
2004 Annual Report

Pilsen Industrial Corridor Redevelopment Project Area



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

JUNE 30, 2005

June 30, 2005

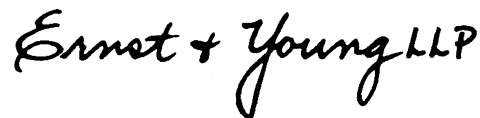
Ms. Denise Casalino
Commissioner
Department of Planning and Development
121 North LaSalle Street
Chicago, Illinois 60602

Dear Commissioner:

Enclosed is the annual report for the Pilsen Industrial Corridor 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

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

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**ANNUAL REPORT – PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT AREA IN
COMPLIANCE WITH SECTION (d) OF 65 ILCS 5/11-74.4-5.**

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City of Chicago
Richard M. Daley, Mayor

Department of Planning
and Development

Denise M. Casalino, P.E.
Commissioner

City Hall, Room 1000
121 North LaSalle Street
Chicago, Illinois 60602
(312) 744-4190
(312) 744-2271 (FAX)
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<http://www.cityofchicago.org>

June 30, 2005

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 Pilsen Industrial Corridor Redevelopment Project Area (Report) pursuant to 65 ILCS 5/11-74.4-5(d).

Sincerely,

Denise Casalino
Commissioner

Pilsen Industrial Corridor Redevelopment Project Area 2004 Annual Report

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

The Project Area was designated on June 10, 1998. The Project Area may be terminated no later than June 10, 2021.

Note: Incremental tax revenues levied in the 23rd tax year are collected in the 24th tax year. Although the Project Area will expire in Year 23 in accordance with 65 ILCS 5/11-74.4-3(n)(J)(3), the incremental taxes received in the 24th tax year will be deposited into the Special Tax Allocation Fund.

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

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

Please see attached.

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR
REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 2004

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

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BANSLEY AND KIENER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

O'HARE PLAZA

8745 WEST HIGGINS ROAD, SUITE 200

CHICAGO, ILLINOIS 60631

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 financial statements of the Pilsen Industrial Corridor Redevelopment Project of the City of Chicago, Illinois, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Pilsen Industrial Corridor Redevelopment Project and do not purport to, and do not present fairly the financial position of the City of Chicago, Illinois, as of December 31, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pilsen Industrial Corridor Redevelopment Project of the City of Chicago, Illinois, as of December 31, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 and 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

- 2 -

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures by statutory code on page 10, 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 financial statements of Pilsen Industrial Corridor Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bardley and Kieker, C.P.A.

Certified Public Accountants

June 2, 2005

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of the Pilsen Industrial Corridor Tax Incremental Redevelopment Project Area (Project), we offer the readers of the Project's financial statements this narrative overview and analysis of the Project's financial performance for the year ended December 31, 2004. Please read it in conjunction with the Project's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Project's basic financial statements. The Project's basic financial statements include three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information concerning the Project's expenditures by statutory code.

Basic Financial Statements. The basic financial statements include two kinds of financial statements that present different views of the Project – the *Government-Wide Financial Statements* and the *Governmental Fund Financial Statements*. These financial statements also include the notes to the financial statements that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements provide both long-term and short-term information about the Project's financial status and use accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the project's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Project's net assets and how they have changed. Net assets – the difference between the Project's assets and liabilities – is one way to measure the Project's financial health, or position.

Governmental Fund Financial Statements provide more detailed information about the Project's significant funds – not the Project as a whole. Governmental funds focus on: 1) how cash and other financial assets can readily be converted to cash flows and 2) the year-end balances that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more financial resources that can be spent in the near future to finance the Project. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the statements to explain the relationship (or differences) between them.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents a schedule of expenditures by statutory code. This supplementary information follows the notes to the financial statements.

Condensed Comparative Financial Statements

	<u>Government-Wide</u>			
	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>% Change</u>
Total assets	\$ 51,609,113	\$11,519,502	\$ 40,089,611	348%
Total liabilities	<u>50,467,278</u>	<u>198,889</u>	<u>50,268,389</u>	25,275%
Total net assets	<u>\$ 1,141,835</u>	<u>\$11,320,613</u>	<u>\$(10,178,778)</u>	(90)%
Total revenues	\$ 6,757,390	\$ 5,592,447	\$ 1,164,943	21%
Total expenses	<u>16,936,168</u>	<u>2,842,410</u>	<u>14,093,758</u>	496%
Change in net assets	<u>(10,178,778)</u>	<u>2,750,037</u>	<u>(12,928,815)</u>	(470)%
Ending net assets	<u>\$ 1,141,835</u>	<u>\$11,320,613</u>	<u>\$(10,178,778)</u>	(90)%

Analysis of Overall Financial Position and Results of Operations

Property tax revenue for the Project was \$6,452,654 for the year. This was an increase of 16 percent over the prior year. The change in net assets produced a decrease in net assets of \$10,178,778. The Project's net assets decreased by 90 percent from the prior year making available \$1,141,835 of funding to be provided for purposes of future development in the Project's designated area. Expenses increased this year due to the Project's formulation of a redevelopment plan or necessary funding was substantially complete and available.

Debt Administration

Tax Increment Allocation Bonds outstanding at December 31, 2004 amounted to \$49,520,000. More detailed information about the Project's long-term liabilities is presented in Note 2 of the financial statements.

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2004

<u>ASSETS</u>	<u>Governmental</u> <u>Funds</u>	<u>Adjustments</u>	<u>Statement</u> <u>of</u> <u>Net Assets</u>
Cash and investments	\$ 44,364,656	\$ -	\$ 44,364,656
Property taxes receivable	5,600,000	-	5,600,000
Accrued interest receivable	250,692	-	250,692
Other assets	-	1,393,765	1,393,765
Total assets	<u>\$ 50,215,348</u>	<u>\$ 1,393,765</u>	<u>\$ 51,609,113</u>
<u>LIABILITIES</u>			
Vouchers payable	\$ 767,270	\$ -	\$ 767,270
Due to other City funds	96,905	-	96,905
Accrued interest payable	-	83,103	83,103
Deferred revenue	5,000,117	(5,000,117)	-
Bonds payable (Note 2):			
Due within one year	-	2,190,000	2,190,000
Due after one year	-	47,330,000	47,330,000
Total liabilities	<u>5,864,292</u>	<u>44,602,986</u>	<u>50,467,278</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund balance:			
Reserved for debt service	9,395,724	(9,395,724)	-
Designated for future redevelopment project costs	<u>34,955,332</u>	<u>(34,955,332)</u>	<u>-</u>
Total fund balance	<u>44,351,056</u>	<u>(44,351,056)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 50,215,348</u>		
Net assets:			
Restricted for capital projects		1,505,257	1,505,257
Restricted for debt service		14,312,738	14,312,738
Restricted for future redevelopment project costs		<u>(14,676,160)</u>	<u>(14,676,160)</u>
Total net assets		<u>\$ 1,141,835</u>	<u>\$ 1,141,835</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 44,351,056
Debt issuance costs are deferred and recognized as other assets rather than when expensed.	1,393,765
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(83,103)
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.	5,000,117
Long-term liabilities applicable to the Project's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All long-term liabilities are reported in the statement of net assets.	<u>(49,520,000)</u>
Total net assets - governmental activities	<u>\$ 1,141,835</u>

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

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Funds	Adjustments	Statement of Activities
Revenues:			
Property tax	\$ 5,441,873	\$ 1,010,781	\$ 6,452,654
Interest	304,736	-	304,736
Total revenues	5,746,609	1,010,781	6,757,390
Expenditures/expenses:			
Capital projects	17,277,247	(1,393,765)	15,883,482
Debt service:			
Interest	969,583	83,103	1,052,686
Total expenditures/expenses	18,246,830	(1,310,662)	16,936,168
Excess of expenditures over revenues	(12,500,221)	2,321,443	(10,178,778)
Other financing sources:			
Proceeds of debt (Note 2)	49,520,000	(49,520,000)	-
Excess of revenues and other financing sources over expenditures	37,019,779	(37,019,779)	-
Change in net assets	-	(10,178,778)	(10,178,778)
Fund balance/net assets:			
Beginning of year	7,331,277	3,989,336	11,320,613
End of year	\$ 44,351,056	\$(43,209,221)	\$ 1,141,835

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental funds	\$ 37,019,779
Property tax revenue is recognized in the period for which levied rather than when "available". A portion of the deferred property tax revenue is not available.	1,010,781
Debt issuance costs are deferred over the life of the debt rather than when incurred.	1,393,765
Interest on bonds payable is not accrued in governmental funds but rather is recognized as an expenditure when due.	(83,103)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, issuing debt increases notes payable in the statement of net assets and does not affect the statement of activities.	(49,520,000)
Change in net assets - governmental activities	\$(10,178,778)

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

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

(a) *Reporting Entity*

In June 1998, the City of Chicago (City) established the Pilsen Industrial Corridor Tax Increment Redevelopment Project Area (Project). The area has been established to finance improvements, leverage private investment and create and retain jobs. The Project is accounted for within the capital projects, debt service and special revenue funds of the City.

(b) *Government-Wide and Fund Financial Statements*

The accompanying financial statements of the Project have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB unanimously approved Statement No. 34 (as amended by Statement No. 37), *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* and at a later date, Statement No. 38 *Certain Financial Statements Disclosures*, and include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Project's overall financial position and results of operations.
- Government-wide financial statements prepared using the economic resources measurement focus and the *accrual basis of accounting* for all the Project's activities.
- Fund financial statements, which focus on the Project's governmental funds *current financial resources measurement focus*.

(c) *Measurement Focus, Basis of Accounting, and Financial Statements Presentation*

The government-wide financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The governmental fund financial statements are prepared on the *modified accrual basis of accounting* 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. 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. Expenditures are recorded when the liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

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

(d) *Assets, Liabilities and Net Assets*

Cash and Investments

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.

Capital Assets

Capital assets are not capitalized in the governmental fund but, instead, are charged as current expenditures when purchased. The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) of the City includes the capital assets and related depreciation, if any, of the Project in which ownership of the capital asset will remain with the City (i.e. infrastructure, or municipal building). All other construction will be expensed in both the government-wide financial statements and the governmental fund as the City nor Project will retain the right of ownership.

(e) *Stewardship, Compliance, and Accountability*

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.

Reimbursements

Reimbursements, if any, are made to the developer for project costs, as public improvements are completed and pass City inspection.

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2 – Bonds Payable

In July 2004, the City issued \$22,925,000 of Pilsen Tax Increment Allocation Bonds, Series 2004A (Taxable) (the "Series 2004A Bonds") in order to provide monies for project costs. The Series 2004A Bonds are payable serially through June 1, 2013, beginning June 1, 2005. The Series 2004A Bonds have an interest rate of 4.35 percent. Net proceeds of \$22,032,857 were used to finance certain project costs in the Pilsen Redevelopment Project Area (\$19,396,482) and to fund the capitalized interest and debt service reserve accounts (\$2,636,375).

Also in July 2004, the City issued \$26,595,000 of Pilsen Junior Lien Tax Increment Allocation Revenue Bonds, Series 2004B (the "Series 2004B Bonds") in order to provide monies for project costs. The Series 2004B Bonds are payable serially through June 1, 2022, beginning June 1, 2014. The Series 2004B Bonds have an interest rate of 6.75 percent. Net proceeds of \$26,060,350 were used to finance certain project costs in the Pilsen Redevelopment Project Area (\$22,506,513) and to fund the capitalized interest and debt service reserve accounts (\$3,553,837).

Long-term liability activity for the year ended December 31, 2004 was as follows:

Beginning balance	\$ -
Additions	49,520,000
Reductions	<u>-</u>
Ending balance	<u>\$49,520,000</u>
Amounts due within one year	<u>\$ 2,190,000</u>

The aggregate maturities of the bonds are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Series 2004A</u>		<u>Series 2004B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,190,000	\$ 949,605	\$ -	\$ 1,795,163
2006	2,295,000	852,056	-	1,795,163
2007	2,400,000	749,940	-	1,795,163
2008	2,510,000	643,148	-	1,795,163
2009	2,625,000	531,461	-	1,795,163
2010-2014	10,905,000	921,656	1,585,000	8,922,319
2015-2019	-	-	11,260,000	6,716,925
2020-2022	<u>-</u>	<u>-</u>	<u>13,750,000</u>	<u>1,660,838</u>
Total	<u>\$22,925,000</u>	<u>\$4,647,866</u>	<u>\$26,595,000</u>	<u>\$26,275,897</u>

Note 3 – Commitments

The City has pledged certain amounts solely from available excess incremental taxes to provide financial assistance to a developer under the terms of a redevelopment agreement for the purpose of paying costs of certain eligible redevelopment project costs.

SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS
PILSEN INDUSTRIAL CORRIDOR REDEVELOPMENT PROJECT

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

Code Description

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	\$ 149,096
Costs of property assembly, including but not limited to acquisition of land and other property, real or personal, or rights or interest therein, demolition of buildings, and the clearing and grading of land	269,152
Costs of the construction of public works or improvements	906,689
Costs of job training and retraining projects	149,880
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	2,367,376
Costs of interest incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project	<u>14,404,637</u>
	<u><u>\$ 18,246,830</u></u>

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

(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: June Tallamantez, Director of Local
Government

Dolores Javier, Treasurer
City Colleges of Chicago
226 West Jackson Boulevard, Room 1125
Chicago, Illinois 60606

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

Dan Donovan, Comptroller
Forest Preserve District of Cook County
69 W. Washington Ave. Suite 2060
Chicago, IL 60602

Martin J. Koldyke, Chairman
Chicago School Finance Authority
135 South LaSalle Street, Suite 3800
Chicago, Illinois 60603

Tim Mitchell, General Superintendent & CEO
Chicago Park District
541 North 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

Jacqueline Torres, Director of Finance
Metropolitan Water Reclamation District of
Greater Chicago
100 East Erie Street, Room 2429
Chicago, Illinois 60611
Attn: Joe Rose

Wallace Young
South Cook County Mosquito Abatement
District
155th & Dixie Highway
P.O. Box 1030
Harvey, Illinois 60426
Attn: Dr. Khian K. Liem

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 Pilsen Industrial Corridor Redevelopment Project Area (the “Redevelopment Project Area”), do hereby certify as follows:

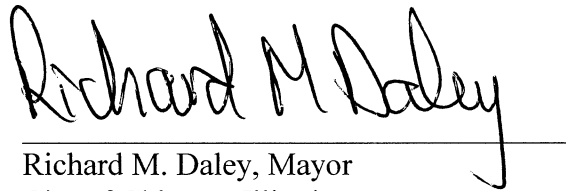
1. I am the duly qualified and acting Mayor of the City of Chicago, Illinois (the "City") and, as such, I am the City's Chief Executive Officer. This Certification is being given by me in such capacity.

2. During the preceding fiscal year of the City, being January 1 through December 31, 2004, 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 30th day of June, 2005.

A handwritten signature in black ink that reads "Richard M. Daley". The signature is written in a cursive, flowing style. Below the signature is a horizontal line.

Richard M. Daley, Mayor
City of Chicago, Illinois

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

(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.cityofchicago.org>

June 30, 2005

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

Dolores Javier, Treasurer
City Colleges of Chicago
226 West Jackson Boulevard, Room 1125
Chicago, Illinois 60606

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

Dan Donovan, Comptroller
Forest Preserve District of Cook County
69 W. Washington Ave. Suite 2060
Chicago, IL 60602

Martin J. Koldyke, Chairman
Chicago School Finance Authority
135 South LaSalle Street, Suite 3800
Chicago, Illinois 60603

Tim Mitchell, General Superintendent &
CEO
Chicago Park District
541 North 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

Jacqueline Torres, Director of Finance
Metropolitan Water Reclamation District
of Greater Chicago
100 East Erie Street, Room 2429
Chicago, Illinois 60611
Attn: Joe Rose

Wallace Young
South Cook County Mosquito Abatement
District
155th & Dixie Highway
P.O. Box 1030
Harvey, Illinois 60426
Attn: Dr. Khian K. Liem

Re: Pilsen Industrial Corridor
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.



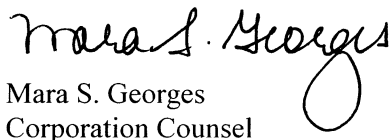
Attorneys, past and present, in the Law Department of the City familiar with the requirements of the Act have had general involvement in the proceedings affecting the Redevelopment Project Area, including the preparation of ordinances adopted by the City Council of the City with respect to the following 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:

Pilsen Industrial Corridor Redevelopment Project Area 2004 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, 2004	
	2004
Revenues	
Property tax	\$ 5,441,873
Sales tax	-
Interest	304,736
Total revenues	5,746,609
Expenditures	
Costs of studies, admin., and professional services. (q)(1)	149,096
Marketing costs. (q)(1.6)	-
Property assembly, demolition, site preparation and environmental site improvement costs. (q)(2)	269,152
Costs of rehabilitation, reconstruction, repair or remodeling and of existing buildings. (q)(3)	-
Costs of construction of public works and improvements. (q)(4)	906,689
Cost of job training and retraining. (q)(5)	149,880
Financing costs. (q)(6)	2,367,376
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)	-
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)	14,404,637
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)	-
Total expenditures	18,246,830
Expenditures over revenues	(12,500,221)
Other financing sources	
Proceeds of debt	49,520,000
Revenues and other financing sources over expenditures	37,019,779
Fund balance, beginning of year	7,331,277
Fund balance, end of year	\$ 44,351,056
Fund balance	
Reserved for debt service	\$ 9,395,724
Reserved for encumbrances	-
Designated for future redevelopment project costs	34,955,332
Total fund balance	\$ 44,351,056

Pilsen Industrial Corridor Redevelopment Project Area 2004 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 ¹	Administration	\$87,425
Levine-Fricke	Professional Service	\$13,846
TRC Environmental Corporation	Professional Service	\$6,673
Ancel, Glink, Diamond, Bush, DiCianni & Rolek	Legal	\$15,712
Wright & Co.	Remediation	\$265,916
Seton Engineering	Public Improvement	\$85,371
CivilTech Engineering	Public Improvement	\$39,884
Sumit Construction	Public Improvement	\$683,914
Chicago Dept. of Transportation	Public Improvement	\$12,740
Pacific Construction	Public Improvement	\$78,804
Chicago Manufacturing	Job Training	\$149,862
Chicago International Produce Market	Development	\$10,125,031
ALSCO (American Linen)	Development	\$4,279,606
Cole Taylor Bank	Financing	\$977,583
Ramirez & Co., Inc.	Financing	\$462,888
Ambac Assurance Corporation	Financing	\$488,585
Goldberg, Kohn, Bell, Black, Rosenbloom, Moritz	Financing	\$73,500
Standard & Poor's	Financing	\$14,000
Foley & Lardner, LLP	Financing	\$104,000
Golden & Associates	Financing	\$42,000
DJ Walker Advisors, LLC	Financing	\$75,000
Burris, Wright, Slaughter & Tom, LLC	Financing	\$31,500
Johnson Research Group	Financing	\$98,320

¹ Costs relate directly to the salaries and fringe benefits of employees working solely on tax increment financing districts.

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

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

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

STREET ADDRESS	APPROXIMATE SIZE OR DESCRIPTION OF PROPERTY	PURCHASE PRICE	SELLER OF PROPERTY
1516-20 W. FULLER ¹	80,304 SQ. FT.	\$1,200,000	Cole Taylor Bank TR#98-7922

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

Pilsen Industrial Corridor Redevelopment Project Area 2004 Annual Report

(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 11/1/99 to 12/31/04, and of such investments expected to be undertaken in year 2005; also, a project-by-project ratio of private investment to public investment from 11/1/99 to 12/31/04, 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.

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

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

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

<u>NAME OF PROJECT</u>
Juarez High School

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

Redevelopment activities undertaken within this Project Area during the year 2004, 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	JOB'S CREATED/ RETAINED
Chicago Public Schools (CPS)	Redevelopment Agreement	High school expansion for 1,750 students.	2100 S. Laflin	n/a

Pilsen Industrial Corridor Redevelopment Project Area 2004 Annual Report

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

The Project Area has received \$16,128,244 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 2004, 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.

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

During 2004, no reports were submitted to the City by the Joint Review Board.

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

(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	
	11/1/1999 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/1999 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/1999 to End of Reporting FY	Ratio Estimated as of Project Completion
Project 1: The Steiner Corporation (American Linen)	n/a	\$21,678,110	\$4,279,606	\$3,560,000	n/a	6.1 : 1
Project 2: Center Point Realty; Services Corporation; Chicago International; and Produce Market L.L.C.	n/a	\$37,639,816	\$11,125,031	\$9,500,000	n/a	4.0 : 1
Project 3: Chicago Public Schools Juarez High School	n/a	\$23,500,000	\$0	12,500,000	n/a	1.9 : 1
Total:	n/a	\$82,817,926	\$15,904,637	\$25,560,000	n/a	n/a

Projects Estimated To Be Undertaken During 2005	Private Investment Undertaken	Public Investment Undertaken	Ratio of Private/Public Investment
Project 1: Small Business Improvement Fund (SBIF) Program **	n/a	\$500,000	n/a

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

Project 2: Target Corp.	\$24,575,975	\$5,300,000	4.6 : 1
Total:	\$24,575,975	\$5,800,000	n/a

* Each actual or estimated Public Investment reported here is, to the extent possible, comprised only of payments financed by tax increment revenues. In contrast, each actual or estimated Private Investment reported here is, to the extent possible, comprised of payments financed by revenues that are not tax increment revenues and, therefore, may include private equity, private lender financing, private grants, other public monies, or other local, state or federal grants or loans.

Each amount reported here under Public Investment Undertaken, Amount Estimated to Complete the Project, is the maximum amount of payments financed by tax increment revenues that could be made pursuant to the corresponding Project's operating documents, but not including interest that may later be payable on developer notes, and may not necessarily reflect actual expenditures, if any, as reported in Sections 2 or 5 herein. The total public investment amount ultimately made under each Project will depend upon the future occurrence of various conditions including interest that may be payable on developer notes set forth in the Project's operating documents.

Each amount reported here under Public Investment Undertaken, 11/1/1999 to End of Reporting FY, is cumulative from the date of execution of the corresponding Project to the end of the reporting year, and may include interest amounts paid to finance the Public Investment amount. Projects for which the last Public Investment made was prior to 11/1/1999 are not reported on this table.

** Depending on the particular goals of this type of program, the City may: i) make an advance disbursement of the entire public investment amount to the City's program administrator, ii) disburse the amounts through an escrow account, or iii) pay the funds out piecemeal to the program administrator as each ultimate grantee's rehabilitation work is approved under the program.

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

**(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.

In the opinion of Foley & Lardner LLP and Golden & Associates, P.C., Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and, assuming among other matters, compliance with certain covenants, interest on the Series 2004B Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the opinion of Co-Bond Counsel, interest on the Series 2004B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2004 Bonds is not exempt from present State of Illinois income taxes. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2004B Bonds.

Interest on the Series 2004A Bonds is NOT excludable from gross income for federal income tax purposes. See "TAX EXEMPTION."



\$49,520,000
CITY OF CHICAGO
Tax Increment Allocation Revenue Bonds
(Pilsen Redevelopment Project), Series 2004
\$22,925,000 Series 2004A Tax Increment Allocation Revenue Bonds (Taxable)
\$26,595,000 Series 2004B Junior Lien Tax Increment Allocation
Revenue Bonds (Tax-Exempt)

Dated: Date of Issuance

Due: As shown on the inside cover page

The Tax Increment Allocation Revenue Bonds (Pilsen Redevelopment Project), Series 2004A (Taxable) (the "Series 2004A Bonds") and the Junior Lien Tax Increment Allocation Revenue Bonds (Pilsen Redevelopment Project) Series 2004B (Tax-Exempt), (the "Series 2004B Bonds," and, together with the 2004A Bonds, the "Series 2004 Bonds") will be issued in fully registered form in denominations as set forth herein pursuant to a Trust Indenture dated as of June 1, 2004 from the City of Chicago (the "City") to Cole Taylor Bank, as Trustee (the "Trustee"), as supplemented by that certain First Supplemental Indenture dated as of June 1, 2004 from the City to the Trustee (together, the "Indenture"). The Depository Trust Company, New York, New York ("DTC"), will act as the securities depository for the Series 2004 Bonds and its nominee will be the Owner (as defined herein) of the Series 2004 Bonds. Individual purchases of the Series 2004 Bonds will be recorded on a book-entry only system operated by DTC. See "DESCRIPTION OF THE SERIES 2004 BONDS - Book-Entry System."

Payment of the principal of and interest on the Series 2004A Bonds when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series 2004A Bonds by:

Ambac

PAYMENT OF PRINCIPAL AND INTEREST ON THE SERIES 2004B BONDS WILL NOT BE INSURED.

The Series 2004A Bonds will be issued in denominations of \$5,000 or any multiple of \$5,000 in excess of that amount. The Series 2004B Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess of that amount. The Series 2004 Bonds will bear interest from their date, or from and including the most recent Interest Payment Date with respect to which interest has been paid or provided for, payable on each June 1 and December 1, commencing December 1, 2004. Principal of the Series 2004 Bonds is payable at maturity or upon earlier redemption as provided herein. The Series 2004A Bonds are subject to mandatory redemption prior to maturity as provided herein. The Series 2004B Bonds are subject to redemption prior to maturity at the option of the City as provided herein. The Series 2004 Bonds are limited obligations of the City payable solely from Pledged Revenues (as defined herein) and amounts on deposit in certain funds and accounts created pursuant to the Indenture as described herein. The Series 2004B Bonds constitute Junior Lien Bonds (as defined herein) and the payment of principal and interest on the Series 2004B Bonds is subordinate to the payment of principal and interest on the Series 2004A Bonds, as provided in the Indenture.

The proceeds derived from the sale of the Series 2004A Bonds, will be applied by the Trustee as follows: (i) for deposit into the 2004A Project Account; (ii) to redeem the Series 2002A Note on the date of issuance of the Series 2004 Bonds as directed by the City; (iii) for deposit into the 2004A Reserve Sub-Account; (iv) to pay costs of issuance at the direction of the City, including any Bond Insurance Policy premium; and (v) for deposit into the 2004A Capitalized Interest Sub-Account.

The proceeds derived from the sale of the Series 2004B Bonds, will be applied by the Trustee as follows: (i) for deposit into the 2004B Project Account; (ii) to redeem the Series 2001A Note on the date of issuance of the Series 2004 Bonds as directed by the City; (iii) for deposit into the 2004B Reserve Sub-Account of the Junior Lien Reserve Account; (iv) to pay costs of issuance of the Series 2004B Bonds at the direction of the City; and (v) for deposit into the 2004B Capitalized Interest Sub-Account.

THE SERIES 2004 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO OWNER OF THE SERIES 2004 BONDS WILL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR OTHER POLITICAL SUBDIVISION THEREOF, FOR ANY PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE SERIES 2004 BONDS.

AN INVESTMENT IN THE SERIES 2004 BONDS INVOLVES THE ASSUMPTION OF CERTAIN RISKS BY THE BONDOWNERS. SEE "BONDOWNERS' RISKS."

The Series 2004 Bonds are offered when, as, and if issued by the City, subject to the delivery of the legal opinions of Foley & Lardner LLP, Chicago, Illinois, and Golden & 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 Underwriters by their Co-Counsel, Goldberg, Kohn, Bell, Black, Rosenbloom & Moritz, Ltd., Chicago, Illinois, and Burris, Wright, Slaughter & Tom, LLC, Chicago, Illinois. It is expected that the Series 2004 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about July 26, 2004.

Ramirez & Co., Inc.

Cabrera Capital Markets, Inc.

Southwestern Capital Markets, Inc.

Dated: July 20, 2004

MATURITY SCHEDULE

\$22,925,000 Series 2004A Tax Increment Allocation Revenue Bonds (Taxable)

4.350% Term Bonds due June 2013, yield 4.350%

\$26,595,000 Series 2004B Junior Lien Tax Increment Allocation Revenue Bonds (Tax-Exempt)

6.750% Term Bonds due June 2022, yield 6.750%

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

CITY COMPTROLLER

Tariq Malhance

BUDGET DIRECTOR

John F. Harris

DEPARTMENT OF PLANNING AND DEVELOPMENT

Denise M. Casalino, P.E., Commissioner

CORPORATION COUNSEL

Mara S. Georges

CO-BOND COUNSEL

**Foley & Lardner LLP
Golden & Associates, P.C.**

CONSULTANT

Johnson Research Group, Inc.

FINANCIAL ADVISOR

DJ Walker Advisors, LLC

This Official Statement does not constitute an offer to sell the Series 2004 Bonds in any jurisdiction to any person to whom it is unlawful to make an offer in that jurisdiction. No holder, 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 2004 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 Underwriters from the City, the Consultant (as defined herein), DTC, 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 2004 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 risks, uncertainties and assumptions, some of which are described under the caption "Bondowners' Risks" herein, including without limitation, certain assumptions about Pledged Revenues (as defined herein) and Cook County real estate property taxes generally. 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 2004 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 development projects 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 2004 Bonds will not be registered under the Securities Act of 1933, as amended, pursuant to an exemption from the registration requirement of 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 regulatory 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 2004 Bonds for sale. Any representation to the contrary is a criminal offense.

This Official Statement is "deemed final" by the City for purposes of Rule 15c2-12 of the regulations under the Securities Exchange Act of 1934, as amended, except for any information permitted by such rule to be omitted.

In connection with the issuance of the Series 2004 Bonds, the City will enter into a Continuing Disclosure Undertaking. See "SECONDARY MARKET DISCLOSURE."

IN CONNECTION WITH THE OFFERING OF THE SERIES 2004 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2004 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE UNDERWRITERS ARE NOT OBLIGATED TO TAKE SUCH ACTIONS, AND SUCH STABILIZING ACTIONS, IF COMMENCED, MAY BE DISCONTINUED, AT ANY TIME.

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OFFICIAL STATEMENT

\$49,520,000

CITY OF CHICAGO

**TAX INCREMENT ALLOCATION REVENUE BONDS
(PILSEN REDEVELOPMENT PROJECT) SERIES 2004**

**\$22,925,000 SERIES 2004A TAX INCREMENT ALLOCATION REVENUE BONDS
(TAXABLE)**

**\$26,595,000 SERIES 2004B JUNIOR LIEN TAX INCREMENT ALLOCATION
REVENUE BONDS (TAX-EXEMPT)**

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 \$22,925,000 Tax Increment Allocation Revenue Bonds (Pilsen Redevelopment Project), Series 2004A (Taxable) (the "Series 2004A Bonds") and the City's \$26,595,000 Junior Lien Tax Increment Allocation Revenue Bonds (Pilsen Redevelopment Project), Series 2004B (Tax-Exempt) (the "Series 2004B Bonds," and, together with the 2004A Bonds, the "Series 2004 Bonds"). The Series 2004 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 November 12, 2003 and a Notification of Sale executed pursuant thereto (the "Ordinance") and a Trust Indenture dated as of June 1, 2004 from the City to Cole Taylor Bank, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture dated as of June 1, 2004 (the "First Supplemental Indenture") from the City to the Trustee relating to the Series 2004 Bonds. The Trust Indenture and the First Supplemental Indenture are hereinafter referred to collectively as the "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 2004 Bonds are limited obligations of the City, payable solely from Pledged Revenues, as provided in the Indenture and described in this Official Statement. The Series 2004B Bonds constitute Junior Lien Bonds and the payment of principal and interest on the Series 2004B Bonds is subordinate to the payment of principal and interest on the Series 2004A Bonds, as provided in the Indenture.

The proceeds derived from the sale of the Series 2004A Bonds will be applied by the Trustee as follows: (i) for deposit into the 2004A Project Account; (ii) to redeem the Series 2002A Note on the date of issuance of the Series 2004 Bonds as directed by the City; (iii) for deposit into the 2004A Reserve Sub-Account; (iv) to pay costs of issuance at the direction of the City, including any Bond Insurance Policy premium; and (v) for deposit into the 2004A Capitalized Interest Sub-Account.

The proceeds derived from the sale of the Series 2004B Bonds will be applied by the Trustee as follows: (i) for deposit into the 2004B Project Account; (ii) to redeem the Series 2001A Note on the date of issuance of the Series 2004 Bonds as directed by the City; (iii) for deposit into the 2004B Reserve Sub-Account of the Junior Lien Reserve Account; (iv) to pay costs of issuance of the Series 2004B Bonds at the direction of the City, and (v) for deposit into the 2004B Capitalized Interest Sub-Account.

The City's Pilsen Redevelopment Project Area (the "Project Area") was originally designated pursuant to an ordinance adopted by the City Council on June 10, 1998. See "PILSEN TAX INCREMENT FINANCING REDEVELOPMENT PROJECT AREA."

INVESTMENT IN THE SERIES 2004 BONDS INVOLVES THE ASSUMPTION OF CERTAIN RISKS. SEE "BONDOWNERS' 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 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.

PILSEN TAX INCREMENT FINANCING REDEVELOPMENT PROJECT AREA

Project Area History and the Pilsen Community

The City Council designated the Project Area on June 10, 1998. Located one mile southwest of the Chicago Loop and containing approximately 907 acres, including public rights-of-way, the Project Area includes 510 buildings. All of the Project Area is improved with buildings.

The Project Area has roughly the same boundaries as the Pilsen Industrial Corridor, which is among eight corridors defined by the City. The Pilsen Industrial Corridor is one of the oldest industrial areas in the City and one of the closest to City's central area. The original industrial development of this corridor occurred along the South Branch of the Chicago River, with development expanding with the completion of the Illinois and Michigan Canal in 1848. Lumberyards, brickyards, and a limestone quarry were among the original industries located in the Project Area.

Earlier in its history, the Project Area, commonly referred to as Pilsen, was home to Polish, Lithuanian, Czechoslovakian, Irish, German, and Bohemian immigrants. It is now predominately populated by Hispanic families. The community located in the Project Area tends to limit its activities to the local area, which provides industrial employment opportunities, commercial activities, and a residential community.

The Project Area may be divided into two parts: a) the industrial district, which is generally bounded by 16th Street on the north, Stewart Avenue and the Chicago River on the east, the Stevenson Expressway and 33rd Street on the south, and Western Avenue on the west; and b) the commercial district, which is generally located along Ashland Avenue between Cermak and 21st Street, Blue Island Avenue between Western Avenue and Laflin Street, and along Oakley Avenue, between 23rd Place and 25th Street.

The industrial district of the Project Area encompasses approximately 860 acres of industrial uses with scattered commercial and residential properties. The industrial properties located north of Cermak Road are generally smaller in size than those located south of Cermak Road and are interspersed with residential and commercial uses. The industries located south of Cermak Road consist of primarily larger sites not bisected by east-west cross streets.

The commercial district of the Project Area is located along Ashland Avenue, Blue Island Avenue, and Oakley Avenue and encompasses approximately 47 acres. This compact area has no undeveloped land. Residents use the majority of the structures in the commercial district for various uses, dedicating the first-floor to commercial activity and upper floors for residential purposes. Single-family homes are scattered throughout the commercial district.

In both the industrial and commercial areas, it is evident that infrastructure improvements are needed, as the majority of the structures are well over 35 years of age. A portion of proceeds of the Series 2004 Bonds will be used for infrastructure improvements. See "PILSEN TAX INCREMENT FINANCING REDEVELOPMENT PROJECT AREA – Constructed and Planned Improvements – Planned Improvements" below.

Constructed and Planned Improvements

As set forth in the Consultant's Report (as defined herein and attached as Appendix B to this Official Statement) the Project Area contains major real estate improvements that have already been constructed since the City designated the Project Area and that were partially assessed in 2002 (the "Recently Constructed Improvements") and major real estate improvements that are in the planning stages (the "Planned Improvements").

Listed below, and described in more detail in the Consultant's Report, are the Recently Constructed Improvements and the Planned Improvements.

Recently Constructed Improvements. The Recently Constructed Improvements consist of Elston Block, a concrete block manufacturing and processing facility; American Linen, an industrial laundry plant recently relocated in the Project Area from the north side

of the City ("American Linen"); Chicago International Produce Market, a produce manufacturing and distribution center (the "Produce Market"); and Preferred Freezer, a newly-constructed refrigeration facility. Each of these improvements is described in additional detail in the Consultant's Report.

Planned Improvements. Listed below are the Planned Improvements that are discussed in more detail in the Consultant's Report. The Planned Improvements consist of real estate improvements currently in the planning or early construction stages located in the Project Area, and the potential incremental tax proceeds therefrom are not included in the estimate of Pledged Revenues. **THE CITY IS NOT DEPENDING ON TAX INCREMENT FROM THE PROJECTS DESCRIBED BELOW FOR PAYMENT OF THE SERIES 2004 BONDS.** The City may use proceeds of the Series 2004 Bonds to undertake certain public and private redevelopment activities within the Project Area, although it has not entered into final agreements regarding any of these projects.

The Planned Improvements, which are identified and discussed in more detail in the Consultant's Report, consist of the following: a project of Righteous Jefferson II, LLC for the renovation of a 250,000 square foot, four-building complex located on 3.5 acres at 2141 South Jefferson; a project of ETC Management, Inc. for a 40,000 square foot office facility located at 2240 South Grove Street and to be used for union operations by Operating Engineers; a project of Vega Imports for a new 100,000 square foot produce distribution facility and a 33,000 square foot bank facility to be located at 2501 South Damen near the Preferred Freezer site; a project of Hofmeister & Sons for the expansion by 10,000 square feet of its meat processing plant located at 2386 South Blue Island; an expansion by Golden Ocean by 10,000 square feet of its warehouse facility located at 2355 South Blue Island; a project of the South Water Market located at 2503 South Blue Island for the rehabilitation of a vacant building into a 78,000 square foot wholesale distribution facility; a project of Junior Produce and Ruffolo & Sons for the rehabilitation of 34,000 square foot building to be used as a produce distribution facility and located at 2509 South Damen; and a project of the Board of Education of the City to renovate and construct an addition to the Benito Juarez Community Academy, located at 2150 South Laflin Street.

Redevelopment Projects

Funds deposited in the Project Accounts for each Series of Bonds will be used to undertake the following public and private redevelopment activities: (a) Streetscape/Infrastructure; (b) Acquisition/Demolition/Site Preparation/Relocation; (c) Redevelopment/Rehabilitation; and (d) Studies/Job Training/Program Financing Costs.

DESCRIPTION OF THE SERIES 2004 BONDS

General Description

The Series 2004 Bonds will be dated the Date of Issuance and will 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 2004A Bonds

will be issued as fully registered bonds in denominations of \$5,000 or any multiple of \$5,000 in excess thereof. The Series 2004B Bonds will be issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess of that amount.

All Series 2004A Bonds will have the same right, lien and privilege under and will be equally secured by the Indenture, and all Series 2004B Bonds will have the same right, lien and privilege under and will be equally secured by the Indenture. The Series 2004B Bonds constitute Junior Lien Bonds and the payment of principal and interest on the Series 2004B Bonds is subordinate to the payment of principal and interest on the Series 2004A Bonds, as provided in the Indenture.

Principal and Interest

The principal of the Series 2004 Bonds will be payable at the principal corporate trust office of the Trustee in Chicago, Illinois, as Paying Agent, and at the offices of any co-paying agent or successor paying agent or paying agents appointed pursuant to the Indenture. Interest on the Series 2004 Bonds will be paid by check or bank draft mailed or delivered by the Trustee to the Owners, as identified on the registration books of the City maintained by the Registrar as of the Record Date or, at the option of any Owner of \$1,000,000 or more in aggregate principal amount of Series 2004 Bonds, by wire transfer to such bank in the continental United States as the Owner requests in writing. The "Record Date" for the Series 2004 Bonds is May 15 and November 15 of each year.

Redemption

The Series 2004A Bonds are not subject to optional redemption prior to their maturity.

The Series 2004A Bonds maturing on June 1, 2013 are term bonds subject to mandatory redemption prior to maturity at a redemption price of 100 percent of the principal amount thereof (plus accrued interest to the date fixed for redemption). The City will deposit or cause to be deposited in the Principal and Interest Account in accordance with the provisions of the Indenture a sum in immediately available funds which, together with other moneys available for deposit into the Principal and Interest Account, is sufficient to redeem such Series 2004A Bonds in part pro rata among all Owners of the Series 2004A Bonds (subject to the requirement that following any such redemption the remaining Series 2004A Bonds will be held in Authorized Denominations) in the following principal amounts on June 1 of the following years:

Year	Principal Amount
2005	\$2,190,000
2006	2,295,000
2007	2,400,000
2008	2,510,000
2009	2,625,000
2010	2,745,000
2011	2,870,000
2012	3,005,000
2013 (maturity)	2,285,000

The Series 2004B Bonds are subject to redemption at the option of the City, in whole or in part, and if in part, by lot as determined by the Trustee, from any available funds of the City on June 1, 2014, and on any date thereafter, at par plus accrued interest to the date fixed for redemption.

The Series 2004B Bonds maturing on June 1, 2022 are term bonds subject to mandatory redemption prior to maturity at a redemption price of 100 percent of the principal amount thereof (plus accrued interest to the date fixed for redemption). The City will deposit or cause to be deposited in the Junior Lien Principal and Interest Account in accordance with the provisions of the Indenture a sum in immediately available funds which, together with other moneys available for deposit into the Junior Lien Principal and Interest Account, is sufficient to redeem such Series 2004B Bonds in part pro rata among all Owners of the Series 2004B Bonds (subject to the requirement that following any such redemption the remaining Series 2004B Bonds will be held in Authorized Denominations) in the following principal amounts on June 1 of the following years:

Year	Principal Amount
2014	1,585,000
2015	1,750,000
2016	1,925,000
2017	2,305,000
2018	2,525,000
2019	2,755,000
2020	3,165,000
2021	3,440,000
2022 (maturity)	7,145,000

In lieu of redeeming Series 2004 Bonds pursuant to optional or mandatory sinking fund redemption, the Trustee will, at the written direction of the City, purchase Series 2004 Bonds on the open market at a price not to exceed the redemption price applicable to those Series 2004 Bonds.

Negotiability, Transfer, Exchange and Registry

The Series 2004 Bonds will be negotiable, subject to the following provisions for registration, exchange and transfer. The City will maintain and keep, at the office of the Registrar, books for the registration and transfer of Series 2004 Bonds. The City has appointed the Trustee to serve as the Registrar pursuant to the Indenture.

Each Series 2004 Bond is transferable only by the Owner of the Series 2004 Bond in person or by the Owner's attorney duly authorized in writing, upon surrender of the Series 2004 Bond together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or the Owner's duly authorized attorney. Upon the surrender for transfer of any Series 2004 Bond, the City will execute and the Trustee will authenticate and deliver a new Series 2004 Bond or Bonds registered as directed by the instrument of transfer, of the same aggregate principal amount, series and maturity as the surrendered Series 2004 Bond. The Series 2004 Bonds may, upon surrender at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or the Owner's duly authorized attorney, be exchanged for an equal aggregate principal amount of Series 2004 Bonds of the same maturity and interest rate.

The City and each Fiduciary may deem and treat the person in whose name any Series 2004 Bond is registered upon the registration books of the City as the absolute Owner of such Series 2004 Bond, whether the Series 2004 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 2004 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 such Series 2004 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 2004 Bonds, the City, the Trustee or any 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 Registrar and the Trustee will not be required to make any registration, transfer or exchange of Series 2004 Bonds during the period between each Record Date and the next succeeding Interest Payment Date of such Series 2004 Bonds, or after such Series 2004 Bonds have been called for redemption or, in the case of any proposed redemption of Series 2004 Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

Book-Entry System

The following information concerning The Depository Trust Company, New York, New York ("DTC"), has been extracted from a schedule prepared by DTC entitled "Sample Offering Document Language Describing Book-Entry Only Issuance." Neither the City nor the Underwriters make any representation as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2004 Bonds. The Series 2004 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each annual maturity of the Series 2004 Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities under the DTC system must be made by and through Direct Participants, which will receive a credit for the Series 2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase of Series 2004 Bonds. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2004 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership

interests in the Series 2004 Bonds, except in the event that the use of the book-entry system for the Series 2004 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004 Bonds deposited by the Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC). The deposit of the Series 2004 Bonds with DTC and their registration in the name of Cede & Co. (or such other DTC nominee) do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose account such Series 2004 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2004 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose account the Series 2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Series 2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursements of such payments to the Direct Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Series 2004 Bonds at any time by giving reasonable notice to the City or the Trustee.

Under such circumstances, in the event that a successor securities depository is not obtained, Series 2004 Bond certificates are required to be printed and delivered.

The City may discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2004 Bond certificates will be printed and delivered.

NEITHER THE CITY, THE TRUSTEE, NOR UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY, DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, OR INTEREST ON, THE SERIES 2004 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; OR (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A BONDHOLDER.

SECURITY FOR THE SERIES 2004 BONDS

Limited Obligations

The Series 2004 Bonds, together with the interest and premium, if any, thereon, are limited obligations of the City, payable solely from Pledged Revenues, including Incremental Taxes, and the amounts on deposit in and pledged to certain funds and accounts as provided for in the Indenture. The Series 2004B Bonds constitute Junior Lien Bonds and the payment of principal and interest on the Series 2004B Bonds is subordinate to the payment of principal and interest on the Series 2004A Bonds, as provided in the Indenture. No Owner of any Series 2004 Bond will have the right to compel the exercise of any taxing power of the City for payment of principal of the Series 2004 Bonds or interest on the Series 2004 Bonds or premium, if any. THE SERIES 2004 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 Pledged Revenues

The Series 2004 Bonds and any additional bonds subsequently issued pursuant to the Indenture on a parity basis with the Series 2004 Bonds (collectively, the "Bonds") are secured by a pledge of: (i) the Pledged Revenues, (ii) amounts on deposit in all funds, accounts and sub-accounts established pursuant to the Indenture, except for the Program Expenses Account, the Project Fund, the Rebate Account, the Junior Lien Rebate Account and the General Account; provided that any sub-account established within the Reserve Account or the Junior Lien Reserve Account for any Series of Bonds pursuant to a supplemental indenture will 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 Trustee by the City or on behalf of the City or by any other Persons to be held by the Trustee under the terms of the Indenture; provided that the application of Pledged Revenues to the payment of Series 2004B Bonds is subordinated to the payment of the Series 2004A Bonds; and provided, further, that the application of Pledged Revenues to payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the Indenture and any supplemental indenture.

"Pledged Revenues" consist of the Incremental Taxes and any other revenues from any source whatsoever designated to pay principal of, premium, if any, or interest on the Bonds, including, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Program Expenses Account, the Project Fund, the Rebate Account, the Junior Lien Rebate Account and the General Account) as provided in the Indenture, together with interest earnings on such moneys. The pledge of Pledged Revenues is irrevocable until the obligations of the City are discharged under the Indenture.

Application of Pledged Revenues

The Incremental Taxes Fund previously created by the City is continued as a special fund of the City to be held by the City subject to the provisions of the Indenture, separate and apart from all other funds and accounts of the City. The Incremental Taxes Fund is a trust fund established for the purpose of carrying out the covenants, agreements, terms and conditions imposed upon the City by the Indenture and the Ordinance and any indenture or ordinance supplemental to the Indenture authorizing the issuance of Bonds. Moneys on deposit in the accounts established under the Indenture will be applied by the City and Trustee as set forth in the Indenture as described below.

In accordance with the provisions of the Act, 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. All Pledged Revenues, including Incremental Taxes, deposited in the Incremental Taxes Fund are required to be transferred by the Treasurer to the Trustee for application in accordance with the Indenture. Moneys transferred by the Treasurer to the Trustee will be promptly deposited by the Trustee as provided in the Indenture to the separate accounts created by the Indenture to be held by the Trustee. Moneys transferred to the Trustee will be credited by the Trustee and the City in the following order of priority:

Program Expenses Account. From Pledged Revenues first received by the Trustee, the Trustee will credit to and deposit into the Program Expenses Account an amount of Pledged Revenues sufficient to pay Program Expenses, if any, for the next succeeding calendar year in an amount not to exceed \$10,000. The City, no later than November 1 of each year, is required to provide to the Trustee information, calculations or estimates of the Program Expenses for the next succeeding calendar year, and the Trustee may reasonably rely upon the information, calculations or estimates of Program Expenses as necessary to determine the proper amount of the deposit into the Program Expenses Account. At the direction of the City, a portion of the proceeds of the Bonds may also be deposited into the

Program Expenses Account and applied by the Trustee to pay costs incurred in connection with the offering of the Bonds. Amounts on deposit in the Program Expenses Account are not pledged to pay Bonds.

Principal and Interest Account. The Trustee will next transfer the Pledged Revenues into the Principal and Interest Account in an amount sufficient to pay the principal of, and interest on, all Outstanding Senior Lien Bonds coming due during the next succeeding calendar year, whether at maturity or upon mandatory redemption, which amount will be set aside in the Principal and Interest Account. Except as provided below, such moneys will be used solely and only for the purpose of paying principal of, redemption premium, if any, and interest on the Senior Lien Bonds as the same become due, whether at maturity or upon mandatory redemption. Capitalized interest received upon the sale of Series 2004A Bonds, if any, will be deposited into the Capitalized Interest Sub-Account and used to pay interest coming due on the Series 2004A Bonds prior to applying any other moneys for that purpose.

On December 2 of each year, the Trustee will determine (i) the amount of Pledged Revenues to the credit of the Principal and Interest Account and (ii) the amount of proceeds of the Senior Lien Bonds, together with investment earnings on those proceeds, to the credit of the Capitalized Interest Sub-Account; provided, however, the Trustee will determine the foregoing within 30 days of the receipt of Incremental Taxes if such Incremental Taxes have not been received by December 1 (such December 2 or later date within thirty (30) days of receipt of the Incremental Taxes is hereinafter referred to as the "Determination Date"). Such determination made on the Determination Date preceding the final maturity date of any Senior Lien Bonds is also to include all amounts on deposit in the applicable Sub-Account of the Reserve Account pledged to such Senior Lien Bonds. Moneys to the credit of the Capitalized Interest Sub-Account will be deemed the first moneys available to pay interest on the Senior Lien Bonds and will be applied by the Trustee to interest first coming due on the Senior Lien Bonds. The Trustee will determine the amount necessary to pay principal, interest, and redemption premium, if any, on the Senior Lien Bonds during the next succeeding calendar year after such Determination Date (except that the determination made on the Determination Date preceding the final maturity date of any Senior Lien Bonds is to relate to the Bond Year ending June 1 of the following year), which amount will be set aside within the Principal and Interest Account for such purpose. Funds to the credit of the Principal and Interest Account in excess of such necessary amount will first be transferred by the Trustee to the Reserve Account as provided below and will next be paid by the Trustee to and credited by the Treasurer to the General Account, as described below.

Reserve Account. The Trustee will next transfer the Pledged Revenues into the Reserve Account until the aggregate amount in the account equals the Debt Service Reserve Requirement for the Senior Lien Bonds. Thereafter, no further transfers will be made into such Account for such purpose, except that when any money is paid out of that Account payments will be resumed and continued until that Account has been restored to an aggregate amount equal to the Debt Service Reserve Requirement for the Senior Lien Bonds. The Trustee will value the investments in the Reserve Account and each sub-account, if any, on

the fifteenth (15th) Business Day preceding each June 1 and December 1, commencing on December 1, 2004. In determining the value of the investments in the Reserve Account and in each of its sub-accounts, such investments will be valued at their market price or as otherwise provided in the Indenture. Investment earnings on deposit in each sub-account of the Reserve Account will be automatically transferred to the Principal and Interest Account from time to time to the extent amounts on deposit therein exceed the applicable Debt Service Reserve Requirement. Whenever a transfer is made from a sub-account in the Reserve Account to the Principal and Interest Account, the Trustee will promptly give written notice of such transfer to the City.

Rebate Account. The Trustee will next transfer the Pledged Revenues into the 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 owed with respect to the Senior Lien Bonds. The City will provide to the Trustee information, calculations or estimates of amounts to be deposited in the 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 Rebate Account and will not be required to make transfers of the Pledged Revenues into the Rebate Account if it has not been provided with such information, calculations and estimates. The Trustee will 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 Rebate Account. Amounts on deposit in the Rebate Account are not pledged to payments of the Bonds.

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

On the Determination Date of each year, the Trustee will also determine (i) the amount of Pledged Revenues to the credit of the Junior Lien Principal and Interest Account and (ii) the amount of proceeds of the Junior Lien Bonds, together with investment earnings on those proceeds, to the credit of the Junior Lien Capitalized Interest Sub-Account. Such determination made on the Determination Date, preceding the final maturity date of any Junior Lien Bonds will also include all amounts on deposit in the applicable Sub-Account of the Junior Lien Reserve Account pledged to such Junior Lien Bonds. Moneys to the credit of the Junior Lien Capitalized Interest Sub-Account will be deemed the first moneys available to pay interest on the Junior Lien Bonds and will be applied by the Trustee to interest first

coming due on the Junior Lien Bonds. The Trustee will determine the amount necessary to pay principal, interest, and redemption premium, if any, on the Junior Lien Bonds during the next succeeding calendar year after such Determination Date (except that the determination made on the Determination Date, preceding the final maturity date of any Junior Lien Bonds will relate to the Bond Year ending June 1, of the following calendar year), which amount will be set aside within the Junior Lien Principal and Interest Account for such purpose. Funds to the credit of the Junior Lien Principal and Interest Account in excess of such necessary amount will first be transferred by the Trustee to the Junior Lien Reserve Account as provided below and will next be paid by the Trustee to and credited by the Treasurer to the Junior Lien Rebate Account or the General Account as described below.

Junior Lien Reserve Account. The Trustee will next transfer the Pledged Revenues into the Junior Lien Reserve Account, until such account aggregates the Debt Service Reserve Requirement for the Junior Lien Bonds, and thereafter no such payments will be made into that Account, except that when any money is paid out of that Account payments will 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 Debt Service Reserve Requirement for any Junior Lien Bonds will be established in the applicable Supplemental Indenture. The Trustee will value the investments in the Junior Lien Reserve Account, and each of its Sub-Accounts, if any, on the fifteenth (15th) Business Day preceding each June 1 and December 1, commencing December 1, 2004. In determining the value of the investments in the Junior Lien Reserve Account and in each of its Sub-Accounts, such investments will be valued at their market price or as otherwise provided in the Indenture. Investment earnings on deposit in each Sub-Account of the Junior Lien Reserve Account will be automatically transferred to the Junior Lien Principal and Interest Account from time to time to the extent the amounts on deposit therein exceed the applicable Debt Service Reserve Requirement for Junior Lien Bonds. On the final maturity date of any Junior Lien Bonds, all amounts on deposit in the applicable Sub Account of the Junior Lien Reserve Account pledged to such Series of Bonds will be used and applied by the Trustee to pay principal of and interest on such Series of Bonds. Whenever a transfer is made from any Sub-Account in the Junior Lien Reserve Account to the Junior Lien Principal and Interest Account, the Trustee will promptly give written notice of such transfer to the City.

Junior Lien Rebate Account. The Trustee will next transfer the Pledged Revenues into the Junior Lien Rebate Account to the extent necessary to ensure that there are on deposit in the Junior Lien Rebate Account 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 with respect to the Junior Lien Bonds. The City will provide to the 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 such information, calculations or estimates to determine the proper amount to be deposited into the Junior Lien Rebate Account and will not be required to make transfers of the Pledged Revenues into the Junior Lien Rebate Account under this subsection if it has not been provided with such information, calculations and estimates. The Trustee will make any necessary rebate payments to the United States of

America that are required by the Code and Regulations from moneys on deposit in the Junior Lien Rebate Account. Amounts on deposit in the Junior Lien Rebate Account are not pledged to payment of the Bonds.

General Account. The Trustee will then transfer the balance of Pledged Revenues remaining to the Treasurer to be credited to the General Account, provided that any amounts derived from the sale of property financed with proceeds of the Bonds should be deposited only in the Private Payment Sub-Account of the General Account. Moneys on deposit in the General Account (other than amounts on deposit in the Private Payment Sub-Account of the General Account) are to be used for any one or more of the following purposes, as directed by the Authorized Officer, and (unless, and to the extent otherwise provided in any supplemental indenture) without any priority among them:

- (i) for the purpose of paying any Project Costs including, without limitation, obligations incurred in accordance with Section 7.6(b) of the Indenture or to pay additional Program Expenses; or
- (ii) for the purpose of paying principal of or interest on or redeeming Bonds; or
- (iii) for the purpose of purchasing Bonds at a price not in excess of par and accrued interest and applicable redemption premium to the date of purchase; or
- (iv) for the purpose of paying principal of or interest on any indebtedness of the City issued pursuant to a separate indenture which is subordinate to the Bonds; or
- (v) for the purpose of redeeming any indebtedness of the City issued pursuant to a separate indenture which is subordinate to the Bonds; or
- (vi) for the purpose of purchasing indebtedness of the City issued pursuant to a separate indenture which is subordinate to the Bonds at a price not in excess of par and accrued interest and applicable redemption premium to the date of purchase; or
- (vii) for the purpose of distribution of such funds to the taxing districts or municipal corporations having the power to tax real property in the Project Area in accordance with Act.

Amounts on deposit in the Private Payment Sub-Account of the General Account may be used for the purposes set forth in clauses (i) and (vii) summarized above.

Except as may be otherwise provided in a supplemental indenture, moneys on deposit in the General Account are not pledged to the payment of the Bonds and are not Pledged Revenues.

Withdrawal from the General Account

Notwithstanding the foregoing, the City has agreed, for the benefit of the Bond Insurer, not to withdraw moneys from the General Account for the purposes set forth in "SECURITY FOR THE SERIES 2004 BONDS – Application of Pledged Revenues – General Account" above in the event that (i) the Incremental Taxes collected and expected to be collected in the current calendar year based on information set forth in the Distribution Report for the most recent calendar year, together with any remaining amounts on deposit in the General Account and the monies on deposit in the Principal and Interest Account would be less than (ii) 150% of the Maximum Annual Debt Service Requirement of the Outstanding Series 2004A Bonds. In the event that the aggregate amounts described in clause (i) above are less than the amount described in clause (ii) above, the City has agreed not to withdraw any amounts from the General Account until such time as the aggregate amounts described in clause (i) above exceed the amount described in clause (ii) above. This covenant may be amended or waived by the Bond Insurer without the consent of the Bondholders.

Investments

Moneys held in any fund, account or sub-account by the City, the Trustee or a Depository will 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 Account or the Junior Lien Reserve Account, as applicable, will be credited to and held in the applicable sub-accounts of the Reserve Account or the Junior Lien Reserve Account, as applicable, so long as the balance of any sub-account is less than the Debt Service Reserve Requirement for the sub-account, and next will be transferred to the Principal and Interest Account or the Junior Lien Principal and Interest Account, as applicable. All other investment earnings will remain in and be a part of the respective fund, accounts and sub-accounts in which such investments are held unless otherwise provided in the Indenture. The value of Investment Securities in any fund, account or sub-account created under the provisions of the Indenture is to be determined by the City as provided in the Indenture. Generally, the value of Investment Securities is their fair market value, provided that all SLGs are to be valued at par and those obligations that are redeemable at the option of the holder are to be valued at the price at which such obligations are then redeemable.

So long as the Series 2004A Bonds are Outstanding and insured by the Bond Insurer, the City may only invest the Pledged Revenues with respect to the Series 2004A Bonds in "Permitted Investments" as set forth on APPENDIX D to this Official Statement. The Permitted Investments are to be valued by the Trustee as frequently as deemed necessary by the Bond Insurer, but not less often than annually, at the market value thereof, exclusive of interest.

Debt Service Reserve Requirement

At the time of delivery of the Series 2004 Bonds, an amount of proceeds of each Series, equal to the Series 2004A Debt Service Reserve Requirement with respect to the Series 2004A Bonds and the Series 2004B Debt Service Reserve Requirement with respect to the Series 2004B Bonds will be deposited into a separate sub-account of the Reserve Account or Junior Lien Reserve Account established for such Series. Moneys on deposit in each such sub-account will be transferred to the Principal and Interest Account or Junior Lien Principal and Interest Account as may be necessary from time to time to prevent or remedy a default in the payment of principal of or interest on the related Series of the Series 2004 Bonds. Amounts on deposit in the sub-account in excess of the Debt Service Reserve Requirement will be transferred to the Principal and Interest Account or Junior Lien Principal and Interest Account, as applicable, and applied to the payment of principal of the applicable Series of the Series 2004 Bonds. The Series 2004A Debt Service Reserve Requirement will be \$2,292,500. The Series 2004B Debt Service Reserve Requirement will be \$2,659,000, which is an amount equal to the lesser of: (i) 10% of the original principal amount of Series 2004B Bonds, (ii) Maximum Annual Debt Service of the Series 2004B Bonds, or (iii) 125% of the Average Annual Debt Service of the Series 2004B Bonds.

Other Obligations

The City has reserved the right to issue obligations or evidences of indebtedness payable from amounts on deposit in the General Account which obligations or evidences of indebtedness will be subordinate in all respects to the Bonds and will be issued pursuant to a separate indenture or agreement. Any such obligation or evidence of indebtedness will contain an appropriate recital that it is subordinate in all respects to the Bonds and is subject to the requirement of Section 2.11(b) of the First Supplemental Indenture summarized above under the caption "—Withdrawal from the General Account."

Additional Bonds

The City may issue additional Bonds in the future.

As long as the Series 2004A Bonds remain Outstanding, the City may not issue additional Senior Lien Bonds. As long as any Series 2004B Bonds remain Outstanding, no additional Senior Lien Bonds may be issued under the Indenture without the prior written consent of all owners of the Outstanding Series 2004B Bonds.

Before the City issues any Senior Lien Bonds subsequent to the issuance of the initial Series 2004A Bonds, there will be delivered to the Trustee a certificate of an Authorized Officer (i) stating that all required deposits to all funds, accounts and sub-accounts under the Indenture are current, and (ii) demonstrating that Pledged Revenues collected in the immediately preceding calendar year equaled at least 150% of the Maximum Annual Debt Service Requirement on the Senior Lien Bonds and the Senior Lien Bonds proposed to be issued; provided that the calculation of the Maximum Annual Debt Service Requirement is to 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 any Sub-Account of the Reserve Account with respect to such Series are expected to be available to pay Senior Lien Bonds on such final maturity date.

Notwithstanding the provisions set forth in the immediately preceding paragraph, so long as the Series 2004A Bonds are Outstanding no additional Senior Lien Bonds may be issued.

Before the City issues any additional Junior Lien Bonds subsequent to the issuance of the initial Series 2004B Bonds, there will be delivered to the Trustee a certificate of an Authorized Officer (i) stating that all required deposits to all Funds, Accounts and Sub-Accounts under the Indenture are current; and (ii) demonstrating that the Pledged Revenues collected in the immediately preceding calendar year equaled at least 150% of the Maximum Annual Debt Service Requirement on all Outstanding Bonds and the Junior Lien Bonds proposed to be issued; provided that the calculation of Maximum Annual Debt Service Requirement is to 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 Junior Lien Reserve Account or any Sub-Account of such Accounts with respect to such Series are expected to be available to pay the Bonds on such final maturity date.

Notwithstanding the foregoing, after the issuance and delivery of the Series 2004 Bonds, certain Refunding Bonds may be issued and delivered under the Indenture upon the City delivering to the Trustee a certificate of an Authorized Officer evidencing either that (i) the term of the Refunding Bonds does not exceed the term of the Bonds being refunded and the Annual Debt Service Requirements for any calendar year on account of all Bonds Outstanding after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds to be refunded will not exceed the Annual Debt Service Requirements for the corresponding calendar years on account of all the Bonds Outstanding, including the Bonds to be refunded, immediately prior to the issuance of such Refunding Bonds, or (ii) satisfaction of the test set forth above relating to the issuance of additional Senior Lien Bonds or Junior Lien Bonds, as applicable, when applied to the Refunding Bonds proposed to be issued after giving effect to the redemption or provision for payment of the Bonds being refunded.

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

BOND INSURANCE

Ambac Assurance has supplied the following information for inclusion in this Official Statement. No representation is made by the issuer or the underwriter as to the accuracy or completeness of this information. See form of Municipal Bond Insurance Policy at APPENDIX C.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Policy") relating to the Series 2004A Bonds effective as of the date of issuance of the Series 2004A Bonds. Under the terms of the Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2004A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Policy) by the City. Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee or Paying Agent, if any. The insurance will extend for the term of the Series 2004A Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2004A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2004A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2004A Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2004A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on a Series 2004A Bonds that has become Due for Payment and that is made to an Owner by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered Owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Series 2004A Bonds to the Insurance Trustee together with an appropriate

instrument of assignment so as to permit ownership of such Series 2004A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Owner entitlement to interest payments and an appropriate assignment of the Owner's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2004A Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2004A Bonds and will be fully subrogated to the surrendering Owner's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$7,670,000,000 (unaudited) and statutory capital of \$4,683,000,000 (unaudited) as of March 31, 2004. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the City of the Series 2004A Bonds.

Ambac Assurance makes no representation regarding the Series 2004A Bonds or the advisability of investing in the Series 2004A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including

the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company's Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004; and
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "BOND INSURANCE – Available Information".

BONDOWNERS' RISKS

Investment in the Series 2004 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 the Series 2004 Bonds. For a further discussion of risks, see the information contained in the Consultant's Report attached hereto as APPENDIX B.

In particular, prospective purchasers of the Series 2004 Bonds should note that changes in any of the laws, regulations, rules, procedures or policies affecting the amount or collection of Incremental Taxes (such as, for example, assessed valuation of real property, the multiplier, property tax rates or changes in law or tax procedures) could reduce the amount of Incremental Taxes to an amount that, together with any other available funds, is insufficient to pay debt service on the Series 2004 Bonds when due.

Limited Source of Payment

The Series 2004 Bonds are limited obligations of the City, payable solely from Pledged Revenues, as described herein, and from amounts on deposit in and pledged to certain funds and accounts established under the Indenture. The Series 2004 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 2004 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 on the Series 2004 Bonds.

Assumptions in Consultant's Projections

The City has engaged the consulting firm of Johnson Research Group, Inc. (the "Consultant") to prepare an estimate of Incremental Taxes to be collected annually from the Project Area during the period from tax collection year 2004 through tax collection year 2022 (the "Consultant's Report"). The Consultant's Report is attached as APPENDIX B. The Consultant's Report is based on numerous assumptions described in Section II of the Consultant's Report. These assumptions are material to the estimate of Pledged Revenues 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. Some (but not all) of the risks described in the Consultant's Report are summarized in this section, "BONDOWNERS' RISKS." The City and the Underwriters have not independently verified the projections of Incremental Taxes contained in the Consultant's Report.

Lack of Feasibility Study

No market feasibility study has been performed to determine the real estate market values or conditions that exist in the Project Area. Results of operation of properties within the 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 Project Area, vandalism, rising operating costs, and similar factors. Poor operating results of properties within the 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 Bonds.

Economic Risks

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, the relocation of major property owners to sites outside the Project Area or sales of major properties to tax-exempt entities could reduce the Assessed Valuation of the Project Area. Additionally, substantial damage to, or destruction of, improvements in the Project Area could cause a material decline in Assessed Valuation and could impair the ability of the taxpayers in the Project Area to pay their respective real estate taxes. There also can be no assurance that the improvements in the 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 if they are damaged or destroyed by casualty. 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 Project Area remaining depressed for an unknown period of time and decrease the amount of Incremental Taxes available to pay debt service on the Bonds.

Methodology Used 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"). PTAB is a state level administrative tribunal originally created for the purpose of correcting disparities in property tax assessments among downstate counties. PTAB uses a survey prepared by the Illinois Department of Revenue ("IDOR") that compares actual sales to assessed value in order to determine the median level of assessment. Since PTAB has extended its authority into Cook County, there have been issues raised regarding the appropriate application of IDOR's median levels established in their survey, especially with regard to the County's tax classification system. In recent PTAB opinions, the PTAB did not apply the Cook County Classification Ordinance assessment levels but instead used the median level of assessments derived by the IDOR's record of property sales in determining assessment levels. As a result, tax refunds were granted to several property owners. See "REAL PROPERTY TAX SYSTEM - Real Property Assessment, Tax Levy and Collection Procedures - Assessment" and the information contained in Section II and Exhibit E-2 of the Consultant's Report attached as APPENDIX B.

Changes in Multiplier and Property Tax Rates

The equalization factor determined annually by the IDOR for properties located within Cook County (commonly referred to as the "multiplier") has increased substantially in recent years and may vary substantially in future years. See "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 Project Area and, therefore, the Incremental Taxes available to pay debt service on the Series 2004 Bonds. The future tax rates of the units of local government levying taxes in the 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 an aggregate basis, may differ from their historical levels. Any decrease in the aggregate tax rate of the Units would decrease the amount of Incremental Taxes available to pay debt service on the Series 2004 Bonds. Decreases in the aggregate 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 "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures and Property Tax Limits."

Changes in Law

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

Additionally, 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 in turn could have a material adverse effect on the amount of Incremental Taxes generated in the Project Area and the City's ability to pay debt service on the Series 2004 Bonds from Pledged 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.

Recent Legislation

The Illinois General Assembly recently passed a tax reform bill that was signed into law by the Governor. The new law added an Alternative General Homestead Exemption (which counties must select by ordinance to replace the traditional General Homestead Exemption) that generally limits the growth in an equalized assessed valuation of residential homestead property to no more than seven percent per year, although the maximum reduction in an equalized assessed valuation may not exceed \$20,000 in any year (as compared to the valuation that would be assessed in the absence of the Alternative General Homestead Exemption) and the seven percent cap does not carry over to the first assessment year of ownership for subsequent purchasers of homestead property. The Alternative General Homestead Exemption is only available for three assessment years unless the General Assembly passes another law in the future to extend the provision.

Cook County has adopted the Alternative General Homestead Exemption. The new tax reform now in effect in Cook County could potentially lower the equalized assessed valuations of taxpayers who are homeowners (to the extent the homeowner qualifies for one or more of the various homestead exemptions). This may or may not affect the overall collection of tax revenues for a taxing district, since a decrease in equalized assessed valuations for homeowners would likely shift a portion of the tax burden to businesses and would also potentially cause an increase in tax rates for all taxpayers.

Changes in Property Tax Procedures

The estimates of Incremental Taxes contained in the Consultant's Report relate to collections of Incremental Taxes from the 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 "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures and Property Tax Limits," and the information contained in Section III of the Consultant's Report in APPENDIX B.

Subordinate Revenue Pledge

Payment of the Series 2004B Bonds and any other Junior Lien Bonds is subject and subordinate to the prior pledge of Pledged Revenues to (i) the payment of the Senior Lien Bonds as provided in the Indenture and (ii) certain deposit requirements therein provided. As of the date of this Official Statement, the Series 2004A Bonds are the only outstanding Senior Lien Bonds. Additional Senior Lien Bonds may be issued in the future subject to satisfying certain tests. See the captions entitled "SECURITY FOR THE SERIES 2004 BONDS -- Additional Bonds." If additional Senior Lien Bonds are issued, payment of principal and interest on the Series 2004B Bonds will be subordinated to the additional Senior Lien Bonds. No additional Senior Lien Bonds may be issued (i) so long as the Series 2004A Bonds are Outstanding and (ii) without the consent of the Owners of all of the Outstanding Series 2004B Bonds.

PLAN OF FINANCING

The proceeds derived from the sale of the Series 2004A Bonds will be applied by the Trustee as follows: (i) for deposit into the 2004A Project Account; (ii) to redeem the Series 2002A Note on the date of issuance of the Series 2004 Bonds as directed by the City; (iii) for deposit into the 2004A Reserve Sub-Account; (iv) to pay costs of issuance at the direction of the City, including any Bond Insurance Policy premium; and (v) for deposit into the 2004A Capitalized Interest Sub-Account.

The proceeds derived from the sale of the Series 2004B Bonds will be applied by the Trustee as follows: (i) for deposit to the 2004B Project Account; (ii) to redeem the Series 2001A Note on the date of issuance of the Series 2004 Bonds as directed by the City; (iii) for deposit into the 2004B Reserve Sub-Account of the Junior Lien Reserve Account; (iv) to pay costs of issuance of the Series 2004B Bonds at the direction of the City, and (v) for deposit into the 2004B Capitalized Interest Sub-Account.

In connection with entering into a redevelopment agreement on March 28, 2001 for the development of the Produce Market, the City issued its \$8,500,000 original principal amount Tax Increment Allocation Revenue Note (Pilsen Redevelopment Project Area), Series A (the "Series 2001A Note"). The City also entered into a redevelopment agreement on May 2, 2002 (adopted by ordinance of the City Council on October 31, 2001) in connection with the construction of the American Linen facility and issued its \$3,560,000 original principal amount Tax Increment Allocation Revenue Note (Pilsen Redevelopment Project), Taxable Series 2002A (the "Series 2002A Note"). As indicated above, part of the proceeds of the Series 2004 Bonds will be used to refund in advance of their maturity the Series 2001A Note and the Series 2002A Note.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

<i>Sources of Funds</i>	<i>Series 2004A</i>	<i>Series 2004B</i>	<i>Total</i>
Par Amount of Bonds	\$22,925,000.00	\$26,595,000.00	\$49,520,000.00
TOTAL SOURCES	\$22,925,000.00	\$26,595,000.00	\$49,520,000.00
<i>Uses of Funds</i>			
Deposit to 2004A Project Account	\$15,116,394.06		\$15,116,344.06
Deposit to 2004A Note Refunding Account to be applied to redeem the Series 2002A Note	\$4,279,605.94		\$4,279,605.94
Deposit to 2004A Reserve Sub-Account	\$2,292,500.00		\$2,292,500.00
Deposit to 2004A Capitalized Interest Sub-Account	\$343,875.00		\$343,875.00
Deposit to 2004B Project Account		\$14,006,000	\$14,006,000
Deposit to 2004B Note Refunding Account to be applied to redeem the Series 2001A Note		\$8,500,000.00	\$8,500,000.00
Deposit to 2004B Reserve Sub-Account		\$2,659,000.00	\$2,659,000.00
Deposit to 2004B Capitalized Interest Sub-Account		\$894,337.35	\$894,337.35
Underwriters' Discount	\$183,511.11	\$279,376.39	\$462,887.50
Costs of Issuance*	\$709,113.89	\$255,786.26	\$964,900.15
TOTAL USES	\$22,925,000.00	\$26,595,000.00	\$49,520,000.00

* Includes insurance premium for the Series 2004A Bonds

ESTIMATED DEBT SERVICE AND DEBT SERVICE COVERAGE

The following table sets forth the estimated total debt service and debt service coverage for the Series 2004A Bonds and the Series 2004B Bonds. The information contained in the table is based on certain information derived from the Consultant's Report prepared by Johnson Research Group, Inc. attached to this Official Statement as APPENDIX B and on certain assumptions made by the Underwriters as referenced in the following footnotes.

Estimated Debt Service and Debt Service Coverage ⁽¹⁾

Year	Estimated Incremental Taxes Less Program Expenses ⁽²⁾	Estimated Series 2004A Bonds Annual Debt Service	Estimated Series 2004B Bonds Annual Debt Service	Estimated Reserve and Capitalized Interest Sub-Account Principal ⁽³⁾	Estimated Reserve and Capitalized Interest Sub-Account Earnings ⁽⁴⁾	Estimated Total Series 2004 Bonds Annual Net Debt Service ⁽⁵⁾	Estimated Debt Service Coverage ⁽⁶⁾
2004		346,263	623,320	960,985	42,988	(34,390)	
2005	5,322,532	3,139,605	1,795,163	277,228	101,812	4,555,728	116.832%
2006	5,756,205	3,147,056	1,795,163		99,040	4,843,179	118.852%
2007	5,756,205	3,149,940	1,795,163		99,040	4,846,063	118.781%
2008	6,053,456	3,153,148	1,795,163		99,040	4,849,271	124.832%
2009	6,053,456	3,156,461	1,795,163		99,040	4,852,584	124.747%
2010	6,053,456	3,159,664	1,795,163		99,040	4,855,787	124.665%
2011	6,381,384	3,162,538	1,795,163		99,040	4,858,661	131.340%
2012	6,381,384	3,169,756	1,795,163		99,040	4,865,879	131.146%
2013	6,381,384	2,334,699	1,795,163	2,292,500	76,115	1,761,247	362.322%
2014	6,690,185		3,326,669		53,190	3,273,479	204.375%
2015	6,690,185		3,379,113		53,190	3,325,923	201.153%
2016	6,690,185		3,430,081		53,190	3,376,891	198.117%
2017	6,964,063		3,667,319		53,190	3,614,129	192.690%
2018	6,964,063		3,724,306		53,190	3,671,116	189.699%
2019	6,964,063		3,776,106		53,190	3,722,916	187.059%
2020	7,195,162		3,986,306		53,190	3,933,116	182.938%
2021	7,195,162		4,038,388		53,190	3,985,198	180.547%
2022	7,195,162		7,386,144	2,659,500	26,595	4,700,049	153.087%
2023	7,389,008						

⁽¹⁾ The amounts set forth in this table include estimated Incremental Taxes and earnings on the Reserve Account Sub-Account and Capitalized Interest Sub-Account of each Series of Series 2004 Bonds. The amounts of estimated Incremental Taxes set forth in this table are based on certain estimates and assumptions made by the Consultant and are discussed in further detail in the Consultant's Report attached hereto as APPENDIX B.

- (2) The amounts shown are estimated Incremental Taxes collected in the previous calendar year. The amounts reflected under the caption "Estimated Incremental Taxes" equal the aggregate estimated Incremental Taxes minus estimated Program Expenses of \$10,000.
- (3) Amounts deposited in the Capitalized Interest Sub-Account of the Principal and Interest Account of each Series of the Series 2004 Bonds will be applied to pay debt service on December 1, 2004 for the Series 2004A Bonds, and December 1, 2004 and June 1, 2005 for the Series 2004B Bonds. Proceeds of the Series 2004 Bonds equal to the respective Debt Service Reserve Requirement for each Series will be deposited into the Sub-Account of the Reserve Account for that Series on the date of issuance of the Series 2004 Bonds. On the final principal payment date for each Series, the amounts on deposit in the respective Sub-Accounts of the Reserve Account will be transferred to the Principal and Interest Account for each Series of the Series 2004 Bonds and will be used to pay a portion of the final principal payment on the applicable Series of the Series 2004 Bonds. In particular, amounts on deposit in the respective Sub-Account of the Reserve Account of each Series will be applied to pay debt service in 2013 on the Series 2004A Bonds and in 2022 on the Series 2004B Bonds.
- (4) Earnings on the Reserve Account of each Series of the Series 2004 Bonds are estimated at 2% per annum. Amounts, including investment earnings on deposit in the respective Sub-Accounts of the Reserve Accounts in excess of the respective Debt Service Reserve Requirement for each Series will be transferred to the respective Principal and Interest Account of each Series and used to pay debt service on the respective Series of the Series 2004 Bonds.
- (5) The amounts reflected under the caption "Estimated Total Series 2004 Bonds Annual Net Debt Service" equals the aggregate of the amounts reflected under the captions "Estimated Series 2004A Bonds Annual Debt Service" and "Estimated Series 2004B Bonds Annual Debt Service" less the aggregate amounts in the Reserve Sub-Accounts and Capitalized Interest Sub-Accounts of both Series of Series 2004 Bonds.
- (6) The amounts reflected under the caption "Estimated Debt Service Coverage" equals the amounts shown under the caption "Estimated Incremental Taxes" less Program Expense divided by the amounts shown under the caption "Estimated Total Annual Net Debt Service."

FINANCIAL INFORMATION

Summarized below are the historical Incremental Taxes received for deposit in the Incremental Taxes Fund for the Project Area for collection years ended December 31, 1998 through December 31, 2003.

Summary of Historical Incremental Tax Receipts ⁽¹⁾

Assessment Year	Collection Year	Total Receipts ⁽¹⁾
1998	1999	563,267
1999	2000	968,576
2000	2001	2,590,231
2001	2002	2,802,909
2002	2003	3,801,097

Source: Office of the City Comptroller.

(1) Actual receipts during each collection year that include current Incremental Taxes owed, and could include previous Incremental Taxes owed, penalties, and interest earnings.

TAX INCREMENT FINANCING

The Project Plan was adopted by the City on June 10, 1998. At that time, the Act authorized the use of tax increment financing as a means for municipalities, after approval of a "redevelopment plan and project," to redevelop "blighted," "conservation" or "industrial park conservation" areas by financing redevelopment projects with future increases in real property taxes attributable to increases in real property values.

Incremental Taxes are derived from the increase in the equalized assessed valuation of real property within the 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 "REAL PROPERTY TAX SYSTEM AND LIMITS - Real Property Assessment, Tax Levy and Collection Procedures."

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.

When the Project Area was created, in order for an area to be designated as a tax increment financing redevelopment project area, a municipality was required to demonstrate that the prospective redevelopment project area qualified as, a "blighted area" or as a "conservation area." At the time of the designation of the Project Area, a "blighted area" could have been either an improved or vacant area in which five or more of the following factors were present 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 that is detrimental to the, public safety, health, morals or welfare. 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 "Recent Legislation."

At the time that the Project Area was created, the Act required a municipality to hold a public hearing to consider the proposal 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 1999, the Illinois General Assembly adopted substantial amendments to the Act (the "1999 Act Amendments") that became effective on November 1, 1999. The 1999 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 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 January 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 more than a de minimis number of 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 parties' 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 IDOR.

Effective August 7, 2001, the Act was further amended to, among other things, clarify and supplement certain of the 1999 Act Amendments. Additionally, Public Act 92-0624 (which was signed by the Illinois Governor on July 11, 2002), further amends the Act with regard to, among other things, certain notice provisions and circumstances under which a housing impact study or feasibility study are required. Recently, the Act was further amended by Public Act 93-0298, which became effective on July 23, 2003, to, among other things, define the terms "feasibility study" and "chronic flooding."

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 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 Illinois laws 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 were reassessed in 2001; the City was reassessed in 2003; and suburbs in the western and southern portions of the County are in the process of being reassessed.

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 (the "Classification Ordinance"), pursuant to which the Assessed Valuation of real property is established. Among other things, the amendment reduced certain property classification percentages and lengthened certain renewal periods of classifications. Additionally, the Classification Ordinance was amended on September 6, 2001 (to revise the requirements for qualifying under the Class 9 assessment class), on December 4, 2001 (to permit any Class 6a incentive active as of January 1, 2001 to be renewed) and on April 9, 2002 (to create new property tax classifications for (i) new development of industrial structures or the substantial rehabilitation and re-utilization of existing industrial structures for the County as a whole as well as for specific areas of special need and (ii) new development of commercial structures, or the substantial rehabilitation and re-utilization of existing commercial structures in areas that are depressed, blighted or threatened with blight, as an appropriate and necessary method of providing such assistance and encouragement and will result in increasing the tax base in such areas and for the entire County).

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. Owners of property 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. Taxpayers may appeal decisions of the PTAB to either the Circuit Court of Cook County or the Illinois Appellate Court under the Illinois Administrative Review Act.

In March 2000 and August 2001, the PTAB rendered two series of decisions in which it granted reduced assessed valuations to owners of certain real property in the County employing lower levels of assessment. In the March decisions, the PTAB utilized the median levels of assessment derived from the IDOR's sales-ratio studies (the "Sales-Ratio Studies") as the mechanism for determining the assessment levels, instead of those set forth in the Classification Ordinance. Use of the Sales-Ratio Studies resulted in a lower assessment level than required by the Classification Ordinance. In its August 2001 decision, after examining the Sales-Ratio Studies, the PTAB held that the Assessor's assessment practices violated a provision of the Illinois Constitution, which limits the level of assessment of the highest class of property, in a county that classifies property, to two and one-half times the level of assessment of the lowest class of property in that county. As a result, the PTAB established a maximum assessment level that is significantly below the assessment levels for commercial and industrial property currently set forth in the Classification Ordinance. The Board of Review appealed the March 2000 and August 2001 decisions of the PTAB to the Illinois Appellate Court. The Illinois Appellate Court remanded the cases to the PTAB with directions that the PTAB amend its orders to reflect the application of the Classification Ordinance level of assessments. Both of these cases

were decided primarily on evidentiary or procedural grounds, and it is unclear whether the same results would be obtained in future decisions or whether future decisions would result in a uniform application of the Classification Ordinance, the Sales-Ratio Studies or some combination thereof.

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. The City and Cook County taxing agencies may challenge reductions in the Assessed Valuations and have done so in the past from time to time.

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 IDOR 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, 1993 through 2002:

<u>Levy Year</u>	<u>Equalization Factor</u>
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489
1998	2.1799
1999	2.2505

2000	2.2235
2001	2.3098
2002	2.4689

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 affected only those lose taxing districts subject to rate limits and currently does not apply to the City. See "Property Tax Limits."

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 (\$5,000 beginning in the 2004 taxable year). 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 (\$3,000 beginning in the 2004 taxable year), and (ii) disabled veterans, with the Assessor authorized annually to exempt up to \$58,000 of the Assessed Valuation of certain property owned and used exclusively by such veterans or their spouses for residential purposes. A homestead improvement exemption of up to \$45,000 through December 31, 2003 (\$75,000 beginning January 1, 2004) allows owners of single family residences to make certain home improvements without increasing the Assessed Valuation of their property for at least four years. 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 freezes property tax assessments for homeowners who are 65 and older and have annual income of \$40,000 (\$45,000 beginning the 2004 taxable year) 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 residence or construction of new residences in the area. On June 5, 2001, the County enacted the Longtime Homeowner Exemption Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners; (i) who have resided in their homes for ten consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowners triennial assessment does not exceed 115% of the Chicago Primary Metropolitan Statistical Area median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150% of the current average assessed value or properties in the assessment

district where the property is located, and (iv) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the \$45,000 allowance set forth in the Property Tax Code.

Tax Levy. There are over 800 units of local government (the "Units") located in whole or in part in the County that have taxing power. The major Units having taxing power over property within the City are the City, the Chicago Park District, the Board of Education of the City of Chicago, the 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 of the Units, each year in which a determination is made to levy real estate taxes, proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, 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 Illinois Truth in Taxation Law contained within the 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.

The Cook County Truth in Taxation Law, which was in effect in Cook County until December 31, 2002, imposed procedural limitations on Units having territory in the County

and required that notice be published in prescribed form, of the Unit's annual levy, exclusive of levies for debt service, election costs and amounts due under public building commission leases. A public hearing had to be held in December, which was to coincide with the budget hearing of the Unit, on the intention to adopt an aggregate annual levy. The Cook County Truth in Taxation Law was repealed by its own terms as of January 1, 2003. No amount in excess of the preceding year's aggregate 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 of the Cook County Truth in Taxation Law. As of January 1, 2003, taxing districts in Cook County are subject to the Truth in Taxation Law notice and hearing requirements that apply to Illinois taxing districts generally.

As of the date of this Official Statement, the City is in compliance with the Illinois 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 Economic Opportunity 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. The City has amended its enterprise zone designation ordinances to preclude eligibility for such tax abatements.

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 years 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.

The following table sets forth the second installment penalty date for the last ten years; the first installment penalty date has been March 1 for all years.

<u>Tax Year</u>	<u>Second Installment Penalty Date</u>
2002	November 1, 2003
2001	October 1, 2002
2000	November 1, 2001
1999	October 2, 2000
1998	November 1, 1999
1997	October 29, 1998
1996	September 19, 1997
1995	September 11, 1996
1994	November 3, 1995
1993	September 1, 1994

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, except that a different penalty rate may apply depending on the length of the redemption period.

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 counties adjacent thereto, and certain other downstate counties, 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.

As a home rule unit of government, the City is not subject to the State Tax Cap. 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. No such advisory referendum has been held since November 1994.

Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a law approved by a vote of three-fifths of the members elected to each house of the Illinois General Assembly. 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.

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. These requirements do not apply to 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 \$395,225,686, the aggregate amount of the 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 thereafter, to exclude tax levies for certain of its general obligation bonds, 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 information contained in 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 Project Area.

THE INDENTURE

The following is a summary of certain provisions of the Indenture. Other provisions of the Indenture are described earlier in this Official Statement, under the captions "DESCRIPTION OF THE SERIES 2004, BONDS" and "SECURITY FOR THE SERIES 2004 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 Indenture, copies of which are available for review prior to the issuance and delivery of the Series 2004 Bonds at the office of the City Comptroller, Room 600, 33 North LaSalle Street, Chicago, Illinois 60602, and thereafter at the office of the Trustee.

Application of Bond Proceeds

Proceeds derived from the sale of the Series 2004 Bonds (net of Underwriters' discount) will be applied by the Trustee as follows:

- (a) \$15,116,394.06 will be deposited into the 2004A Project Account;
- (b) \$4,279,605.94 will be deposited into the 2004A Note Refunding Account for application to the redemption of the Series 2002A Note on the date of issuance of the Series 2004 Bonds, as directed by the City;

- (c) \$2,292,500.00 will be deposited into the 2004A Reserve Sub-Account;
- (d) \$709,113.89 will be applied by the Trustee to pay costs of issuance of the Series 2004A Bonds, at the direction of the City, including any Bond Insurance Policy premium.
- (e) \$343,875.00 will be deposited into the 2004A Capitalized Interest Sub-Account;
- (f) \$14,006,000.00 will be deposited into the 2004B Project Account;
- (g) \$8,500,000.00 will be deposited into the 2004B Note Refunding Account for application to the redemption of the Series 2001A Note on the date of issuance of the Series 2004 Bonds, as directed by the City;
- (h) \$2,659,000.00 will be deposited into the 2004B Reserve Sub-Account;
- (i) \$255,786.26 will be applied by the Trustee to pay costs of issuance of the Series 2004B Bonds, at the direction of the City; and
- (j) \$894,337.35 will be deposited into the 2004B Capitalized Interest Sub-Account.

Additional Bonds and Refunding Bonds

Subject to compliance with the conditions described below, the City may issue additional Bonds for the purposes authorized in the Pilsen Redevelopment Plan or may issue Refunding Bonds. Except with respect to sub-accounts of the Reserve Account which secure particular Series of Bonds and as otherwise provided in the Indenture with respect to priority of lien of Senior Lien Bonds over Junior Lien Bonds, (a) any such additional Bonds or Refunding Bonds will share ratably and equally with the Series 2004 Bonds in the Pledged Revenues and (b) additional Bonds and Refunding Bonds will not have any terms creating a preference or priority of any Series of additional Bonds or Refunding Bonds over the Series 2004 Bonds of the same lien status, or any other Series of additional Bonds or Refunding Bonds of the same lien status.

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

- (i) the authorized principal amount, designation and Series of such Bonds and whether such Bonds are issued as Senior Lien Bonds or Junior Lien Bonds;
- (ii) the purpose for which such Series of Bonds are being issued;
- (iii) the manner in which the proceeds of the Bonds of such Series are to be applied;

- (iv) the date and the maturity date or dates of the Bonds of such Series;
- (v) the interest rate(s) of the 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 Bonds of such Series;
- (vii) the-Registrar and the Paying Agent(s) for the Bonds of such Series;
- (viii) the Redemption Price(s), if any, and any redemption dates and redemption terms for the Bonds of such Series;
- (ix) the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series or the manner of designating the same;
- (x) the amount and date of each Sinking Fund Installment, if any, for 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 Bonds less the principal amount scheduled to be retired at maturity;
- (xi) provisions as to registration of the Bonds of such Series;
- (xii) the form and text of the Bonds of such Series and provision for the Trustee's authentication of such Bonds by certificate or otherwise;
- (xiii) the amount of the Debt Service Reserve Requirement with respect to such Series of 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 Indenture.

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

(c) Bonds issued pursuant to the 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 Supplemental Indenture providing for their issuance; provided, that the City will not issue Tender Option Bonds unless it has delivered to the Trustee upon the authentication of such bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the purchase price upon tender of any of such bonds.

Conditions Precedent to the Delivery of any Series. Bonds of any Series will be executed by the City and delivered to the Trustee and thereupon will be authenticated by the Trustee and delivered to the City or upon its order, but only following the receipt by the 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, 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 Indenture and the applicable 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 Indenture and the applicable Supplemental Indenture create the valid pledge of Pledged Revenues, moneys and securities held under them for the benefit and security of the Bonds, subject to their application in the manner provided therein; and (v) upon the execution, authentication and delivery thereof, the 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 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 and that no Event of Default has occurred and is continuing under the Indenture and (ii) fixing and determining all terms and provisions of the Bonds of such Series not fixed or determined by the Indenture or the applicable Supplemental Indenture;

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

(e) With respect to all Senior Lien Bonds, other than Refunding Bonds to the extent permitted by the Indenture as described below, issued and delivered subsequent to the delivery of the Series 2004A Bonds, a certificate of an Authorized Officer:

(i) establishing that Pledged Revenues collected in the immediately preceding calendar year equaled at least 150% of the Maximum Annual Debt Service Requirement on the Senior Lien Bonds and the Senior Lien Bonds proposed to be issued provided that the calculation of the Maximum Annual Debt Service Requirement is to be exclusive of the final maturing principal amount of any Series to the extent that the applicable Debt Service Reserve Requirement if amounts held in the Reserve Account or any

Sub-Account of the Reserve Account with respect to such Series are expected to be available to pay Senior Lien Bonds on such final maturity date; and

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

No additional Senior Lien Bonds can be issued so long as the Series 2004A Bonds are outstanding.

(f) With respect to all Junior Lien Bonds, other than Refunding Bonds to the extent permitted by the Indenture as described below, issued and delivered subsequent to the delivery of the 2004B Bonds, a certificate of an Authorized Officer:

(i) establishing that the Pledged Revenues collected in the immediately preceding calendar year equaled at least 150% of the Maximum Annual Debt Service Requirement on all Outstanding Bonds and the Junior Lien Bonds proposed to be issued; provided that the calculation of Maximum Annual Debt Service Requirement is to 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 Junior Lien Reserve Account or any Sub-Account of such Account with respect to such Series are expected to be available to pay the Bonds on such final maturity date; and

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

Refunding Bonds. (a) Following the issuance and delivery of the Series 2004 Bonds, one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, to pay costs and expenses incident to the issuance of such Refunding Bonds, and to make deposits in any Fund, Account or Sub-Account under the Indenture as determined by the City in the Supplemental Indenture authorizing such Bonds.

(b) Refunding Bonds of a Series will be authenticated and delivered by the 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 Trustee as necessary to comply with all requirements set forth in the Indenture so that the Bonds to be refunded or advance refunded will be paid or deemed to be paid pursuant to the 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 Bonds to be refunded or advance refunded on and prior to their redemption date or maturity date, as the case may be, which moneys will be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of

the 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 will be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of the Indenture relating to payment or deemed payment.

(iii) A certificate of an Authorized Officer evidencing either that (A) (1) the term of the Refunding Bonds does not exceed the term of the Bonds being refunded, and (2) the Annual Debt Service Requirement for any calendar year on account of all Bonds Outstanding, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds to be refunded, will not exceed the Annual Debt Service Requirement for the corresponding calendar years on account of all the Bonds Outstanding, including the Bonds to be refunded, immediately prior to the issuance of such Refunding Bonds, or (B) in the case of a refunding of Outstanding Bonds that does not meet the requirements of the preceding clause (A), satisfaction of the test set forth under the caption "The Indenture – Additional Bonds and Refunding Bonds – Conditions Precedent to the Delivery of Any Series" in paragraph (e) with respect to Senior Lien Bonds or (f) with respect to Junior Lien Bonds; in either case, as applied to the Refunding Bonds to be issued under the provisions described under this subcaption, giving effect to the redemption or provision for payment of the Bonds being refunded.

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

(X) *Tender Option Bonds.* If any of the Outstanding 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 Bonds to tender the same for payment prior to their stated maturity will be ignored, and (1) if such Bonds also constitute Variable Rate Bonds, the City will adjust such amounts to be shown as set forth in subparagraph (b)(iii) above as provided in subparagraph (Y) below, (2) if such Bonds are secured by a Credit Facility, the Credit Bank or obligations secured by credit facilities issued by such Credit Bank will 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 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 Bonds (determined without regard to whether such Credit Bank will then be holding or will then have had pledged to it such Bonds) will be subordinated to the obligation of the City on such Bonds.

(Y) *Variable Rate Bonds.* If any of the Outstanding 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 will be the lesser of (a) the maximum interest rate established in the Supplemental Indenture authorizing such 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 Bonds constituting Variable Rate Bonds to bear interest at a different variable rate or a fixed rate(s), in accordance with their terms, will not constitute a new issuance of Bonds under the Indenture.

Hedging Transactions

The Ordinance provides that the Mayor or the Authorized Officer of the City are each authorized to execute and deliver agreements with respect to the Bonds with counterparties selected by the Authorized Officer for the purpose of reducing the City's interest cost with respect to all or a portion of the Bonds or to reduce the City's exposure to fluctuations in the interest rates payable on all or a portion of the Bonds or to insure, protect or preserve the City's investments from any loss (including losses caused by fluctuations in interest rates, markets or securities). Under the Ordinance, the stated aggregate notional amount under all such agreements will not exceed the aggregate original principal amount of the Bonds (net of offsetting transactions entered into by the City). Any agreement, to the extent practicable, will be substantially the form of either the Local Currency-Single Jurisdiction Version or the Multicurrency-Cross Border Version of the current ISDA Master Agreement accompanied by the United States Municipal Counterparty Schedule published by the International Swap Dealers Association ("ISDA") or any related successor form published by ISDA, and in the appropriate confirmations of transactions governed by that agreement. Amounts payable by the City under any hedge agreement will be payable solely from the sources pledged to the payment of the related Series of Bonds.

If the City enters into a Qualified Swap Agreement with a Swap Provider requiring the City to pay a fixed interest rate on a notional amount, or requiring the City to pay a variable interest rate on a notional amount, and the City makes a determination that the Qualified Swap Agreement is being entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of the Qualified Swap Agreement and so long as the Swap Provider under the Qualified Swap Agreement is not in default under such Qualified Swap Agreement: (i) for purposes of any calculation of Interest Requirements, the interest rate on the Bonds of such maturity or maturities will be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate; as the case may be, payable by the City under such Qualified Swap Agreement; (ii) any net payments required to be made by the City to the Swap Provider pursuant to the Qualified Swap Agreement from Pledged Revenues will be made solely from amounts on deposit to the credit of the Incremental Taxes Fund; and (iii) any net payments received by the City from the Swap Provider pursuant to such Qualified Swap Agreement will be deposited to the credit of the Incremental Taxes Fund.

If the City enters into a swap agreement of the type generally described in the immediately preceding paragraph above that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then: (i) the interest rate adjustments or assumptions referred to in item (i) of the immediately preceding paragraph shall not be made; (ii) any net payments required to be made by the City to the Swap Provider pursuant to such swap agreement will be made only from amounts on deposit in the General Account; and (iii) any net payments received by the City from the Swap Provider pursuant to such swap agreement may be treated as Pledged Revenues at the option of the City, and if so treated, will be deposited to the credit of the Incremental Taxes Fund.

The Trustee

The Indenture provides for the appointment of the Trustee and sets forth the duties and responsibilities of the Trustee. Generally, the 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 Trustee is not liable in connection with the performance of its duties under the Indenture except for its own negligence or misconduct. However, if an Event of Default has occurred and has not been remedied, the Trustee is required to exercise such of the rights and powers vested in it by the 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 Trustee will not be deemed to have notice of any default under the 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 Trustee any document required by the Indenture unless any officer in the Trustee's corporate trust department has actual knowledge of such default or the 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 Bonds Outstanding. All notices and other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee.

General Covenants

Under the Indenture, the City covenants as follows:

Payment of Bonds. The City will cause to be punctually paid solely from Pledged Revenues, the principal of, interest on and premium, if any, to become due in respect of the Bonds in strict conformity with the terms of the Bonds and the 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 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 thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided, that nothing contained in

the 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 Bonds and to the Pledged 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 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 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 Indenture, on a consolidated basis, as of the end of such fiscal year, which statements will 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 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 Bonds by the City, the 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 Indenture, and to better assure and confirm unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Indebtedness and Liens

The Indenture prohibits the City from issuing any bonds or other evidences of indebtedness, other than Bonds and other obligations or evidences of indebtedness payable from amounts on deposit in the General Account which obligations or evidences of indebtedness must be subordinate in all respects to the Bonds, which are secured with a pledge of or a lien on the Pledged Revenues or, except as expressly authorized by the Indenture, create any lien or charge on the Pledged Revenues; provided that nothing contained in the Indenture is to (i) prevent the City from issuing evidences of indebtedness payable from or secured by a pledge of the Pledged Revenues to be derived on and after such date as the Indenture is discharged and satisfied as provided in the defeasance provisions of the Indenture, (ii) subject to the provisions in the First Supplemental Indenture regarding release of amounts on deposit in the General Account and summarized under the caption "Security for the Series 2004 Bonds – Withdrawal from the General Account" prevent the City from issuing evidence of indebtedness payable from or secured by Incremental Taxes or other amounts transferred to the General Account as set forth in the Indenture, or (iii) subject to the provisions in the First Supplemental Indenture regarding release of amounts on deposit

in the General Account and summarized under the caption "Security for the Series 2004 Bonds – Withdrawal from the General Account" prevent the City from agreeing to make payments from the General Account for the payment of Project Costs (including the payment of the principal of and interest on notes or other evidences of indebtedness of the City) as long as the City's agreement to make such payments is fully contingent on the availability in the General Account of the funds for such purpose.

Events of Default and Remedies

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

(a) default shall be made in the payment of the principal of or Redemption Price on any Bond when such payment shall become due and payable, either at maturity or by proceedings for redemption or otherwise; provided, however, that a default in the payment of principal of or Redemption Price on any Junior Lien Bonds when such payment shall become due and payable, either at maturity or by proceedings for redemption or otherwise shall not be deemed to be a default with respect to the Senior Lien Bonds if all payments of Principal of or Redemption Price on the Senior Lien Bonds have been made when due and payable; or

(b) default shall be made in the payment of any installment of interest on any Bond when and as such payment shall become due and payable; provided, however, that a default in the payment of any installment of interest on any Junior Lien Bond when such payment shall become due and payable shall not be deemed to be a default with respect to the Senior Lien Bonds if all payments of interest on the Senior Lien Bonds have been made when due and payable; or

(c) default by the City in the performance of any obligation in respect of the Reserve Account if such default continues for sixty (60) days thereafter;

(d) the City (1) commences a voluntary case under the federal bankruptcy laws, 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 period of sixty (60) days without stay or vacation;

(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;

(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) day 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 Bonds or in the 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 Trustee (which may give such notice whenever it determines that such a default is subsisting and will give such notice at the written request of the Owners of not less than a majority in principal amount of the Bonds then outstanding with respect to which such default shall have occurred); provided, however, that if the nature of the default is such that it cannot be cured within the 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 60-day period and diligently pursues such action until the default is corrected.

Upon the occurrence of an Event of Default under the Indenture, the Trustee may, and upon the written request of the Owners of a majority in principal amount of the Bonds affected by the Event of Default and then Outstanding will, proceed to protect and enforce its rights and the rights of the Owners of the Bonds by a suit in equity or at law, whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted in the Indenture or for an accounting against the City, as if the City were the trustee of an express trust, or for the enforcement of any legal or equitable remedy as the Trustee, being advised by counsel, deems most effective to protect and enforce such rights.

So long as any Insured Senior Lien Bonds are Outstanding upon the occurrence and continuance of an Event of Default with respect to the Senior Lien Bonds or with respect to the Senior Lien Bonds and the Junior Lien Bonds, the Owners of the Senior Lien Bonds will constitute a majority of owners of all Outstanding Bonds for purposes of exercising remedies under Section 8.4 of the Indenture.

The Bonds will not be subject to acceleration upon the occurrence of any Event of Default.

Application of Revenues and Other Moneys after Default

If an Event of Default in payment of principal or interest on any Series of the Bonds occurs and is not remedied, the Trustee will apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture as follows and in the following order:

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

(b) Second, (i) in the event there is an Event of Default with respect to payment of principal of or interest on both the Senior Lien Bonds and the Junior Lien Bonds, to the

payment of principal or redemption premium, if any, and interest then due and owing on the Bonds as follows:

(A) first, to the payment to the Persons so entitled of all installments of interest then due and owing on the Senior Lien Bonds, in the order of the maturity of such installments, and, if the amount available will 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 Senior Lien Bonds which will have become due and owing (other than Senior Lien Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest upon the Senior Lien Bonds from the respective dates upon which they became due, and, if the amount available will not be sufficient to pay in full Senior 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;

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

(D) fourth, to the payment to the Persons so entitled of all installments of interest then due and owing on the Junior Lien Bonds, in the order of the maturity of such installments, and, if the amount available is not 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;

(E) fifth, to the payment to the Persons so entitled of the unpaid principal of any of the Junior Lien Bonds which shall have become due and owing (other than Junior Lien Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this 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 will 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

(F) sixth, to the payment of the Redemption Price of any Junior Lien Bonds called for redemption pursuant to the Indenture.

(ii) In the event there is an Event of Default with respect to payment of principal of or interest on only the Junior Lien Bonds, to the payment of principal or redemption premium, if any, and interest then due and owing on the Junior Lien Bonds or for deposit in the Principal and Interest Account as follows:

(A) first, for deposit into the Principal and Interest Account an amount sufficient to meet the requirements of Section 5.2(b) of the Indenture to the extent amounts are not already on deposit therein;

(B) second, to the payment to the Persons so entitled of all installments of interest then due and owing on the Junior Lien Bonds, 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;

(C) third, to the payment to the Persons so entitled of the unpaid principal of any of the Junior Lien Bonds which will have become due and owing (other than Junior Lien Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest upon the Junior Lien Bonds from the respective dates upon which they became due, and, if the amount available will 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

(D) fourth, to the payment of the Redemption Price of any Junior Lien Bonds called for redemption pursuant to the provisions of the Indenture;

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

Restriction on Owners' Action

No Owner of any Bond will have any right to institute any suit or proceeding at law or in equity for the enforcement or violation provision of the Indenture or for any remedy thereunder, unless such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default, as provided in the Indenture, and, subject to the provisions of the penultimate paragraph under the caption "Events of Default and Remedies" above, the Owners of at least a majority in principal Bonds then Outstanding have filed a written request with the Trustee, and have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities so to be incurred, and the Trustee has 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 Bonds will have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture, except in the manner provided in the Indenture.

Rights of Credit Bank or Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Credit Bank or any Bond Insurer will be treated as the Owner of Bonds upon which the Credit Bank or Bond Insurer is obligated pursuant to a Credit Facility or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to this Article; *provided*, that the Credit Bank or Bond Insurer will cease to be so regarded as Owner of the Bonds in the event the Credit Bank or Bond Insurer is in default of its obligations under the applicable Credit Facility or Bond Insurance Policy.

Subject to the provisions of any applicable Supplemental Indenture, until the City has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds on any Interest or Principal Payment Date or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, (i) the Bonds will be deemed to be Outstanding and the Credit Bank or Bond Insurer will succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or, as specified in respect of the applicable Bond Insurance Policy until the amount has been reimbursed and (ii) upon presentation to the

Registrar, the Bonds will be registered in the name of the Credit Bank or its nominee or such Bond Insurer or its nominee, as appropriate.

Supplemental Indentures

Without the consent of, or notice to, any of the Owners of the Bonds, the City and the Trustee may enter into an indenture or indentures supplemental to, and not inconsistent with the terms and provisions of, the Indenture for any one or more of the following purposes:

- (a) to authorize a Series of Bonds and to specify, determine or authorize any matters and things concerning any such Bonds which are not contrary to or inconsistent with the Indenture;
- (b) to close the Indenture against, or impose additional limitations or restrictions on, the issuance of 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 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 cure any ambiguity, omission, inconsistency or defect in the Indenture;
- (h) to provide for the appointment of a successor securities depository in the event any Series of 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 Trustee, is not to the prejudice of the Trustee or the Owners.

In addition to supplemental indentures for the purposes described above, the City and the Trustee may enter into any other supplemental indenture or indentures for the purpose of modifying or amending the Indenture with the written consent (a) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, that if a modification or amendment will, by its terms, not take effect so long as any Bonds to any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and the Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds for this purpose. No modification or

amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of the Bond, or may 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 may change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For this purpose, a Series will be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination will be binding and conclusive on the City and all Owners of the Bonds.

Discharge of the Indenture

If the City pays or causes to be paid or there is otherwise paid to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due on such Bonds, at the times and in the manner stipulated in such Bonds and in the Indenture, then the pledge of the Pledged Revenues and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the City to the Owners are discharged and satisfied. If the City pays or causes to be paid, or there is otherwise paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion will be selected by lot by the Trustee in the manner provided in the Indenture for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, of such Bonds and interest due or to become due on such Bonds, at the times and in the manner stipulated in such Bonds and in the Indenture, such Bonds cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the City to the Owners of such Bonds and to the Trustee are discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys are set aside and held in trust by the Escrow Agent at or prior to their maturity or redemption date are deemed to have been paid within the meaning of and with the effect expressed in the Indenture if the City are delivered to or deposited with the Escrow Agent (i) irrevocable instructions to pay or redeem all of those 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 Bonds to be redeemed, (iii) either moneys in an amount which are 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 Trustee at the same time, are sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to each specified redemption date or maturity date of such Bonds, as the case may be, and (iv) if any of those Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all

Owners of those Bonds a notice that the deposit has been made with the Trustee and that those Bonds are deemed to have been paid in accordance with the 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 those Bonds. The Defeasance Obligations and moneys deposited with the Trustee are to be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on such Bonds.

Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the City, are to be applied by the Trustee to the purchase of such Bonds in accordance with the Indenture. Bonds for which a redemption date has been established may be purchased on or prior to the 45th day preceding the redemption date. The principal amount of Bonds to be redeemed are to be reduced by the principal amount of Bonds so purchased. Bonds that mature on a single future date may be purchased at any time prior to the maturity date. All such purchases are to be made in such manner as the Trustee determines. No purchase will be made by the Trustee pursuant to this subsection if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to the Indenture.

No Recourse on the Bonds

No Owner of Bonds will have recourse for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based on them or on the Indenture against any past, present or future member of the City Council, officer, employee or agent of the City, or any successor public body or any person executing the Bonds, either directly or through the City, under any rule of law or equity, statute or constitution or otherwise and all such liability of any such members, officers, employees or agents as such is expressly waived and released as a condition of and consideration for the execution of the Indenture and the issuance of the Bonds.

No officer, member, agent or employee of the City will be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds; but nothing in the Indenture will relieve any such officer, member, agent or employee from the performance of any official duty provided by law.

All covenants, stipulations, obligations and agreements of the City in the Indenture will be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized and permitted by the Constitution and laws of the State of Illinois and no covenants, stipulations, obligations or agreements in the Indenture will be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the City in his or her individual capacity, and no officer executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issue of such Bonds. No member, officer, agent or employee of the City will incur any personal, liability in acting or proceeding or in not acting or not proceeding in accordance with the terms of the Indenture.

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 Project Area in the calendar years from 2004 through 2022. 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 and Underwriters have not independently verified the projections of Incremental Taxes contained in the Consultant's Report. See "BONDOWNERS RISKS."

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, pursuant to a contract of purchase, to purchase the Series 2004A Bonds at a price equal to \$22,741,488.89 (representing the aggregate principal amount of the Series 2004A Bonds less an underwriters' discount of \$183,511.11).

The Underwriters have agreed, subject to certain conditions, pursuant to a contract of purchase, to purchase the Series 2004B Bonds at a price equal to \$26,315,623.11 (representing the aggregate principal amount of the Series 2004B Bonds less an underwriters' discount of \$279,376.39).

The purchase contract requires the Underwriters to purchase all of the Series 2004 Bonds if any are purchased.

FINANCIAL ADVISOR

The City has retained DJ Walker Advisors, LLC as its financial advisor to render certain professional services in connection with the issuance and sale of the Series 2004 Bonds. The financial advisor has provided advice on the plan of finance and structure of the Series 2004 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 2004 Bonds will be offered for sale subject to the approval of legality by Foley & Lardner LLP, Chicago, Illinois, and Golden & 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 Underwriters by their Co-Counsel, Goldberg, Kohn, Bell, Black, Rosenbloom & Moritz, Ltd., Chicago, Illinois, and Burriss, Wright, Slaughter and Tom, LLC, 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

2004B Bonds to be excludable 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 2004 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 judgment, 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 Project Area, or which would restrain or enjoin the issuance or delivery of the Series 2004 Bonds, or which concerns the proceedings of the City taken in connection with the issuance of the Series 2004 Bonds, or which would adversely affect the security for the Series 2004 Bonds, including the pledge of Pledged Revenues and the ability of the City to receive Incremental Taxes.

TAX EXEMPTION

In the opinion of Foley & Lardner LLP and Golden & Associates, P.C., Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2004B Bonds is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code") and is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Co-Bond Counsel observes that interest on the Series 2004B Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Series 2004 Bonds is not exempt from State of Illinois income taxes.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

To the extent the issue price of any maturity of the Series 2004B Bonds is less than the amount to be paid at maturity of such Series 2004B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2004B Bonds), the

difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Bondholder, is treated as interest on the Series 2004B Bonds which is excludable from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2004B Bonds is the first price at which a substantial amount of such maturity of the Series 2004B Bonds is sold to the public (excluding bond houses, brokers, or persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2004B Bonds accrues daily over the term to maturity of such Series 2004B Bond on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2004B Bond to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of Series 2004B Bonds. Beneficial Owners of the Series 2004B Bonds should consult their own tax advisors with respect to the tax consequence of ownership of Series 2004B Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2004B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2004B Bond was sold to the public.

Section 103 of the Code imposes various restrictions, conditions and requirements relating to exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2004B Bonds. The City has covenanted to comply with certain restrictions designed to insure that interest on the Series 2004B Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2004B Bonds being included in gross income for federal income tax purposes, possibly from the original issue date of the Series 2004B Bonds. The opinions of Foley & Lardner LLP and Golden & Associates, P.C., assumes compliance with these covenants. Foley & Lardner LLP and Golden & Associates, P.C., have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2004B Bonds may adversely affect the value of or the tax-exempt status of interest on the Series 2004B Bonds. Further, Co-Bond Counsel does not give assurance that pending or further legislation or amendments to the Code, if enacted into law, will not adversely affect the value of or the tax exempt status of interest on the Series 2004B Bonds. Beneficial Owners are encouraged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the Trust Indenture, the Bond Ordinance, the Tax Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2004B Bonds) may be taken or omitted under the circumstance subject to the terms and conditions set forth in such documents. Co-Bond Counsel expresses no opinion as to any Series 2004B Bond or the interest thereon if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Foley & Lardner LLP and Golden & Associates, P.C.

Although Co-Bond Counsel is of the opinion that interest on the Series 2004B Bonds is excludable from gross income for federal income tax purposes, the ownership or

disposition of, or the accrual or receipt of interest on, the Series 2004B Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2004B Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Bondholders from realizing the full current benefit of the tax status of the interest thereon. Further, no assurance can be given that any such future legislation, or any actions of the IRS, including, but not limited to, selection of the Series 2004B Bonds for audit examination, or the course or result of any examination of the Series 2004B Bonds, or other bonds which present similar tax issues, will not affect the market price for the Series 2004B Bonds.

Interest on the Series 2004A Bonds is NOT excludable from gross income for federal income tax purposes.

RATINGS

The rating anticipated on the Series 2004A Bonds is "AAA" by Standard & Poor's, a division of the McGraw Hill Companies, Inc., based solely on the credit of the Bond Insurer. The rating reflects only the view of the rating agency and any desired explanation of the significance of the rating should be obtained from Standard & Poor's at the following address: 55 Water Street, New York, New York 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies, circumstances so dictate. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2004A Bonds whose rating has been so revised downward or withdrawn entirely.

The Series 2004B Bonds are not rated.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Series 2004 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 2004 Bonds, the Ordinance or the Indenture' and beneficial owners of the Series 2004 Bonds are limited to the remedies described in the Undertaking. See "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 2004 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2004 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 2004 Bonds, the 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 2004 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 2004 Bonds;
7. modifications to rights of Series 2004 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 2004 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 2004 Bonds, the Ordinance or the 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 2004 Bonds, as determined by parties unaffiliated with the City (such as the 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 2004 Bonds under the 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 Indenture, Pilsen 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 City Comptroller on behalf of the City.

CITY OF CHICAGO

By: /s/ Tariq Malhance
Tariq Malhance
City Comptroller

APPENDIX A CERTAIN DEFINITIONS

"Accreted Amount" means, with respect to, any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing such Bonds as the amount representing their initial public offering price, plus the amount of interest that has accreted on such Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Bonds. The Accreted Amounts for such Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such 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 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, 65 ILCS 5/11-74.4-1 *et seq.*, as amended and supplemented from time to time.

"Annual Debt Service Requirement" means, with respect to any calendar year, the aggregate of the Interest Requirement and the Principal Requirement for such calendar year.

"Authorized Denominations" means, for any Series of Bonds, the denominations specified for the Bonds in the applicable Supplemental Indenture; and means (i) with respect to the Series 2004A Bonds, \$5,000 or any integral multiple of \$5,000 in excess of that amount, and (ii) with respect to the 2004B Bonds \$100,000 or any integral multiple of \$5,000 in excess of that amount.

"Authorized Officer" means the Mayor, the City Comptroller or, if so designated and determined by the City Comptroller, the Chief Financial Officer of the City appointed by the Mayor, or any other officer or employee of the City authorized to perform specific acts or duties under the Indenture by ordinance or resolution duly adopted by the City Council.

"Bond" or **"Bonds"** means any bond or bonds issued and outstanding under the Indenture from time to time including any Refunding Bonds.

"Bondholder" means the registered owner of any Bond.

"Bond Insurance Policy" means any municipal bond new issue insurance policy insuring issued by the Bond Insurer that guarantees payment of principal and interest on the Series 2004A Bonds.

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto.

"Bond Year" means the initial period beginning on the date of issuance of a Series of Bonds and ending on the next succeeding June 1, and thereafter each 12-month period convening on June 2 of each calendar year and ending on June 1 of 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 Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified for such Bond and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified for such Bond, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond.

"Capital Appreciation Bond" means any Bond the interest on which (i) is compounded periodically on certain designated dates; (ii) is payable only at maturity or redemption prior to maturity, and (iii) is determined by subtracting from the Accreted Amount its initial public offering price, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond.

"Capitalized Interest Sub-Account" means the accounts created pursuant to Sections 2.7 and 3.7 of the Supplemental Indenture with respect to the Series 2004A Bonds and Series 2004B Bonds, respectively.

"Certified Initial Equalized Assessed Valuation" means, with respect to the Project Area, the sum of \$111,203,219 (One Hundred Eleven Million Two Hundred Three Thousand and Two Hundred Nineteen Dollars and 00/100 Cents), representing the "total initial equalized assessed value" (as defined in the Act) of the taxable real property within the Project Area that was designated as a "redevelopment project area" under the Act by an ordinance adopted by the City Council on June 10, 1998, as certified by the Clerk of The County of Cook, Illinois, in accordance with Section 11-74.4-9 of the Act.

"City" means the City of Chicago a home rule unit of local government.

"City Council" means the governing body of the City as from time to time constituted.

"Code" means the Internal Revenue Code of 1986, as amended.

"Code and Regulations" means the Code and the Income Tax Regulations.

"Consultant" means Johnson Research Group, Inc.

"Consultant's Report" means the report prepared by Johnson Research Group, Inc. estimating Incremental Taxes to be collected annually from the Project Area during the period from 2004 through 2022 and attached hereto as APPENDIX B.

"Credit Bank" means, as to any particular Series of 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 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 Supplemental Indenture authorizing such Series.

"Current Interest Bond" means any Bond the interest on which is payable on the Interest Payment Dates provided for it in the Supplemental Indenture authorizing such Bond, and includes Capital Appreciation and Income Bonds from and after the Interest Commencement Date specified for them.

"Date of Issuance" means July 26, 2004, the date of original issuance and delivery of the Series 2004 Bonds.

"Debt Reserve Credit Instrument" means, as to any particular Series of Bonds, an insurance policy or bond that guarantees or assures the timely payment of principal or interest, or both, on Outstanding Bonds in a stated amount subject only to notification that there are insufficient funds for such purpose. This definition also includes 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, (i) with respect to the Senior Lien Bonds Outstanding at any time, that amount, if any, as shall be required to be maintained in the applicable Sub-Account of the Reserve Account established by the terms of the Supplemental Indenture authorizing such Senior Lien Bonds; (ii) with respect to the Junior Lien Bonds Outstanding at any time, that amount, if any, as shall be required to be maintained in the applicable Sub-Account of the Junior Lien Reserve Account established by the terms of the Supplemental Indenture authorizing such Junior Lien Bonds; and means (iii) with respect to the Series 2004A Bonds, the Series 2004A Debt Service Reserve Requirement, and (iv) with respect to the Series 2004B Bonds the Series 2004B Debt Service Reserve Requirement.

"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 Indenture and may include the Trustee.

"Distribution Report" means the Office of the County Clerk Tax Increment Agency Distribution Summary which is issued annually and sets forth the Incremental Taxes expected to be collected in the calendar year in which the Distribution Report is issued.

"DTC" means The Depository Trust Company, New York, New York, in its capacity as securities depository for the Series 2004 Bonds.

"DTC Participant" means any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Series 2004 Bonds with DTC pursuant to the book-entry only system.

"Escrow Agent" means, with respect to any Bonds refunded after the date of execution and delivery of the Indenture, any trust company, bank or national banking association duly appointed to act in such capacity.

"Event of Default" means any event so designated and specified in the Indenture.

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

"First Supplemental Indenture" means the First Supplemental Indenture dated as of June 1, 2004 from the City to the Trustee relating to the Series 2004 Bonds, and any amendments and supplements to it.

"Fiscal Year" means the period January 1 through December 31 of the same year.

"Government Obligations" means clauses (a) and (b) of the definition of "Investment Securities."

"IDOR" means the Illinois Department of Revenue.

"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 Project Area by any and all taxing districts or municipal corporations having the power to tax real property in the 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 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 Project Area Special Tax Allocation Fund of the City, a special tax allocation fund for the Project Area established pursuant to Section 11-74.4-8 of the Act and originally created by an ordinance of the City adopted on June 10, 1998, as continued and further described in the Indenture.

"Indenture" means the Trust Indenture dated as of June 1, 2004, as from time to time amended and supplemented by Supplemental Indentures (including the First Supplemental Indenture) executed and delivered by the City and the Trustee.

"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.

"Insured Senior Lien Bonds" means Senior Lien Bonds, the payment of principal of and interest on which is insured by a municipal bond insurance policy issued by Ambac Assurance Corporation.

"Interest Commencement Date" means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such 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 any date on which interest on a Series of Bonds is payable as established in the Supplemental Indenture authorizing such Series. For the Series 2004 Bonds, the "Interest Payment Dates" shall be June 1 and December 1 of each year, commencing on December 1, 2004.

"Interest Period" means the period from the date of the Bonds 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" for any calendar year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding, means the total of the sums that would be deemed to accrue on such Bonds during such calendar 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 (i) from the proceeds of Bonds allocable to the payment of such interest as provided in the Supplemental Indenture authorizing the issuance of such 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 (ii) from investment earnings on

deposit in the Reserve Account established under the Indenture to the extent any such earnings may be determined precisely. Unless otherwise provided in a Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, except to the extent such interest exceeds the interest otherwise payable on the Bonds, shall not be included in the determination of the Interest Requirement. If interest is not payable at a single numerical rate for the entire term of such Bonds, the term "Interest Requirement" shall have the appropriate meaning assigned to it by the Supplemental Indenture authorizing such Bonds. So long as any Insured Senior Lien Bonds remain Outstanding, the Interest Requirement for Variable Rate Bonds shall be the maximum interest rate permitted under the Supplemental Indenture authorizing such Bonds.

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

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(b) trust receipts or other certificates of ownership evidencing an ownership interest in the principal of or interest on, or both principal of and interest on, obligations described in clause (a) of this definition, which obligations are held in trust by a bank described in clause (d) of this definition, provided that such bank holds such obligations separate and segregated from all other funds and accounts of the City and of such bank and that a perfected first security interest under the Illinois Uniform Commercial Code, or under book entry procedures prescribed at 31 C.F.R. 306.0 et seq. or 31 C.F.R. 350.0 et seq. (or other similar book entry procedures similarly prescribed by federal law or regulations adopted after the date of adoption of this Ordinance), has been created in such obligations for the benefit of the applicable account or fund created under the Indenture or, to the extent permitted, in any irrevocable trust or escrow established to make provision for the payment and discharge of the indebtedness on any obligations that are payable from Pledged Revenues;

(c) obligations of Fannie Mae, the Federal Home Loan Mortgage Corporation, or of any agency or instrumentality of the United States of America now existing or hereafter created, including but not limited to the United States Postal Service, the Government National Mortgage Association, and the Federal Financing Bank;

(d) negotiable or non-negotiable time deposits evidenced (i) by certificates of deposit issued by any bank, trust company, national banking association or savings and loan association that has capital of not less than \$100,000,000 or (ii) by certificates of deposit that are continuously and fully insured by (A) any agency of the United States of America or (B) an insurer that at the time of issuance of the policy securing such deposits has been assigned a credit rating on its long-term unsecured debt within one of the two highest rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, from at least two Rating Agencies;

(e) repurchase agreements with banks described in clause (d) of this definition or with government bond dealers reporting to, trading with, and recognized as primary dealers by a Federal Reserve Bank, provided (i) that the underlying securities are obligations described in clauses (a) or (c) of this definition and are required to be continuously maintained at a market value not less than the amount so invested, (ii) the City has received an opinion of counsel to the effect that a custodian for the City has possession of the underlying securities as collateral and has a perfected first security interest in the collateral, and (iii) the collateral is in the opinion of such counsel free and clear of claims by third parties;

(f) obligations of any state of the United States of America or any political subdivision of a state or any agency or instrumentality of a state or political subdivision that are, at the time of purchase, rated by at least two Rating Agencies in one of their two highest respective long-term rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise (if not rated by at least two Rating Agencies then a rating by one Rating Agency shall be satisfactory) for comparable types of debt obligations;

(g) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation that are, at the time of purchase, rated by at least two Rating Agencies in their highest long-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise (if not rated by at least two Rating Agencies then a rating by one Rating Agency shall be satisfactory), for comparable types of debt obligations;

(h) repurchase agreements and investment agreements (including forward purchase agreements pursuant to which the City agrees to purchase securities of the type described in clauses (a), (b), (c), (f), (g) and (i) of this definition of "Investment Securities"), with any bank, trust company, national banking association (which may include the Bond Registrar, any trustee or a Depository), insurance company or any other financial institution that at the date of the agreement has an outstanding, unsecured, uninsured and unguaranteed debt issue rated by at least two Rating Agencies in one of the three highest long-term rating agency categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, or if such institution is not so rated, that the agreement is secured by such securities as are described in clauses (a) through (d) above, inclusive, having a market value at all times (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount invested pursuant to the agreement, provided that (i) a custodian for the City (which custodian is not the entity with which the City has the repurchase or investment agreement) has a perfected first security interest in the collateral and the City has received an opinion of counsel to that effect, (ii) the custodian or an agent of the custodian (which agent is not the entity with which the City has the repurchase or investment agreement) has possession of the collateral, and (iii) such obligations are in the opinion of such counsel free and clear of claims by third parties;

(i) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated by at least one Rating Agency in its highest short-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(j) certificates of deposit of national banks that are either fully collateralized at least 110 percent by marketable U.S. government securities marked to market at least monthly or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, as rated by at least one Rating Agency and maintaining such rating during the term of such investment; and

(k) shares of a money market fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.

"Junior Lien Bonds" means a Series of Bonds of the City issued pursuant to the Indenture which have a claim for payment from Pledged Revenues subordinate to the claim of the Senior Lien Bonds, as provided in Section 5.2 of the Indenture and which are identified as such in the Supplemental Indenture pursuant to which such Series of Bonds are issued.

"Junior Lien Principal and Interest Account" means the Principal and Interest Account established in Section 5.2 of the Indenture.

"Junior Lien Rebate Account" means the Junior Lien Rebate Account established in Section 5.2 of the Indenture.

"Junior Lien Reserve Account" means the Junior Lien Reserve Account established in Section 5.2 of the 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 calendar years.

"Ordinance" means the ordinance duly adopted by the City Council of the City on November 12, 2003 authorizing the issuance and sale of the Series 2004 Bonds and execution of the Indenture and First Supplemental Indenture.

"Outstanding" when used with reference to Bonds, means all Bonds previously or then being authenticated and delivered under the Indenture except:

(i) Any Bonds canceled by the Trustee at or prior to such date;

(ii) Bonds (or portions of 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 Indenture, and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice;

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

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

"Owner" means any Person who shall be the registered owner of any Bond(s).

"Paying Agent" means any bank, national banking association or trust company designated by an Authorized Officer as paying agent for the Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the 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.

"Pilsen Redevelopment Plan" means the Pilsen Tax Increment Financing Redevelopment Project and Plan approved by the City Council on June 10, 1998, as amended by Amendment Number 1 to Pilsen Tax Increment Financing Redevelopment Plan approved by the City Council on November 12, 2003 to, among other things, extend the estimated date of completion of the Project and the retirement of obligations payable from the Incremental Taxes Fund.

"Pilsen Redevelopment Project Area" means the Pilsen Tax Increment Financing Redevelopment Project Area that was designated as a "redevelopment project area" under the Act by the ordinance adopted by the City Council on June 10, 1998.

"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 Bonds, including, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Program Expenses Account, the Rebate Account, the Junior Lien Rebate Account, the General Account and the Project Fund) as provided in the Indenture, together with interest earnings thereon.

"Policy" means the financial guaranty insurance policy issued by Ambac Assurance Corporation insuring the payment when due of the principal of and interest on the Series 2004A Bonds as described herein.

"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 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 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 and Interest Account" means the Principal and Interest Account established in Section 5.2 of the Indenture.

"Principal Payment Date" means the date upon which the principal of any 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 Supplemental Indenture authorizing such Series.

"Principal Requirement" as to any calendar year and as applied to Bonds of any Series, means an amount of money equal to the aggregate of the principal amount of Outstanding Bonds of such Series which mature or are payable through Sinking Fund Installments during such calendar year

"Program Expenses" means, in any calendar year, all initial and ongoing administrative expenses related to or incurred in connection with the Bonds and (in the case of (v) below) the Project Area, including, specifically, (i) the sum necessary to pay all rating agency surveillance fees and costs and expenses of any 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 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 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, (iv) auditing fees incurred in connection with the preparation of the financial statements required pursuant to the Indenture, and (v) to the extent not included in (iv) above, all fees and expenses incurred in preparing and compiling the information which Section 11-74.4-5(d) requires the City to submit to the State Comptroller, the joint review board and the taxing districts overlapping the Project Area; but (except as provided in (iv) and (v) above and other payments to third parties) excluding specifically, expenses of the City relating specifically to the administration of the Project.

"Program Expenses Account" means the Program Expenses Account established in Section 5.2 of the Indenture.

"Project" means the redevelopment project approved by the Pilsen Redevelopment Plan.

"Project Area" means the Pilsen Tax Increment Financing Project Area that was designated a "redevelopment project area" under the Act by the ordinance adopted by the City Council on June 10, 1998.

"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 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 Indenture and shall also include the purpose set forth in 65 ILCS 5/11-74.4-4(q) and any other purpose authorized under the Act; 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 Indenture cause such cost not to be a "Project Cost" within the meaning of the Indenture.

"Project Fund" means the Project Fund established in Section 5.3 of the 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 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 Bonds.

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

"Rebate Account" means the Rebate Account established in Section 5.2 of the Indenture.

"Record Date" means May 15 and November 15 of each year.

"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.

"Refunding Bonds" means all Bonds issued to effect a refunding of Bonds pursuant to the Indenture.

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

"Reserve Account" means the Reserve Account created pursuant to Section 5.2 of the Indenture.

"Senior Lien Bonds" means a Series of Bonds of the City issued pursuant to the Indenture, which have a claim to payment from Pledged Revenues prior to the claim of the Junior Lien Bonds, as further provided in Section 5.2 of the Indenture and which are identified as such in the Supplemental Indenture pursuant to which such Series of Bonds are issued.

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

"Series" means all of the Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds subsequently authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Series 2004 Bonds" means the Series 2004A Bonds and the Series 2004B Bonds.

"Series 2004A Bonds" means the \$22,925,000 principal amount of the City of Chicago's Tax Increment Allocation Revenue Bonds (Pilsen Redevelopment Project), Series 2004A (Taxable) issued under the Indenture and the First Supplemental Indenture and described in this Official Statement.

"Series 2004B Bonds" means the \$26,595,000 principal amount of the City of Chicago's Junior Lien Tax Increment Allocation Revenue Bonds (Pilsen Redevelopment Project), Series 2004B (Tax-Exempt) issued under the Indenture and the First Supplemental Indenture and described in this Official Statement.

"Series 2004A Debt Service Reserve Requirement" means \$2,292,500.

"Series 2004B Debt Service Reserve Requirement" means \$2,659,500, which is an amount equal to the lesser of: (a) ten percent (10.0%) of the original principal amount of the Series 2004B Bonds, (b) Maximum Annual Debt Service of the Series 2004B Bonds,

or (c) one hundred twenty-five percent (125.0%) of average Annual Debt Service of the Series 2004B Bonds.

"Sinking Fund Installment" means with respect to any Series of Bonds, each principal amount of Bonds scheduled to be redeemed through sinking fund redemption provisions of a Supplemental Indenture creating such Series by the application of amounts on deposit in the Principal and Interest Account or Junior Lien Principal and Interest Account.

"State" means the State of Illinois.

"Swap Provider" means any counterparty with whom the City enters into a Qualified Swap Agreement.

"Tender Option Bonds" means any Bonds 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 the 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.

"Trustee" means Cole Taylor Bank, Chicago, Illinois, and any successor or successors appointed under the Indenture.

"Variable Rate Bonds" means any Bonds 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**

APPENDIX C
FORM OF BOND INSURANCE POLICY

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APPENDIX D

PERMITTED INVESTMENTS

The following shall constitute Permitted Investments for purposes of Section 2.11(e) of the First Supplemental Indenture to the extent such investments are authorized investments for home rule municipalities under Illinois law.

A. Ambac Assurance will allow the following obligations to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts.

(Ambac Assurance does not give a premium credit for the investment of accrued and/or capitalized interest).

1. Cash (insured at all times by the Federal Deposit Insurance Corporation),
2. Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. Ambac will allow the following Obligations to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

1. Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration

- Federal Financing Bank
2. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies approved by Ambac
3. U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
4. Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
5. Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;
6. Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
- (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

7. Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

8. Investment Agreements approved in writing by Ambac Assurance Corporation (supported by appropriate opinions of counsel); and

9. Other forms of investments (including repurchase agreements) approved in writing by Ambac.

C. The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above, the value thereof established by prior agreement among the Issuer, the Trustee, and Ambac.

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

(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.

**Pilsen Industrial Corridor Redevelopment Project Area
2004 Annual Report**

(10) CERTIFIED AUDIT REPORTS - 65 ILCS 5/11-74.4-5(d)(9)

Please see attached.

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.

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

Established 1922

O'HARE PLAZA 8745 WEST HIGGINS ROAD CHICAGO, ILLINOIS 60631 312/263-2700 FAX 312/263-6935

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 statement of net assets and governmental funds balance sheet of Pilsen Industrial Corridor Redevelopment Project of the City of Chicago, Illinois as of December 31, 2004, and the related statement of activities and governmental funds revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated June 2, 2005.

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 Pilsen Industrial Corridor 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

June 2, 2005

