numerous assumptions which are material to the estimates of Incremental Taxes contained in the Consultant's Report. Investors should read and carefully consider all of such assumptions, including the assumption that certain specified risks will not materialize. The City has

not independently verified the projections of Incremental Taxes contained in the Consultant's Report. See the caption "BONDOWNERS' RISKS."

### **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, pursuant to a contract of purchase, to: (1) purchase the Series 2001A Junior Lien Bonds at a price equal to \$39,153,219.65 (reflecting the aggregate principal amount of the Series 2001A Junior Lien Bonds (\$39,011,761.50) less an underwriting discount of \$456,554.89 plus a net reoffering premium of \$554,032.10, plus accrued interest of \$43,980.94); and (2) purchase the Series 2001B Junior Lien Bonds at a price equal to \$7,156,295.15 (reflecting the aggregate principal amount of the Series 2001B Junior Lien Bonds (\$7,230,000) less an underwriting discount of \$84,612.73 plus accrued interest of \$10,907.88). The purchase contract requires the Underwriter to purchase all of the Series 2001 Junior Lien Bonds if any are purchased.

### **FINANCIAL ADVISOR**

The City has retained the Knight Group, Inc. as its financial advisor to render certain professional services in connection with the issuance and sale of the Series 2001 Junior Lien Bonds. The Financial Advisor has provided advice on the plan of finance and structure of the Series 2001 Junior Lien Bonds and has reviewed certain documents, including this Official Statement, with respect to financial matters. The Financial Advisor has not independently verified the factual information contained in this Official Statement but has relied on the information provided by the City and other sources.

### **LEGAL MATTERS**

The Series 2001 Junior Lien Bonds will be offered for sale subject to the approval of legality by Schiff, Hardin & Waite, Chicago, Illinois, and Charity & Associates, P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel, and for the Underwriter by their co-counsel, Shefsky & Froelich, Ltd., Chicago, Illinois, and Sanchez & Daniels, Chicago, Illinois. In addition, appropriate certificates in connection with such matters and matters affecting the requirements which must be met in order for the interest on the Series 2001A Junior Lien Bonds to be excluded from gross income for federal income tax purposes will be obtained from the City.

The various legal opinions to be delivered concurrently with the delivery of the Series 2001 Junior Lien Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed in those opinions. By rendering a legal opinion, the attorney or firm giving the opinion does not undertake to be an insurer or guarantor of that expression of professional judgement, of the transaction opined upon or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

### **LITIGATION**

There is no litigation pending in any court or, to the knowledge of the City, threatened, questioning the corporate existence of the City or the legality of the Near South Redevelopment Project Area, or which would restrain or enjoin the issuance or delivery of the Series 2001 Junior Lien Bonds, or which concerns the proceedings of the City taken in connection with the issuance of the Series 2001 Junior Lien Bonds.

## **TAX EXEMPTION**

### **Series 2001A Junior Lien Bonds**

In the opinion of each Co-Bond Counsel, under present law, interest on the Series 2001A Junior Lien Bonds is not includible in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant described below.

Certain requirements must be met on a continuing basis in order for the interest on the Series 2001A Junior Lien Bonds to be and continue to be excludable from gross income for federal income tax purposes. These requirements relate to the use and investment of various proceeds and funds of the City in connection with the Series 2001 Junior Lien Bonds and the use of property financed by the Series 2001A Junior Lien Bonds. The City has covenanted to comply with all of these requirements. If the City were to fail to comply with these requirements, interest on the Series 2001A Junior Lien Bonds could become includible in gross income for federal income tax purposes retroactively to the date the Series 2001A Junior Lien Bonds are issued. In such event, there is no requirement that payment of principal of, or interest on, the Series 2001A Junior Lien Bonds be accelerated or that any additional interest or penalties be paid to the Owners of the Series 2001A Junior Lien Bonds.

Co-Bond Counsel are also of the opinion that interest on the Series 2001A Junior Lien Bonds is not an item of tax preference for purposes of computation of the alternative minimum tax for individuals or corporations. Interest on the Series 2001A Junior Lien Bonds is, however, included in "earnings and profits" of certain corporations and thus may be taken into account in the calculation of the alternative minimum tax for those corporations. Interest on the Series 2001A Junior Lien Bonds may also be taken into account in calculating federal income taxes based in whole or in part on "earnings and profits" for certain corporations, such as the branch profits tax.

Ownership of the Series 2001A Junior Lien Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Series 2001A Junior Lien Bonds should consult their tax advisors as to applicability of any of those collateral consequences.

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 Series 2001A Junior Lien Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2001A Junior Lien Bonds are Outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2001A Junior Lien Bonds.

In rendering their opinions on tax exemption, Co-Bond Counsel will receive and rely upon certifications and representations of facts, estimates and expectations furnished by the City which Bond Counsel will not have verified independently.

Interest on the Series 2001A Junior Lien Bonds is not exempt from present Illinois income taxes.

## **Series 2001B Junior Lien Bonds**

In the opinion of Co-Bond Counsel, interest on the Series 2001B Junior Lien Bonds is not excluded from gross income for federal income tax purposes and interest on the Series 2001B Junior Lien Bonds is not exempt from present Illinois income taxes.

### **ORIGINAL ISSUE DISCOUNT OR PREMIUM**

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2001A Junior Lien Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Series 2001A Junior Lien Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2001A Junior Lien Bond, the difference between the two is known as "bond premium." If the Offering Price is lower than the maturity value of a Series 2001A Junior Lien 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 Series 2001A Junior Lien 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 federal income tax regulations. The amount of bond premium accruing during each period is subtracted from the owner's tax basis in the Series 2001A Junior Lien 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 Series 2001A Junior Lien Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Series 2001A Junior Lien Bond. A Series 2001A Junior Lien Bond's adjusted tax basis is used to determine whether, and to what extent, the Owner realizes taxable gain or loss upon the disposition of the Series 2001A Junior Lien Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2001A Junior Lien Bond).

Owners who purchase Series 2001A Junior Lien Bond at a price other than the Offering Price after the termination of the initial public offering, or at a market discount, should consult their tax advisors with respect to the tax consequences of their ownership of the Series 2001A Junior Lien Bond. In addition, Owners of Series 2001A Junior Lien Bond should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2001A Junior Lien Bond; 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.

### **RATINGS**

The Series 2001 Junior Lien Bonds have received a rating of "A" from Standard & Poor's Ratings Services contingent upon the issuance of the Policy by the Bond Insurer. See "BOND INSURANCE POLICY." The rating reflects only the view of the rating agency giving the rating. An explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will apply for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the price at which the Series 2001 Junior Lien Bonds may be resold.

## SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Series 2001 Junior Lien Bonds to send annually certain information 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 Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "1934 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 Series 2001 Junior Lien Bonds, the Ordinance or the Junior Lien Indenture and beneficial owners of the Series 2001 Junior Lien Bonds are limited to the remedies described in the Undertaking. See the subcaption "Consequences of Failure of the City to Provide Information." 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 Series 2001 Junior Lien Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2001 Junior Lien Bonds and their market price.

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

### **Annual Financial Information Disclosure**

The City covenants that it will disseminate its 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 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 date specified in the Undertaking (within 270 days after the end of the City's fiscal year - currently December 31). "Audited Financial Statements" means the audited financial statements with respect to the Series 2001 Junior Lien Bonds, the Near South Redevelopment Project Area, the Incremental Taxes and the other Pledged Revenues prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

### **Events Notification; Material Events Disclosure**

The City has agreed 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 1934 Act. The "Events," certain of which may not be applicable to the Series 2001 Junior Lien 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 Series 2001 Junior Lien Bonds;
7. modifications to rights of Series 2001 Junior Lien Bond Owners;
8. bond calls;
9. defeasances;
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 will 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 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 Series 2001 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 will not be deemed a default under the Series 2001 Junior Lien Bonds, the Ordinance or the Junior Lien Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking will 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 Series 2001 Junior Lien Bonds, as determined by parties unaffiliated with the City (such as the Junior Lien Trustee or Co-Bond Counsel); or

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

### **Termination of Undertaking**

The Undertaking will be terminated if the City no longer has any legal liability for any obligation on or relating to repayment of the Series 2001 Junior Lien Bonds under the Junior Lien Indenture. If this provision is applicable, the City will 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 will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the City chooses to include any information in any Audited Financial Statements or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the City will have no obligation under the Undertaking to update such information or include it in any future Annual Financial Statements or notice of occurrence of a material Event.

### **MISCELLANEOUS**

The summaries or descriptions in this Official Statement of provisions in the Senior Lien Indenture, Junior Lien Indenture, Near South Redevelopment Plan, City's planning documents 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 matters for further information.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. There is no assurance that the facts will materialize as so opined or estimated. The City has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the Chief Financial Officer of the City on behalf of the City.

CITY OF CHICAGO

By: /s/ Walter K. Knorr  
Chief Financial Officer



## APPENDIX A

### CERTAIN DEFINITIONS

**“Accreted Amount”** means, with respect to any Capital Appreciation Bond, the amount set forth in the Junior Lien Supplemental Indenture authorizing such Junior Lien Bonds as the amount representing their initial public offering price, plus the amount of interest that has accreted on such Junior Lien Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Junior Lien Bond or contained or referred to in any Junior Lien Supplemental Indenture authorizing the issuance of such Junior Lien Bonds. The Accreted Amounts for such Junior Lien Bonds as of any date not stated in such tables shall be calculated by adding the Accreted Amount for such Junior Lien Bonds as of the date stated in such tables immediately preceding the date of computation a portion of the difference between the Accreted Amount for such preceding date and the Accreted Amount for such Junior Lien Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accretes during any period in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months.

**“Act”** means the Tax Increment Allocation Redevelopment Act of the State of Illinois, Division 74.4 of Article 11 of the Illinois Municipal Code, 65 ILCS 5/11-74.4-1, *et seq.*, as amended and supplemented from time to time.

**“Added Project Area”** means the approximately 248 acres of land added to the Original Project Area in connection with the adoption of the Near South Redevelopment Plan which is generally bounded on the north by Congress Parkway, on the south by 21st Street, on the west by State Street, and on the east by Michigan Avenue (between Congress Parkway and 14th Street), Indiana Avenue (between 14th and 16th Streets), the Illinois Central Railroad right-of-way (between 16th and 18th Streets) and Calumet Avenue (between 18th and 21st Streets).

**“Additional Senior Lien Bond”** means any bond issued in the future pursuant to the Senior Lien Indenture on a parity with and sharing ratably and equally in the Pledged Revenues with the Senior Lien Bonds.

**“Aggregate Certified Initial Equalized Assessed Value”** means the aggregate of the Certified Initial Equalized Assessed Valuation of each piece of property in the Near South Redevelopment Project Area.

**“Annual Debt Service Requirement”** means, with respect to any Bond Year, the aggregate of the Interest Requirement and the Principal Requirement for such Bond Year.

**“Authorized Denominations”** as that term is used in (i) the Senior Lien Indenture, means \$5,000 and any integral multiple thereof, and (ii) the Junior Lien Indenture, means, for Bonds issued as Current Interest Bonds, \$5,000 or any integral multiple thereof and, for bonds issued as Capital Appreciation Bonds, \$5,000 Accreted Amount at maturity or any integral multiple thereof.

**“Authorized Officer”** as that term is used in (i) the Senior Lien Indenture, means the Mayor, the Chief Financial Officer or any other officer or employee of the City authorized to perform specific acts or

duties under the Senior Lien Indenture by ordinance or resolution duly adopted by the City Council, and (ii) the Junior Lien Indenture, means the Mayor, the Chief Financial Officer, or any other officer or employee of the City authorized to perform specific acts or duties under the Junior Lien Indenture by ordinance or resolution duly adopted by the City Council.

**“Bond Insurance Policy”** means any municipal bond new issue insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities of a Series of Bonds as may be provided in the applicable indenture or supplemental indenture authorizing such Series.

**“Bond Insurer”** means any person authorized under law to issue a Bond Insurance Policy and for purposes of the: (i) Series 1999 Senior Lien Bonds, shall mean Ambac Assurance Corporation or its successor(s) authorized under the Senior Lien Indenture or any amendment or supplement thereto; and (ii) Series 2001 Junior Lien Bonds, shall mean ACA Financial Guaranty Corporation or its successor(s) authorized under the Junior Lien Indenture or any amendment or supplement thereto.

**“Bond Year,”** as that term is used in: (i) the Senior Lien Indenture, means the initial period beginning on February 1, 1999 and ending on November 15, 1999 and thereafter each 12-month period commencing on November 16 of each calendar year and ending on November 15 in the next succeeding calendar year, and (ii) the Junior Lien Indenture, means the initial period beginning on the date of initial delivery of the Series 2001 Junior Lien Bonds and ending on November 15, 2001 and thereafter each 12-month period commencing on November 16 of each calendar year and ending on November 15 in the next succeeding calendar year.

**“Business Day”** means a day which is not a Saturday, a Sunday, a legal holiday or a day on which banks and trust companies in the city where the principal corporate trust office of any Fiduciary is located are authorized by law or executive order to remain closed (and such Fiduciary is in fact closed).

**“Capital Appreciation and Income Bond”** means any Junior Lien Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified for such Junior Lien Bond and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified for such Junior Lien Bond, all as provided in the Junior Lien Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond.

**“Capital Appreciation Bond”** means any Junior Lien Bond the interest on which (i) shall be compounded periodically on certain designated dates; (ii) shall be payable only at maturity or redemption prior to maturity, and (iii) shall be determined by subtracting from the Accreted Amount its initial public offering price, all as provided in the Junior Lien Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. The term “Capital Appreciation Bond” as used in the Junior Lien Indenture also includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified for such Junior Lien Bond.

**“Certified Initial Equalized Assessed Valuation”** means, with respect to the Near South Redevelopment Project, the sum of \$128,812,258 as certified by the Clerk of The County of Cook, Illinois, in accordance with Section 11-74.4-9 of the Act.

**“Chief Financial Officer”** means the Chief Financial Officer of the City appointed by the Mayor of the City or, if there is no such officer then holding that office, the City Comptroller.

**“City”** means the City of Chicago, a home rule unit of local government.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Code and Regulations”** means the Code and the Income Tax Regulations.

**“Consultant”** means Trkla, Pettigrew, Allen & Payne, Inc.

**“Consultant’s Report”** means that report prepared by Trkla, Pettigrew, Allen & Payne, Inc. estimating Incremental Taxes to be collected annually from the Near South Redevelopment Project Area during the period from tax collection year 2000 through tax collection year 2014 as attached hereto as APPENDIX B.

**“Credit Bank”** means, as to any particular Series of Junior Lien Bonds, the person (other than a Bond Insurer) providing a Credit Facility, as may be provided in the Supplemental Indenture authorizing such Series.

**“Credit Facility”** means, as to any particular Series of Senior Lien Bonds or Junior Lien Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement or other credit or liquidity enhancement facility, other than a Bond Insurance Policy, as may be provided in the Senior Lien Supplemental Indenture or Junior Lien Supplemental Indenture, respectively, authorizing such Series.

**“Current Interest Bond”** means any Junior Lien Bond the interest on which is payable on the Interest Payment Dates provided for it in the Junior Lien Supplemental Indenture authorizing such Bond. The term “Current Interest Bond” as used in the Junior Lien Indenture also includes any Capital Appreciation and Income Bond from and after the Interest Commencement Date specified for it.

**“Debt Reserve Credit Instrument”** means, as to any particular Series of Junior Lien Bonds, an insurance policy or bond that guarantees or assures the timely payment of principal or interest, or both, on Outstanding Junior Lien Bonds in a stated amount subject only to notification that there are insufficient funds for such purpose. This definition shall also include any related covenants or agreements contained in any agreement with the insurer required by the insurer in order to obtain a policy.

**“Debt Service Reserve Requirement”** means, with respect to the Senior Lien Bonds or Junior Lien Bonds of any Series outstanding at any time, that amount, if any, as shall be required to be maintained in the applicable sub-account of the Reserve and Redemption Account established by the terms of the Senior Lien Supplemental Indenture or Junior Lien Supplemental Indenture authorizing such Series of Senior Lien Bonds or Junior Lien Bonds, respectively.

**“Defeasance Obligations”** means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (ii) of this definition, or (ii) direct obligations (including obligations issued in book-entry form on the books of the Department of the Treasury) of the United States of America.

**“Depository”** means any bank, national banking association or trust company having capital stock, surplus and retained earnings aggregating at least \$1,000,000 selected by an Authorized Officer as a Depository of moneys and securities held under the provisions of the Junior Lien Indenture and may include the Junior Lien Trustee.

**“DTC”** means The Depository Trust Company, New York, New York, in its capacity as securities depository for the Series 2001 Junior Lien Bonds.

**“DTC Participant”** means any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Series 2001 Junior Lien Bonds with DTC pursuant to the book-entry only system.

**“Event of Default”** means any event so designated and specified in the Junior Lien Indenture.

**“Fiduciary”** or **“Fiduciaries”** means the Junior Lien Trustee, the Junior Lien Registrar, the Paying Agents and any depository, or any or all of them, as may be appropriate.

**“Fiscal Year”** means the period January 1 through December 31 of the same year.

**“Government Obligations”** means (i) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any person to whom the custodian may be obligated.

**“Income Tax Regulations”** means the regulations proposed or promulgated under the Internal Revenue Code of 1986, as amended, as such regulations may be in effect from time to time.

**“Incremental Taxes”** means the ad valorem taxes, if any, arising from the tax levies upon taxable real property in the Near South Redevelopment Project Area by any and all taxing districts or municipal corporations having the power to tax real property in the Near South Redevelopment Project Area, which taxes are attributable to the increase in the then current equalized assessed valuation of each taxable lot, block, tract or parcel of real property in the Near South Redevelopment Project Area over and above the Certified Initial Equalized Assessed Valuation of each such piece of property, as determined by the Clerk of The County of Cook, Illinois.

**“Incremental Taxes Fund”** means the Near South Redevelopment Project Area Special Tax Allocation Fund of the City, a special tax allocation fund for the Near South Redevelopment Project Area established pursuant to Section 11-74.4-8 of the Act and originally created by an ordinance of the City adopted on November 28, 1990, as continued and further described in the Senior Lien Indenture.

**“Independent”** when used with respect to any specified person means a person who is in fact independent and not connected with the City as an officer, employee, underwriter or person performing a similar function.

**“Interest Commencement Date”** means, with respect to any Capital Appreciation and Income Bond, the date specified in the Junior Lien Supplemental Indenture authorizing the issuance of such Junior Lien Bond (which date must be prior to the maturity date of such Capital Appreciation and Income Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

**“Interest Payment Date”** means (i) for purposes of the Senior Lien Indenture, any date on which interest on a Series of Senior Lien Bonds is payable as established in the Senior Lien Supplemental Indenture authorizing such Series, and (ii) for purposes of the Junior Lien Indenture, any date on which interest on a Series of Junior Lien Bonds is payable as established in the Junior Lien Supplemental Indenture authorizing such Series.

**“Interest Period”** means the period from the date of the Junior Lien Bonds (in the case of the Junior Lien Indenture) or the Senior Lien Bonds (in the case of the Senior Lien Indenture) of any Series to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

**“Interest Requirement”** shall mean:

(a) with regard to the Junior Lien Indenture, for any Bond Year or any Interest Period, as the context may require, as applied to Junior Lien Bonds of any Series then Outstanding, shall mean the total of the sums that would be deemed to accrue on such Junior Lien Bonds during such Bond Year or Interest Period if the interest on the Current Interest Bonds of such Series were deemed to accrue daily during such year or Interest Period in equal amounts; provided, that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid (a) from the proceeds of Junior Lien Bonds allocable to the payment of such interest as provided in the Junior Lien Supplemental Indenture authorizing the issuance of such Junior Lien Bonds or other available moneys or from investment (but not reinvestment) earnings on such proceeds if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely or (b) from investment earnings on deposit in the Reserve and Redemption Account established under the Junior Lien Indenture to the extent any such earnings may be determined precisely. Unless the City shall otherwise provide in a Junior Lien Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Junior Lien Bonds except to the extent such interest exceeds the interest otherwise payable on such bonds, shall not be included in the determination of Interest Requirement. If interest is not payable at a single numerical rate for the entire term of such Junior Lien Bonds, then “Interest Requirement” shall have the appropriate meaning assigned to it by the Junior Lien Supplemental Indenture authorizing such Junior Lien Bonds.

(b) with regard to the Senior Lien Indenture, for any Bond Year or any Interest Period, as the context may require, as applied to Senior Lien Bonds of any Series then outstanding, shall mean the total of the sums that would be deemed to accrue on such Senior Lien Bonds during such Bond Year or Interest Period if the interest on the Senior Lien Bonds of such Series were deemed to accrue daily during such year or Interest

Period in equal amounts; provided, however, that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid (a) from the proceeds of Senior Lien Bonds allocable to the payment of such interest as provided in the Senior Lien Supplemental Indenture authorizing the issuance of such Senior Lien Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely or (b) from investment earnings on deposit in the Reserve Account established under the Senior Lien Indenture to the extent any such earnings may be determined precisely. Unless the City shall otherwise provide in a Senior Lien Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Senior Lien Bonds, except to the extent such interest exceeds the interest otherwise payable on such Senior Lien Bonds, shall not be included in the determination of Interest Requirement. If interest is not payable at a single numerical rate for the entire term of such Senior Lien Bonds, then "Interest Requirement" shall have the appropriate meaning assigned thereto by the Senior Lien Supplemental Indenture authorizing such Senior Lien Bonds.

**"Investment Securities"** means any of the following securities authorized by law as permitted investments of City funds at the time of their purchase:

(i) Government Obligations;

(ii) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank, Federal Financing Bank, Resolution Funding Corporation, and Student Loan Marketing Association;

(iii) investments in a money market fund registered under the Investment Company Act of 1940, as amended (including any such money market fund sponsored by or affiliated with any Fiduciary), comprised of any of the investments set forth in subparagraph (i) or subparagraph (ii) above;

(iv) negotiable or non-negotiable certificates of deposit or time deposits or other banking arrangements issued by any bank, trust company or national banking association (including any Fiduciary), which certificates of deposit or time deposits or other banking arrangements shall be continuously secured or collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or time deposits or other banking arrangements and shall be lodged with the Junior Lien Trustee (in the case of Investment Securities under the Junior Lien Indenture) or the Senior Lien Trustee (in the case of Investment Securities under the Senior Lien Indenture), as custodian, by the bank, trust company or national banking association issuing such certificates of deposit or time deposits or other banking arrangements, which certificates of deposit or time deposits or other banking arrangements acquired or entered into pursuant to this subparagraph (iv) shall be deemed to constitute investments and not deposits;

(v) repurchase agreements with any bank, trust company or national banking association (including any Fiduciary) or government bond dealer reporting to the Federal Reserve Bank of New York that are continuously secured or collateralized by obligations described in subparagraph (i) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amortized value of such repurchase agreements, provided such security or collateral is lodged with and held

by the Junior Lien Trustee (in the case of Investment Securities under the Junior Lien Indenture) or the Senior Lien Trustee (in the case of Investment Securities under the Senior Lien Indenture), or the City as title holder, as the case may be;

(vi) public housing bonds issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, 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; and project notes issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vii) 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 each of the Rating Agencies; and

(viii) any other securities authorized for investment of City funds by Article VI of Chapter 2-32 of the Municipal Code of Chicago (1990), as from time to time amended.

All securities so purchased, excepting tax anticipation warrants and investment agreements, shall show on their face that they are fully payable as to principal and interest, where applicable, within two years of the date of purchase.

**“Junior Lien Bond” or “Junior Lien Bonds”** means any bond or bonds issued and outstanding under the Junior Lien Indenture from time to time and constituting Junior Lien Obligations under and pursuant to the Senior Lien Indenture, including, without limitation, the Series 2001 Junior Lien Bonds and any Junior Lien Refunding Bonds issued thereunder.

**“Junior Lien First Supplemental Indenture”** means the First Supplemental Indenture dated as of July 1, 2001 from the City to the Junior Lien Trustee relating to the Series 2001 Junior Lien Bonds, and any amendments and supplements to it.

**“Junior Lien Indenture”** means the Junior Lien Trust Indenture dated as of July 1, 2001, as from time to time amended and supplemented by Junior Lien Supplemental Indentures (including the Junior Lien First Supplemental Indenture) executed and delivered by the City and the Junior Lien Trustee in accordance with the Senior Lien Indenture and the Junior Lien Trust Indenture.

**“Junior Lien Obligations”** means any bonds or other obligations permitted to be issued pursuant to the Senior Lien Indenture which are subordinate to the pledge of the Pledged Revenues securing the Senior Lien Bonds.

**“Junior Lien Program Expenses”** means, in any Bond Year, all initial and ongoing administrative expenses related to or incurred in connection with the Junior Lien Bonds, including, specifically, (i) the sum necessary to pay all rating agency surveillance fees and costs and expenses of any Junior Lien Trustee, registrar or paying agent, (ii) the expected annual fees or premiums of any issuer or provider of any Credit Facility, Debt Reserve Credit Instrument or Bond Insurance Policy with respect to the Junior Lien Bonds, which expected annual fees may include additional amounts owing to such issuer or provider pursuant to any

reimbursement or other agreement, other than reimbursement obligations arising from any draw or payment under such Credit Facility and other than payments on the Junior Lien Bonds, (iii) fees related to the calculation or verification of any required payment to the United States of America pursuant to Section 148 of the Code, and (iv) auditing fees incurred in connection with the preparation of the financial statements required pursuant to the Junior Lien Indenture; but excluding, specifically, expenses of the City relating specifically to the administration of the Project.

**“Junior Lien Program Expense Account”** means the Junior Lien Program Expense Account established in the Junior Lien Indenture.

**“Junior Lien Rebate Account”** means the Junior Lien Rebate Account established in the Junior Lien Indenture.

**“Junior Lien Refunding Bonds”** means Junior Lien Bonds issued to effect a refunding of Junior Lien Bonds pursuant to the Junior Lien Indenture.

**“Junior Lien Registrar”** means any bank, national banking association or trust company appointed by an Authorized Officer under the Junior Lien Indenture and designated as registrar for the Junior Lien Bonds of any Series, and its successor or successors.

**“Junior Lien Revenue Fund”** means the Junior Lien Revenue Fund established in the Junior Lien Indenture.

**“Junior Lien Revenues”** means amounts transferred from time to time by the Senior Lien Trustee from the General Account established under the Senior Lien Indenture to the Junior Lien Trustee for deposit to the Junior Lien Revenue Fund necessary to satisfy the City's obligations under the Junior Lien Indenture.

**“Junior Lien Trustee”** means Cole Taylor Bank, Chicago, Illinois, and any successor or successors appointed under the Junior Lien Indenture.

**“Maximum Annual Debt Service Requirement”** means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and all succeeding Bond Years.

**“Near South Redevelopment Plan”** shall have the meaning assigned to the term “Expanded Area Redevelopment Project and Plan” in the Redevelopment Ordinance.

**“Near South Redevelopment Project Area”** shall have the meaning assigned to the term “Expanded Redevelopment Project Area” in the Redevelopment Ordinance.

**“Ordinance”** means the ordinance duly adopted by the City Council of the City on March 28, 2001 authorizing the Junior Lien Indenture, Junior Lien First Supplemental Indenture and the Series 2001 Junior Lien Bonds.

**“Original Project Area”** means the approximately 127 acres of land designated by the City as the Central Station Tax Increment Redevelopment Project Area in connection with the adoption of the Central Station Tax Increment Redevelopment Plan and Project on November 28, 1990, which is generally bounded on the north by 11th Street, on the south by Cullerton Street, on the east by the southbound lanes of Lake



Shore Drive (prior to its reconfiguration), and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of-way (between 16th and Cullerton Streets).

**“Outstanding,”** when used with reference to Junior Lien Bonds, means, as of any date, all Junior Lien Bonds previously or then being authenticated and delivered under the Junior Lien Indenture except:

(i) Any Junior Lien Bonds cancelled by the Junior Lien Trustee at or prior to such date;

(ii) Junior Lien Bonds (or portions of Junior Lien Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the Junior Lien Indenture, and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Junior Lien Bonds (or portions of Junior Lien Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Junior Lien Indenture, or provision satisfactory to the Junior Lien Trustee shall have been made for the giving of such notice;

(iii) Junior Lien Bonds in lieu of or in substitution for which other Junior Lien Bonds shall have been authenticated and delivered pursuant to the Junior Lien Indenture; and

(iv) Junior Lien Bonds deemed to have been paid as provided in the Junior Lien Indenture.

**“Owner”** means: (i) when used in connection with Senior Lien Bonds, means any Person who shall be the registered owner of any Senior Lien Bonds, and (ii) when used in connection with Junior Lien Bonds, means any Person who shall be the registered owner of any Junior Lien Bonds.

**“Paying Agent”** means (i) for purposes of the Senior Lien Bonds, any bank, national banking association or trust company designated by an Authorized Officer as paying agent for the Senior Lien Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the Senior Lien Indenture, and (ii) for purposes of the Junior Lien Bonds any bank, national banking association or trust company designated by an Authorized Officer as paying agent for the Junior Lien Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the Junior Lien Indenture.

**“Payment Date”** means any Interest Payment Date or Principal Payment Date.

**“Person”** means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

**“Pledged Revenues”** means Incremental Taxes and any other revenues from any source whatsoever designated to pay principal of, premium, if any, or interest on the Senior Lien Bonds, including, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Program Expenses Account and the Rebate Account) as provided in the Senior Lien Indenture, together with interest earnings thereon.

**“Policy”** means the municipal bond insurance policies issued by the Bond Insurer unconditionally and irrevocably guaranteeing the payment of principal of and interest on the Series 2001 Junior Lien Bonds

when due (other than by reason of an optional redemption or acceleration of the Series 2001 Junior Lien Bonds).

**“Principal”** or **“principal”** means (i) with respect to any Capital Appreciation Bond, its Accreted Amount (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in connection with the original issuance of Senior Lien Bonds or Junior Lien Bonds and with the order of priority of payments after an event of default, in which case “principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Senior Lien Bonds or Junior Lien Bonds then outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the redemption price of any Capital Appreciation Bond, “principal amount” means the Accreted Amount and (ii) with respect to the principal amount of any Current Interest Bond or Tender Option Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity.

**“Principal Payment Date”** means (i) for purposes of the Senior Lien Indenture, the date upon which the principal of any Senior Lien Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment established in the Senior Lien Indenture authorizing such Series, and (ii) for purposes of the Junior Lien Indenture, the date upon which the principal of any Junior Lien Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment as established in the Junior Lien Supplemental Indenture authorizing such Series.

**“Principal Requirement,”** as that term is used in the Senior Lien Indenture, for any Bond Year, as applied to Senior Lien Bonds of any Series, means an amount of money equal to the aggregate of the principal amount of outstanding Senior Lien Bonds of that Series which mature during that Bond Year, reduced by the aggregate principal amount of such outstanding Senior Lien Bonds which would at or before such Bond Year be retired by reason of the payment when due and application in accordance with the Senior Lien Indenture and the Senior Lien Supplemental Indenture creating such Series of Sinking Fund Installments payable before such Bond Year for the retirement of outstanding Senior Lien Bonds.

**“Principal Requirement,”** as that term is used in the Junior Lien Indenture, for any Bond Year, as applied to Junior Lien Bonds of any Series, means an amount of money equal to the aggregate of the principal amount of Outstanding Junior Lien Bonds of that Series which mature during that Bond Year, reduced by the aggregate principal amount of such outstanding Junior Lien Bonds which would at or before such Bond Year be retired by reason of the payment when due and application in accordance with the Junior Lien Indenture and the Junior Lien Supplemental Indenture creating such Series of Sinking Fund Installments payable before such Bond Year for the retirement of outstanding Junior Lien Bonds.

**“Project”** means the redevelopment project approved by the Near South Redevelopment Plan.

**“Project Costs”** means those costs of the Project included in the definition of “Redevelopment Project Costs” in the Act as in effect on the effective date of the Junior Lien Indenture and shall include any costs added to the definition of “Redevelopment Project Costs” in the Act from time to time after the effective date of the Junior Lien Indenture and shall also include the purpose set forth in 65 ILCS 5/11-74.4-4(q); in no event, however, shall the removal of a cost from the definition of “Redevelopment Project Costs”

from and after the effective date of the Junior Lien Indenture cause such cost not to be a "Project Cost" within the meaning of the Senior Lien Indenture.

**"Project Fund"** means the Project Fund established under the Junior Lien Indenture.

**"Qualified Swap Agreement"** means an agreement between the City and Swap Provider under which the City agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the City for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (i) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider, or the Person who guarantees the obligations 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 Junior Lien Bonds by such Rating Agency (without regard to Bond Insurance or any other Credit Facility), and (ii) the City has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the swap agreement, of its intention to enter into the swap agreement and has received from such Rating Agency a written indication that the entering into the swap agreement by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the Junior Lien Bonds.

**"Rating Agencies"** means each and every one of the nationally recognized rating services that shall have assigned ratings to any Junior Lien Bonds outstanding as requested by or on behalf of the City, and which ratings are then currently in effect.

**"Record Date"** means (i) with respect to the Senior Lien Bonds and Series 2001 Junior Lien Bonds, May 1 and November 1 of each year and (ii) with respect to any other Series of bonds, the date established as the record date with respect to an Interest Payment Date for such Series of Bonds in any supplemental indenture authorizing such series.

**"Redemption Price"** means, with respect to any bond, the Principal of such bond plus the applicable premium, if any, payable upon the date fixed for redemption.

**"Redevelopment Ordinance"** means the ordinance duly adopted by the City entitled "An Ordinance Adopting and Approving the Near South Redevelopment Area Project and Plan" adopted on August 3, 1994, together with any further amendments and supplements to it.

**"Senior Lien Bond"** or **"Senior Lien Bonds"** means those Tax Increment Allocation Bonds (Near South Redevelopment Project designated as \$42,500,000 Series 1999A Bonds and \$7,500,000 Series 1999B Bonds (Taxable) issued pursuant to the Senior Lien Indenture and any other bonds issued under the Senior Lien Indenture.

**"Senior Lien Indenture"** means the Senior Lien Trust Indenture, dated as of February 1, 1999, as amended by Amendment No. 1 to Trust Indenture dated as of April 1, 2001, both from the City to Cole Taylor Bank, as trustee, pursuant to which the Senior Lien Bonds are issued and secured, as such indenture may be further amended or supplemented from time to time.

**“Senior Lien Program Expenses”** means, in any Bond Year, all initial and ongoing administrative expenses related to or incurred in connection with the Senior Lien Bonds, including, specifically, (i) the sum necessary to pay all rating agency surveillance fees and costs and expenses of any Senior Lien Trustee, registrar or paying agent, (ii) the expected annual fees or premiums of any issuer or provider of any Credit Facility or Debt Reserve Credit Instrument with respect to the Senior Lien Bonds, which expected annual fees may include additional amounts owing to such issuer or provider pursuant to any reimbursement or other agreement, other than reimbursement obligations arising from any draw or payment under such Credit Facility and other than payments on the Senior Lien Bonds, (iii) fees related to the calculation or verification of any required payment to the United States of America pursuant to Section 148(f) of the Code, and (iv) auditing fees incurred in connection with the preparation of the financial statements required pursuant to the Senior Lien Indenture; but excluding, specifically, expenses of the City relating to the administration of the Near South Redevelopment Project.

**“Senior Lien Refunding Bonds”** means all Senior Lien Bonds issued to effect a refunding of Senior Lien Bonds or Junior Lien Obligations pursuant to the Senior Lien Indenture.

**“Senior Lien Trustee”** means Cole Taylor Bank, Chicago, Illinois, and any successor(s) appointed under the Senior Lien Indenture.

**“Serial Bonds”** means bonds of a Series which shall be stated to mature in annual installments.

**“Series”** means (i) for purposes of the Senior Lien Indenture, all of the Senior Lien Bonds, designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Senior Lien Bonds subsequently authenticated and delivered in lieu of or in substitution for such Senior Lien Bonds pursuant to the Senior Lien Indenture and (ii) for purposes of the Junior Lien Indenture, means all Junior Lien Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Junior Lien Bonds subsequently authenticated and delivered in lieu of or in substitution for such Junior Lien Bonds pursuant to the Junior Lien Indenture.

**“Series 1999 Senior Lien Bonds”** means those Tax Increment Allocation Bonds (Near South Redevelopment Project designated as \$42,500,000 Series 1999A Bonds and \$7,500,000 Series 1999B Bonds (Taxable) issued pursuant to the Senior Lien Indenture.

**“Series 2001A Capital Appreciation Bond”** means any Series 2001A Junior Lien Bond that is a Capital Appreciation Bond.

**“Series 2001 Current Interest Bond”** means any Series 2001 Junior Lien Bond that is a Current Interest Bond.

**“Series 2001 Junior Lien Bonds”** means the \$39,011,761.50 principal amount of the City of Chicago’s Junior Lien Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001A, and \$7,230,000 principal amount of the City of Chicago’s Junior Lien Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001B (Taxable), each issued and secured as Junior Lien Obligations under the Junior Lien Indenture and the Junior Lien First Supplemental Indenture and described in this Official Statement.

**“Sinking Fund Installment”** means with respect to any Series, each principal amount of bonds of such Series scheduled to be redeemed through mandatory redemption provisions of a supplemental indenture creating such Series.

**“SLG’s”** means United States Treasury Certificates of Indebtedness, Notes and Bonds State and Local Government Series.

**“Tender Option Bonds”** means any Junior Lien Bonds or Senior Lien Bonds (as applicable) with respect to which the Owners have the option to tender to the City, to any Fiduciary or to any agent of a Fiduciary, all or a portion of such bonds for payment or purchase; provided, that no Tender Option Bonds shall be issued unless (i) the City has notified each Rating Agency in writing of its intention to issue such Tender Option Bonds and (ii) each Rating Agency has notified the City that the issuance of such Tender Option Bonds by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the bonds.

**“Term Bonds”** means bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

**“Treasurer”** means the City Treasurer of the City.

**“Trust Estate”** with respect to the Junior Lien Indenture means the Junior Lien Revenues and all other property pledged to the Junior Lien Trustee pursuant to the Junior Lien Indenture.

**“Variable Rate Bonds”** means any Junior Lien Bonds or Senior Lien Bonds (as applicable) the interest rate on which is not established at the time of their issuance at a single numerical rate for the entire term of the bonds; provided, that no Variable Rate Bonds shall be issued unless (i) the City has notified each Rating Agency in writing of its intention to issue such Variable Rate Bonds and (ii) each Rating Agency has notified the City that the issuance of such Variable Rate Bonds by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the bonds.

**APPENDIX B**  
**CONSULTANT'S REPORT**

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ESTIMATE OF  
INCREMENTAL TAXES

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JUNIOR LIEN TAX INCREMENT ALLOCATION BONDS  
(NEAR SOUTH REDEVELOPMENT PROJECT)  
SERIES 2001A and SERIES 2001B  
OF THE CITY OF CHICAGO, ILLINOIS

Secured by  
Incremental Taxes  
Resulting from the

NEAR SOUTH  
REDEVELOPMENT PROJECT AREA

---

Prepared for  
the City of Chicago

Prepared by  
Trkla, Pettigrew, Allen & Payne, Inc.  
Chicago, Illinois

June 14, 2001

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## EXECUTIVE SUMMARY

In connection with the issuance of the City of Chicago Junior Lien Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001A and Series 2001B (the "Bonds"), Trkla, Pettigrew, Allen & Payne, Inc. ("TPAP") has been engaged by the City of Chicago (the "City") to estimate potential Incremental Taxes that may be generated by the assessment and reassessment of land and improvements within the Near South Project Area based on the application of assumptions contained in this Report.

On November 28, 1990, the City adopted the Central Station Area Tax Increment Financing Redevelopment Project and Plan (the "Original Area Redevelopment Plan") to provide for the redevelopment of approximately 127 acres located south of the City's central business district (the "Chicago Loop") and generally bounded on the north by 11th Street, on the south by Cullerton Street, on the east by the western line of the Lake Shore Drive right-of-way, and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of-way (between 16th and Cullerton Streets) (the "Original Project Area").

On August 3, 1994, the City adopted the Near South Tax Increment Financing Redevelopment Project and Plan (the "Near South Redevelopment Plan"), which incorporates and replaces the Original Area Redevelopment Plan, to provide for the continued redevelopment of the Original Project Area and the redevelopment of approximately 248 additional acres (the "Added Project Area"). The Added Project Area is located immediately west of the Original Project Area, and generally bounded on the north by Congress Parkway, on the south by 21st Street, on the west by State Street, and on the east by Michigan Avenue (between Congress Parkway and 14th Street), Indiana Avenue (between 14th and 16th Streets), the Illinois Central Railroad right-of-way (between 16th and 18th Streets) and Calumet Avenue (between 18th and 21st Streets).

The Original Area Redevelopment Plan and the Near South Redevelopment Plan were both adopted to overcome conditions of blight and obsolescence found throughout the approximately 375 acres contained within the Original Project Area and Added Project Area (collectively referred to as the "Near South Project Area" in this report), and to improve the economic and physical well-being of the City.

The Near South Project Area is generally located immediately south of the Chicago Loop business district; directly west of Lake Shore Drive and the Museum Campus containing the Field Museum of Natural History, John G. Shedd Aquarium, Adler Planetarium and Soldier Field; and immediately north and west of the McCormick Place Exposition facilities.

Since 1990, many of the major redevelopment activities identified in the Original Area Redevelopment Plan and the Near South Redevelopment Plan have been successfully implemented. Significant public improvements were completed which stimulated new development, replacing the vacant railroad property which was the basis for the designation of the Original Project Area as a redevelopment project area. The transformation of the vacant railroad property into a high quality residential neighborhood kindled new life and interest in the Near South Project Area.

Since 1994, the redevelopment success of the Original Project Area spread into the adjacent Added Project Area, stimulating the rehabilitation and conversion of numerous deteriorated and abandoned warehouse and commercial buildings into residential developments. Construction of new buildings also resulted on the scattered vacant sites present throughout the Near South Project Area. The City has completed a variety of public improvements which have helped to stimulate private investment and development since 1990 and generally consist of the construction of new roadways, streetscape enhancements, sewers and parks. The City has also undertaken the planning and development of several additional public improvements to complement and supplement both completed public improvements and private development projects. These public improvements are more fully described in Section II, *Near South Redevelopment Plan Overview*.

The City issued tax increment allocation bonds in 1991, 1994, and 1999 to fund public infrastructure improvements and stimulate private investment in the Near South Project Area. An issuance of bonds for the Original Project Area occurred in November 1991 in the aggregate principal amount of \$4,400,000. A bond issuance for the Near South Project Area occurred in December 1994 in the aggregate principal amount of \$23,000,000, the proceeds of which were used to defease the 1991 bonds and to fund additional public improvements. Another bond issuance for the Near South Project Area occurred in February 1999 in the aggregate principal amount of \$50,000,000, the proceeds of which were used to defease the 1994 bonds and to fund additional public improvements. Prior to the issuance of the Bonds, \$45,140,000 in principal amount of the 1999 bonds remain outstanding (the "Outstanding Bonds").

The construction of the public infrastructure improvements financed with the proceeds of the bonds issued in 1991, 1994, and 1999 facilitated the construction of various private development projects. For the purposes of this Report, the private development projects in the Near South Project Area have been separated into three categories. The first category, "Completed Private Projects," is comprised of completed private development projects for which full assessment of improvements for property tax purposes is reflected in assessments for levy year 1999. The second category, "Constructed Private Projects," is comprised of private development projects that have been completed, but which were not fully assessed in the 1999 levy year. The third category, "Private Projects Under Construction," is comprised of private development projects under construction as of the date of this Report and which were either assessed to reflect the pre-construction state of the property or to reflect a construction phase in the 1999 levy year. Projects within each category are summarized as follows:

- **24 Completed Private Projects** is comprised of a total of 1,061 completed residential units, 42,000 square feet of office space within a mixed use building, 13,000 square feet of commercial space within two restaurants, and three institutional projects that are educational, cultural, or social service related; and
- **24 Constructed Private Projects** is comprised of a total of 741 completed residential units, 16,400 square feet of retail space within two residential developments, 21,000 square feet of an office development, two restaurants, one small hotel, and seven institutional developments which are educational/cultural in nature.
- **21 Private Projects Under Construction** is comprised of a total of 1,689 residential units (84 percent of which are purchased or under contract), a total of 172,300 square feet of retail space located within a grocery store, a storage center, and four residential developments, 300 square

feet of office space located within one residential development, and one institutional development which is educational/cultural in nature.

Section II, *Near South Redevelopment Plan Overview*, provides a more detailed description of these private development projects. Other than Private Projects Under Construction and pending tax-exempt projects, the estimates of potential Incremental Taxes contained in this Report do not include any pending, proposed, or incomplete project.

In 1999, the Illinois Tax Increment Allocation Redevelopment Act (the "Act"), 65 ILCS 5/11-74.4-1, *et seq.* was amended to, among other matters, allow the City to elect to amend the Near South Redevelopment Plan to change the dates by which a redevelopment project must be completed and obligations issued to finance redevelopment project costs must be retired under the Act. In March 2001, the City amended the Near South Redevelopment Plan in conformance with the Act to provide that all obligations issued by the City pursuant to the Near South Redevelopment Plan shall be retired no later than December 31 of the year in which the payment to the municipal treasurer is to be made with respect to *ad valorem* taxes levied in the twenty-third calendar year after the year (1990) in which the ordinance approving the Original Project Area and the Original Redevelopment Plan was adopted, such final retirement date being on or before December 31, 2014. Since the Original Project Area was adopted in 1990, Incremental Taxes are assumed to be generated through levy year 2013 with the final collection by the County and distribution to the City occurring in 2014. As proposed, the final maturity of the Bonds will be November 15, 2014.

To continue the redevelopment of the Near South Project Area and achieve the goals of the Near South Redevelopment Plan, the City proposes to issue the Bonds in an aggregate principal amount not to exceed \$60,000,000. The Bonds will be secured by Incremental Taxes resulting from the Near South Project Area as provided in the bond ordinance authorizing the Bonds.

### **Scope of this Report**

In connection with the issuance of the Bonds, TPAP has been engaged by the City to estimate potential Incremental Taxes that may be generated by the assessment and reassessment of land and improvements within the Near South Project Area based on the application of assumptions contained in this Report.

Each year the Clerk of The County of Cook, Illinois (the "County Clerk") determines incremental property taxes separately for each tax code within TIF redevelopment project areas by aggregating the current equalized assessed value (the "EAV") of all parcels within such tax code and subtracting the aggregate certified initial EAV for such tax code. The resulting "increment" in EAV for such tax code is then multiplied by the aggregate tax rate of the taxing districts which extend taxes on the parcels within such tax code for the applicable year to determine the incremental property taxes generated within such tax code.

The Near South Project Area currently contains four Tax Codes. The estimates of Incremental Taxes for the Near South Project Area contained in this Report are based on the assumptions that the County Clerk will (i) maintain these separate Tax Codes for the Near South Project Area, (ii) create a fifth Tax Code within the Near South Project Area not later than 2001 and reassign to it tax parcels that have been reclassified as tax exempt or have tax exempt reclassification pending for levy years 2001 and after and

(iii) determine Incremental Taxes separately for each such Tax Code. Based on these assumptions, the estimates of Incremental Property Taxes attributable to the individual Tax Codes of the Near South Project Area would not be adversely affected by declines in current EAV of other Tax Codes within the Near South Project Area below the Certified Initial EAV for such Tax Codes.

TPAP has relied upon information from various parties, including County officials and City officials, to estimate Incremental Taxes. No representations or assurances can be made that the receipt of Incremental Taxes will be realized at the levels estimated in this Report. The receipt of Incremental Taxes may be adversely impacted by future economic conditions, changes in law and other factors. The estimates of Incremental Taxes contained in this Report are based, in part, on certain stated assumptions regarding real estate market values and conditions in the Near South Project Area and in the taxing jurisdictions as a whole based on information provided by the County, the City and other sources. TPAP has not conducted any market feasibility study to determine real estate market values or conditions and consideration of such market values or conditions is outside the scope of TPAP's assignment.

The estimates of Incremental Taxes as set forth in this Report are presented in three groups to reflect differing assumptions regarding private development projects. In general, the three groups are described as follows:

- The first group of estimates of Incremental Taxes is based on land and improvements in the Near South Project Area reflecting their physical condition and deemed fully assessed valuation as of the 1999 levy year ("Existing Improvements") plus an inflation factor to be realized triennially over the remaining life of the Near South Project Area. Among the improvements included in Existing Improvements are Completed Private Projects and the respective partial assessed valuations of Constructed Private Projects to the extent assessed as of the 1999 levy year.
- The second group of estimates of Incremental Taxes builds upon the assessed valuation estimates of land and Existing Improvements in the first group by incorporating estimates of the increased Incremental Taxes expected to be generated as the Constructed Private Projects are fully assessed plus an inflation factor to be realized triennially over the remaining life of the Near South Project Area.
- The third group of estimates of Incremental Taxes builds upon the assessed valuation estimates of land, Existing Improvements, and full assessment of Constructed Private Projects in the second group by incorporating increases in Incremental Taxes expected to be generated as Private Projects Under Construction reach full assessment plus an inflation factor to be realized triennially over the remaining life of the Near South Project Area. With respect to Private Projects Under Construction, Incremental Taxes are estimated for non-residential projects and for those units within residential developments that have been purchased or are under contract as of the date of this Report. Approximately 84% of the residential units in Private Projects Under Construction meet that criterion.

All three groups of estimates of Incremental Taxes incorporate the same assumptions regarding (i) permanent reductions in assessed valuations of various properties in the Near South Project Area due to pending reclassifications of taxable parcels to tax-exempt status and (ii) short-term reductions in assessed valuations of tax parcels associated with Private Projects Under Construction during construction phases.

The estimates of Incremental Taxes contained in this Report are also based upon other assumptions included in this Report which TPAP believes are reasonable. TPAP offers no prediction or opinion regarding the ultimate correctness of such assumptions, any one or more of which may, if incorrect, adversely impact the receipt of Incremental Taxes. Section III, *Conditions of Findings*, contains a list of risks, any one or more of which may affect the receipt of Incremental Taxes. The estimates of Incremental Taxes contained in this Report assume that none of such risks will occur and, while such assumption is believed to be reasonable and such list of risks is believed to include all material risks, there is no assurance that such assumption or belief will prove to be correct or that there are no other risks that may affect the receipt of Incremental Taxes.

Prospective purchasers of the Bonds must make their own independent judgment as to whether the assumptions upon which this Report is based are reasonable in light of the conditions of findings described in this Report. Additionally, any purchaser of the Bonds should review the risks set forth in the Official Statement (defined herein) of which this Report is a part.

Words or phrases that appear in capital letters which are not defined in the text are defined in Section I, *Definitions*.

This Report, dated June 14, 2001, is TPAP's final Report. TPAP has no obligation to update this Report for any reason.

### **Key Findings**

TPAP's key findings are summarized below.

1. Estimated Incremental Taxes Attributable to Assessment and Reassessment of Land and Existing Improvements within the Near South Project Area.

Based on the assumptions contained in this Report, the assessment and reassessment of the land and Existing Improvements contained within the Near South Project Area is estimated to generate approximately \$150,528,000 in Incremental Taxes over the remaining life of the Near South Project Area ending December 31, 2014, ranging from \$8,144,000 in collection year 2001 to \$13,557,000 in collection year 2014.

2. Estimated Incremental Taxes Attributable to Assessment and Reassessment of Land and Existing Improvements plus full assessment of Constructed Private Projects within the Near South Project Area.

Based on the assumptions contained in this Report, the assessment and reassessment of the land and Existing Improvements plus full assessment of Constructed Private Projects (construction complete but parcels not yet fully assessed) contained within the Near South Project Area is estimated to generate approximately \$165,111,000 in Incremental Taxes over the remaining life of the Near South Project Area ending December 31, 2014, ranging from \$8,154,000 in collection year 2001 to \$14,865,000 in collection year 2014.

3. Estimated Incremental Taxes Attributable to Assessment and Reassessment of Land and Existing Improvements plus full assessment of Constructed Private Projects plus Private Projects Under Construction within the Near South Project Area.

Based on the assumptions contained in this Report, the assessment and reassessment of the land and Existing Improvements plus full assessment of Constructed Private Projects plus non-residential Private Projects Under Construction and purchased or under contract residential units of Private Projects Under Construction (construction in progress and improvements not fully assessed) contained within the Near South Project Area is estimated to generate approximately \$235,746,000 in Incremental Taxes over the remaining life of the Near South Project Area ending December 31, 2014, ranging from \$8,396,000 in collection year 2001 to \$21,584,000 in collection year 2014.

Summary of Conclusions. Based on information provided by the various parties named in this Report and other findings discussed in this Report, on the current assessment practices of Cook County, Illinois, on existing State and local legislation regarding taxation of real property, and subject to the assumptions stated herein, TPAP is of the opinion that the estimated Incremental Taxes stated in this Report reasonably reflect levels of Incremental Tax revenues which can be achieved if the properties currently existing within the Near South Project Area remain economically viable over the life of the Near South Project Area.

## I. DEFINITIONS

"Act" means the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, *et seq.*, as amended and supplemented from time to time, and specifically as supplemented by the Local Government Debt Reform Act, 30 ILCS 350/1, *et seq.*

"Added Project Area" means the approximately 248 acres of land added to the Original Project Area in connection with the adoption of the Near South Redevelopment Plan which is generally bounded on the north by Congress Parkway, on the south by 21st Street, on the west by State Street, and on the east by Michigan Avenue (between Congress Parkway and 14th Street), Indiana Avenue (between 14th and 16th Streets), the Illinois Central Railroad right-of way (between 16th and 18th Streets) and Calumet Avenue (between 18th and 21st Streets).

"Additional Tax Code" means the fifth Tax Code within the Near South Project Area to be established for not later than levy year 2001 by the County Clerk to include properties that have been or are expected to be reclassified as tax exempt. These properties (along with their primary addresses) are comprised of: the Jones High School Park (southwest corner of State Street and Congress Parkway); Columbia College properties (1415 S. Wabash, 33 E. Congress, 1306 S. Wabash, 1014 S. Wabash, and 1104 S. Wabash, respectively); Perspectives Charter School (1532 S. Michigan); Sherwood Conservatory of Music (1312 S. Michigan); Soka Gakkai International USA (1445 S. Wabash); Vietnam Veterans Art Museum (1801 S. Indiana); Old St. Mary's Church (1520-1532 S. Michigan); True Rock Church (57 E. 16<sup>th</sup>); Ada S. McKinley Community Center (1863 S. Wabash); State/Congress Redevelopment Project; CHA Offices (1000 S. Wabash); and U.S. Post Office (2011 S. State).

"Assessor" means the County Assessor.

"AV" means the County assessed valuation of real property.

"AV-to-Sales-Ratio" or "AV-to-Sales-Ratios" means the ratio equal to the AV divided by the sales price of a recently sold tax parcel. Each year the State Department of Revenue conducts studies of the AV-to-Sales-Ratios for the County for all recently sold properties of each general property class (1, 2, 3, 5a, and 5b).

"Bonds" means the City of Chicago Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001A and Series 2001B (Taxable), in an aggregate original principal amount of not to exceed \$60,000,000 issued by the City in furtherance of the Near South Redevelopment Plan.

"Certified Initial EAV" means, the EAV of all taxable real property within the Near South Project Area, which is the combined total of \$3,223,423 of Certified Initial EAV for the Original Project Area at the time the Original Project Area was adopted, plus \$125,589,335 of Certified Initial EAV for the Added Project Area at the time the Near South Redevelopment Plan was adopted, or a total of \$128,812,758 and which serves as the EAV base from which incremental EAV and Incremental Taxes are calculated.



"**Completed Private Projects**" means improvements for the 24 projects that have been constructed or rehabilitated in the Near South Project Area as of the date of this Report and that were fully assessed as of the most current levy year for which final EAV is available (1999). These redevelopment projects are comprised of: 1523 S. Michigan Condominiums, 1801 Studios Single Room Occupancy Apartments, 18<sup>th</sup> Street Loft Condominiums and Townhomes, Bicycle Station Loft Condominiums, Bicycle Station Townhomes, Carriage House Loft Apartments, Centennial Court Townhomes, Columbia College Offices at 1415 S. Wabash, East Side Loft Condominiums, East Side Loft Townhomes, Filmworks 1 Townhomes, Filmworks 2 Townhomes, Harbor Square Condominiums, Hot House Club, Koko Taylor's Celebrity, Park Row Townhomes, Penthouse Lofts and Office, Prairie Place Phase I, Saint Agnes Health Care, Senior Suites, Sewing Exchange Lofts, Soka Gakkai International USA, Studebaker Loft Condominiums, and Trevi Square Condominiums.

"City" means the City of Chicago, Illinois.

"**Constructed Private Projects**" means improvements for the 24 projects that have been constructed or rehabilitated in the Near South Project Area as of the date of this Report, but that were not fully assessed as of the most current levy year for which final EAV is available (1999). These redevelopment projects are comprised of: 1421 S. Wabash Condominiums, 1520 S. Wabash Condominiums, 1515/1527 S. Michigan Townhomes, 1918 S. Michigan Condominiums, Bank Note Place Condominiums (Phase I), Chicago Financial Technology Center, Chicago Firehouse Restaurant, Columbia College Dance Center, Columbia College (1014 S. Michigan), Columbia College Offices (33 E. Congress Parkway), Gioco Restaurant, Honey Tree Learning Center, Landmark on the Wabash Condominiums, Michigan Avenue Gardens Condominiums, One East 14<sup>th</sup> Place Condominiums, Perspectives Charter School, Prairie District Loft Apartments, Sewing Exchange Townhomes, Sherwood Music Conservatory, Skyline Loft Condominiums, South Loop Single Room Occupancy Apartments, Tandem Loft Condominiums, Vietnam Veterans Art Museum, and Wheeler Bed & Breakfast.

"County" means Cook County, Illinois.

"County Clerk" means the Clerk of The County of Cook, State of Illinois.

"CPI" means the Consumer Price Index for All Urban Consumers for all items, published by the United States Department of Labor.

"EAV" means AV as equalized by the State Equalization Factor for the County.

"**Existing Improvements**" means improvements within the Near South Project Area, including Completed Private Projects, as of their physical condition and assessed value as of levy year 1999.

"FMV" means the estimated Fair Market Value as determined by the Assessor for each taxable parcel.

"Fund" means the Special Tax Allocation Fund established by the City and required by State law to be maintained in connection with the Near South Redevelopment Plan for the receipt of Incremental Taxes.

"General City Rate" means the combined real estate tax rate of the following taxing agencies for a given year: the County of Cook, Cook County Forest Preserve District, Metropolitan Water Reclamation District,

City of Chicago, Chicago Board of Education, School Finance Authority, Community College District #508 and Chicago Park District.

**"Incremental Tax" or "Incremental Taxes"** means (i) for each Tax Code within the Near South Project Area, the portion of property taxes generated from aggregate current EAV within such Tax Code over and above the Certified Initial EAV for such Tax Code as a result of the assessment and reassessment of land and improvements within such Tax Code, and (ii) the sum of the Incremental Taxes for all the Tax Codes within the Near South Project Area as described in clause (i) above.

**"Local Ordinances"** means, collectively, the Chicago Property Tax Limitation Ordinance and the Cook County Property Tax Relief Ordinance.

**"Near South Project Area"** means, collectively, the Original Project Area and the Added Project Area.

**"Near South Redevelopment Plan"** means the Near South Tax Increment Financing Redevelopment Project and Plan adopted by the City on August 3, 1994.

**"Official Statement"** means the document published by the City describing the Bonds, including material information on the Bonds, repayment of the Bonds, and the Near South Project Area.

**"Original Project Area"** means the approximately 127 acres of land designated by the City as the Central Station Tax Increment Redevelopment Project Area in connection with the adoption of the Central Station Tax Increment Redevelopment Plan and Project on November 28, 1990, which is generally bounded on the north by 11th Street, on the South by Cullerton Street, on the east by the southbound lanes of Lake Shore Drive (prior to its reconfiguration), and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of way (between 16th and Cullerton Streets).

**"Original Area Redevelopment Plan"** means the Central Station Tax Increment Redevelopment Plan and Project adopted by the City on November 28, 1990.

**"Outstanding Bonds"** means the aggregate principal amount of \$50,000,000 Tax Increment Allocation Bonds (Near South Redevelopment Project), \$42,500,000 Series 1999A Bonds and \$7,500,000 Series 1999B Bonds (Taxable), of which \$45,140,000 is outstanding (prior to the issuance of the Bonds).

**"Pending Tax Exempt Projects"** means land and improvements within the Near South Project Area that have been identified as redevelopment projects that are expected to be redeveloped by tax-exempt owner/occupants and, as a result, be reclassified to tax exempt status for the purposes of real property taxation. These redevelopment projects are comprised of the redevelopment of a portion of the block bound by State Street, Congress Parkway, Harrison Street, and Wabash Avenue, Old St. Mary's Church, and Jones High School Park.

**"Private Projects Under Construction"** means improvements for the 21 projects within the Near South Project Area that are under construction or rehabilitation as of the date of this Report and that are not yet fully assessed. These improvements are comprised of the following redevelopment projects: 11<sup>th</sup> Street Loftominiums, 1910 S. Michigan Condominiums, Burnham Park Plaza Condominiums, Central Park

Townhomes, Columbia College Film and Video School and Offices, Cornerstone of the Commonwealth Townhomes Phase I, Cornerstone of the Commonwealth Townhomes Phase II, Cosmopolitan Loft Condominiums, Film Exchange Loft Condominiums, Imperial Loft Condominiums, Jewel/Osco, Lock-Up Storage Center, Michigan Avenue Garden Terraces Condominiums, Michigan Avenue Loft Condominiums, Museum Park Condominiums and Townhomes (Phase I), One East 15<sup>th</sup> Place Condominiums, Parkview on Michigan, Prairie Avenue Loft Condominiums, Prairie Place Townhomes (Phase II), Ravinia Loft Condominiums, and Solo Soft Loft Condominiums. [note: A building permit has not yet been issued for the Imperial Lofts Condominiums, however, the developer has indicated that all 50 units are under contract].

**"Redevelopment Project Costs"** means expenses estimated to be incurred in connection with the Near South Project Area and which are eligible for TIF financing in accordance with the Act.

**"Report"** means this report entitled *Estimate of Incremental Taxes*, prepared by TPAP.

**"State"** means the State of Illinois.

**"State Equalization Factor"** means a multiplication factor issued by the Illinois Department of Revenue to the County which is applied to AV and is designed to make all real estate valuations State-wide equal to 33-1/3 percent of FMV.

**"Tax Code"** means the five-digit code assigned by the County to all tax parcels within the Near South Project Area which are subject to the same combination of taxing jurisdictions. The existing Tax Codes for the Near South Redevelopment Project Area are 76016, 76018, 76027 and 76516.

**"Tax Freeze Program"** means the State of Illinois Property Tax Assessment Freeze Program created under the Illinois Revenue Act (35 ILCS 200/10-40) that provides an eight-year freeze on the AV of substantially rehabilitated owner-occupied residences that have been designated as historic buildings locally or nationally (either individually or as part of an historic district). The rehabilitation must be valued at 25 percent or more of the FMV of the property in the year that rehabilitation begins and must be conducted in a manner consistent with the United States Secretary of the Interior Standards for Rehabilitation. The AV is frozen at its level the year rehabilitation begins. After eight years, the AV is brought to market value gradually over the next four-year period.

**"Tax Limitation Act"** means *Property Tax Extension Limitation Act, Public Act 87-17 (35 ILCS 245/1-1 et seq.)* of the State, as amended.

**"TIF"** means tax increment financing as described in the Act.

**"TPAP"** means Trkla, Pettigrew, Allen & Payne, Inc., located at 222 South Riverside Plaza, Chicago, Illinois.

## II. NEAR SOUTH REDEVELOPMENT PLAN OVERVIEW

On November 28, 1990, the City adopted the Original Area Redevelopment Plan to overcome conditions of blight and to improve the economic and physical well-being of the City. The Original Project Area containing 127 acres, is located south of the Chicago Loop and is generally bounded on the north by 11th Street, on the South by Cullerton Street, on the east by the southbound lanes of Lake Shore Drive (prior to its reconfiguration), and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of way (between 16th and Cullerton Streets).

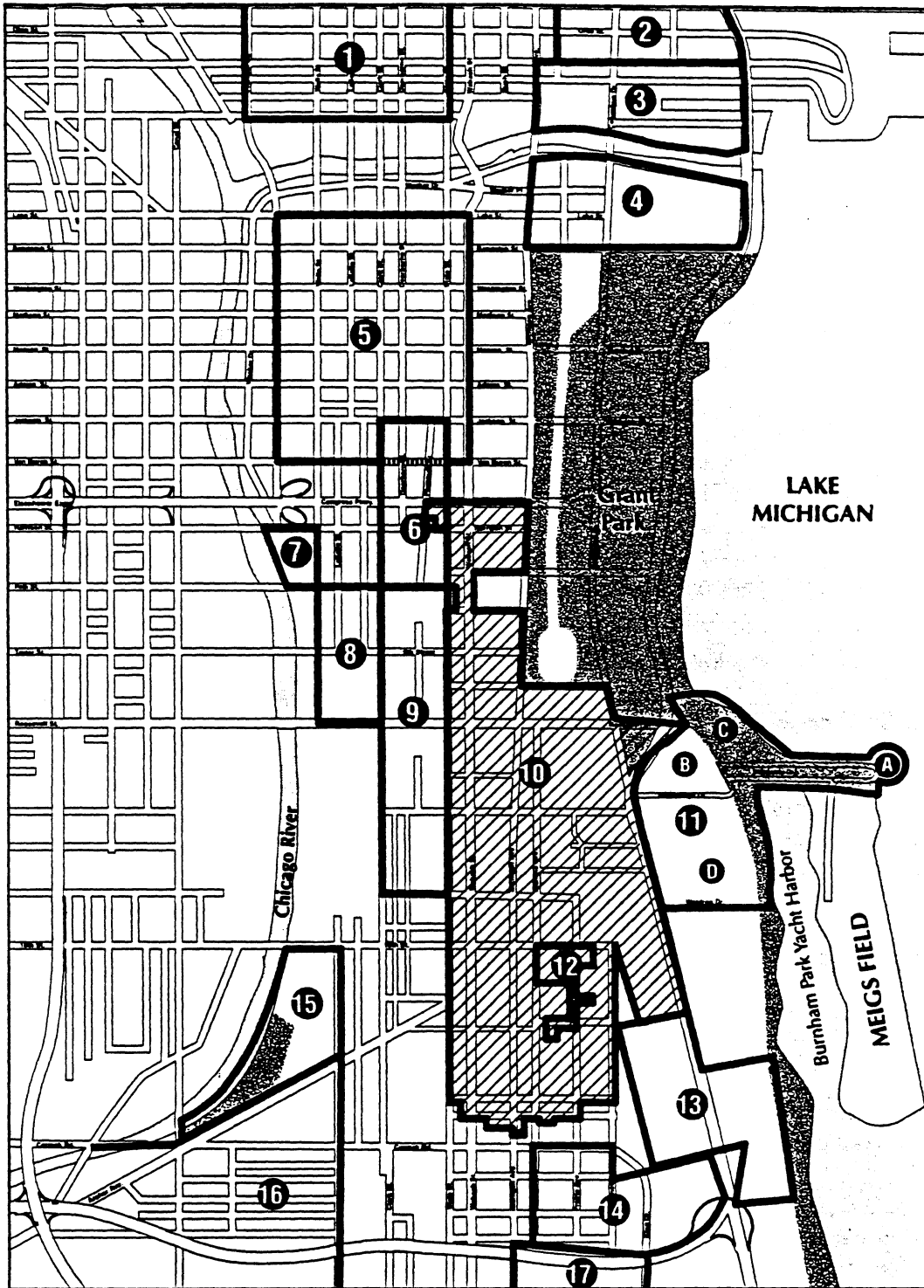
On August 3, 1994, the City adopted the Near South Redevelopment Plan to provide for the continued redevelopment of the Original Project Area and to overcome declining conditions and the threat of blight within the Added Project Area. The Added Project Area contains approximately 248 acres bounded on the north by Congress Parkway, on the south by 21st Street, on the west by State Street, and on the east by Michigan Avenue (between Congress Parkway and 14th Street), Indiana Avenue (between 14th and 16th Streets), the Illinois Central Railroad right-of way (between 16th and 18th Streets) and Calumet Avenue (between 18th and 21st Streets). The total land area (including alleys and rights-of-way) within the Near South Project Area is approximately 375 acres.

Figure 1, *Near South Redevelopment Project Area Setting*, illustrates the location of the Near South Project Area within Chicago's South Loop region, as well as the locations of other major developments or facilities within or near the South Loop region. Figure 2, *Near South Project Area and Tax Block Configuration*, illustrates the boundaries and County tax block configurations of the Near South Project Area.

The Original Project Area began generating Incremental Taxes in levy year 1991 for taxes collected in 1992 and the Near South Project Area began generating Incremental Taxes for levy year 1994 for taxes collected in 1995. According to the Cook County Treasurer's Office, distributions of Incremental Taxes resulting from the Near South Project Area for the 1999 levy year total \$8,423,619 as of December 31, 2000.

### **Public Redevelopment Program**

Pursuant to the Act and the Near South Redevelopment Plan, the City has constructed and proposes to construct, or cause to be constructed, certain public infrastructure improvements and public facilities to stimulate private investment within the Near South Project Area. Over the remaining life of the Near South Project Area, all or a portion of the proposed public improvements and public facilities are anticipated to be funded by the proceeds of the Bonds, Incremental Taxes not needed for debt service on the Bonds and, possibly, other available public funds.



**Legend**

- |                      |   |                                      |
|----------------------|---|--------------------------------------|
| 1. River North       | 9. Dearborn Park                                | 12. Prairie Avenue Historic District |
| 2. Streeterville     | 10. Near South Project Area<br>General Boundary | 13. McCormick Place I&II             |
| 3. City Front Center | 11. Museum Campus                               | 14. McCormick Expansion              |
| 4. Illinois Center   | A. Adler Planetarium                            | 15. Chinatown Expansion              |
| 5. Loop              | B. Field Museum of Natural History              | 16. Chinatown                        |
| 6. Printer's Row     | C. Shedd Aquarium                               | 17. Mercy Hospital & Medical Center  |
| 7. Franklin Point    | D. Soldier Field                                | Open Space                           |
| 8. LaSalle Park      |   |                                      |

**Figure 1  
Redevelopment Project Area Setting**

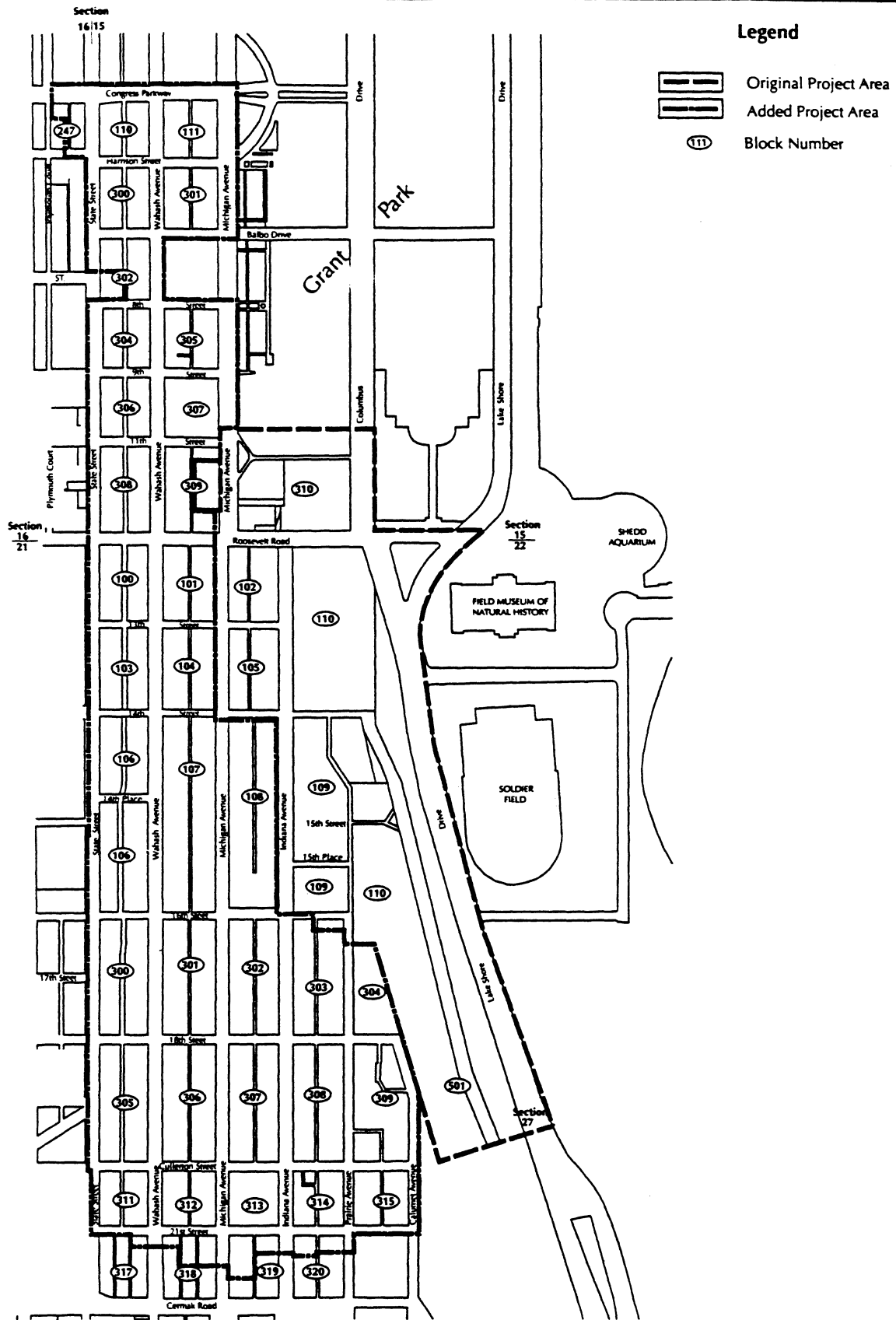


Figure 2  
Near South Project Area And Tax Block Configuration

NEAR SOUTH REDEVELOPMENT PROJECT AREA

Tax Increment Financing

CHICAGO, ILLINOIS

Prepared by: Trkla, Pettigrew, Allen & Payne, Inc.

### ***Completed Public Improvements and Facilities***

Listed below are the public infrastructure improvements and public facilities which have been constructed to help stimulate private investment into the Near South Project Area. These completed public infrastructure improvements are also illustrated in Figure 3, *Completed Public Improvements and Facilities*.

#### **Completed Public Improvements**

- The construction of Indiana Avenue from Roosevelt Road to 14th Street;
- The installation of landscaped medians along Indiana Avenue from Roosevelt Road to Cermak Road;
- The extension of Roosevelt Road from Michigan Avenue to Lake Shore Drive;
- Streetscaping of Roosevelt Road from State Street to Lake Shore Drive;
- The relocation of Lake Shore Drive west of the Museum Campus;
- The construction of the combined outfall sewer along 14th Street between Indiana Avenue and State Street;
- The construction of South Prairie Avenue between 14th and 15th Streets;
- Installation of street trees and landscaped medians along State Street from Harrison Street to Cullerton Avenue;
- Reconstruction and streetscaping of Michigan Avenue from Congress Parkway to Roosevelt Road;
- Improvements to the Roosevelt/State Street CTA Green and Orange Line Elevated Train Station;
- The construction of 14th and 15th Streets from Indiana Avenue to South Prairie Avenue; and
- The construction of the Mark Twain Park and Daniel Webster Park;
- The resurfacing of 13th, 18th, 21st and Cullerton Streets, between State Street and Michigan Avenue;
- The resurfacing of 14th and 16th Streets between State Street and Indiana Avenue;
- Alley lighting west of Wabash Avenue between 18th and 21st Streets;
- Underpass lighting at 14th and State Streets and 16th Street and Indiana Avenue;
- Water main replacement along Wabash Avenue between Roosevelt Road and 13th Street, along Indiana Avenue between Roosevelt Road and 14th Street, along 14th Street between State Street and Wabash Avenue and along 14th Place between State Street and Wabash Avenue;
- The construction of Coliseum Park at 14<sup>th</sup> Place and Wabash; and
- New street lighting along Wabash Avenue from Congress Parkway to Balbo Avenue, from Roosevelt Road to 14<sup>th</sup> Avenue, and from Cullerton Street to Cermak Road.

#### ***Proposed Public Activities and Improvements***

Figure 4, *Proposed Public Activities and Improvements*, illustrates public infrastructure improvements and public activities proposed to be undertaken by the City within or adjacent to the Near South Project Area to stimulate further private investment in the area. Proposed public improvements may include, but are not limited to: transit improvements, roadways and related improvements, streetscaping, parks and open space, utility improvements, property acquisition, site preparation, demolition and rehabilitation of existing private or public buildings.

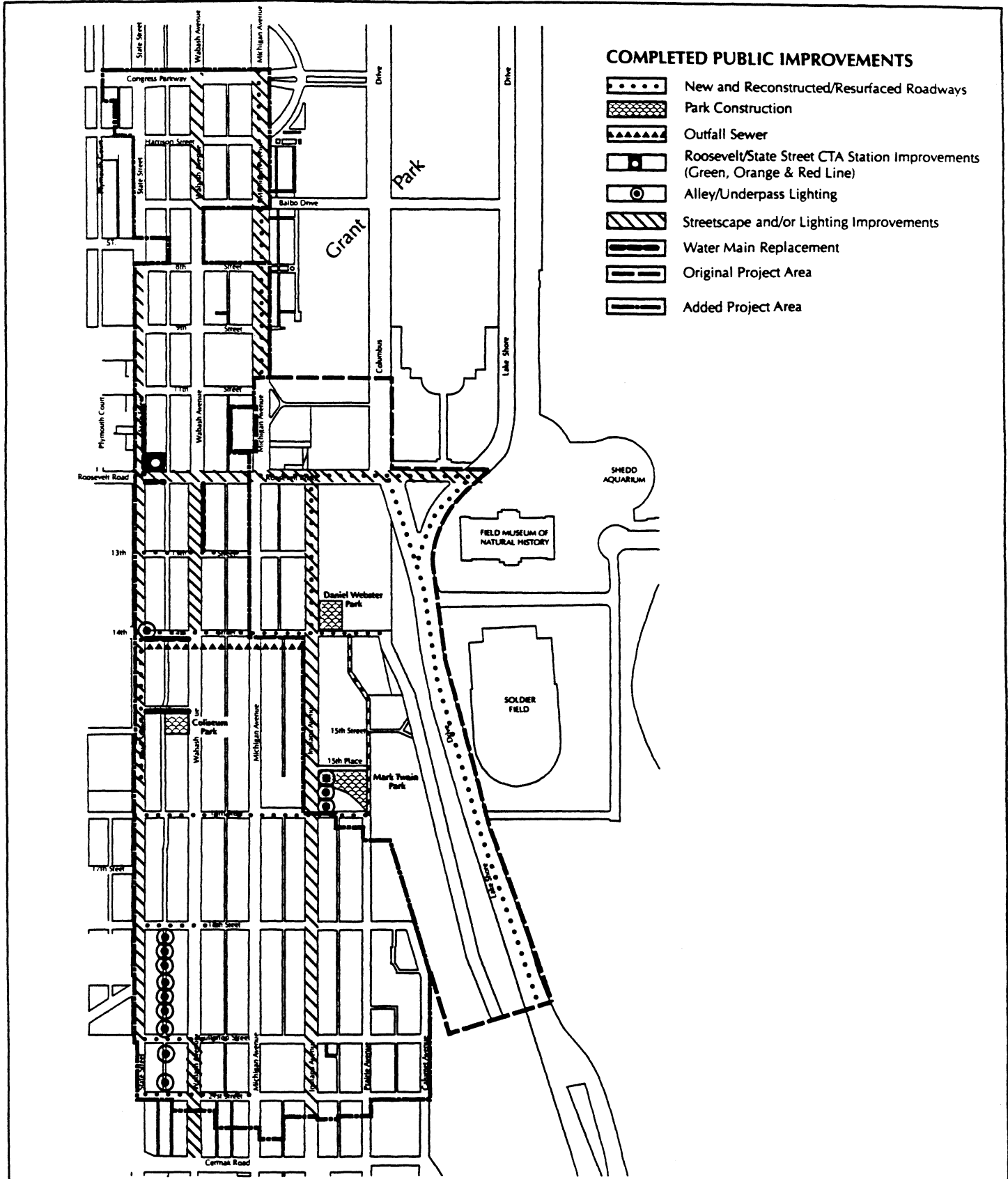


Figure 3  
**Completed Public Improvements and Facilities**

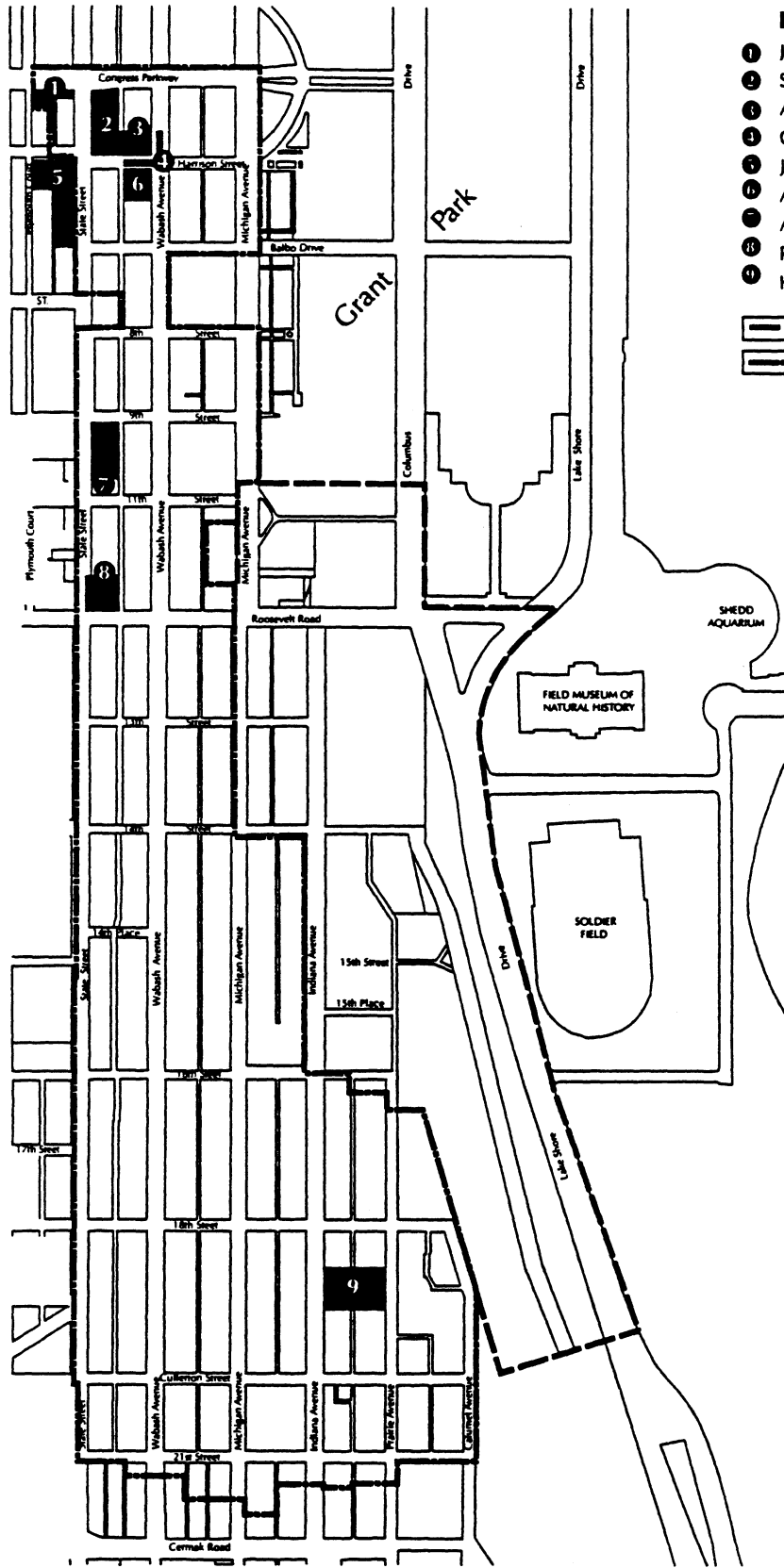
**NEAR SOUTH REDEVELOPMENT PROJECT AREA**

Tax Increment Financing

**CHICAGO, ILLINOIS**

Prepared by: Trkla, Pettigrew, Allen & Payne, Inc.





**Legend**

- ① Jones High School Park
- ② State Congress Redevelopment
- ③ Acquisition of 516-538 S. Wabash
- ④ CTA Realignment
- ⑤ Jones High School Rehabilitation & Addition
- ⑥ Acquisition of 600 – 620 S. Wabash
- ⑦ Acquisition of 901 – 1007 S. State St.
- ⑧ Roosevelt/State CTA Connection
- ⑨ Hillary Rodham-Clinton Park

-  Original Project Area
-  Added Project Area

**Figure 4  
Proposed Public Activities & Improvements**

**NEAR SOUTH REDEVELOPMENT PROJECT AREA**

Tax Increment Financing

**CHICAGO, ILLINOIS**

Prepared by: Trkla, Pettigrew, Allen & Payne, Inc.

## Private Development Program

Since the adoption of the Original Area Redevelopment Plan in 1990, there are numerous completed private development projects and many that are currently under construction. Table 1, *Completed Private Projects*, identifies completed private development projects for which full assessment for property tax purposes is reflected in levy year 1999 fair market value ("FMV"), AV, and EAV data. These projects are referred to collectively as "Completed Private Projects" and are incorporated into the estimates of Incremental Taxes for Existing Improvements contained in this Report.

TABLE 1: COMPLETED PRIVATE PROJECTS

	Project Name	Address	Type of Development	Number of Units or Square footage
1.	1523 S. Michigan Condos	1523 S. Michigan	condos	52 units
2.	1801 Studios (SRO)	1801 S. Wabash	rental	170 units
3.	18 <sup>th</sup> Street Lofts	1801 S. Michigan	condos & townhomes	53 units
4.	Bicycle Station Lofts	1616 S. Indiana	condos	53 units
5.	Bicycle Station Lofts	1616 S. Indiana	townhomes	10 units
6.	Carriage House Loft Apartments	1545 S. State	rental	81 units
7.	Centennial Court	14th St. & Indiana	townhomes	23 units
8.	Columbia College	1415 S. Wabash	office *	11,500 s.f.
9.	East Side Lofts	1601 S. Indiana	condos	65 units
10.	East Side Townhomes	1600 S. Indiana	townhomes	9 units
11.	Filmworks 1	1322 S. Wabash	townhomes	85 units
12.	Filmworks 2	1336-44 S. Wabash	townhomes	16 units
13.	Harbor Square	14th St. & Indiana	condos	88 units
14.	Hot House	31 E. Balbo	retail/restaurant	8,000 s.f.
15.	Koko Taylor's Celebrity	1233 S. Wabash	retail/restaurant	5,000 s.f.
16.	Park Row Townhomes	14th St. & Indiana	townhomes	69 units
17.	Penthouse Lofts	1550 S. Indiana	condos/office	36/42,000 s.f.
18.	Prairie Place Phase I	1427 S. Prairie	townhomes	45 units
19.	Saint Agnes Health Care	1725 S. Wabash	health care	60,000 s.f.
20.	Senior Suites	1400 S. Indiana	rental	96 units
21.	Sewing Exchange Lofts	1840 S. Michigan	condos	24 units
22.	Soka Gakkai International USA	1445 S. Wabash	institutional *	42,600 s.f.
23.	Studebaker Lofts	1605 S. Michigan	condos	17 units
24.	Trevi Square	1439 S. Michigan	condos	69 units

\* All or a portion of this project is tax exempt.

Table 2, *Constructed Private Projects*, identifies private development projects that have been completed as of the writing of this Report but were not fully assessed as of the 1999 levy year, these projects are referred to collectively as "Constructed Private Projects." The estimates of Incremental Taxes for Constructed Private Projects described in detail in Section IV of this Report incorporate estimates of value enhancement to EAV as full assessment is achieved.

TABLE 2: CONSTRUCTED PRIVATE PROJECTS

	Project Name	Address	Type of Development	Total Units/ Sq.-ft.	Estimated Average Sales Price
1.	1421 S. Wabash	1421 S. Wabash	condos/retail	5 units/ 1400 s.f.	\$300,000
2.	1520 S. Wabash	1520 S. Wabash	rental	12 units	n/a
3.	1515-1527 S. Michigan	1515-27 S. Michigan	townhomes	8 units	\$220,000
4.	1918 S. Michigan	1918 S. Michigan	condos	32 units	\$138,000
5.	Bank Note Place Phase I	1910 S. Indiana	condos	29 units	\$218,000
6.	Chicago Financial Technology	1556 S. Michigan	office	21,000 s.f.	n/a
7.	Chicago Firehouse	1401 S. Michigan	restaurant	14,000 s.f.	n/a
8.	Columbia College Dance Center	1306 S. Michigan	institutional *	35,000 s.f.	n/a
9.	Columbia College	1014 S. Michigan	institutional *	30,000 s.f.	n/a
10.	Columbia College	33 E. Congress	institutional *	137,000 s.f.	n/a
11.	Gioco Restaurant	1312 S. Wabash	restaurant	7,000 s.f.	n/a
12.	Honey Tree Learning Center	1325 S. State	institutional	36,000 s.f.	n/a
13.	Landmark on the Wabash	1516 S. Wabash	condos	72 units	\$232,000
14.	Michigan Avenue Gardens	1808-20 S. Michigan	condos	38 units	\$165,000
15.	One E. 14 <sup>th</sup> Place	1 E. 14 <sup>th</sup> Place	condos/retail	104 units/ 15,000 s.f.	\$189,000
16.	Perspectives Charter School	1532 S. Michigan	institutional *	16,000	n/a
17.	Prairie District Lofts	1727 S. Indiana	rental	116 units	n/a
18.	Sewing Exchange Townhomes	1840 S. Michigan	townhomes	13 units	\$215,000
19.	Sherwood Music Conservatory	1312 S. Michigan	institutional *	20,000	n/a
20.	Skyline Lofts	1601 S. Michigan	condos	47 units	\$175,000
21.	South Loop Apartments (SRO)	1521 S. Wabash	rental	207	na
22.	Tandem Lofts	1631 S. Michigan	condos	58 units	\$161,000
23.	Vietnam Veterans Art Museum	1801 S. Indiana	institutional *	26,000	n/a
24.	Wheeler Bed & Breakfast	2018 S. Calumet	hotel	11 rooms	n/a

\* All or a portion of this project is tax exempt  
n/a = not applicable

Table 3, *Private Projects Under Construction*, identifies the private development projects currently under construction, and are referred to collectively as "Private Projects Under Construction." The estimates of Incremental Taxes for Private Projects Under Construction described in detail below and in Section IV of this Report incorporate estimates of value enhancement to EAV as full assessment is achieved for non-residential projects and purchased or under contract residential units. Figure 5, *Completed Private Projects and Constructed Private Projects* and Figure 6, *Private Projects Under Construction*, illustrate the location of private projects within the Near South Project Area.

In summary, there are 24 Completed Private Projects which are comprised of a total of 1,061 residential units, 42,000 square feet of office space within a mixed use building, 13,000 square feet of commercial space within two restaurants, and three institutional projects that are educational, cultural, or social service related. There are also 24 Constructed Private Projects which are comprised of a total of 741 residential units, 16,400 square feet of retail space within two residential developments, 21,000 square feet of an office development, two restaurants, one small hotel, and seven institutional developments, which are educational/cultural in nature. Additionally, there are 21 Private Projects Under Construction which are comprised of a total of 1,689 residential units, 172,300 of retail space located within a grocery store, a storage center, and four residential developments, 300 square feet of office space located within one residential development, and one institutional development, which is educational/cultural in nature. The estimates of Incremental Taxes, as discussed in more detail later in this Report, include the values of (i) Completed Private Projects (ii) Constructed Private Projects (iii) all non-residential Private Projects Under Construction and (iv) residential units within Private Projects Under Construction that are have been purchased or are under contract. Units under contract require a minimum deposit of 5% of the purchase price by the prospective buyer. Within Private Projects Under Construction, 1,412 of the total 1,689 residential units (or 84%) have been purchased or are under contract [more specifically, 608 of the total units (or 36%) have been purchased and 804 of the total units (or 48%) are under contract].

Other than Private Projects Under Construction and Pending Tax-Exempt Projects, the estimates of Incremental Taxes contained in this Report do not include any pending, proposed, or incomplete project that may or may not occur within the Near South Project Area.

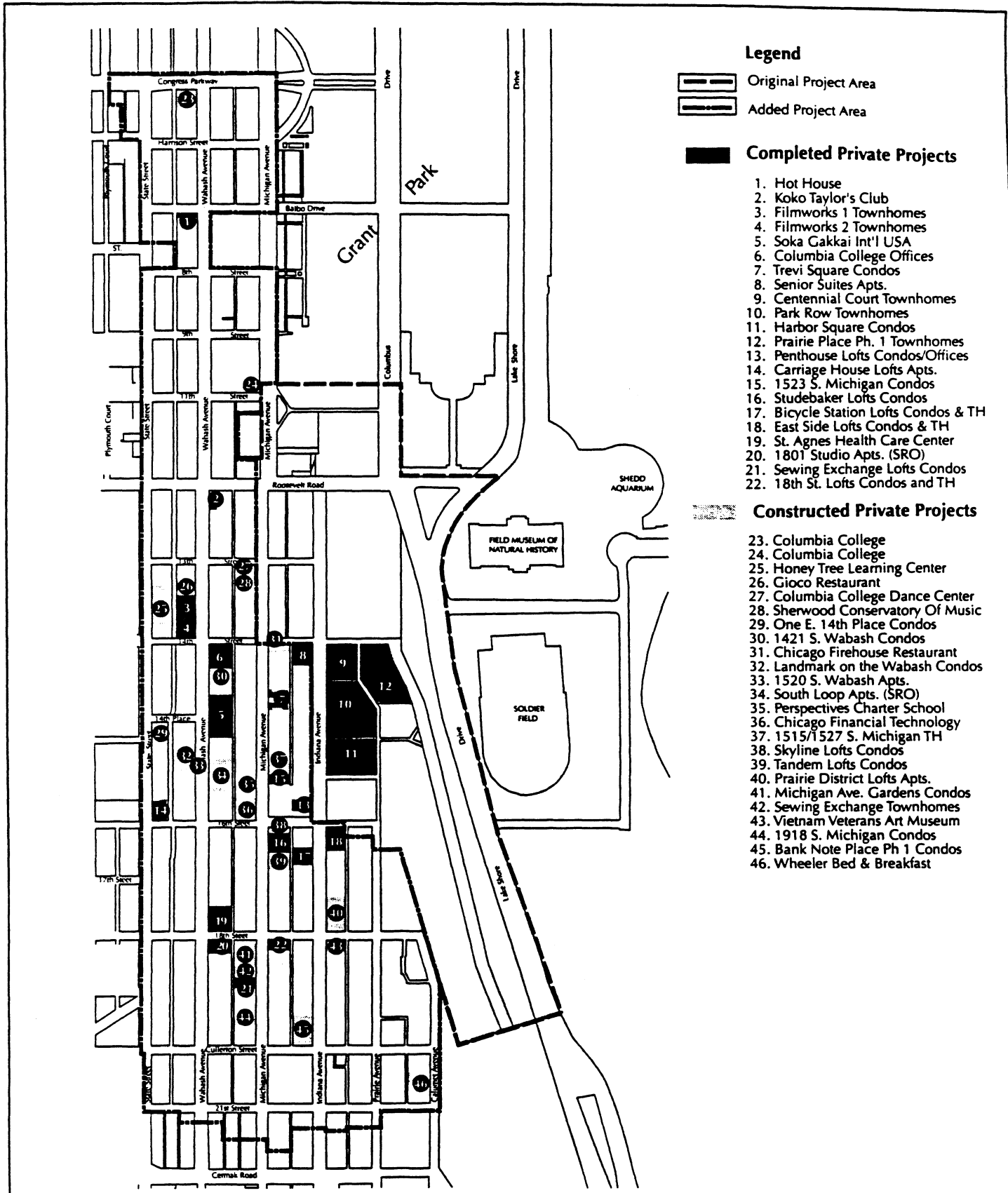
For each of the taxable projects listed in Tables 2 and 3, TPAP completed a field check and contacted each project developer to secure current information on the status of projects. Information collected includes status of project; average square feet per unit; average sales price per unit; number and type of units; and anticipated date of full occupancy of units. For the total 38 taxable projects, TPAP collected and verified current information through October 1, 2000. As a follow up, TPAP solicited a signed verification from each project developer that the project information recorded by TPAP was correct and current; 63% of project developers submitted a signed verification and the remaining records were confirmed verbally by project developers, by facsimile transmittals from project developers, by information obtained by the City's Department of Buildings on certificates of occupancy, and/or by information obtained from the *Chicago Tribune Homes Transaction* website which is sourced by Record Information Services, Inc. and Transamerica Intellitech. Moreover, from February 1 to March 31, 2001, TPAP completed a field check and re-contacted each project developer of each taxable project of Private Projects Under Construction to obtain updated information on the status of each project for the purposes of this Report. As of the date of this Report, 30% of project developers have provided TPAP with a signed verification of updated information.

TABLE 3: PRIVATE PROJECTS UNDER CONSTRUCTION

Project Name	Address	Type of Development	Total Units**/ Sq. ft.	Estimated Average Sales Price
1. 11 <sup>th</sup> St. Loftominiums	1020 S. Wabash	condos/retail	49units/ 12,300 s.f.	\$273,000
2. 1910 S. Michigan	1910 S. Michigan	condos	20 units	\$155,000
3. Burnham Park Plaza	40 E. 9th	condos	292 units	\$189,000
4. Central Park Townhomes (Phase I)	26 E. 14 <sup>th</sup> Place	townhomes	16 units	\$616,000
5. Columbia College Film & Video Building	1104 S. Wabash	Institutional *	180,000 s.f.	n/a
6. Cornerstone of the Commonwealth Phase I	1918 S. Prairie	townhomes	41 units	\$446,000
7. Cornerstone of the Commonwealth Phase II	2000 S. Calumet	townhomes	18 units	\$439,000
8. Cosmopolitan Lofts	1135 S. Wabash	condos	47 units	\$270,000
9. Film Exchange Lofts	1307 S. Wabash	condos/retail	73 units/ 4,500 s.f.	\$234,000
10. Imperial Lofts	1527 S. Wabash	condos	50 units	\$150,000
11. Jewel/Osco	1200 S. Wabash	retail grocery	60,000 s.f.	n/a
12. Lock Up Storage Center	1353 S. Wabash	retail storage	92,400 s.f.	n/a
13. Michigan Avenue Garden Terraces	1422 S. Michigan	condos	100 units	\$183,000
14. Michigan Avenue Lofts	910 S. Michigan	condos	267 units	\$337,000
15. Museum Park (Phase I)	14 <sup>th</sup> and Indiana	condos/ townhomes	221 units/ 98 units	\$300,000/ \$533,000
16. One E. 15 <sup>th</sup> Place	1 E. 15 <sup>th</sup> Place	condos/retail	148 units/ 2,000 s.f.	\$234,000
17. Parkview on Michigan	1142 S. Michigan	condos/office	8 units/ 300 s.f.	\$694,000
18. Prairie Avenue Lofts	221 E. Cullerton	condos/retail	138 units/ 1,100 s.f.	\$214,000
19. Prairie Place (Phase II)	1427 S. Indiana	townhomes	units	\$618,000
20. Ravinia Lofts	2024 S. Wabash	condos	42 units	\$199,000
21. Solo Soft Lofts	1600 S. Michigan	condos	21 units	\$300,000

\* All or a portion of this project is tax exempt.

\*\* Of the total 1,689 residential units presented in this Table, 1,412 (or 84%) have been purchase or are under contract.



**Legend**

-  Original Project Area
-  Added Project Area

**Completed Private Projects**

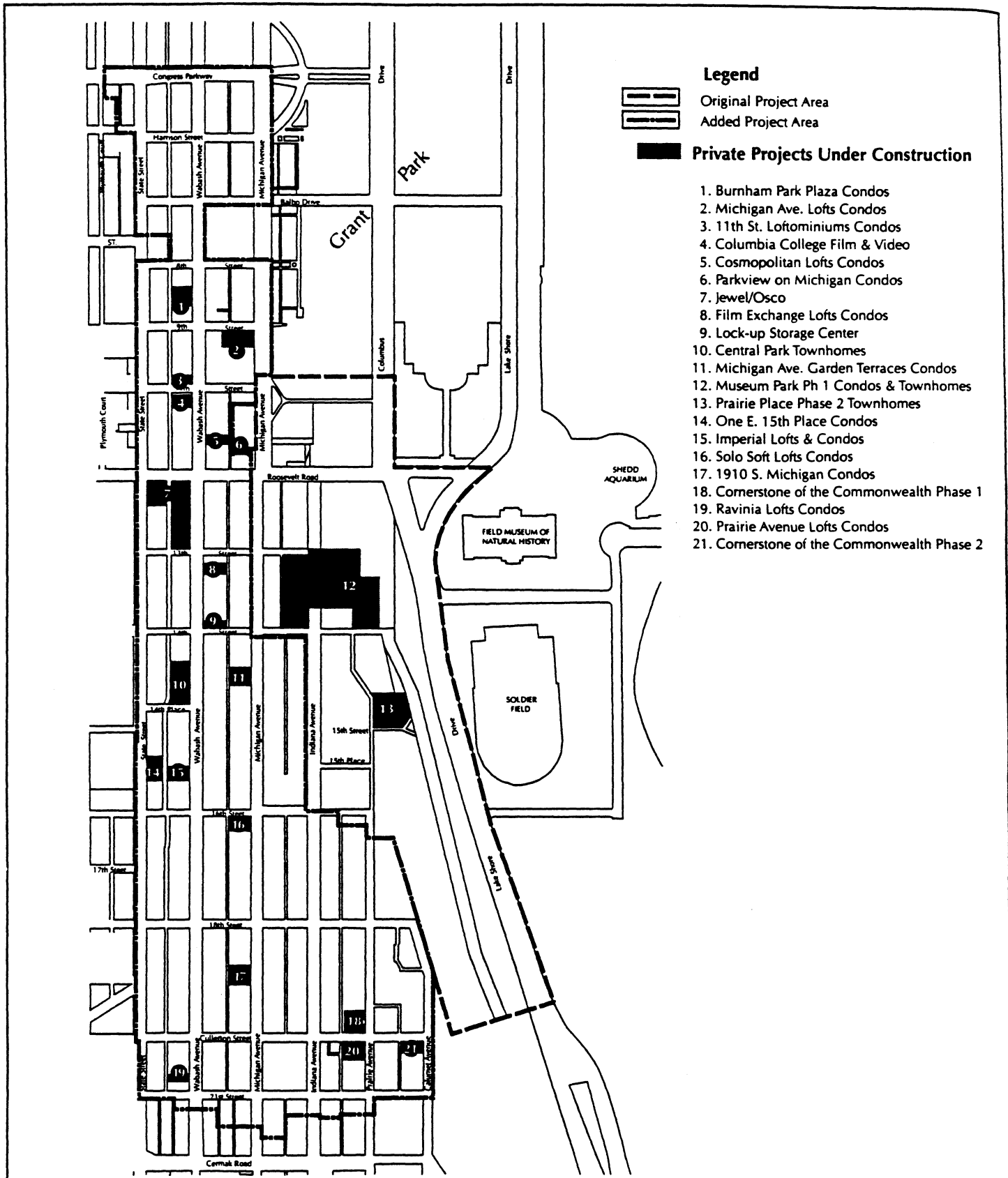
1. Hot House
2. Koko Taylor's Club
3. Filmworks 1 Townhomes
4. Filmworks 2 Townhomes
5. Soka Gakkai Int'l USA
6. Columbia College Offices
7. Trevi Square Condos
8. Senior Suites Apts.
9. Centennial Court Townhomes
10. Park Row Townhomes
11. Harbor Square Condos
12. Prairie Place Ph. 1 Townhomes
13. Penthouse Lofts Condos/Offices
14. Carriage House Lofts Apts.
15. 1523 S. Michigan Condos
16. Studebaker Lofts Condos
17. Bicycle Station Lofts Condos & TH
18. East Side Lofts Condos & TH
19. St. Agnes Health Care Center
20. 1801 Studio Apts. (SRO)
21. Sewing Exchange Lofts Condos
22. 18th St. Lofts Condos and TH

**Constructed Private Projects**

23. Columbia College
24. Columbia College
25. Honey Tree Learning Center
26. Gioco Restaurant
27. Columbia College Dance Center
28. Sherwood Conservatory Of Music
29. One E. 14th Place Condos
30. 1421 S. Wabash Condos
31. Chicago Firehouse Restaurant
32. Landmark on the Wabash Condos
33. 1520 S. Wabash Apts.
34. South Loop Apts. (SRO)
35. Perspectives Charter School
36. Chicago Financial Technology
37. 1515/1527 S. Michigan TH
38. Skyline Lofts Condos
39. Tandem Lofts Condos
40. Prairie District Lofts Apts.
41. Michigan Ave. Gardens Condos
42. Sewing Exchange Townhomes
43. Vietnam Veterans Art Museum
44. 1918 S. Michigan Condos
45. Bank Note Place Ph 1 Condos
46. Wheeler Bed & Breakfast

**Figure 5**  
**Completed Private Projects and Constructed Private Projects**

**NEAR SOUTH REDEVELOPMENT PROJECT AREA**



**Figure 6**  
**Private Projects Under Construction**

***Pending Tax Exempt Redevelopment Projects***

In addition to facilitating redevelopment activities associated with the buildings and properties described in Tables 1, 2 and 3, the City may facilitate and/or approve redevelopment activities including acquisition and operation of properties by not-for-profit, tax-exempt entities (including the City) that may temporarily or permanently render these buildings and properties tax-exempt. These buildings and properties are collectively referred to as Pending Tax Exempt Projects and are summarized below in Table 4, *Pending Tax Exempt Projects*.

**TABLE 4: PENDING TAX EXEMPT PROJECTS**

Project Name	Address	Certified Initial EAV Tax Status
1. Jones High School Park	508 S. State	taxable
2. Old St. Mary's Church	1520 - 1532 S. Michigan	taxable
3. State/Congress RFP	All parcels of block bound by State/Congress/Harrison/Wabash, excepting Columbia College 33 E. Congress Building	taxable

The estimates of Incremental Taxes contained in this Report assume that (i) all buildings and properties that were tax exempt in levy year 1999 will remain tax exempt throughout the remaining life of the Near South Project Area; (ii) all buildings and properties listed in Tables 1, 2, 3, and 4 as candidates for reclassification from taxable to tax-exempt properties that were not tax exempt in levy year 1999, will become partially or fully tax exempt in levy year 2000 or 2001, as appropriate, and remain tax exempt for the remaining life of the Near South Project Area; and (iii) all buildings and properties listed in Tables 1, 2, 3, and 4 as actual or potential candidates for reclassification from taxable to tax-exempt properties will be re-assigned to an Additional Tax Code to be created within the Near South Project Area by the County Clerk for not later than levy years 2001 and after, as described in more detail in Section IV of this Report.

In the event that additional buildings or sites which were included in the estimate of future EAV are acquired by the City or other parties and rendered tax exempt, future EAV and Incremental Taxes could be lower than the levels estimated in this Report.



### III. CONDITIONS OF FINDINGS

TPAP was engaged by the City to prepare an estimate of Incremental Taxes that may be generated by increases in EAV and property taxes resulting from the assessment and reassessment of land and Existing Improvements, Constructed Private Projects, and Private Projects Under Construction within the Near South Redevelopment Project Area based on the application of the assumptions contained in this Report.

TPAP has relied on various assumptions outlined in Section IV, *Assumptions and Calculation of Incremental Taxes*. These assumptions are based on conclusions reached as a result of the review and analysis of information and data collected during the compilation of this Report. This information and data were provided by various parties, including the City, County, State and other sources. TPAP cannot assure, however, that this information and data are accurate, complete or reliable. However, nothing has come to the attention of TPAP that would cause TPAP to believe such information is inaccurate, incomplete or unreliable.

TPAP has not conducted any market feasibility study to determine the real estate market values and conditions which exist in the Near South Project Area. Consideration of real estate market values and conditions is outside the scope of TPAP's engagement. To the extent relevant, the estimates in this Report incorporate stated assumptions regarding such market values and conditions based on data obtained from County property tax records and private developers with projects within the Near South Project Area. It is the responsibility of the readers of this Report to ascertain whether the assumptions contained in this Report are reasonable, in light of local and regional market influences, and to determine their affect on EAV and Incremental Taxes. The receipt of Incremental Taxes may be adversely impacted by future economic conditions or changes in law, as well as other factors not considered in this Report, and TPAP cannot assure that the receipt of Incremental Taxes will be realized at the levels estimated in this Report.

The receipt of Incremental Taxes is dependent upon the continuing validity of the assumptions contained in this Report, including the assumption that none of the following conditions, actions or matters will occur. The occurrence of any one of such conditions described herein may materially and adversely affect the estimate of Incremental Taxes. Since these conditions are outside the control of TPAP and their occurrence and/or magnitude of occurrence cannot be predicted, TPAP has identified them as Bondholder risks to be considered. TPAP cannot determine the effect they may have on the estimates made in this Report and offers no opinion regarding possible outcomes.

1. Possible future actions by the State:
  - a. Changes in the State Equalization Factor caused by a change in the County assessment rates or the method by which the State calculates this factor.
  - b. Changes in legislation affecting the ability of the County to assess property by the assessment rates defined in the County's Property Classification Ordinance.
  - c. Legislative changes in the level and method of providing assistance to local governments, which may affect local governments' reliance upon property tax revenues.

- d. Changes in the manner in which homeowner's or other property tax exemptions are applied to EAV which would affect the calculation of incremental EAV.
- e. Changes in the Tax Limitation Act which would further limit the ability of local governments to extend or increase property tax rates or levies.
- f. Changes in property tax laws which may affect or delay the timing or distribution of property taxes.
- g. Amendment or repeal of the Act resulting in the reduction or elimination of Incremental Taxes.
- h. Changes in State law through legislative enactment, judicial interpretation, or administrative ruling which could affect the mechanics of the property tax system and/or tax increment financing and adversely affect the amount of Incremental Property Taxes.

The Illinois Property Tax Appeal Board ("PTAB"), a state-wide administrative body, has the power upon appeal to determine the AV of real property based on equity and the weight of the evidence. In two PTAB opinions rendered in March 2000, the PTAB chose not to apply the County Real Property Assessment Classification Ordinance assessment levels. Instead, the PTAB utilized the median level of assessments derived from the State Department of Revenue's sales ratio studies ("AV-to-Sales Ratio") as the mechanism for determining the assessment levels. As a result, property tax refunds were granted to the two commercial and industrial property owners who successfully petitioned the PTAB.

A general reduction in the level of assessments as a result of the use of the methodology applied by the PTAB in these two recent opinions could have an adverse effect on the level of tax increment generated in a particular redevelopment project area. The Assessor's office is pursuing a remedy to this situation in the State legislature. The most recent initiative was in the form of House Amendment No. 1 to Senate Bill 747 of the 91<sup>st</sup> General Assembly, which would have required that the classification levels of the County Real Property Assessment Classification Ordinance must be applied, except for residential properties of six units or less. The 91<sup>st</sup> General Assembly closed on January 9, 2001 without finalizing action on SB 747 and, as such, the bill has expired.

If a successor bill providing for requirements like these of House Amendment No. 1 of SB 747 of the 91<sup>st</sup> General Assembly is not adopted, it is possible that the PTAB may continue to apply median AV-to-Sales Ratios in place of the County Real Property Assessment Classification Ordinance assessment levels and, as a result, Incremental Taxes estimated in this Report could be adversely affected. The following paragraphs explain TPAP's analysis of the potential adverse impact of such a development on Incremental Taxes for the Near South Project Area.

It is TPAP's opinion that the potential adverse impact of such a development on Incremental Taxes for the Near South Project Area is minimal for the following reasons:

- TPAP has conducted an analysis of the AV-to-Sales Ratio for residential property in the Near South Project Area and surrounding areas of the central part of the City. The vast majority of the ratio values that TPAP studied are at or below the corresponding median AV-to-Sales Ratio for residential property in the County. For residential properties, therefore, no reduction would likely result from the use of the PTAB assessment method.
- Since the majority of property owners in the Near South Project Area are individual homeowners, it is unlikely that large numbers of owners would incur the direct financial and time costs necessary to pursue an appeal at the PTAB.

2. Possible future actions by the City:

Amendments to the Chicago Property Tax Limitation Ordinance or the enactment of any additional ordinances which may further restrict the ability of the City to extend or increase property tax levies.

3. Possible future actions by the County:

- a. Changes in the method of estimating the FMV of property in the County.
- b. Changes in the assessment rates contained in the Cook County Property Classification Ordinance and which are applied to the estimated FMV.
- c. Amendments to the Cook County Property Tax Relief Ordinance, or the enactment of any additional ordinances which may further restrict the ability of the County to extend or increase property tax levies.
- d. Changes in the incentive class program criteria as contained in the County Real Property Assessment Classification Ordinance.
- e. Changes in the manner in which property tax exemptions, including value amounts, are administered
- f. Failure of the County Treasurer to distribute Incremental Taxes in a timely manner to the City or its designated trustee.
- g. Failure to administer assessment and tax extension practices and procedures of the County in accordance with applicable law.
- h. Failure of the County Clerk to maintain at least four separate Tax Codes listed in the Certified Initial EAV through levy year 2000 and at least five separate Tax Codes from levy year 2001 and after resulting in possible reductions of Incremental Taxes.
- i. Changes in the manner in which the County Clerk calculates incremental EAV or Incremental Taxes resulting in possible reductions of Incremental Taxes.

4. Possible future actions by other taxing districts:
  - a. Reductions in a taxing district's property tax levy for whatever reason, which may result in a reduction in the overall property tax rate and Incremental Taxes.
  - b. Claims against past or future Incremental Taxes as a result of administrative actions by the County Clerk in assigning Tax Codes and calculating the Certified Initial EAV of each Tax Code.
  
5. Possible future actions by taxpayers, property owners or tenants:
  - a. Failure of the current or future property owners and their managers, leasing agents or other professionals to maintain the economic viability of their property and to act promptly to replace tenants or sell their property to new occupants when the premises are vacated.
  - b. Filing for bankruptcy, which may result in the non-payment of real estate taxes, and may prevent unpaid taxes from being offered at the County's annual tax sale.
  - c. Successful application by one or more owners for the reduction of the AV of a property below the levels assumed in this Report.
  - d. Successful application by one or more owners for the reduction of AV through any of the County's special assessment classifications designed to stimulate investment, the collective result of which may be a reduction in Incremental Taxes.
  - e. Failure to pay property taxes in a timely manner.
  - f. Conveyance of property by one or more owners to tax-exempt entities, the collective result of which may be a reduction in Incremental Taxes.
  - g. Challenges by taxpayers, owners or tenants to the legality of expenditures, contracts or other City actions relating to the Near South Project Area which could affect the collection, disbursement to the City and payment to Bondholders of Incremental Taxes.
  - h. Successful application by one or more owners to the State Property Tax Freeze Program, beyond those assumed in Section IV.A of this Report.
  - i. Successful filing by one or more owners for the homeowner or senior citizen exemptions, beyond those assumed in Section IV.A-5 of this Report.
  
6. General economic conditions:
  - a. Lower than historic inflationary growth in property values within the Near South Project Area, *i.e.*, below the inflation estimates assumed in this Report.

- b. Real estate market conditions, rezoning, federal, state or local economic conditions, etc. may prevent or delay the sale or lease of property or the completion of the public redevelopment program, or reduce the values of real estate within the Near South Project Area below the values assumed in this Report.

7. Force majeure conditions:

- a. Riots, civil disturbances, vandalism, fires, and natural disasters or other "acts of God" affecting the conditions and viability of properties within the Near South Project Area, which may reduce or eliminate the receipt of Incremental Taxes.
- b. Labor strikes, or shortages in materials or labor which may delay construction of a redevelopment project or reduce Incremental Taxes.
- c. Adverse environmental conditions which may render all or a portion of the Near South Project Area unusable.

## IV. ASSUMPTIONS AND CALCULATION OF INCREMENTAL TAXES

This section provides an overview of the assumptions used in estimating Incremental Taxes that may be generated within the Near South Project Area.

Each year the County Clerk determines incremental property taxes separately for each tax code within TIF redevelopment project areas by aggregating the current EAV of all parcels within such tax code and subtracting the aggregate certified initial EAV for such tax code. The resulting "increment" in EAV for such tax code is then multiplied by the aggregate tax rate of the taxing districts which extend taxes on the parcels within such tax code to determine the incremental property taxes generated within such tax code. If the County Clerk were to create additional Tax Codes within the Near South Project Area the effect could only be a positive one.

For levy year 1999, the Near South Project Area contained four Tax Codes: 76016, 76018, 76027 and 76516. Parcels located within Tax Codes 76018 and 76516 are subject to the jurisdiction of 10 taxing agencies which include the taxing jurisdictions that make up the General City Rate (the "General City Rate") and the Chicago Urban Transportation District. Parcels located within Tax Code 76016 and 76027 are subject to the jurisdiction of 11 taxing agencies which include the taxing jurisdictions that make up the General City Rate, the Chicago Urban Transportation District and the City of Chicago Special Service Area 12.

Since the adoption of the Original Area Redevelopment Plan and the Near South Redevelopment Plan, respectively, several tax parcels have been reclassified as tax-exempt as a result of ownership and use by tax-exempt entities. In addition, several more tax parcels are expected to be reclassified as tax-exempt from levy year 2000 or levy year 2001 onward as a result of (i) pending or delinquent applications for reclassification to tax-exempt by current tax-exempt owners and (ii) new applications for reclassification to tax-exempt for eligible tax parcels associated with Completed Private Projects, Constructed Private Projects, Private Projects Under Construction, and Pending Tax-Exempt Projects. For such parcels within the Near South Project Area, Table 5, *Tax Parcels With an Actual or Pending Tax Exempt Reclassification*, indicates the (i) location, (ii) owner or project name if applicable, (iii) tax status in levy year 1999, (iv) tax status for the purposes of calculating Certified EAV, and (v) 1999 Tax Code.

The estimates of Incremental Taxes contained in this report are based on the assumption that the County Clerk will (i) maintain the existing four separate Tax Codes for the Near South Project Area for levy year 2000 and (ii) create an Additional Tax Code within the Near South Project Area and reassign all parcels with an actual or pending reclassification to tax exempt status as identified in Table 5 to the Additional Tax Code for not later than levy year 2001 and each levy year thereafter throughout the remaining life of the Near South Project Area.

Section IV.A-7, *Tax Rate*, Section IV.A-6, *Certified Initial EAV*, Section IV.A-8, *Collection Rate*, and Section IV.A-5, *Calculation of Estimated EAV*, contains additional information regarding the Tax Codes.

TABLE 5: TAX PARCELS WITH AN ACTUAL OR PENDING TAX-EXEMPT RECLASSIFICATION

Tax Parcel	Address	Owner/Project	2017 Actual EAV	2017 Pending EAV	1999 EAV	Tax Code
1 17-16-247-047	Southwest corner of State St. & Congress Blvd.	City of Chicago/ Jones High School Park	taxable	taxable	76016	
17-16-247-051			taxable	taxable	76016	
2 17-22-107-058	1415 S. Wabash	Columbia College	taxable	tax-exempt	76016	
17-22-107-001			taxable	taxable	76016	
3 17-22-104-016			1306 S. Michigan Ave.	Columbia College Dance Center	taxable	taxable
17-22-104-017	taxable	taxable			76016	
4 17-15-110-021	33 E. Congress	Columbia College Offices	taxable	taxable	76016	
17-15-110-024			tax-exempt	tax-exempt	76016	
5 17-15-307-026	1014 S. Michigan	Columbia College	taxable	tax-exempt	76016	
6 17-22-107-053	1532 S. Michigan Ave.	Perspectives Charter School	taxable	taxable	76027	
17-22-107-054			taxable	taxable	76027	
17-22-107-055			taxable	taxable	76027	
17-22-107-056			taxable	taxable	76027	
17-22-107-057			taxable	taxable	76016	
7 17-22-104-018	1312 S. Michigan Ave.	Sherwood Conservatory of Music	taxable	taxable	76016	
8 17-22-107-007	1445 S. Wabash Ave.	Soka Gakkai International	taxable	tax-exempt	76016	
17-22-107-008			taxable	tax-exempt	76016	
17-22-107-009			taxable	tax-exempt	76016	
17-22-107-010			taxable	tax-exempt	76016	
17-22-107-011			taxable	tax-exempt	76016	
17-22-107-012			taxable	tax-exempt	76016	
17-22-107-013			taxable	tax-exempt	76016	
17-22-107-014			taxable	tax-exempt	76016	
17-22-107-015			taxable	tax-exempt	76016	
9 17-22-308-005			1801 S. Indiana Ave.	Vietnam Veterans Art Museum	taxable	taxable
17-22-308-006	taxable	taxable			76016	
17-22-308-007	taxable	taxable			76016	
17-22-308-045	tax-exempt	tax-exempt			76016	
10 17-15-308-013	1104 S. Wabash Ave.	Columbia College Film & Video	taxable	taxable	76027	
11 17-22-107-046	1520-32 S. Michigan Ave.	Old St. Mary's Church	taxable	taxable	76027	
17-22-107-047			taxable	taxable	76027	
17-22-107-048			taxable	taxable	76027	
17-22-107-049			taxable	taxable	76027	
17-22-107-050			taxable	taxable	76027	
17-22-107-051			taxable	taxable	76027	
17-22-107-052			taxable	taxable	76027	
12 17-22-301-002	57 E. 16th Street	True Rock Church	taxable	taxable	76016	
17-22-301-003			taxable	taxable	76016	
17-22-301-004			taxable	taxable	76016	
13 17-22-306-004	1863 S. Wabash Ave.	ADA S. McKinley Community Center	taxable	taxable	76027	
17-22-306-005			taxable	taxable	76027	
17-22-306-006			taxable	taxable	76027	
17-22-306-007			taxable	taxable	76027	
17-22-306-008			taxable	taxable	76027	
17-22-306-013			taxable	taxable	76027	
17-22-306-014			taxable	taxable	76027	
17-22-306-043			taxable	taxable	76027	
14 17-15-110-025-8001	511-557 S. State St.	City of Chicago State and Congress Redevelopment Project	tax-exempt	tax-exempt	76016	
17-15-110-025-8002			taxable	taxable	76016	
17-15-110-026-8001			tax-exempt	tax-exempt	76016	
17-15-110-026-8002			taxable	taxable	76016	
17-15-110-027-8001			tax-exempt	tax-exempt	76016	
17-15-110-027-8002			taxable	taxable	76016	
17-15-110-028-8001			tax-exempt	tax-exempt	76016	
17-15-110-028-8002			taxable	taxable	76016	
17-15-110-029-8001			tax-exempt	tax-exempt	76016	
17-15-110-029-8002			taxable	taxable	76016	
17-15-110-030-8001			tax-exempt	tax-exempt	76016	
17-15-110-030-8002			taxable	taxable	76016	
17-15-110-031-8001			tax-exempt	tax-exempt	76016	
17-15-110-031-8002			taxable	taxable	76016	
17-15-110-032-8001			tax-exempt	tax-exempt	76016	
17-15-110-032-8002			taxable	taxable	76016	
17-15-110-033-8001			tax-exempt	tax-exempt	76016	
17-15-110-033-8002			taxable	taxable	76016	
17-15-110-035-8001			tax-exempt	tax-exempt	76016	
17-15-110-035-8002			taxable	taxable	76016	
17-15-110-036-8001			tax-exempt	tax-exempt	76016	
17-15-110-036-8002			taxable	taxable	76016	
17-15-110-037			taxable	tax-exempt	76016	
17-15-110-016			taxable	taxable	76016	
17-15-110-017			taxable	taxable	76016	
17-15-110-018			taxable	taxable	76016	
17-15-110-019			taxable	taxable	76016	
17-15-110-020	taxable	taxable	76016			
15 17-15-306-024	1000 S. Wabash Ave.	CHA Office Building	taxable	tax-exempt	76016	
16 17-22-311-027	2011 S. State St.	U.S. Post Office	taxable	taxable	76016	
17-22-311-028	2021 S. State St.	U.S. Post Office	taxable	taxable	76016	

## GENERAL METHODOLOGY FOR CALCULATING CURRENT EQUALIZED ASSESSED VALUATION

Current EAV is calculated for each tax parcel within the Near South Project Area as follows:

$$\begin{aligned} & \text{Estimated Fair Market Value} \\ & \times \text{Assessment Rate} \underline{\hspace{2cm}} \\ & = \text{Assessed Valuation} \\ & \times \text{State Equalization Factor} \underline{\hspace{2cm}} \\ & = \text{Current Equalized Assessed Valuation} \end{aligned}$$

After deducting any applicable homeowner's or senior citizen's exemptions, the County then aggregates current EAV at the Tax Code level to calculate Incremental Taxes.

### General Methodology for Calculating Incremental Taxes

Incremental Taxes are calculated as shown below for each Tax Code within the Near South Project Area.

$$\begin{aligned} & \text{Current Equalized Assessed Valuation} \\ & - \text{Certified Initial EAV} \underline{\hspace{2cm}} \\ & = \text{Incremental EAV} \\ & \times \text{Aggregate Tax Rate} \underline{\hspace{2cm}} \\ & = \text{Gross Incremental Taxes} \\ & \times \text{Tax Collection Rate} \underline{\hspace{2cm}} \\ & = \text{Incremental Taxes} \end{aligned}$$

The total Incremental Taxes generated within the Near South Project Area equals the sum of the Incremental Taxes generated by all the Tax Codes within the Near South Project Area.

### Assumptions and Calculation of Incremental Taxes

The Incremental Taxes estimated in this Report are based solely on (i) the assessment and reassessment of land and Existing Improvements, Constructed Private Projects, and non-residential Private Projects Under Construction and residential units that have been purchased or are under contract within Private Projects Under Construction within the Near South Project Area at the assumed levels and (ii) other assumptions and conditions contained in this Report.

Each of the factors outlined in the above calculations and assumed for this analysis is reviewed below and summarized in tables throughout this section of the Report.

#### IV. A-1 Estimated Fair Market Value ("FMV")

The Assessor assesses the value of a parcel of property for the purposes of real property taxation by (a) estimating the FMV of the land and improvements of that parcel, (b) multiplying the FMV by the appropriate assessment rate to derive the AV of that parcel and (c) multiplying the AV by the State Equalization Factor to derive the EAV of that parcel. In general, the Assessor assigns FMV for a given property based on the value of similar



recently sold properties and/or the income-producing capacity and performance of a property. The estimates of future EAV and Incremental Taxes contained in this Report are based on the assumption that the FMV of land and Existing Improvements within the Near South Project Area will remain at their 1999 levy year levels, plus an inflation adjustment of 2.5 percent per annum as described in Section IV A-4 (except those specifically identified in Section IV.A- 5 as "value removals"). However, the estimates of future FMV for Constructed Private Projects and Private Projects Under Construction have been estimated by TPAP's examination of a sample of potentially comparable developments within the Near South Project Area and the surrounding areas plus an inflation adjustment of 2.5 percent per annum upon assessment stabilization. The results of this analysis yielded an Assessor's (i) FMV per dollar of sale price of 54.3 percent for "for sale" residential condominiums, townhomes and associated residential deeded parking; (ii) FMV per square foot of improvements of \$38.50 for rental residential, \$39.00 for general retail, \$32.50 for renovated restaurants, \$45.00 for grocery, \$55.00 for new office, \$28.00 for rehabilitated office, \$16.00 for single room occupancy apartments, and \$8.00 for storage space in renovated buildings; and (iii) FMV per room of \$43,000 for hotels.

Some properties within the Near South Project Area are income-producing properties, a fact which is generally incorporated into the Assessor's determination of FMV. Future assessments of the properties within the Near South Project Area will be sensitive to the actual income produced by the properties. In the event the existing properties within the Near South Project Area fail to remain economically viable over the life of the Bonds or the income produced by any property is lower than the level reflected in the levy year 1999 FMV, the subsequent FMV of such property may be lower, resulting in levels of Incremental Taxes lower than those estimated in this Report.

The State of Illinois Property Tax Assessment Freeze Program (the "Tax Freeze Program") created under the Illinois Revenue Act (35 ILCS 200/10-40) provides an eight-year freeze on the AV of substantially rehabilitated owner-occupied residences that have been designated as historic buildings locally or nationally (either individually or as part of a historic district). No properties within the Near South Project Area participated in the Tax Freeze Program in levy year 1999 (which implies that the AV of any property that may participate in the Tax Freeze Program in the future will not fall below its 1999 level exclusively as a result of Tax Freeze Program participation). The estimates of future EAV and Incremental Taxes contained in this Report assume no properties within the Near South Project Area will participate in the Tax Freeze Program over the remaining life of the Near South Project Area.

#### **IV. A-2            Assessment Rates**

The County assesses all real estate by (a) classifying the property or improvement by its type of use and (b) by multiplying its estimated FMV by the appropriate assessment rate, as described below. Except for farmland and certain railroad property, which are assessed by the State, the County assesses all real estate within the County, including the Near South Project Area.

Cook County Major Property Classifications

Assessment Rate

1.	Vacant Land	22%
2.	Residential or Residential and Commercial (6 units or less) <sup>[1]</sup>	16%
3.	Residential (more than 6 units) <sup>[2]</sup>	33%
4.	Not-for-profit	30%
5a.	Commercial	38%
5b.	Industrial	36%

<sup>[1]</sup> Expanded in April 2000, to include buildings with both residential and commercial uses.

<sup>[2]</sup> Excludes condominiums and attached townhouses that are owned separately and assessed at 16 percent.

In addition to the major property classifications presented above, the County Real Property Assessment Classification Ordinance also provides for various "incentive" classifications (including 6b, 6C, 7a, 7b, 8, 9 and L) that provide for lower assessment rates for a varying number of years. With the exception of Class 9 incentives, the local government must pass an ordinance or resolution demonstrating that it supports and consents to the incentive.

Class 6 incentive classifications are available for rehabilitated or newly constructed industrial buildings where the local government finds that such an incentive is necessary for development to occur on that specific real estate. In April 2000, the Class 6 incentive that relates to environmental remediation (6C) was expanded to also include commercial properties. Class 7 incentive classifications are available for rehabilitated or newly constructed commercial buildings in areas "in need of commercial development" where the local government finds the commercial development project would not go forward without the full incentive. Class 8 incentive classifications are available for rehabilitation or new construction of commercial and industrial buildings located in an area that has been certified as "in need of substantial revitalization" or in an approved Enterprise Community. Class 9 incentives are available for multifamily residential real estate that is new construction or has undergone substantial rehabilitation and which is located in Empowerment Zones, Enterprise Communities or census tracts in which at least 51 percent of the residents are low- or moderate-income persons. In addition, at least 35 percent of the dwelling units must be leased at rents affordable to low- or moderate-income persons or households.

Class L classification incentives are available for individual, commercial local landmark buildings that undergo substantial rehabilitation (the investment by the owner of at least 50 percent of the building's full market value as determined by the Assessor in the last levy year) which meets or exceeds the standards of the United States Department of the Interior for Rehabilitation, Preservation, Restoration, and Reconstruction of historic properties; and which has been completed in accordance with plans approved by the local government within which the landmark is located. The local government must approve an ordinance or resolution expressly stating that the local government (i) has determined that the incentive

is necessary; (ii) supports and consents to the granting of the incentive; and (iii) has reviewed and accepted its preservation commission's written recommendation of the project for the incentive. The City Department of Planning and Development Landmarks Division indicates that the City intends to propose to the County that the Class L classification incentive be expanded to include buildings contributing to the historic significance of an historic district.

In levy year 1999, only one property within the Near South Project Area was assessed under any incentive classification (an industrial property encompassing three tax parcels was assessed under the Class 6 incentive classification). The estimates of Incremental Taxes contained in this Report assume that (i) the assessment rates for all major property classifications will remain at their current levels; (ii) among the redevelopment projects examined for the purposes of estimating Incremental Taxes for this Report, only the Wheeler Bed and Breakfast redevelopment project is assumed to be assessed with a Class L incentive classification within the Near South Project Area; and (iii) no property within the Near South Project Area will be granted an incentive classification, other than the one identified for Class L, over the period studied in this Report. The possible effects of potential Class L incentive classification on the EAV of any proposed or potential redevelopment project were not estimated as part of this Report.

#### **IV. A-3 State Equalization Factor**

The distribution of State grants-in-aid for education, highways and public assistance are based on a formula which includes a component of assessed valuation. To achieve more uniform assessments on a county-by-county basis for the equitable distribution of these grants-in-aid, the State issues an Equalization Factor for each county which is designed to make all real estate valuations uniform among the 102 counties in the State. Assessments on a county-wide basis are equalized at 33-1/3 percent of estimated FMV. The State Equalization Factor is calculated annually for each county from sales and AV data collected on properties which have sold during the year.

Because the Cook County Property Tax Classification Ordinance stipulates varying assessment rates for different property classes, some of which results in AV substantially lower than 33-1/3 percent of estimated FMV, the total AV for many properties in the County is historically lower than 33-1/3 percent of FMV. Consequently, the State Equalization Factor for the County has historically been greater than 1.0. Table 6, *Historic State Equalization Factors for Cook County*, illustrates the State Equalization Factor for the County from 1989 through 1999.

As illustrated in Table 6, the State Equalization Factor for the County increased over the previous year's level in eight of the 10 annual periods between 1989 and 1999, at an average annual rate of 1.4 percent.

TABLE 6: HISTORIC STATE EQUALIZATION FACTORS FOR COOK COUNTY

<u>Levy year</u>	<u>Equalization Factor</u>
1989	1.9133
1990	1.9946
1991	2.0523
1992	2.0897
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489
1998	2.1799
1999	2.2505

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For purposes of estimating Incremental Taxes, the five-year average (levy years 1995, 1996, 1997, 1998, and 1999) State Equalization Factor for the County of 2.1711 is used to estimate levy year 2000 EAV and all subsequent levy years' EAV.

**IV. A-4 Triennial Adjustment/Inflation Provision**

In 1990, the Assessor changed its reassessment schedule from every four years to every three years. The most recent completed reassessment for the City occurred in 1997. The County is in the process of completing the reassessment of the City for 2000. The next triennial reassessment of the City will be undertaken for 2003 and every three years thereafter. If improvements are added (e.g. new construction) or removed (e.g. demolition) from a property in a non- reassessment year for the City, however, the Assessor will generally reassess that property (partially or in full) for the levy year in which the added or removed improvement takes place.

Between 1993 and 1999, the EAV of the City as a whole increased at an average annual rate of 3.56 percent. Over the same period, the EAV of the Near South Project Area increased by an average annual rate of 9.64 percent.

In this Report, a rate of increase in EAV of 2.5 percent per annum, or approximately 7.7 percent per triennial reassessment period is assumed for 1) land and Existing Improvements 2) Constructed Private Projects and 3) Private Projects Under Construction.

**Calculation of Estimated EAV**

Table 7, *Estimated Total EAV for Private Redevelopment Projects*, sets forth the actual 1999 EAV for Completed Private Projects and estimated EAV in 1999 dollars for Constructed Private Projects and non-residential Private Projects Under Construction and purchased or under contract residential units of Private Projects Under Construction.

Table 9, *Calculation of EAV by Year: 2000 - 2013*, is a projected time line between the years 1999 and 2013 for realizing estimated future EAV for Completed Private Projects, Constructed Private Projects, and non-residential Private Projects Under Construction and purchased or under contract residential units of Private Projects Under Construction but also incorporates the buildings or sites not associated with an identified private development project into the calculation of estimates of future EAV. Table 9 assumes that property not associated with a private redevelopment project will remain at its levy year 1999 level (unless specifically identified as a value removal in this Report) plus an inflation factor of 2.5 percent per annum realized triennially at the time of reassessment as 7.7 percent.

The four principal components of the calculation of the estimated EAV for the property within the Near South Project Area are: (1) value of existing properties, (2) value enhancements, (3) value removals and (4) inflation. The estimates of future EAV of Tables 7 and 9 also incorporate assumptions as to the phasing and timing of percentage of assessment for improvements achieved in each year as a result of construction and occupancy. Phasing assumptions are relevant to the timing of the achievement of full assessment for Constructed Private Projects and non-residential Private Projects Under Construction and purchased or under contract residential units of Private Projects Under Construction. Phasing assumptions are not intended to predict sales or otherwise relate to the sale of and subsequent assessment of any residential units not under contract. These assumptions are based on information obtained from developers for each project as well as observance of past practices of the Cook County Assessor's Office for each type of land use and type of construction (new versus rehabilitation) and the construction phase of projects at the time of this Report. Table 8, *Phasing Assumptions for Percentage of Full Assessment of Improvements Achieved by Year*, outlines the phasing assumptions based on timing of occupancy incorporated into the calculation of future estimates of EAV.

The "1999 EAV" represents finalized 1999 EAV data as released by the County. This 1999 EAV serves as the basis for the estimates of EAV contained in this Report for the years 2000 through 2013. The calculation of EAV for years 2000 through 2013 also uses the 5-year average State Equalization Factor assumption described in Section IV. A-3, the reassessment assumptions included in Section IV. A-1, a 2.5 percent per annum inflationary factor described in Section IV.A-4, and other assumptions included in this Report, including, in particular, the assumption that the EAV of the Near South Project Area will continue to be determined through four separate Tax Codes for levy year 2000 and then five separate Tax Codes for levy year 2001 through the duration of the Near South Project Area and that any decline in the EAV in a Tax Code within the

**TABLE 7: ESTIMATED TOTAL EAV FOR PRIVATE REDEVELOPMENT PROJECTS  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

***1. Completed Private Projects***

	<b>Total Units</b>	<b>Rental</b>	<b>Retail or Office Sq. Ft.</b>	<b>Actual 1999 EAV (fully assessed)</b>
1523 S. Michigan Condominiums and Parking	52 units		0	\$1,894,000
1801 Studios (SRO)	170 units	rental	0	565,000
18th Street Lofts - Condominiums and Townhomes	53 units		0	1,678,000
Bicycle Station Lofts - Condominiums & Parking	53 units		0	1,546,000
Bicycle Station Townhomes	10 units		0	505,000
Carriage House Loft Apartments	81 units	rental	0	2,678,000
Centennial Court Townhomes	23 units		0	2,591,000
Columbia College - 1415 S. Wabash			11,500	154,000
East Side Loft Condominiums & Parking	65 units		0	2,114,000
East Side Townhomes & Parking	9 units		0	489,000
Filmworks 1 Townhomes & Parking	85 units		0	2,861,000
Filmworks 2 Townhomes	16 units		0	725,000
Harbor Square Condominiums	88 units		0	4,658,000
Hot House Club			8,000	497,000
Koko Taylor's Celebrity Club			5,000	121,000
Park Row Townhomes	69 units		0	6,576,000
Penthouse Lofts - Office			42,000	1,060,000
Penthouse Lofts Condominiums and Parking	36 units		0	1,535,000
Prairie Place Phase I Townhomes	45 units		0	4,608,000
Senior Suites Apartments	96 units	rental	0	1,066,000
Sewing Exchange Loft Condominiums and Parking	24 units		0	766,000
Soka Gakkai International USA - Offices			42,600	Exempt
St. Agnes Health Care Center			60,000	2,794,000
Studebaker Loft Condominiums & Parking	17 units		0	1,426,000
Trevi Square Condominiums	69 units		7	2,187,000

**TABLE 7: ESTIMATED TOTAL EAV FOR PRIVATE REDEVELOPMENT PROJECTS  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

***2. Constructed Private Projects***

	Total Units	Rental	Retail or Office Sq. Ft.	Estimated Fully Assessed EAV (1999 dollars)	"Full" Occupancy Date
1421 S. Wabash - Condominiums	5 units		0	\$259,000	Dec 2000
1421 S. Wabash - Retail space			1,400	45,000	Dec 2000
1520 S. Wabash Apartments	12 units	rental	0	330,000	Jan 2002
1515 / 1527 S. Michigan Lofts -Townhomes	8 units		0	294,000	Dec 1999
1918 S. Michigan Condominiums	32 units		0	681,000	Dec 2000
Bank Note Place Phase 1 Condominiums	29 units		0	1,055,000	Oct 2000
Chicago Financial Technology - Offices			21,000	1,149,000	Dec 2000
Chicago Firehouse Restaurant			14,000	443,000	Jun 2000
Columbia College Dance Center			35,000	Exempt	exempt
Columbia College - 1014 S. Michigan Ave.			30,000	Exempt	exempt
Columbia College - 33 E. Congress Pkwy.			137,000	Exempt	exempt
Gioco Restaurant			7,000	242,000	Jun 2000
Honey Tree Learning Center			36,000	1,477,000	Dec 2000
Landmark on the Wabash Condominiums	72 units		0	2,809,000	Dec 2000
Michigan Avenue Gardens Condominiums	38 units		0	1,002,000	Sep 1999
One East 14th Place Condominiums	104 units		0	3,214,000	Jan 2001
One East 14th Place Retail			15,000	483,000	Jan 2001
Perspectives Charter School			16,000	Exempt	exempt
Prairie District Loft Apartments	116 units	rental	0	2,940,000	Jul 2000
Sewing Exchange Townhomes	13 units		0	465,000	Jun 2000
Sherwood Music Conservatory			20,000	Exempt	exempt
Skyline Loft Condominiums	47 units		0	1,328,000	Jun 1999
South Loop Apartments (SRO)	207 units	rental	0	683,000	Jan 2001
Tandem Loft Condominiums	58 units		0	1,486,000	Jan 2001
Vietnam Veterans Art Museum			26,000	Exempt	exempt
Wheeler Bed and Breakfast	11 rooms		0	289,000	Dec 1999

**TABLE 7: ESTIMATED TOTAL EAV FOR PRIVATE REDEVELOPMENT PROJECTS  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

**3. Private Projects Under Construction**

	Total Units Closed or Under Contract	Rental	Retail or Office Sq. Ft.	Estimated Fully Assessed EAV (1999 dollars)	"Full" Occupancy Date
11th St. Loftominiums	30 units		0	\$1,402,000	Oct 2000
11th St. Loftominiums - Retail space			12,300	396,000	Oct 2000
1910 S. Michigan - Condominiums	12 units		0	294,000	Apr 2001
Burnham Park Plaza Condominiums	245 units		0	8,519,000	Dec 2001
Central Park Townhomes Phase 1	4 units		0	446,000	Dec 2001
Columbia College Film & Video - 1104 S. Wabash			180,000	Exempt	exempt
Cornerstone of the Commonwealth Phase 2 Townhomes	18 units		0	1,405,000	Aug 2001
Cosmopolitan Loft Condominiums and Parking	45 units		0	2,260,000	Dec 2000
Film Exchange Loft Condominiums and Parking	68 units		0	2,678,000	Dec 2001
Film Exchange Loft Condominiums--Retail space			4,500	145,000	Dec 2001
Imperial Lofts Condominiums	50 units		0	1,177,000	Dec 2001
Jewel/Osco			60,000	2,755,000	Dec 2001
Lock-up Storage Center			92,400	694,000	Dec 2001
Michigan Ave. Garden Terraces Condominiums	91 units		0	2,709,000	Jun 2001
Michigan Avenue Lofts Condominiums & Parking	241 units		0	14,175,000	Jan 2002
Museum Park Ph 1 Condominiums	176 units		0	9,123,000	Dec 2002
Museum Park Ph 1 Townhomes	98 units		0	9,387,000	Dec 2002
One East 15th Place - Retail space			2,000	64,000	Sep 2002
One East 15th Place Condominiums	122 units		0	4,805,000	Sep 2002
Parkview on Michigan - Office space			300	7,000	Jan 2001
Parkview on Michigan Condominiums	7 units		0	883,000	Jan 2001
Prairie Avenue Lofts - Retail space			1,100	35,000	Dec 2001
Prairie Avenue Lofts Condominiums	94 units		0	3,348,000	Dec 2001
Prairie Place Phase II Townhomes	40 units		0	4,473,000	Jun 2001
Ravinia Loft Condominiums	28 units		0	918,000	Jun 2001
Solo Soft Loft Condominiums	2 units		0	113,000	Jun 2001
Cornerstone of the Commonwealth Phase 1 Townhomes	41 units		0	3,449,000	Dec 2001



TABLE 8: PHASING ASSUMPTIONS FOR PERCENTAGE OF FULL ASSESSMENT ACHIEVED BY YEAR

Full Occupancy Achieved in:	Levy Year					
	2000	2001	2002	2003	2004	2005
2nd half 1999	75%	100%	100%	100%	100%	100%
1st half 2000	35%	100%	100%	100%	100%	100%
2nd half 2000	10%	75%	100%	100%	100%	100%
1st half 2001	0%	35%	100%	100%	100%	100%
2nd half 2001	0%	10%	75%	100%	100%	100%
1st half 2002	0%	0%	35%	100%	100%	100%
2nd half 2002	0%	0%	10%	75%	100%	100%

**TABLE 9: ESTIMATED EAV: 2000-2013  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

<b>Total Estimated EAV</b>						
<b>Levy Year</b>	<b>Land and Improvements without Development Projects</b>	<b>Completed Projects</b>	<b>Constructed Projects</b>	<b>Projects Under Construction</b>	<b>Total Estimated EAV [1]</b>	
1	2000 *	\$159,718,472	\$43,297,369	\$13,446,946	\$22,089,054	\$238,551,840
2	2001	147,019,235	43,297,369	18,007,391	29,335,906	237,659,901
3	2002	147,019,235	43,297,369	22,214,079	53,384,102	265,914,785
4	2003 *	158,323,636	46,887,305	24,152,674	82,611,743	311,975,358
5	2004	158,323,636	46,887,305	24,152,674	89,465,327	318,828,942
6	2005	158,323,636	46,887,305	24,152,674	89,465,327	318,828,942
7	2006 *	170,497,239	50,753,274	26,158,072	96,875,253	344,283,838
8	2007	170,497,239	50,753,274	26,158,072	96,875,253	344,283,838
9	2008	170,497,239	50,753,274	26,158,072	96,875,253	344,283,838
10	2009 *	183,606,878	54,916,499	28,317,666	104,854,932	371,695,976
11	2010	183,606,878	54,916,499	28,366,524	104,854,932	371,744,834
12	2011	183,606,878	54,916,499	28,415,382	104,854,932	371,793,692
13	2012 *	197,724,526	59,399,838	30,808,673	113,448,175	401,381,211
14	2013	197,724,526	59,399,838	30,808,673	113,448,175	401,381,211

**Near South Redevelopment Project Area expires December 31, 2014**

\* City Reassessment Year

**Assumptions:**

[1] The estimates of EAV reflect annual increases of 2.5% (or 7.7% each triennial period) for all parcels in the Near South Project Area. (realized in triennial reassessment years, and using the 5-year average Equalization Factor of 2.1711)

Near South Project Area below its Certified Initial EAV will not affect the County Clerk's calculation of EAV for any other Tax Codes within the Near South Project Area.

The estimates of future EAV also assume that (i) the properties that filed for various property tax exemptions will continue to do so throughout the remaining life of the Near South Project Area and (ii) all "for-sale" residential units of Constructed Private Projects and Private Projects Under Construction will be granted a \$4,500 homeowner exemption and 10 percent of such units will be granted a \$2,500 senior citizen exemption as of the first levy year for which the unit is occupied and for each year thereafter throughout the remaining life of the Near South Project Area.

#### ■ Value of Existing Properties

The 1999 EAV of existing properties (land and Existing Improvements) within the Near South Project Area is \$241,050,350 and consists primarily of commercial land and improvements, vacant land and residential land and improvements. The 1999 EAV of the Tax Codes within the Near South Project Area is \$186,467,564 in Tax Code 76016; \$12,361,891 in Tax Code 76018; \$32,880,566 in Tax Code 76027 and \$9,340,329 in Tax Code 76516.

#### ■ Value Enhancements

Value enhancements include potential increases in assessable value resulting from rehabilitation of existing buildings or new development and are reflected within the estimates included in this Report for Constructed Private Projects and Private Projects Under Construction. The estimates of future EAV also incorporate assumptions as to the phasing and timing of percentage of assessment achieved in each year as a result of construction and occupancy as detailed in Table 8. Other than the Existing Improvements, Constructed Private Projects, Private Projects Under Construction, and Pending Tax-Exempt Projects, the estimates of Incremental Taxes contained in this Report do not consider the impact of any potential or proposed project that may occur within the Near South Project Area.

#### ■ Value Removals

Value removals from EAV occur as a result of two actions: (i) the reclassification of existing taxable land and improvements to non-taxable (exempt) status and (ii) the demolition in total or in part of existing taxable improvements. Table 5 indicates parcels associated with development projects that are expected to be reclassified as tax-exempt. The estimates of Incremental Taxes contained in this Report assume that (i) all buildings and properties indicated in Table 5 of this Report will be reclassified to tax-exempt and will be reflected as such in levy year 2000 and/or in levy year 2001 as value removals and will remain tax-exempt for each levy year after the levy year in which value is

removed for the remaining life of the Near South Project Area and (ii) all buildings and properties which were tax-exempt in levy year 1999 will remain tax-exempt for the remaining life of the Near South Project Area. TPAP is not aware of any other imminent value removals at this time. In the event that buildings or sites which are not identified in this Report as value removals are acquired by the City or other parties and rendered tax-exempt, future EAV and Incremental Taxes would be lower than the levels estimated in this Report.

**IV. A-6. Certified Initial Equalized Assessed Valuation**

The Certified Initial EAV of the Near South Project Area is shown in Table 10, *Certified Initial EAV*.

TABLE 10: CERTIFIED INITIAL EAV

Tax Code	Certified Initial EAV <sup>[1]</sup>	
	Through Levy Year 2000	Levy Year 2001 and After
76016	\$88,918,669	\$75,992,429
76018	10,751,453	10,751,453
76027 <sup>[2]</sup>	21,473,525	18,403,341
76516	7,669,111	7,669,111
Additional Tax Code <sup>[3]</sup>	n/a	15,996,424
<b>Total</b>	<b>\$128,812,758</b>	<b>\$128,812,758</b>

<sup>[1]</sup>The base year of the Original Project Area is 1989 as established by the adoption of the Original Area Redevelopment Plan on November 28, 1990. The Certified Initial EAV for the Original Project Area totals \$3,223,423 and served as the Certified Initial EAV until the Plan was amended on August 3, 1994 and an additional \$125,589,335 was added to the Certified Initial EAV to create the Near South Project Area for a total of \$128,812,758.

<sup>[2]</sup> In 1996 the County Clerk created an additional Tax Code, 76027, within the Near South Project Area—however, no property was added and there was no change to the taxing agencies with jurisdiction over the properties within Tax Code 76027.

<sup>[3]</sup> Reflects the creation of an Additional Tax Code by the County Clerk beginning in levy year 2001 for the Near South Project Area that includes tax parcels that have been reassigned to the Additional Tax Code due to actual or pending reclassification to tax exempt status. The Certified Initial EAV of such tax parcels and as identified in Table 5 of this Report totals \$12,926,240 for Tax Code 76016 and \$3,070,184 for Tax Code 76027. The total amount of the Certified Initial EAV to be assigned to the Additional Tax Code for not later than levy year 2001 and every year thereafter for the remaining life of the Near South Project Area is \$15,996,424.

n/a = not applicable

**Tax Rate**

The aggregate tax rate for all taxing districts is extended against all taxable parcels to derive property taxes. The aggregate tax rate for a property is determined by summing the tax rates of all taxing districts having jurisdiction over that property. Summarized in Table 11,

*Taxing Agencies and Historic Tax Rates*, are historic tax rates for each of the taxing districts within the Near South Project Area's existing Tax Codes. Additionally, Table 11 summarizes the aggregate tax rates for each Tax Code from 1992 through 1999.

As summarized in the previous section and illustrated in Table 11, the Tax Code for the Original Project Area was 76016 from 1990 to the present. In 1994 when the Original Project Area was amended to create the Near South Project Area two more Tax Codes were added, 76018 and 76516. In 1996, the County Clerk created a new Tax Code within the existing Near South Project Area, 76027. This did not add parcels or change the nature of the Near South Project Area. It merely allows for further sub-calculation of incremental EAV on the Tax Code level. The Additional Tax Code to be created within the Near South Project Area not later than levy year 2001 will not add parcels or change the nature of the Near South Project Area. The Additional Tax Code will include a combination of tax parcels that were formerly assigned to either the 76027 Tax Code or the 76016 Tax Code.

The estimates of Incremental Taxes contained in this Report assume that (i) all Tax Codes will continue to be administered consistent with existing practices, (ii) an Additional Tax Code will be established within the Near South Project Area for levy year 2001 and every year thereafter that is subject to the same eleven taxing agencies as Tax Codes 76016 and 76027, and (iii) while the County Clerk will maintain the existing Tax Codes and create an Additional Tax Code which include the City of Chicago Special Service Area Number 12, ("SSA #12"), the SSA #12 will not levy taxes subsequent to levy year 1994.

**Tax Limitation Act**

On July 18, 1991, the Illinois General Assembly enacted Public Act 87-17, the "Tax Limitation Act." In the County, Public Act 87-17 requires, for the 1992 extension and subsequent extensions, the County Clerk to use the prior year EAV to determine the rate at which taxes are to be extended in the current year.

Effective February 12, 1995, the Illinois General Assembly enacted Public Act 89-1 to amend the Tax Limitation Act to apply to County taxing districts for the 1994 extension and subsequent extensions. In addition to continuing the requirement that prior year EAV be used to determine the rate at which taxes are to be extended in the current year, Public Act 89-1 requires that the growth in the 1994 extension be limited to 5 percent and that the growth in extensions subsequent to 1994 be limited to the lesser of 5 percent or the percent change in the Consumer Price Index (CPI) for that year.

**TABLE 11: TAXING AGENCIES AND HISTORIC TAX RATES**

<b>Taxing Agency</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
0001-0 County of Cook	1.176	0.971	0.993	0.994	0.989	0.919	0.911	0.854
0002-0 Forest Preserve District of Cook County	0.063	0.072	0.073	0.072	0.074	0.074	0.072	0.070
0110-0 Metro Water Reclamation Dist of Gr Chgo	0.470	0.471	0.495	0.495	0.492	0.451	0.444	0.419
0253-0 Chicago Community College District 508	0.390	0.381	0.372	0.376	0.377	0.356	0.354	0.347
0375-5 City of Chicago Library Fund	0.000	0.000	0.000	0.000	0.000	0.000	0.186	0.187
0699-0 Chicago Urban Transportation District	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0737-2 City of Chicago SSA #12	0.158	0.155	0.158	0.000	0.000	0.000	0.000	0.000
1001-0 City of Chicago	2.210	2.288	2.158	2.131	2.182	2.024	1.812	1.673
1002-0 Board of Education	4.267	4.324	4.167	4.251	4.327	4.084	4.172	4.104
1003-0 Chicago Park District	0.735	0.778	0.741	0.730	0.721	0.665	0.653	0.627
1004-0 Chicago School Finance Authority	0.190	0.150	0.265	0.296	0.291	0.270	0.268	0.255
<b>Sum of Taxing Agencies</b>	<b>9.659</b>	<b>9.590</b>	<b>9.422</b>	<b>9.345</b>	<b>9.453</b>	<b>8.843</b>	<b>8.872</b>	<b>8.536</b>
	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>Tax Code Totals: Near South Project Area</b>								
76016 General City Rate+Urban Trans. Dist.+SSA12	9.659	9.590	9.422	9.345	9.453	8.843	8.872	8.536
76018 General City Rate+Urban Trans. Dist.	-	-	9.264	9.345	9.453	8.843	8.872	8.536
76027 General City Rate+Urban Trans. Dist.+SSA12	-	-	-	-	9.453	8.843	8.872	8.536
76516 General City Rate+Urban Trans. Dist.	-	-	9.264	9.345	9.453	8.843	8.872	8.536

Source: Office of the Cook County Clerk

All taxing districts within the County, except home-rule municipalities, are subject to the Tax Limitation Act. In addition, any previously existing statutory tax rate limits continue to apply to all applicable funds of taxing districts. Certain debt obligations are excluded from the Tax Limitation Act if separately levied, including general obligation bonds approved by referendum, general obligation bonds issued prior to March 1, 1995 and certain other fund extensions. Tax extensions for special service areas are specifically excluded from the Tax Limitation Act.

According to the State Department of Revenue publication entitled "*The Property Tax Extension Limitation Laws as Amended and Enacted by PA 89-1 and Their Application to Cook County Taxing Districts*," the County Clerk determines the final tax rate for extension under the Tax Limitation Act through the following steps.

1. Compute preliminary tax rates for each taxing district by fund. *First*, establish the maximum allowable levy for funds with rate limits. This is done by multiplying the prior year EAV by the fund's rate limit. *Second*, calculate the preliminary tax rates for funds with rate limits. This is done by dividing the lesser of the maximum allowable levy or the actual levy by the current year EAV.
2. Sum the preliminary rates for those funds subject to the Tax Limitation Act.
3. Compute the numerator of the "limiting rate" by multiplying the prior year extensions for funds subject to the Tax Limitation Act by 1.05 (for the 1994 levy) or by 1 plus the lesser of 5 percent or the percent change in the CPI for the year (for levies subsequent to 1994).
4. Compute the denominator of the "limiting rate" by subtracting from the current year EAV the product of the AV of new property times the State Equalization Factor.
5. Compute the "limiting rate" by dividing the result of Step 3 by the result of Step 4.
6. Compare the sum of the preliminary rates from Step 2 to the "limiting rate" from Step 5.
  - If the sum of the preliminary rates from Step 2 is less than or equal to the "limiting rate," the district is not affected by the Tax Limitation Act and taxes are extended as usual.
  - If the sum of the preliminary rates from Step 2 is greater than the "limiting rate," the district is affected by the Tax Limitation Act.
7. If the district is affected by the Tax Limitation Act, reduce the preliminary rates which are subject to the Tax Limitation Act from Step 1 by multiplying each preliminary rate by a factor equal to the "limiting rate" divided by the sum of the preliminary rates from Step 2. (A taxing district may direct a different formula for the reductions, provided the "limiting rate" and the maximum rates computed using prior year EAV are not exceeded.)
8. Extend taxes using the rates computed in Step 7.

## City and County Ordinances

Prior to the adoption of Public Act 89-1, the City and County each adopted tax limitation ordinances. The City adopted the Chicago Property Tax Limitation Ordinance in 1993, affecting extensions beginning with 1994 extensions, and the County adopted the Cook County Property Tax Relief Ordinance in 1994, affecting extensions beginning with 1995 extensions. Both ordinances (the "Local Ordinances") are designed to limit the annual growth of their respective extensions to the lesser of five percent or the percent change in the CPI. However, both ordinances may be amended, repealed or superseded pursuant to the home rule powers of the City and County, respectively, to override the limits and extend levies greater than five percent or the CPI.

## Estimated Future Tax Rates

The estimated future tax rates illustrated in Table 12, *Estimated Future Tax Rates: 2000 – 2013*, were derived by applying certain assumptions regarding future tax extensions, EAV and new EAV of each taxing district to 1999 extension and EAV data under the further assumption that both the Tax Limitation Act and the Local Ordinances will remain in effect for all taxing districts (except special service areas). The analysis first involves estimating the future annual "limiting rate" for each of the taxing districts with jurisdiction over the Near South Project Area. The limiting rate is calculated separately for each taxing district and is based on the separate calculation of a numerator and a denominator.

For each taxing district, the numerator of the estimated future limiting rates is calculated by applying assumptions regarding future extensions to actual extension information for levy year 1999. The estimates assume that the 2000 and subsequent extensions of each taxing district will increase over the prior year's extension by an amount equal to the change in the CPI factor for that year. Actual CPI factors released by the County Clerk are used to estimate the change in the 2000 extension and the 5-year average (1996-2000) CPI factor is used to estimate the change in extensions subsequent to 2000.

For each taxing district, the denominator of the estimated future limiting rates is calculated by applying assumptions regarding future total EAV and new EAV to actual 1999 EAV information. The total EAV of each taxing district is estimated to increase by the change in EAV from the prior year observed in 1992 through 1999 for each of three periods—reassessment years, the years after a reassessment year, and the years before a reassessment year. For example, since 2000 is a reassessment year, the estimated change in the 2000 EAV from the 1999 level is the average change in EAV observed in 1994 and 1997. Subsequent years' EAV is estimated in the same manner. The amount of new EAV for each taxing district is estimated by multiplying the total EAV calculated in each year by the 5-year average (1995-1999) ratio of new EAV to total EAV.

The estimated "limiting rate" for each taxing district is calculated by dividing the numerator by the denominator. The total tax rate for each taxing district equals the sum of the limiting rate and the rate necessary to support the portion of its extension that is not



subject to the Tax Limitation Act. The estimated rate for the non-capped portion of the extension is calculated by dividing the total estimated EAV (as calculated for the denominator) by the amount of the extension that is not subject to the Tax Limitation Act (assumed to remain at the 1999 level for each taxing district). The resulting tax rates for each taxing district are then aggregated and added to any special service area tax rates to determine the total tax rate for each Tax Code.

Tax Rate Analysis

Table 12 illustrates the estimated future tax rates derived in the Tax Rate Analysis.

**TABLE 12: ESTIMATED FUTURE TAX RATES: 2000 - 2013**

<u>Levy Year</u>	<u>Tax Codes</u>
	<u>76016<sup>(1)</sup>, 76018, 76027<sup>(1)</sup> 76516, and Additional Tax Code<sup>(1)(2)</sup></u>
2000*	8.3157
2001	8.3680
2002	8.3686
2003*	8.1299
2004	8.1825
2005	8.1845
2006*	7.9521
2007	8.0049
2008	8.0081
2009*	7.7816
2010	7.8436
2011	7.8387
2012*	7.6180
2013	7.6709

*\*City Reassessment Year*

<sup>(1)</sup> Includes the City's general tax rate (as in Tax Code 76018 and 76516) plus SSA 12 estimated future tax rate of 0.000 percent

<sup>(2)</sup> Beginning in levy year 2001.

**IV. A-8 Tax Collection Rate**

The tax collection rate is the ratio of Incremental Taxes collected to the amount of Incremental Taxes extended for a given levy year expressed as a percentage. A tax collection rate of less than 100 percent attempts to account for taxes that are uncollected or are the result of errors in assessments. Based on data contained in the Cook County Treasurer's Agency Collection Distribution Report as of 03/09/01 the total levy year collection rate (the sum of Incremental Taxes collected for each Near South Project Area

Tax Code divided by the sum of the Incremental Taxes extended for each Near South Project Area Tax Code) has ranged from 89 percent to 95 percent from levy year 1994 to levy year 1999. The collection rate for a given levy year reflects the cumulative amount of Incremental Taxes collected regardless of year of collection. Table 13, *Historic Collection Rates by Tax Code*, identifies collection rates by Tax Code for levy years 1991 to 1999.

For any given levy year, taxes remain uncollected primarily due to tax parcels that are reclassified in part or in full as tax-exempt after taxes are extended for a levy year and/or tax parcels that are owned by tax-exempt entities that have not yet applied for tax-exempt status for a tax parcel. When a tax exemption for a tax parcel is ultimately granted, the County does not revise the taxes extended for previous levy years. As a result, the collection rate for a Tax Code is unchanged despite the reduction in taxes that remain uncollected for the Tax Code. Adjusting for actual or pending tax exemptions in levy years 1996, 1997 and 1998, the average annual collection rate for the Near South Project Area for those adjusted years is 98.2 percent. The estimates of Incremental Taxes contained in this report assume a collection rate of 92 percent for levy year 2000 and a collection rate of 98 percent for levy year 2001 and for each levy year thereafter through the remaining life of the Near South Project Area. The collection rate is based on the assumption that properties for which reclassification to tax-exempt has been pending or is proposed (as identified in Table 5) will be reassigned to the Additional Tax Code beginning in levy year 2001.

TABLE 13: HISTORIC COLLECTION RATES BY TAX CODE

Levy Year	Tax Collection Rate				Total
	76016	76018	76516	76027	
1990					
1991	80%				80%
1992	91%				91%
1993	92%				92%
1994	93%	100%	99%		93%
1995	92%	100%	99%		92%
1996	93%	100%	100%		93%
1997	89%	98%	99%		89%
1998	94%	99%	100%	97%	95%
1999	89%	102%	76%	96%	90%
<b>Overall</b>	<b>91%</b>	<b>100%</b>	<b>92%</b>	<b>96%</b>	<b>91%</b>

Sources: County Clerk, "Tax Increment Agency Distribution Percent" and County Treasurer, "Agency Collection Distribution Report as of 3/9/01."

#### IV. A-9

#### Calculation of Incremental Taxes

Table 14, *Calculation of Estimated Incremental Taxes: 2000-2013*, illustrates the calculation of Incremental Taxes estimated to be generated within the Near South Project Area for the collection period 2001 through 2014. The estimate of Incremental Taxes contained in Table 14 reflects the actual tax rates for levy year 1999 and the estimated future tax rates illustrated in Table 12 for levy years 2000 through 2013 as applied to the estimated future EAV contained in Table 9.

In Section V, *Incremental Taxes: Historic and Future*, estimated Incremental Taxes are summarized for the remaining life of the Near South Project Area utilizing the estimated future tax rates.

#### IV. A-10

#### Timing of Incremental Tax Collection

Generally, Incremental Property Taxes are received and deposited into the Fund in two installments by the first business day of November following the year of levy, *i.e.*, real estate tax increments, resulting from 1999 tax levies against EAV, are collected and deposited into the Fund by November of 2000 and are available for debt service by December of 2000. This process can be somewhat slower in City reassessment years, or in years with a substantial number of appeals. The summary of Incremental Taxes at the end of this Report (Table 16) estimates collections for each annual period ending December 31 for the Near South Project Area.

In 1999, the Act was amended to (i) change the dates set forth in Section 11-74.4-3(n)(3) of the Act by which a redevelopment project must be completed and obligations issued to finance redevelopment project costs must be retired to be not later than December 31 of the year in which the payment to a municipal treasurer is to be made with respect to *ad valorem* taxes levied in the twenty-third calendar year after the year in which the ordinance approving a redevelopment project area is adopted and (ii) provide that a municipality may amend an existing redevelopment plan to conform such redevelopment plan to Section 11-74.4-3(n)(3) of the Act as amended by the Amendatory Act, by an ordinance adopted without further hearing or notice and without complying with the procedures provided in the Act pertaining to an amendment to or the initial approval of a redevelopment plan and project and designation of a redevelopment project area.

In March 2001, the City amended the Near South Redevelopment Plan in conformance with Section 11-74.4-3(n)(3) of the Act to provide that the redevelopment project must be completed and all obligations issued by the City pursuant to the Near South Redevelopment Plan shall be retired no later than December 31 of the year in which the payment to the municipal treasurer is to be paid with respect to *ad valorem* taxes levied in the twenty-third calendar year after the year in which the ordinance approving the Original Project Area and the Original Redevelopment Plan was adopted, such ultimate retirement date occurring on or before December 31, 2014. Since the Original Project Area was adopted in 1990, Incremental Property Taxes are assumed to be generated through levy year 2013 with the final collection by the County and distribution to the City occurring in 2014.

#### **IV. A-11      Assessment and Project Duration**

It is assumed that the Near South Project Area will continue to be assessed at the levels set forth in this Report, and that the development projects and the Near South Redevelopment Plan will remain in place for the length of time required to retire the Bonds. According to the Act, all obligations issued by the City shall be retired within twenty (20) years of their date of issuance, and no later than December 31 of the year in which the payment to the municipal treasurer is to be paid with respect to *ad valorem* taxes levied in the twenty-third calendar year after the year in which the ordinance approving the Original Project Area and the Original Redevelopment Plan was adopted, such ultimate retirement date to occur on or before December 31, 2014.

**TABLE 14: CALCULATION OF ESTIMATED INCREMENTAL TAXES: 2000-2013  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

Total Estimated EAV														
Levy Year	Land and Improvements without Development Projects	Completed Projects	Constructed Projects	Projects Under Construction	Total Estimated EAV [1]	Base EAV – Additional Tax Code [2]	Base EAV – EXISTING TAX CODES[2]	Incremental EAV	Tax Rate	Collection Rate	Incremental Revenue Generated	Incremental Revenue Collected	Cumulative Revenue Collected	
1	2000 *	\$159,718,472	\$43,297,369	\$13,446,946	\$22,089,054	\$238,551,840		\$128,812,758	\$109,739,082	8.3157%	92.0%	\$8,396,000		
2	2001	147,019,235	43,297,369	18,007,391	29,335,906	237,659,901	\$14,553,327	114,259,431	123,400,470	8.3680%	98.0%	10,120,000	\$ 8,396,000	\$ 8,396,000
3	2002	147,019,235	43,297,369	22,214,079	53,384,102	265,914,785	14,553,327	114,259,431	151,655,354	8.3686%	98.0%	12,438,000	10,120,000	18,516,000
4	2003 *	158,323,636	46,887,305	24,152,674	82,611,743	311,975,358	14,553,327	114,259,431	197,715,927	8.1299%	98.0%	15,753,000	12,438,000	30,954,000
5	2004	158,323,636	46,887,305	24,152,674	89,465,327	318,828,942	14,553,327	114,259,431	204,569,511	8.1825%	98.0%	16,404,000	15,753,000	46,707,000
6	2005	158,323,636	46,887,305	24,152,674	89,465,327	318,828,942	14,553,327	114,259,431	204,569,511	8.1845%	98.0%	16,408,000	16,404,000	63,111,000
7	2006 *	170,497,239	50,753,274	26,158,072	96,875,253	344,283,838	14,553,327	114,259,431	230,024,407	7.9521%	98.0%	17,926,000	16,408,000	79,519,000
8	2007	170,497,239	50,753,274	26,158,072	96,875,253	344,283,838	14,553,327	114,259,431	230,024,407	8.0049%	98.0%	18,045,000	17,926,000	97,445,000
9	2008	170,497,239	50,753,274	26,158,072	96,875,253	344,283,838	14,553,327	114,259,431	230,024,407	8.0081%	98.0%	18,052,000	18,045,000	115,490,000
10	2009 *	183,606,878	54,916,499	28,317,666	104,854,932	371,695,976	14,553,327	114,259,431	257,436,545	7.7816%	98.0%	19,632,000	18,052,000	133,542,000
11	2010	183,606,878	54,916,499	28,366,524	104,854,932	371,744,834	14,553,327	114,259,431	257,485,403	7.8346%	98.0%	19,769,000	19,632,000	153,174,000
12	2011	183,606,878	54,916,499	28,415,382	104,854,932	371,793,692	14,553,327	114,259,431	257,534,261	7.8387%	98.0%	19,784,000	19,769,000	172,943,000
13	2012 *	197,724,526	59,399,838	30,808,673	113,448,175	401,381,211	14,553,327	114,259,431	287,121,780	7.6180%	98.0%	21,435,000	19,784,000	192,727,000
14	2013	197,724,526	59,399,838	30,808,673	113,448,175	401,381,211	14,553,327	114,259,431	287,121,780	7.6709%	98.0%	21,584,000	21,435,000	214,162,000
15	2014											21,584,000	235,746,000	
<b>Near South Redevelopment Project Area expires December 31, 2014</b>														
<b>Total</b>											<b>\$235,746,000</b>	<b>\$235,746,000</b>	<b>\$235,746,000</b>	

\* City Reassessment Year

**Assumptions:**

- [1] The estimates of EAV reflect annual increases of 2.5% (or 7.7% each triennial period) for all parcels in the Near South Project Area. (realized in triennial reassessment years, and using the 5-year average Equalization Factor of 2.1711)
- [2] Base EAV is the certified initial EAV for the Near South TIF. The Central Station TIF was adopted November 28, 1990, then amended and renamed the Near South TIF on August 8, 1994. Beginning in levy year 2001, the Base EAV is divided into A) the potential Additional Tax Code and B) the sum of existing Tax Codes.

## V. INCREMENTAL TAXES: HISTORIC AND FUTURE

### HISTORIC INCREMENTAL TAXES

The Original Project Area began generating Incremental Taxes in levy year 1991 for taxes collected in 1992 and the Added Project Area began generating Incremental Taxes in 1994 for taxes collected in 1995. Summarized in Table 15, *Historic Incremental Tax Extensions and Collections by Tax Code, 1990-1999*, are the historic Incremental Taxes distributed to the City by the County. While the amounts shown are based on the most current quarterly data available from the County, the amounts may be subject to adjustment in the future due to overpayment of taxes, taxes sold in error, reductions through certificates of error or other reasons. With respect to the Near South Project Area, Incremental Taxes (including interest payments from the County to the City) collected to date total approximately \$31,666,225. Collections attributable to a particular levy year have ranged from approximately \$807,698 for levy year 1991 to approximately \$8,622,033 for levy year 1999 (reflects collections through March 9, 2001).

### FUTURE INCREMENTAL TAXES

Summarized below are the estimated future Incremental Taxes that may be collected for the Near South Project Area. Estimates of future Incremental Taxes assume no delays or reductions in real estate values or taxes as a result of taxpayers contesting their AV, filing for Certificates of Errors, filing bankruptcy petitions, or pursuing other remedies taxpayers may seek to lower their tax obligations below that which is estimated in this Report.

The Future Incremental Taxes estimated in this analysis can be reviewed below and are also summarized in Table 16, *Summary of Estimated Incremental Taxes: 2000 - 2013*.

Based on the assumptions contained in this Report and utilizing the tax rates estimated from TPAP's Tax Rate Analysis (Table 12) and the estimated future EAV (Table 9), the assessment and reassessment of: (i) the land and Existing Improvements contained within the Near South Project Area is estimated to generate approximately \$150,528,000 in Incremental Taxes through the remaining life of the Near South Project Area ending and collectable through December 31, 2014, ranging from \$8,144,000 in collection year 2001 to \$13,557,000 in collection year 2014; (ii) the assessment and reassessment of the land and Existing Improvements plus full assessment of Constructed Private Projects contained within the Near South Project Area is estimated to generate approximately \$165,111,000 in Incremental Taxes through the remaining life of the Near South Project Area ending and collectable through December 31, 2014, ranging from \$8,154,000 in collection year 2001 to \$14,865,000 in collection year 2014; and (iii) the assessment and reassessment of the land and Existing Improvements *plus* full assessment of Constructed Private Projects *plus* non-residential Private Projects Under Construction and purchased or under contract residential units of Private Projects Under Construction contained within the Near South Project Area is estimated to generate approximately \$235,746,000 in Incremental Taxes through the remaining life of the Near South Project Area ending and collectable through December 31, 2014, ranging from \$8,396,000 in collection year 2001 to \$21,584,000 in collection year 2014.

**TABLE 15: HISTORIC INCREMENTAL TAX EXTENSIONS AND COLLECTIONS: 1990 - 1999  
NEAR SOUTH PROJECT AREA**

Levy Year	Taxes Extended*				Total
	76016	76018	76516	76027	
1990	-				-
1991	1,009,828				1,009,828
1992	904,694				904,694
1993	945,727				945,727
1994	2,300,412	15,256	23,008		2,338,676
1995	2,837,637	23,335	26,990		2,887,962
1996	4,056,058	26,625	31,258		4,113,941
1997	5,671,407	104,120	121,849		5,897,376
1998	6,689,451	109,366	122,274	88,754	7,009,845
1999	8,306,377	137,467	142,655	994,101	9,580,599
<b>Overall</b>	<b>\$ 32,721,591</b>	<b>\$ 416,168</b>	<b>\$ 468,034</b>	<b>\$ 1,082,855</b>	<b>\$ 34,688,648</b>

Levy Year	Taxes Collected**				Total
	76016	76018	76516	76027	
1990					-
1991	807,698				807,698
1992	820,570				820,570
1993	869,371				869,371
1994	2,130,263	15,237	22,758		2,168,258
1995	2,615,943	23,253	26,677		2,665,873
1996	3,755,442	26,492	31,125		3,813,058
1997	5,040,413	102,259	120,120		5,262,792
1998	6,320,301	108,160	122,274	85,835	6,636,571
1999	7,422,779	140,222	108,257	950,775	8,622,033
<b>Overall</b>	<b>\$ 29,782,779</b>	<b>\$ 415,623</b>	<b>\$ 431,212</b>	<b>\$ 1,036,610</b>	<b>\$ 31,666,225</b>

Levy Year	Tax Collection Rate				Total
	76016	76018	76516	76027	
1990					
1991	80%				80%
1992	91%				91%
1993	92%				92%
1994	93%	100%	99%		93%
1995	92%	100%	99%		92%
1996	93%	100%	100%		93%
1997	89%	98%	99%		89%
1998	94%	99%	100%	97%	95%
1999	89%	102%	76%	96%	90%
<b>Overall</b>	<b>91%</b>	<b>100%</b>	<b>92%</b>	<b>96%</b>	<b>91%</b>

\*Source: Cook County Clerk, "Tax Increment Agency Distribution Percent"

\*\*Source: Cook County Treasurer, "Agency Collection Distribution Report as of 3/9/01"

**TABLE 16: SUMMARY OF ESTIMATED INCREMENTAL TAXES: 2000 - 2013  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

<b>INCREMENTAL PROPERTY TAXES</b>						
<b>ASSESSMENT YEAR</b>	<b>COLLECTION YEAR</b>	<b>Land and Existing Improvements</b>	<b>Land and Existing Improvements PLUS Constructed Projects</b>	<b>Land and Existing Improvements, Constructed Projects, AND Projects Under Construction</b>		
2000 *	2001	\$8,144,000	\$8,154,000	\$8,396,000		
2001	2002	8,522,000	9,181,000	10,120,000		
2002	2003	8,523,000	9,527,000	12,438,000		
2003 *	2004	9,637,000	10,706,000	15,753,000		
2004	2005	9,700,000	10,775,000	16,404,000		
2005	2006	9,702,000	10,778,000	16,408,000		
2006 *	2007	10,856,000	11,993,000	17,926,000		
2007	2008	10,928,000	12,073,000	18,045,000		
2008	2009	10,933,000	12,078,000	18,052,000		
2009 *	2010	12,130,000	13,340,000	19,632,000		
2010	2011	12,213,000	13,434,000	19,769,000		
2011	2012	12,219,000	13,445,000	19,784,000		
2012 *	2013	13,464,000	14,762,000	21,435,000		
2013	2014	13,557,000	14,865,000	21,584,000		
<b>TOTAL</b>		<b>\$150,528,000</b>	<b>\$165,111,000</b>	<b>\$235,746,000</b>		

\* Reassessment Year



**APPENDIX C**

**OPINION OF CO-BOND COUNSEL**

July \_\_, 2001

City of Chicago  
City Hall  
121 North LaSalle Street  
Chicago, Illinois 60602

Siebert Brandford Shank & Co., LLC  
30 North LaSalle Street  
Chicago, Illinois 60602

Cole Taylor Bank,  
as Trustee  
850 West Jackson Boulevard  
8th Floor  
Chicago, Illinois 60607

We have acted as bond counsel in connection with the issuance and delivery by the City of Chicago (the "City") of \$39,011,761.50 aggregate original principal amount of its Junior Lien Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001A (the "Series 2001A Bonds") and of \$7,230,000 aggregate original principal amount of its Junior Lien Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 2001B (Taxable) (the "Series 2001B Bonds" and together with the Series 2001A Bonds, the "Bonds").

In that regard, we have examined a certified copy of the record of proceedings of the City, together with various accompanying certificates, pertaining to the issuance of the Bonds. The record of proceedings includes an Ordinance, adopted by the City Council of the City on March 28, 2001, providing for the issuance of the Bonds, the Notification of Sale of the Chief Financial Officer of the City in connection with the sale of the Bonds provided for in that Ordinance (together, the "Bond Ordinance"), the Junior Lien Trust Indenture, dated as of July 1, 2001 (the "Original Indenture"), from the City to Cole Taylor Bank, as Trustee (the "Trustee"), the First Supplemental Indenture, dated as of July 1, 2001, with respect to the Bonds (together with the Original Indenture, the "Indenture"), the Trust Indenture, dated as of February 1, 1999, from the City to Cole Taylor Bank, as trustee (the "Senior Lien Trustee"), as amended by Amendment No. 1 to Trust Indenture, dated as of April 1, 2001, from the City to the Senior Lien Trustee, and certificates of officers of the City, the County of Cook, Illinois, the Trustee for the Bonds and the Underwriters for the Bonds as to various factual matters.

The Series 2001A Bonds mature finally on November 15, 2014, and the Series 2001A Bonds which are not capital appreciation bonds are dated July 1, 2001, bear interest from their date until paid, payable semi-annually on May 15 and November 15 in each year, with the first interest payment date being November 15, 2001, at the rates per year established in the Indenture.

The Series 2001A Bonds which are capital appreciation bonds are dated the date of this letter and will accrete interest from their date, compounded semiannually on May 15<sup>th</sup> and November 15<sup>th</sup> of each year, commencing on November 15, 2001, payable only at maturity.

**City of Chicago**  
**Siebert Bradford Shank & Co., LLC**  
**Cole Taylor Bank**  
**July \_\_, 2001**  
**Page 2**

Certain Series 2001A Bonds which are not capital appreciation bonds are subject to redemption in advance of their maturity as provided in the Indenture. The Series 2001B Bonds are dated July 1, 2001, mature finally on November 15, 2005, and bear interest from their date until paid, payable semi-annually on May 15 and November 15 in each year, with the first interest payment date being November 15, 2001, at rates per year established by the Indenture.

The Series 2001B Bonds are not subject to redemption prior to maturity.

Based upon this examination, we are of the opinion that:

1. The Bond Ordinance has been duly and lawfully adopted by the City, is in full force and effect and is valid and binding upon the City. The Indenture has been duly executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, represents a valid and binding agreement of the City enforceable in accordance with its terms.
2. The Bonds are valid and legally binding limited obligations of the City. The Bonds, together with additional bonds which may be issued in the future on a parity with the Bonds, have a claim for payment, as to principal, redemption premium, if any, and interest, on an equal and ratable basis solely from the Junior Lien Revenues (as defined in the Indenture) received by the City, including certain funds and accounts provided for in the Indenture, all as and to the extent and in the priority as provided for in the Indenture. The Bonds do not have a claim for payment from taxes of the City.
3. Interest on the Series 2001A Bonds under present law is not included in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant in the Indenture to comply with all requirements which must be met in order for interest on the Series 2001A Bonds not to be included in gross income for federal income tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Series 2001A Bonds could be included in gross income for federal income tax purposes retroactive to the date the Series 2001A Bonds are issued. Interest on the Series 2001A Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law. Interest on the Series 2001A Bonds will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations. Ownership of the Series 2001A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2001A Bonds.

**City of Chicago**  
**Siebert Bradford Shank & Co., LLC**  
**Cole Taylor Bank**  
**July \_\_, 2001**  
**Page 3**

Interest on the Series 2001B Bonds is not exempt from Federal income taxes based on gross income. The interest on the Bonds is not exempt from present Illinois taxes.

The rights of owners of the Bonds, the obligations of the City and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Bonds or the Indenture by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief.

Very respectfully yours,

**APPENDIX D**  
**SPECIMEN BOND INSURANCE POLICY**



ACA Financial Guaranty Corporation  
 140 Broadway, 47<sup>th</sup> Floor  
 For information, contact:  
 New York, NY 10005  
 (212) 375-2000  
 (888) 427-2833

## BOND INSURANCE POLICY

Policy Number:

Effective Date:

Issuer:

Bonds:

ACA FINANCIAL GUARANTY CORPORATION ("ACA"), a Maryland stock insurance company, in consideration of the payment of the premium and subject to the terms and conditions contained in this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as designated in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of any Owner, or, at the election of ACA, directly to such Owner, that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

ACA will make such payments to or for the benefit of each Owner on the later of the day on which such principal or interest becomes Due for Payment or the Business Day next following the Business Day on which ACA shall have received Notice of Nonpayment. ACA will disburse to or for the benefit of the Owner the face amount of principal of and interest on the Bond which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by ACA, in form reasonably satisfactory to it, of (i) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Owner's rights to payment of such principal or interest then Due for Payment shall thereupon vest in ACA. Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. Eastern prevailing time on such Business Day; otherwise, it will be deemed received on the next Business Day. Upon disbursement in respect of a Bond, ACA shall become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal of or interest on such Bond and shall be fully subrogated to all of the Owner's rights thereunder, including the Owner's right to payment thereof to the extent of any payment by ACA hereunder. Payment by ACA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of the Issuer under this Policy.

This Policy is non-cancelable for any reason and the premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity.

The following terms shall have the meanings specified for all purposes of this Policy. The term "Owner" means, as to a particular Bond, the person other than the Issuer or any party whose direct or indirect obligation constitutes the underlying security for the Bonds, who at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means (a) when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless ACA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a bond, the stated date for payment of interest. "Nonpayment" with respect to a Bond means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Bond. "Nonpayment" shall also include any payment of principal or interest made to an Owner by or on behalf of the Issuer of such Bond which has been recovered from such Owner pursuant to a final, non-appealable order of a court of competent jurisdiction that such payment constitutes an avoidable preference of such Owner within the meaning of any applicable bankruptcy law. "Notice" means telephonic or electronic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to ACA, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in the State of Maryland or the Insurer's Fiscal Agent are authorized or required by law to remain closed.

ACA may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent (a) copies of all notices required to be delivered to ACA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to ACA and shall not be deemed received until received by both and (b) all payments required to be made by ACA under this Policy may be made directly by the Insurer's Fiscal Agent on behalf of ACA. The Insurer's Fiscal Agent is the agent of ACA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of ACA to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

There shall be no acceleration payment due under this Policy except at the sole option of ACA.

IN WITNESS WHEREOF, ACA has caused this Policy to be affixed with its corporate seal and to be executed on its behalf by its duly authorized representative.

**ACA FINANCIAL GUARANTY CORPORATION**

[SEAL]

\_\_\_\_\_  
 Authorized Representative

**Near South Redevelopment Project Area  
2001 Annual Report**

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**(9) ANALYSIS OF DEBT SERVICE - 65 ILCS 5/11-74.4-5(d)(8)(B)**

This information is contained in the official statements, limited offering memoranda, promissory notes or debt service schedules of such obligations. See attached.

**Near South Redevelopment Project Area  
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**(10) CERTIFIED AUDIT REPORTS - 65 ILCS 5/11-74.4-5(d)(9)**

Please see attached.



**Bansley and Kiener, L. L. P.**  
Certified Public Accountants

*Established 1922*

BERNARD J. SULLIVAN, C.P.A.  
RICHARD J. QUINN, C.P.A.  
PAUL A. MERKEL, C.P.A.  
JOHN W. SANEW III, C.P.A.  
THOMAS A. CERWIN, C.P.A.  
STEPHEN R. PANFIL, C.P.A.  
MICHAEL D. HUELS, C.P.A.  
ROBERT J. MARSCHALK, C.P.A.  
THOMAS J. CAPLICE, C.P.A.  
ROBERT J. HANNIGAN, C.P.A.  
GERARD J. PATER, C.P.A.  
VINCENT M. GUZALDO, C.P.A.  
TIMOTHY J. QUINN, C.P.A.  
MAUREEN B. SHANAHAN, C.P.A.

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125 SOUTH WACKER DRIVE CHICAGO, ILLINOIS 60606-4496 312/263-2700 FAX: 312/263-6935

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the combined balance sheet of Near South Redevelopment Project of the City of Chicago, Illinois as of December 31, 2001, and the related combined statement of revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated May 28, 2002.

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the regulatory provisions in Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act and Subsection (o) of Section 11-74.6-10 of the Illinois Industrial Jobs Recovery Law as they relate to the eligibility for costs incurred incidental to the implementation of the Near South Redevelopment Project of the City of Chicago, Illinois.

This report is intended for the information of the City of Chicago's management. However, this report is a matter of public record, and its distribution is not limited.

*Bansley and Kiener, L.L.P.*  
Certified Public Accountants

May 28, 2002

# Near South Redevelopment Project Area 2001 Annual Report

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## (11) GENERAL DESCRIPTION AND MAP

The Near South Redevelopment Project Area, as amended, is generally bounded by Congress Parkway on the north, Michigan and Calumet Avenues and Lake Shore Drive on the east, 21<sup>st</sup> Street and the northern boundary of the Michigan/Cermak Project Area on the South, and State Street on the west. The map below illustrates the location and general boundaries of the Project Area. For precise boundaries, please consult the legal description in the Redevelopment Plan.

