



\$943,135,000
CITY OF CHICAGO

\$646,630,000
WATER REVENUE BONDS,
PROJECT SERIES 2026A

\$159,910,000
WATER REVENUE BONDS,
REFUNDING SERIES 2026B (FORWARD DELIVERY)

\$136,595,000
WATER REVENUE BONDS, REFUNDING SERIES 2026C

DATED: Date of Delivery

RATINGS

“A+” (Stable Outlook) S&P
“A+” (Negative Outlook) Fitch
“AA” (Stable Outlook) Kroll

S&P is expected to assign the insured rating of “AA” to the Insured Bonds (as defined below) upon the delivery of the Policy (as defined below). Build America Mutual Assurance Company’s rating by S&P is “AA” (Stable Outlook).

ISSUANCE

The City of Chicago (the “City”) is issuing its Water Revenue Bonds, Project Series 2026A (the “Series 2026A Bonds”), its Water Revenue Bonds, Refunding Series 2026B (Forward Delivery) (the “Series 2026B Bonds”) and its Water Revenue Bonds, Refunding Series 2026C (the “Series 2026C Bonds” and together with the Series 2026A Bonds and the Series 2026B Bonds, the “Bonds”) pursuant to an Amended and Restated Master Indenture of Trust Securing City of Chicago Second Lien Water Revenue Bonds, dated as of May 1, 2023 (the “Master Indenture”), from the City to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), as last supplemented by the Seventeenth Supplemental Indenture Securing Water Revenue Bonds, Project Series 2026A, Refunding Series 2026B (Forward Delivery) and Refunding Series 2026C, dated as of May 1, 2026. See “**INTRODUCTION – Authorization.**”

TAX EXEMPTION

Subject to compliance by the City with certain covenants, in the opinion of Co-Bond Counsel, under present law, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds is not exempt from present Illinois income taxes. See “**TAX MATTERS.**”

SECURITY AND LIEN STATUS

The Bonds are limited obligations of the City having a claim for payment of principal and interest solely from the Net Revenues pledged to their payment as described herein. The Bonds have a claim for payment from the Net Revenues on an equal and ratable basis with the City’s Outstanding Second Lien Bonds and any Second Lien Parity Bonds that may be issued from time to time in the future. ***There are no outstanding Senior Lien Bonds or other obligations with a claim to Net Revenues senior to the Bonds, and the City has covenanted under the Master Indenture not to issue any obligations with a claim to Net Revenues senior to that of the Bonds and of Outstanding Second Lien Bonds.*** See “**INTRODUCTION – Lien Status and Security for the Bonds**” and “**SECURITY FOR THE BONDS.**”

LIMITED OBLIGATIONS

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AS TO INDEBTEDNESS. THE BONDS DO NOT HAVE A CLAIM FOR PAYMENT FROM ANY TAXES OF THE CITY. THE BONDS ARE NOT SECURED BY A LIEN ON OR A SECURITY INTEREST IN THE PHYSICAL ASSETS OF THE WATER SYSTEM. THE CITY SHALL NOT BE OBLIGATED TO PAY THE BONDS EXCEPT FROM THE REVENUES PLEDGED TO THEIR PAYMENT.

REDEMPTION

The Series 2026A Bonds and the Series 2026C Bonds are subject to redemption prior to maturity as described herein under “**DESCRIPTION OF THE BONDS – Redemption – Optional Redemption**” and “**DESCRIPTION OF THE BONDS – Redemption – Mandatory Redemption,**” respectively.

PURPOSES

The City will use the proceeds from the sale of the Series 2026A Bonds to (i) pay for certain costs of the Projects (as defined herein) and (ii) pay for costs of issuance of the Series 2026A Bonds. The City will use the proceeds of the Series 2026B Bonds to (i) refund certain Outstanding Second Lien Bonds and (ii) pay costs of issuance of the Series 2026B Bonds. The City will use the proceeds of the Series 2026C Bonds to (i) repurchase and cancel by means of a tender offer certain Outstanding Second Lien Bonds and (ii) pay costs of issuance of the Series 2026C Bonds. See “**PLAN OF FINANCE.**”

BOND INSURANCE

The scheduled payment of principal of and interest on the Series 2026A Bonds maturing on November 1, 2061 (the “*Insured Bonds*”), when due will be guaranteed under a municipal bond insurance policy (the “*Policy*”) to be issued concurrently with the delivery of the Insured Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “**BOND INSURANCE.**”



DENOMINATIONS

Multiples of \$5,000.

INTEREST PAYMENT DATES

On each May 1 and November 1, commencing November 1, 2026.

PRINCIPAL PAYMENT DATES

On each November 1, as shown on the inside cover page.

BOOK-ENTRY ONLY FORM

The Bonds will be issuable as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“*DTC*”). See “**DESCRIPTION OF THE BONDS – Book-Entry Only Form.**”

CLOSING/SETTLEMENT

On or about May 21, 2026 with respect to the Series 2026A Bonds and the Series 2026C Bonds, and August 5, 2026 with respect to the Series 2026B Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds will be addressed by separate approving legal opinions of Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Holley & Pearson-Farrer LLP, Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by (i) its Corporation Counsel, and (ii) in connection with the preparation of this Official Statement, Cotillas and Associates, Chicago, Illinois, and Burke Burns and Pinelli, Ltd., Chicago, Illinois, Co-Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, Chicago, Illinois. See “**CERTAIN LEGAL MATTERS.**”

MESIROW FINANCIAL, INC.

Academy Securities

PNC Capital Markets LLC

Blaylock Van, LLC

Cabrera Capital Markets LLC

HilltopSecurities

San Blas Securities, LLC

Dated May 5, 2026

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

**\$646,630,000
CITY OF CHICAGO
WATER REVENUE BONDS,
PROJECT SERIES 2026A**

Maturity (November 1)	Principal Amount (\$)	Interest Rate	Yield	Price	CUSIP Number[†]
2041	25,000,000	5.000%	3.940%	108.289 ^c	167736 2A4
2042	25,000,000	5.000	4.000	107.798 ^c	167736 2B2
2043	25,000,000	5.000	4.100	106.986 ^c	167736 2C0
2044	25,000,000	5.000	4.210	106.101 ^c	167736 2D8
2045	27,400,000	5.000	4.320	105.225 ^c	167736 2E6
2046	28,775,000	5.000	4.420	104.436 ^c	167736 2F3
2047	30,205,000	5.000	4.540	103.498 ^c	167736 2G1
2048	25,000,000	5.000	4.690	102.340 ^c	167736 2H9

\$50,250,000 5.00% Term Bonds due November 1, 2051, Price 101.349^c, Yield 4.820%, CUSIP[†]: 167736 2J5

\$125,000,000 5.25% Term Bonds due November 1, 2061*, Price 102.922^c, Yield 4.860%, CUSIP[†]: 167736 2K2

\$135,000,000 5.00% Term Bonds due November 1, 2064, Price 98.984, Yield 5.060%, CUSIP[†]: 167736 2L0

\$125,000,000 5.50% Term Bonds due November 1, 2066, Price 104.182^c, Yield 4.940%, CUSIP[†]: 167736 2M8

*The Term Bonds due November 1, 2061 are insured by Build America Mutual Assurance Company.

^c – Price calculated to the November 1, 2035 optional redemption date.

[†] CUSIP data herein is provided by CUSIP Global Services (“CGS”). CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Neither the City, the Financial Advisors nor the Underwriters (as defined herein) or their agents or counsel is responsible for the selection, use or accuracy of the initial CUSIP numbers nor is any representation made as to their correctness with respect to the Series 2026A Bonds as included herein or at any time in the future. The initial CUSIP number for a specific series, maturity, interest rate, and call date is subject to being changed after the issuance of the Series 2026A Bonds, as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026A Bonds.

\$159,910,000
CITY OF CHICAGO
WATER REVENUE BONDS,
REFUNDING SERIES 2026B (FORWARD DELIVERY)

Maturity (November 1)	Principal Amount (\$)	Interest Rate	Yield	Price	CUSIP Number[†]
2026	2,200,000	5.000%	3.010%	100.462	167736 2N6
2027	39,340,000	5.000	3.010	102.397	167736 2P1
2028	32,175,000	5.000	2.990	104.317	167736 2Q9
2029	40,125,000	5.000	3.060	105.934	167736 2R7
2030	38,370,000	5.000	3.140	107.323	167736 2S5
2031	7,700,000	5.000	3.230	108.463	167736 2T3

[†] CUSIP data herein is provided by CGS. CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Neither the City, the Financial Advisors nor the Underwriters (as defined herein) or their agents or counsel is responsible for the selection, use or accuracy of the initial CUSIP numbers nor is any representation made as to their correctness with respect to the Series 2026B Bonds, as applicable, as included herein or at any time in the future. The initial CUSIP number for a specific series, maturity, interest rate, and call date is subject to being changed after the issuance of the Series 2026B Bonds, as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026B Bonds.

\$136,595,000
CITY OF CHICAGO
WATER REVENUE BONDS,
REFUNDING SERIES 2026C

Maturity (November 1)	Principal Amount (\$)	Interest Rate	Yield	Price	CUSIP Number[†]
2026	580,000	5.000%	2.910%	100.913	167736 2U0
2027	1,335,000	5.000	2.900	102.948	167736 2V8
2029	3,165,000	5.000	2.940	106.699	167736 2W6
2030	17,885,000	5.000	2.980	108.348	167736 2X4
2031	17,640,000	5.000	3.090	109.502	167736 2Y2
2032	14,850,000	5.000	3.190	110.466	167736 2Z9
2033	13,155,000	5.000	3.270	111.347	167736 3A3
2034	16,020,000	5.000	3.350	112.046	167736 3B1
2035	16,705,000	5.000	3.430	112.572	167736 3C9
2036	13,420,000	5.000	3.520	111.802 ^c	167736 3D7
2037	15,700,000	5.000	3.610	111.038 ^c	167736 3E5
2038	6,140,000	5.000	3.700	110.280 ^c	167736 3F2

^c – Price calculated to the November 1, 2035 optional redemption date.

[†] CUSIP data herein is provided by CGS. CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Neither the City, the Financial Advisors nor the Underwriters (as defined herein) or their agents or counsel is responsible for the selection, use or accuracy of the initial CUSIP numbers nor is any representation made as to their correctness with respect to the Series 2026C Bonds, as applicable, as included herein or at any time in the future. The initial CUSIP number for a specific series, maturity, interest rate, and call date is subject to being changed after the issuance of the Series 2026C Bonds, as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026C Bonds.

CITY OF CHICAGO

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CITY CLERK

Andrea M. Valencia

CITY TREASURER

Melissa Conyears-Ervin

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COMMITTEE ON FINANCE**

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CITY COMPTROLLER

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CO-DISCLOSURE COUNSEL

Cotillas and Associates

Burke Burns and Pinelli, Ltd.

CO-FINANCIAL ADVISORS

RSI Group LLC

Public Resources Advisory Group, Inc.

REGARDING THIS OFFICIAL STATEMENT

Certain information contained or incorporated by reference in this Official Statement has been obtained by the City from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of Bonds pursuant to this Official Statement shall under any circumstances create the implication that there has been no change in the matters referred to in this Official Statement since the date hereof. Prospective purchasers of the Bonds are expected to conduct their own review and analysis before making an investment decision.

No dealer, broker, salesperson or any other person has been authorized by the City or the Underwriters to give any information or to make any representation other than as contained or incorporated by reference in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy, or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds.

This Official Statement, including the Appendices, contains certain opinions, estimates and forward-looking statements and information, including projections, that are based on the City's beliefs as well as assumptions made by and information currently available to the City. Such opinions, estimates, and forward-looking statements set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City, were prepared on a reasonable basis, reflect its best currently available estimates and judgments, and present, to the best of the City's knowledge and belief, the expected course of action and the expected future financial performance of the City's Water System. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on such opinions, statements or prospective financial information. See "FORWARD LOOKING STATEMENTS."

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

The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and APPENDIX K – "SPECIMEN BOND INSURANCE POLICY".

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement. Furthermore, any information obtained from such websites and presented herein or references to such websites not purporting to be quoted in full are qualified in their entirety by reference to the complete contents of the website summarized or described. References to website addresses are current as of the date of this Official Statement. The City is under no obligation to update any website references or references to information contained therein.

The summaries or descriptions contained herein of provisions of the Ordinance, the Indenture, the Undertakings, the Forward Delivery Bond Purchase Agreement (each as hereinafter defined) and the Bonds, and all references to other documents and materials not purporting to be quoted in full, are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of these documents may be obtained from the Chief Financial Officer, upon email request to the Chief Financial Officer: investor.relations@cityofchicago.org.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the

federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE INDENTURE OR THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

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OFFICIAL STATEMENT

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CITY OF CHICAGO

\$646,630,000
WATER REVENUE BONDS,
PROJECT SERIES 2026A

\$159,910,000
WATER REVENUE BONDS, REFUNDING
SERIES 2026B (FORWARD DELIVERY)

\$136,595,000
WATER REVENUE BONDS, REFUNDING SERIES 2026C

INTRODUCTION

This Official Statement, including the cover page, inside cover pages, and the Appendices, is furnished by the City of Chicago (the “City”) to provide certain information with respect to the City’s Water Revenue Bonds, Project Series 2026A (the “*Series 2026A Bonds*”), Water Revenue Bonds, Refunding Series 2026B (Forward Delivery) (the “*Series 2026B Bonds*”) and Water Revenue Bonds, Refunding Series 2026C (the “*Series 2026C Bonds*” and together with the Series 2026A Bonds and the Series 2026B Bonds, the “*Bonds*,” and each a “*Series*”). Capitalized terms used in this Official Statement, unless otherwise defined, are defined in APPENDIX A – “CERTAIN DEFINITIONS OF THE INDENTURE.”

Purposes

The proceeds of the Series 2026A Bonds will be used to (i) pay for certain costs of the Projects (as defined herein) and (ii) pay for costs of issuance of the Series 2026A Bonds. The proceeds of the Series 2026B Bonds will be used to (i) refund certain Outstanding Second Lien Bonds and (ii) pay costs of issuance of the Series 2026B Bonds. The proceeds of the Series 2026C Bonds will be used to (i) repurchase and cancel by means of a tender offer certain Outstanding Second Lien Bonds and (ii) pay costs of issuance of the Series 2026C Bonds. See “PLAN OF FINANCE” and APPENDIX I – “SUMMARY OF THE REFUNDED BONDS AND THE TENDERED BONDS.”

Authorization

The Bonds are being issued pursuant to the constitutional home rule powers of the City. The Bonds were authorized under an ordinance duly adopted by the City Council of the City (the “*City Council*”) on April 15, 2026 (the “*Ordinance*”).

The Bonds are also being issued pursuant to an Amended and Restated Master Indenture of Trust Securing City of Chicago Second Lien Water Revenue Bonds, dated as of May 1, 2023 (the “*Master Indenture*”) from the City to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “*Trustee*”), as supplemented by the First through Fifteenth Supplemental Indentures Securing Second Lien Water Revenue Bonds (the “*Prior Supplemental Indentures*”) and as further supplemented by the Seventeenth Supplemental Indenture Securing Water Revenue Bonds, Project Series 2026A, Refunding Series 2026B (Forward Delivery) and Refunding Series 2026C, dated as of May 1, 2026 (the “*Seventeenth Supplemental Indenture*”).

Amendment to the Master Indenture

Pursuant to the Ordinance the City Council has approved the Sixteenth Supplemental Indenture Amending and Restating Master Indenture of Trust Securing City of Chicago Second Lien Water Revenue Bonds, dated as of May 1, 2026 (the “*Sixteenth Supplemental Indenture*”) which would amend the definition of the defined term “Water System” in the Master Indenture to read as follows (with language added to the current definition of the term in the Master Indenture in **bold**):

“Water System” means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for water supply, distribution or collection purposes, including **that portion of each water service line no greater than 2 inches in diameter that runs from the shut-off valve to a point where the water service line connects to the internal plumbing system inside a property**, the Projects, any and all further extensions, improvements and additions to the foregoing.

The above amendment is referred to herein as the “*Master Indenture Amendment*.” The Sixteenth Supplemental Indenture provides for the Master Indenture to be amended and restated to incorporate the Master Indenture Amendment after it becomes effective. The Master Indenture, as so amended and restated to incorporate the Master Indenture Amendment is referred to herein as the “*New Master Indenture*.” The Master Indenture together with the New Master Indenture are referred to herein as the “*Master Indentures*,” provided that the term Master Indentures applies to the Master Indenture prior to the Effective Date (as defined below) of the New Master Indenture, and to the New Master Indenture thereafter. The Master Indentures, as supplemented by the Prior Supplemental Indentures and the Seventeenth Supplemental Indenture, are referred to herein as the “*Indenture*.”

The Master Indenture Amendment and the New Master Indenture will not become effective until the date on which the last of all of the following have occurred (the “*Effective Date*”):

- (i) the Sixteenth Supplemental Indenture and the New Master Indenture have been executed by the City and the Trustee;
- (ii) the Trustee has determined that, the written consents, if any, to the Master Indenture Amendment and the amendment and restatement of the Master Indenture by the New Master Indenture of the Owners of currently Outstanding Second Lien Bonds when added to the deemed written consent given by the Owners of the Bonds and the deemed or actual written consent given by any future Second Lien Parity Bonds (as described below) constitute a majority in aggregate principal amount of the sum of the aggregate principal amounts of Outstanding Second Lien Bonds, including the Bonds. Written consent of the Owners of the Bonds is deemed to have been given pursuant to the Seventeenth Supplemental Indenture;
- (iii) the Trustee has received a Counsel’s Opinion stating that the Sixteenth Supplemental Indenture and the New Master Indenture have been duly and lawfully executed and delivered by the City and the Trustee in accordance with the provisions of the Master Indenture, are authorized or permitted under the Master Indenture and are valid and binding upon the City and enforceable in accordance with their respective terms upon their becoming effective as provided in the Master Indenture; and
- (iv) the expiration of 40 days after the Trustee has made the determination provided under paragraph (ii), above and in the case of actual written consent by the Owners of then Outstanding Second Lien Bonds, the filing with the Trustee of proof of mailing of notice

to the Owners of the Outstanding Second Lien Bonds, and of the receipt by the Trustee of the required written consents of the Owners of then Outstanding Second Lien Bonds (no holder of any Section 2.08 Obligations or Hedge Counterparty being affected by such amendment and restatement).

Pursuant to the Seventeenth Supplemental Indenture, purchasers of the Bonds are deemed to have provided written consent to the Master Indenture Amendment and the amendment and restatement of the Master Indenture by the New Master Indenture as a consequence of their purchase. As a result, the percentage of Owners of Second Lien Outstanding Bonds at the time of issuance of the Series 2026A Bonds and of the Series 2026C Bonds that have consented to the Master Indenture Amendment and the amendment and restatement of the Master Indenture by the New Master Indenture is 31.70 percent. Upon the delivery of the Series 2026B Bonds, the percentage of Owners of Outstanding Second Lien Bonds at the time of issuance of the Bonds that have consented to the Master Indenture Amendment and the amendment and restatement of the Master Indenture by the New Master Indenture will be 37.48 percent.

The City does not currently intend to (but may in the future) solicit consents of Owners of currently Outstanding Second Lien Bonds (i.e., holders of Second Lien Bonds issued prior to the issuance or sale of the Bonds, or to the Seventeenth Supplemental Indenture.) The City currently intends to require that purchasers of Second Lien Parity Bonds issued in the future be deemed to have provided written consent to the Master Indenture Amendment and the New Master Indenture under the terms of any future Supplemental Indenture coming into effect prior to the Effective Date of the New Master Indenture.

Designation of the Bonds

The Bonds are designated in this Official Statement as “Water Revenue Bonds” because there are no outstanding Senior Lien Bonds or other obligations with a claim to Net Revenues senior to the Bonds and, as described below, the City has covenanted under the Master Indenture not to issue any obligations with a claim to Net Revenues senior to that of the Bonds and of Outstanding Second Lien Bonds. Nevertheless, under the terms of the Master Indentures, the Bonds are Second Lien Bonds issued on parity with other Outstanding Second Lien Bonds and with Parity Second Lien Bonds that may be issued in the future.

Lien Status and Security for the Bonds

Pursuant to the Master Indenture, the City has covenanted not to issue any obligations with a claim to Net Revenues senior to that of the Outstanding Second Lien Bonds, including the Bonds (the “Negative Senior Lien Covenant”). The Master Indenture Amendment makes no changes to the Negative Senior Lien Covenant. The Negative Senior Lien Covenant could be removed from the Master Indentures by an amendment; provided, however, such amendment would require prior written consent from the owners of all the Outstanding Second Lien Bonds, and of all of the owners of the Bonds. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indenture with Consent of Owners.” Under the Master Indentures, only Second Lien Parity Bonds and obligations with a claim to Net Revenues subordinate to that of the Outstanding Second Lien Bonds and the Bonds may be issued. See “SECURITY FOR THE BONDS – General” and “– Flow of Funds.”

The Bonds are limited obligations of the City having a claim for payment of principal, redemption premium, if any, and interest solely from (i) all right, title and interest of the City in and to Net Revenues; and amounts on deposit in the accounts of the Water Fund except for amounts on deposit

in the Senior Lien Rebate Accounts, the Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes Account, in each case to the extent pledged and assigned under the Indenture (ii) all moneys and securities from time to time held by the Trustee under the terms of the Seventeenth Supplemental Indenture and (iii) any and all other property, rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to the Seventeenth Supplemental Indenture (the “*Trust Estate*”). The Bonds are issued on a parity with any Outstanding Second Lien Bonds, Second Lien Parity Bonds, Section 2.08 Obligations and Section 2.09 Obligations, payable from Net Revenues.

A lien on and security interest in Net Revenues is granted to the Registered Owners of the Bonds and of the Second Lien Bonds Outstanding from time to time, and a lien on amounts in any Accounts related to the Bonds (except for monies, instruments and securities or any Qualified Reserve Account Credit Instrument on deposit in a Debt Service Reserve Account for any other series of Second Lien Bonds issued or to be issued) is granted to the Registered Owners of the Bonds Outstanding from time to time, subject to amounts in those Accounts being deposited, credited and expended as provided in the Indenture. The claim of the Bonds to payment from amounts in the Water Fund is subordinate to the claim of the Senior Lien Rebate Accounts. See “SECURITY FOR THE BONDS – General” and “– Flow of Funds.”

The Bonds are not secured by a lien on or security interest in the physical assets of the Water System. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness, and neither the full faith and credit nor taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois is pledged to the payment of the Bonds.

Forward Delivery

It is expected that the delivery of the Series 2026B Bonds will be made on the Final Delivery Date (as defined herein). The forward delivery of the Series 2026B Bonds is subject to certain risks and conditions precedent. Prospective purchasers of the Series 2026B Bonds should carefully review the information under the heading “FORWARD DELIVERY.”

Redemption

Certain of the Bonds are subject to redemption prior to maturity as described under the caption “DESCRIPTION OF THE BONDS – Redemption” and APPENDIX F – “ADDITIONAL REDEMPTION PROCEDURES.”

Rate Covenant

As more specifically described in the Indenture, the City covenants (the “*Rate Covenant*”) that it will establish, maintain and collect at all times fees, charges and rates for the use and service of the Water System sufficient at all times to:

- (a) pay Operation and Maintenance Costs, and
- (b) produce Net Revenues Available for Bonds in each period beginning January 1 of a year and ending December 31 of the same year (a “*Fiscal Year*”) equal to at least the sum of

(A) the Aggregate Second Lien Bonds Requirement for the Fiscal Year on all Second Lien Bonds Outstanding, including the Bonds; plus

(B) 110 percent of Aggregate Subordinate Lien Debt Service for the Fiscal Year on all Subordinate Lien Obligations Outstanding; plus

(C) the annual debt service requirement for the Fiscal Year on all Commercial Paper Notes Outstanding; plus

(D) the annual debt service requirement for the Fiscal Year on all Water System Line of Credit Notes Outstanding.

These fees, charges and rates shall not be reduced, while any Bonds and Second Lien Bonds are Outstanding, below the level necessary to ensure compliance with the Rate Covenant. The City will conduct an annual review of Water System rates to determine if the City has been and will be in compliance with the Rate Covenant. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with the Rate Covenant, the City will prepare or have prepared a rate study for the Water System identifying the rate changes necessary to comply with the Rate Covenant and the Office of Budget and Management (the “*Budget Office*”) and the Chief Financial Officer (the “*Chief Financial Officer*”) will recommend appropriate action to the City Council to comply with the Rate Covenant, which may include rate increases and/or expenditure reductions. See “FINANCIAL OPERATIONS – Annual Budget Review and Implementation of Annual Budget.”

City of Chicago Water System

The City owns and operates a municipal water system (the “*Water System*”) that provides supply, treatment, and distribution of water to customers in the City and to approximately 120 suburban communities and water systems. The Water System includes all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for water supply, distribution or collection purposes, and any and all further extensions, improvements and additions to the Water System. See also “INTRODUCTION – Amendment to the Master Indenture” regarding the amended definition of Water System under the New Master Indenture.

The Water System currently serves a population of approximately 5.3 million, or about 42% of the population of the State of Illinois and will grow with the addition of nine new customers including Joliet and its surrounding communities. See “WATER SYSTEM SERVICE AREA – New Water Service to the Southwest Suburbs: Joliet and the Grand Prairie Water Commission (“*GPWC*”).” The Water System’s water is allocated from Lake Michigan pursuant to regulations of the Illinois Department of Natural Resources (“*IDNR*”). See “WATER SYSTEM SERVICE AREA – Lake Michigan Allocations.”

As of December 31, 2024, the Water System supplied water to a service area of approximately 806 square miles. The City accounted for approximately 228 square miles of this service area and the suburban customers accounted for approximately 578 square miles. The City considers it likely that a substantial majority of current suburban customers will continue to purchase water from the Water System under current contracts for the following reasons: (i) large capital investments would be required for those customers otherwise to obtain water from Lake Michigan; (ii) the Water System provides a reliable supply of water; (iii) demand for available groundwater exceeds its potential yield; and (iv) the quality of Lake Michigan water is superior to local groundwater. In 2024, the suburban customers accounted for approximately 39% of water pumpage and approximately 49% of net water sales of the Water System.

Water System Rates

Water System rates are set by the City Council. No regulation by any administrative agency currently applies to the Water System rates.

The Water System rates for metered accounts are based on a dollar rate per thousand cubic feet. The assessment of non-metered users is based on a formula related to the size of the relevant property and other use-related factors. Under current City ordinances (the “*Rate Ordinances*”), beginning June 1, 2016, and every year thereafter, annual Water System rates are required to be adjusted, if applicable, by applying to the previous year’s rates the rate of inflation, calculated based on the Consumer Price Index – Urban Wage Earners and Clerical Workers (Chicago All Items) published by the United States Bureau of Labor Statistics for the 365-day period ending on the most recent January 1. Any such annual increase, however, is capped at 5% of the previous year’s rate. Annual Water System rates are effective June 1 of each year until May 31 of the following year. As of June 1, 2025, the Water System rate was \$4.89 per 1,000 gallons of water. On June 1, 2026, the Water System rate will increase by 1.85% to \$4.98 per 1,000 gallons. The City Council may take action at any time to alter the then-current schedule of water rates. See “FINANCIAL OPERATIONS,” generally, and “Historical and Projected Financial Operations” under “FINANCIAL OPERATIONS.” See also Footnote 2 of the CITY OF CHICAGO WATER SYSTEM Historical and Projected Financial Operations (Dollars in Thousands) Table, under “FINANCIAL OPERATIONS – Historical and Projected Financial Operations” for assumptions regarding future rate increases. Beginning in 2030, the City intends to transition from its current uniform rate for suburban customers to a rate based upon cost of service. See “FINANCIAL OPERATIONS – Transition to AWWA Cost-of-Service Water Rate Methodology for Suburban Customers.”

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PLAN OF FINANCE

Project and Refunding Purposes

The City will use the proceeds from the sale of the Series 2026A Bonds to (i) pay for certain costs of the Projects (as defined below under “PLAN OF FINANCE – Projects”) and (ii) pay for costs of issuance of the Series 2026A Bonds. See “PLAN OF FINANCE – Projects.” The City will use the proceeds of the Series 2026B Bonds to (i) refund certain Outstanding Second Lien Bonds and (ii) pay costs of issuance of the Series 2026B Bonds. See “PLAN OF FINANCE – Refunding Plan – Refunded Bonds.” The City will use the proceeds of the Series 2026C Bonds to (i) repurchase and cancel by means of a tender offer certain Outstanding Second Lien Bonds and (ii) pay costs of issuance of the Series 2026C Bonds. See “PLAN OF FINANCE – Refunding Plan – *Tendered Bonds*.”

Projects

Certain proceeds of the Series 2026A Bonds are expected to be used to finance certain costs of the program of improvements and extensions to the Water System designated by the Commissioner of Water Management (the “*Commissioner*”) including, but not limited to constructing and installing water mains; rehabilitating, upgrading, replacing, repairing, renovating, improving and extending facilities at the water purification plants; improving and extending facilities at any or all of the pumping stations; providing any and all necessary facilities, services and equipment to protect and enhance the safety, integrity and security of the Water System; and providing new equipment and technology and rehabilitating existing equipment necessary to continue to provide existing and future customers with the quality and quantity of water required and to meet future customer demand; and public side lead service line replacement (collectively, the “*Projects*”). The City reserves the right to change any of the foregoing expected uses of proceeds and use proceeds of the Series 2026A Bonds to finance any of the other capital improvements in the Capital Improvement Program described in this Official Statement. See “WATER SYSTEM – Capital Improvement Program.”

Refunding Plan

Certain proceeds of the Series 2026B Bonds will be used to refund certain Outstanding Second Lien Bonds and the proceeds of the Series 2026C Bonds will be used to repurchase and cancel by means of a tender offer certain Outstanding Second Lien Bonds, in each case as further described below.

As authorized by the Ordinance and pursuant to the Forward Delivery Bond Purchase Agreement dated May 5, 2026, between the Underwriters and the City (the “*Forward Delivery Bond Purchase Agreement*”), the City will use a portion of the proceeds of the Series 2026B Bonds to refund certain Outstanding Second Lien Bonds (the “*Refunded Bonds*”). See “PLAN OF FINANCE – Refunding Plan – *Refunded Bonds*.” As authorized by the Ordinance and pursuant to the Bond Purchase Agreement dated May 5, 2026, between the Underwriters and the City (the “*Bond Purchase Agreement*”), the City will use a portion of the proceeds of the Series 2026C Bonds to repurchase and cancel by means of a tender offer certain Outstanding Second Lien Bonds. See “PLAN OF FINANCE – Refunding Plan – *Tendered Bonds*.”

Refunded Bonds

To provide for the defeasance of the Refunded Bonds, certain proceeds of the Series 2026B Bonds will be used to purchase securities constituting direct obligations of the United States of America (collectively, the “*Government Obligations*”) and to provide initial cash deposits. The principal of and interest on the Government Obligations, together with available cash deposits, will be sufficient (i) to pay

when due the interest on the Refunded Bonds to their respective redemption dates, and (ii) to redeem the Refunded Bonds on their respective redemption dates at their respective redemption prices.

The Government Obligations purchased with the proceeds of the Series 2026B Bonds, together with available cash deposits, will be held in trust with the respective paying agents for the Refunded Bonds (collectively, the “*Escrow Funds*”). Neither the cash on deposit, the maturing principal of the Government Obligations nor the interest to be earned thereon will serve as security for or be available for the payment of the principal of or the interest on the Series 2026B Bonds.

The accuracy of the mathematical computations regarding the adequacy of the maturing principal of and interest earnings on the Government Obligations together with the initial cash deposits in the Escrow Funds to pay the redemption prices for the Refunded Bonds will be verified by Robert Thomas, CPA. See “VERIFIER.”

The City expects that the Series 2026B Bonds will be issued and delivered on or about the Final Delivery Date. There are numerous conditions which must be satisfied prior to issuance, delivery of and payment for the Series 2026B Bonds. See “FORWARD DELIVERY” for a description of certain of these conditions. There can be no assurance that all of the conditions to the issuance and delivery of the Series 2026B Bonds will be satisfied, that the Series 2026B Bonds will be issued, or that the Refunded Bonds will be defeased at that time.

Outstanding Second Lien Bonds that are Refunded Bonds are detailed in APPENDIX I – “SUMMARY OF THE REFUNDED BONDS AND THE TENDERED BONDS.”

Tendered Bonds

The offer to repurchase and cancel by means of a tender offer certain Outstanding Second Lien Bonds with proceeds of the Series 2026C Bonds (the “*Tender Offer*”) was made pursuant to an Invitation to Tender made by the City dated April 20, 2026 (the “*Invitation*”). Pursuant to the Tender Offer made by the City, with the assistance of Mesirow Financial, Inc., as dealer manager (the “*Dealer Manager*”), all holders of the bonds targeted for repurchase and cancellation by means of the Invitation (the “*Target Bonds*”) were invited to tender the Target Bonds at the respective prices and subject to other terms described in the Invitation. The terms of the Tender Offer provided that all offers for purchase had to be made on or about May 1, 2026 (as such date may be extended, the “*Expiration Date*”). Following the Expiration Date, the City determined to accept the Target Bonds offered for purchase and that determination resulted in the sizing and anticipated issuance of the Series 2026C Bonds. On the date of delivery of the Series 2026C Bonds, the City, in accordance with the Tender Offer, will purchase the Target Bonds which have been offered for tender and which have been accepted for purchase (the “*Tendered Bonds*”). The purchase of the Tendered Bonds will be fully funded by the City from a portion of the net proceeds of the Series 2026C Bonds and is contingent on the issuance of the Series 2026C Bonds and certain other conditions described in the Invitation. The City will pay accrued interest on the Tendered Bonds when purchased from proceeds of the Series 2026C Bonds, and such Tendered Bonds so purchased will be cancelled. The accuracy of the mathematical computations regarding the adequacy of proceeds of the Series 2026C Bonds allocated to the purchase of the Tendered Bonds will be verified by Robert Thomas, CPA. See “VERIFIER.”

Target Bonds not offered for tender, accepted for purchase or refunded with proceeds of the Series 2026B Bonds (“*Outstanding Target Bonds*”) will remain outstanding. The City reserves the right to, and may decide to defease, purchase, or refund on a current basis some or all of the Outstanding Target Bonds through the issuance of publicly offered or privately placed bonds in the future including, but not limited to, by way of a forward delivery. Outstanding Second Lien Bonds that are Tendered

Bonds are detailed in APPENDIX I – “SUMMARY OF THE REFUNDED BONDS AND THE TENDERED BONDS.”

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds from the sale of the Bonds:

Source of Funds	Series 2026A Bonds	Series 2026B Bonds	Series 2026C Bonds	Total
Principal Amount of Bonds	\$646,630,000.00	\$159,910,000.00	\$136,595,000.00	\$943,135,000.00
Original Issue Premium	19,829,452.40*	8,184,642.15	14,450,674.20	42,464,768.75
Total Sources of Funds.....	<u>\$666,459,452.40</u>	<u>\$168,094,642.15</u>	<u>\$151,045,674.20</u>	<u>\$985,599,768.75</u>
Use of Funds				
Project Costs	\$661,353,159.91	\$	\$	\$661,353,159.91
Deposit for Refunding the Refunded Bonds.....		167,309,209.23		167,309,209.23
Purchase of the Tendered Bonds.....			150,041,737.05	150,041,737.05
Costs of Issuance (including Underwriters' discount and Bond Insurance Premium).....	5,106,292.49	785,432.92	1,003,937.15	6,895,662.56
Total Uses of Funds	<u>\$666,459,452.40</u>	<u>\$168,094,642.15</u>	<u>\$151,045,674.20</u>	<u>\$985,599,768.75</u>

*Net

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of their delivery and will bear interest from that date until paid, payable semiannually on each May 1 and November 1, commencing November 1, 2026. The Bonds will bear interest at the rates per year and mature in the principal amounts on November 1 in each year, as set forth on the inside cover of this Official Statement. Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in denominations of \$5,000 or integral multiples thereof (“*Authorized Denominations*”). Certain of the Bonds are subject to optional redemption prior to maturity and/or mandatory sinking fund redemption prior to maturity, as described below under the heading “– Redemption.”

Principal of and interest on the Bonds will be paid by the Trustee. If any payment on any Bonds is due on a day other than a Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

The Bonds initially will be issued through a book-entry only system operated by The Depository Trust Company, New York, New York (“*DTC*”).

Redemption

Optional Redemption. The Series 2026A Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after November 1, 2035, and if in part, in such order of maturity as the City shall determine and within any maturity and interest rate by lot, at a redemption price (the “*Redemption Price*”) equal to the outstanding principal amount of such Bonds, together with accrued interest to the date fixed for redemption.

The Series 2026C Bonds maturing on or after November 1, 2036 are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after November 1, 2035 and if in part, in such order and maturity as the City shall determine and within any maturity and interest rate by lot, at a Redemption Price equal to the outstanding principal amount of such Series 2026C Bonds, together with accrued interest to the date fixed for redemption.

The Series 2026C Bonds maturing on or prior to November 1, 2035 are subject to optional redemption prior to their stated maturity dates, at the option of the City, in whole or in part, and, if in part, in an Authorized Denomination, on any date (the “*Make-Whole Call Date*”), at a make-whole redemption price equal to the greater of: (1) 100% of the Amortized Value of the Series 2026C Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2026C Bonds to be redeemed from and including the Make-Whole Call Date to the maturity date of such Series 2026C Bonds, not including any portion of those payments of interest accrued and unpaid as of the Make-Whole Call Date, discounted to the Make-Whole Call Date on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at a discount rate equal to the Applicable Tax-Exempt Bond Rate; plus, in each case, accrued interest on such Series 2026C Bonds to the Make-Whole Call Date.

“*Amortized Value*” means the product of the principal amount of the Series 2026C Bonds to be redeemed and the price of such Series 2026C Bonds expressed as a percentage, calculated based on the industry-standard method of calculating bond prices, with a delivery date equal to the Make-Whole Call Date, a maturity date equal to the maturity date of such Series 2026C Bonds, and a yield equal to the yield of such Series 2026C Bonds as shown on the inside cover page of the Official Statement.

“*Applicable Tax-Exempt Bond Rate*” means the “*Interpolated AAA Yields*” rate for the maturity date of the Series 2026C Bonds to be redeemed, as published by Municipal Market Data (“*MMD*”) at least five calendar days, but not more than 60 calendar days, prior to the Make-Whole Call Date of the Series 2026C Bonds to be redeemed, or, if no such rate is established for the applicable maturity date, the Interpolated AAA Yields rate for the published maturities closest to the applicable maturity date. Should MMD no longer publish the Interpolated AAA Yields rate, then the Applicable Tax-Exempt Bond Rate will equal the “*BVAL Muni AAA Monthly Callable Yields*” rate for the maturity date made available by Bloomberg at the close of each business day. In the further event that Bloomberg no longer publishes the BVAL Muni AAA Monthly Callable Yields rate, the Applicable Tax-Exempt Bond Rate will be determined by a verification agent appointed by the City, based upon the rate per annum equal to the semiannual equivalent yield to maturity for those tax-exempt general obligation bonds rated in the highest rating category by S&P (as defined below), with a maturity date equal to the maturity date of such Series 2026C Bonds and having characteristics, other than ratings, most comparable to those of such Series 2026C Bonds in the judgment of the verification agent. The verification agent’s determination of the Applicable Tax-Exempt Bond Rate shall be final and binding in the absence of manifest error.

Make-Whole Redemption Price Determination: The make-whole redemption price will be determined by a verification agent, investment banking firm, or financial advisor retained by the City at the expense of the City. The City may conclusively rely on such verification agent’s, investment banking firm’s, or financial advisor’s determination of the make-whole redemption price and will bear no liability for such reliance.

Mandatory Redemption. The Series 2026A Bonds maturing on November 1, 2051 are subject to mandatory redemption, in part, from mandatory Sinking Fund Payments, on November 1 in each of the years and in the respective amounts set forth below, at a Redemption Price equal to the principal amount to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
2049	\$15,750,000
2050	16,750,000
2051 ♦	17,750,000

♦Final Maturity.

The Series 2026A Bonds maturing on November 1, 2061 are subject to mandatory redemption, in part, from mandatory Sinking Fund Payments, on November 1 in each of the years and in the respective amounts set forth below, at a Redemption Price equal to the principal amount to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
2057	\$22,505,000
2058	23,690,000
2059	24,940,000
2060	26,245,000
2061 ♦	27,620,000

♦Final Maturity.

The Series 2026A Bonds maturing on November 1, 2064 are subject to mandatory redemption, in part, from mandatory Sinking Fund Payments, on November 1 in each of the years and in the respective amounts set forth below, at a Redemption Price equal to the principal amount to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
2062	\$28,890,000
2063	51,760,000
2064 ♦	54,350,000

♦Final Maturity.

The Series 2026A Bonds maturing on November 1, 2066 are subject to mandatory redemption, in part, from mandatory Sinking Fund Payments, on November 1 in each of the years and in the respective amounts set forth below, at a Redemption Price equal to the principal amount to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
2065	\$61,500,000
2066 ♦	63,500,000

♦Final Maturity.

All Series 2026A Bonds subject to mandatory redemption will be selected as described in APPENDIX F – “ADDITIONAL REDEMPTION PROCEDURES – Selection of Bonds for Redemption.”

In lieu of redeeming the Series 2026A Bonds subject to mandatory redemption (the “*Term Bonds*”) pursuant to the mandatory sinking fund redemption provisions described above, on or before the 60th day next preceding any mandatory sinking fund redemption date for such Term Bonds, the Trustee

may, at the written direction of the Chief Financial Officer, use such funds available under the Indenture to purchase Term Bonds in the open market at a price not exceeding par plus accrued interest.

On or before the 60th day next preceding any mandatory sinking fund redemption date for the Term Bonds (or such shorter period as may be acceptable to the Trustee), the City may, at its option, (i) deliver to the Trustee for cancellation, Term Bonds or portions thereof in Authorized Denominations subject to mandatory sinking fund redemption or (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for Term Bonds or portions thereof in Authorized Denominations which prior to said date have been redeemed (otherwise than through the operation of such mandatory sinking fund redemption) and canceled by the Trustee and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Term Bond or portion thereof subject to mandatory sinking fund redemption so delivered or previously redeemed will be credited against future mandatory sinking fund redemption obligations on Term Bonds in such order as the City designates, or if no such designation is made, in inverse chronological order, the principal amount of such Term Bonds to be redeemed by operation of such mandatory redemption to be accordingly reduced.

Series 2026B Bonds. The Series 2026B Bonds are not subject to redemption prior to maturity.

Redemption Procedures. For a current description of the giving of notices of redemption to DTC and the selection of Series 2026A Bonds and Series 2026C Bonds for redemption while the Bonds are in the Book-Entry system, see APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.” For general redemption procedures applicable to the Bonds, see APPENDIX F – “ADDITIONAL REDEMPTION PROCEDURES – General Redemption Procedures.”

Registration, Transfers and Replacement

The Bond Register for the registration and transfer of the Bonds will be kept at the designated corporate trust office of the Trustee, as the registrar for the City in connection with the Bonds. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM” for a discussion of registration and transfer of the beneficial ownership interests in Bonds while they are in the book-entry system.

See APPENDIX G – “REGISTRATION, TRANSFER AND REPLACEMENT OF CERTIFICATED BONDS” for a discussion of registration and transfer of the beneficial ownership interests in Bonds when such Bonds are in certificated form and for a description of the procedure for the retention or appointment of a securities depository for the Bonds and for the issuance of replacement certificated Bonds in the event that there is not a securities depository for the Bonds.

Book-Entry Only Form

A full description of the Book-Entry Only Form and of DTC is contained in APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

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

Details of payments of the Bonds when in the book-entry form and the book-entry only system are described in APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.” Except as described in APPENDIX H, beneficial owners of the Bonds will not receive or have the right to receive physical

delivery of Bonds and will not be or be considered to be the owners thereof. Accordingly, each beneficial owner must rely upon (i) the procedures of DTC and, if such beneficial owner is not a “DTC Participant,” the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal of and interest on the Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner’s Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered Owner of the Bonds, references herein to Bondholders or Owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Bonds will be printed and delivered. See APPENDIX G – “REGISTRATION, TRANSFER AND REPLACEMENT OF CERTIFICATED BONDS.”

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

SECURITY FOR THE BONDS

General

The Bonds are limited obligations of the City having a claim for payment of principal, redemption premium, if any, and interest solely from the Trust Estate. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness. The Bonds do not have a claim for payment from any taxes of the City. The Bonds are not secured by a lien on or security interest in the physical assets of the Water System.

As described herein, the Bonds together with (i) the Outstanding Second Lien Bonds issued pursuant to the Master Indenture and any Second Lien Parity Bonds issued from time to time pursuant to the Master Indentures and (ii) amounts constituting Section 2.08 Obligations and Section 2.09 Obligations under the Master Indentures are secured by a pledge of Net Revenues in the City’s Water Fund except for amounts on deposit in the Senior Lien Rebate Accounts, the Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes Account (and excluding monies, instruments and securities or any Qualified Reserve Account Credit Instrument on deposit in a Debt Service Reserve Account for any other series of Second Lien Bonds issued or to be issued). The Bonds are further secured by amounts on deposit from time to time in any Accounts established for the Bonds in the Indenture.

“Net Revenues” means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs.

“Gross Revenues” generally means all income and receipts from any source which under generally accepted accounting principles are properly recognized as being derived from the operation of the Water System but do not include (a) certain amounts credited to customers on their bills or (b) Federal Subsidies unless so provided under the Supplemental Indenture authorizing the series of Second Lien Bonds with respect to which Federal Subsidies are to be paid.

“Operation and Maintenance Costs” generally means all expenses reasonably incurred by the City in connection with the operation, maintenance, renewal, replacement and repair of the Water System, which under generally accepted accounting principles are properly chargeable to the Water System and not capitalized, but excluding any provision for depreciation or for interest on obligations for borrowed money payable from Net Revenues, and certain fees incurred by the City in connection with such obligations.

“Section 2.08 Obligations” generally means any obligations incurred by the City to reimburse or otherwise make payments to the issuer or issuers of one or more financial instruments securing one or more series of Second Lien Bonds as described in the Master Indentures. “Section 2.09 Obligations” generally means any obligations incurred by the City to any one or more Hedge Counterparties pursuant to the Master Indentures.

The descriptions above of the terms “Gross Revenues,” “Operation and Maintenance Costs,” “Section 2.08 Obligations” and “Section 2.09 Obligations” are intended to summarize their meaning in general terms. For a full and complete description of the meaning of such terms, see APPENDIX A – “CERTAIN DEFINITIONS OF THE INDENTURE.”

Pledge of Net Revenues

Under the Indenture, the Bonds are secured by, and payable from, the Trust Estate, including Net Revenues in the City’s Water Fund except for amounts on deposit in the Senior Lien Rebate Accounts, the Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes Account (and excluding monies, instruments and securities or any Qualified Reserve Account Credit Instrument on deposit in a Debt Service Reserve Account for any other series of Second Lien Bonds issued or to be issued), and amounts on deposit from time to time in any Accounts established for the Bonds in the Indenture. Pursuant to the Indenture, such Net Revenues are pledged to the payment of the principal of, premium, if any, and interest on the Bonds, all Second Lien Bonds and any Second Lien Parity Bonds that may be issued in the future without priority or distinction of one series of Second Lien Bonds over any other series of Second Lien Bonds.

To the extent set forth in the Indenture, the Trust Estate and all moneys and securities held or set aside or to be held or set aside by the Trustee under the Indenture or any Supplemental Indenture have been pledged to secure the payment of the principal and Redemption Price of, and interest on, the Bonds and the payment of all amounts constituting Section 2.08 Obligations and Section 2.09 Obligations, subject only to the provisions of the Indenture or any Supplemental Indenture requiring or permitting the payment, setting apart or appropriation of such moneys and securities for or to the purposes and on the terms, conditions, priorities and orders set forth in or provided under the Indenture or such Supplemental Indenture.

The claim to Net Revenues of Section 2.08 Obligations and Section 2.09 Obligations (except with respect to termination payments for Section 2.09 Obligations) is on parity to the claim of the Bonds and other Second Lien Bonds.

Flow of Funds

The City maintains the Water Fund as a separate fund of the City to, among other things, carry out the provisions of the ordinances authorizing Senior Lien Bonds (but solely with respect to those amounts on deposit in the Senior Lien Rebate Accounts as described in this Official Statement), Second Lien Bonds, Subordinate Lien Obligations, Commercial Paper Notes and Water System Line of Credit Notes (collectively, “*Water Revenue Obligations*”).

Gross Revenues of the Water System are credited as they are deposited to the Water Fund, which is held by a depository bank which is currently not the depository for the City's General Fund. The Water Fund constitutes a trust fund and has been and is irrevocably pledged to the owners of the Second Lien Bonds (but not with respect to amounts on deposit in the Senior Lien Rebate Accounts, Subordinate Lien Obligations Account, the Commercial Paper Account and the Line of Credit Notes Account as described in this Official Statement) and other Water Revenue Obligations (but solely with respect to funds on deposit in the respective applicable Account in the Water Fund). Moneys in the Water Fund are expended only as provided in the Indenture for (a) paying Operation and Maintenance Costs and (b) maintaining the Accounts in the Water Fund established by the Indenture and described below, including, without limitation, the Accounts securing the Bonds and other Second Lien Bonds, and all other reserve funds or accounts which are established and maintained in the Master Indentures. Any funds available after these requirements have been satisfied or which are not necessary to satisfy these requirements may be used for any lawful purpose of the Water System.

Net Revenues are required to be transferred, without any further official action or direction, from the Water Fund to the following accounts in the following order of priority for the uses described below:

1. The **Senior Lien Rebate Accounts** are used at the direction of the City to make required rebate payments of arbitrage to the United States with respect to any Senior Lien Bonds and, to the extent not needed for such purpose, are then transferred to the Water Fund, provided that, earnings on the investment of amounts on deposit in the Senior Lien Rebate Accounts shall not be Investment Earnings, shall not be considered Gross Revenues and shall be retained in the respective Senior Lien Rebate Accounts except to the extent no longer required for rebate purposes.

2. The **Second Lien Bonds Account** is used to pay the principal of and interest on the Bonds and any other Second Lien Bonds and to meet other payment obligations under the Indenture and any ordinance or supplemental indenture authorizing Second Lien Bonds, including deposits of monies and/or Qualified Reserve Account Credit Instruments to meet any series reserve account requirement. The City will transfer Net Revenues from the Water Fund to the Second Lien Bonds Account and to each Subaccount in the Second Lien Bonds Account such amounts on such dates as are required to be so transferred by the supplemental indenture authorizing the series of Second Lien Bonds corresponding to such Subaccount, without priority of one Subaccount over any other Subaccount. Moneys on deposit in the Second Lien Bonds Account shall be applied without priority as to any particular series of Second Lien Bonds (other than moneys, instruments and securities or any Qualified Reserve Account Credit Instrument in any Debt Service Reserve Account established within a Subaccount of the Second Lien Bonds Account for any particular series of Second Lien Bonds).

3. The **Subordinate Lien Obligations Account** is used to make debt service payments and other required deposits with respect to any Subordinate Lien Obligations. The City is obligated to make required debt service and other deposits to all subaccounts established in the Subordinate Lien Obligations Account on the Business Day immediately preceding each May 1 and November 1 in amounts specified in a certificate of its Chief Financial Officer reflecting the amount required by any ordinance authorizing the issuance of Subordinate Lien Obligations. Moneys on deposit in the Subordinate Lien Obligations Account shall be applied without priority to any subaccounts established in the Subordinate Lien Obligations Account.

4. The **Commercial Paper Account** is used to make debt service payments and other required deposits with respect to any Commercial Paper Notes authorized and issued under any ordinances or related indentures. The moneys on deposit in the Commercial Paper Account

are required to be transferred by the Chief Financial Officer on the date so deposited to the appropriate paying agents or trustees for the related Commercial Paper Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related supplemental indentures authorizing such Commercial Paper Notes.

5. The **Line of Credit Notes Account** is used to make debt service payments and other required deposits with respect to any Water System Line of Credit Notes authorized and issued under any ordinances or related Water System Line of Credit Agreements. The moneys on deposit in the Line of Credit Notes Account are required to be transferred by the Chief Financial Officer on the date so deposited to the appropriate owners of or paying agents or trustees for the related Water System Line of Credit Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related Water System Line of Credit Agreements authorizing Water System Line of Credit Notes.

6. The **Water Rate Stabilization Account** is used at the City's discretion, in any year, to pay any expenses of or obligations of the Water System, including Operation and Maintenance Costs, deposits when due in the Second Lien Bonds Account, deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bonds Account), deposits when due in the Commercial Paper Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bonds Account or the Subordinate Lien Obligations Account), and deposits when due in the Line of Credit Notes Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Account, in the Subordinate Lien Obligations Account or in the Commercial Paper Account), any costs of repairs, replacements, renewals, improvements, equipment or extensions to the Water System or any other cost or expense relating to the Water System or the financing or refinancing of the Water System.

On the Business Day immediately preceding each November 2 there shall be transferred from the Water Fund from Net Revenues and deposited to the credit of the Water Rate Stabilization Account such amount as shall be required for the balance in the Water Rate Stabilization Account to equal at least ninety (90) Days' Cash On Hand. For purposes of complying with the Rate Covenant and other covenants of the Master Indentures described in "INTRODUCTION – Rate Covenant" (above) and APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" under the caption "– Additional Second Lien Bonds," the Chief Financial Officer may allocate from the Water Rate Stabilization Account to Net Revenues Available for Bonds, the amount determined by the Chief Financial Officer to be allocated for the applicable Fiscal Year.

"Days' Cash On Hand" means Cash On Hand divided by the quotient of (i) operating expenses, as shown on the most recent audited financial statements of the Water Fund, and (ii) 365.

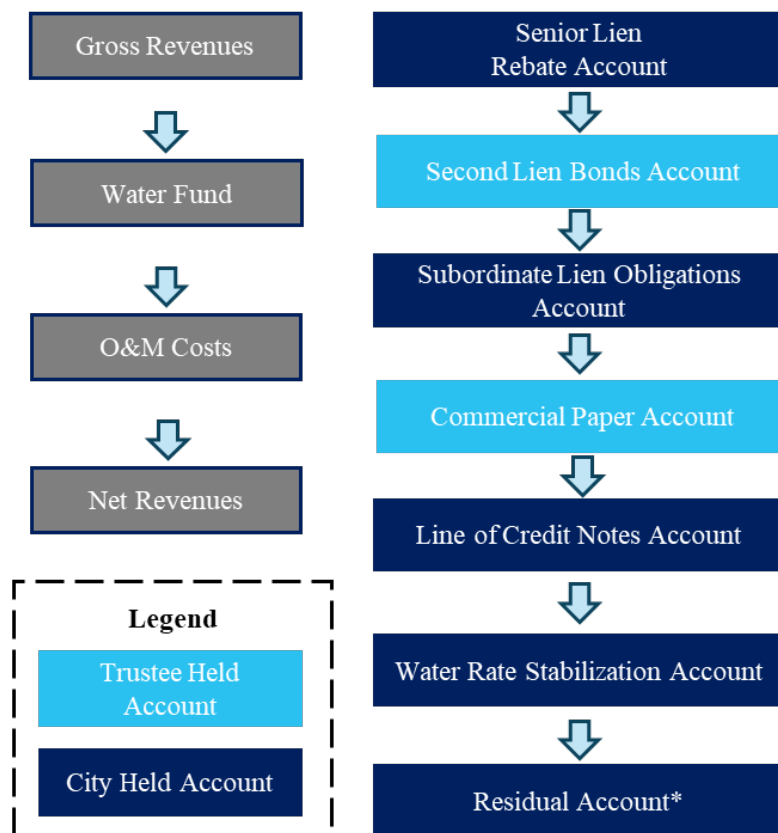
"Cash on Hand" means the sum, as shown on the most recent audited financial statements of the Water Fund, of cash, cash equivalents, liquid investments and marketable securities in the Water Fund and any account or sub-account therein, excluding any such items in the Senior Lien Rebate Accounts, Second Lien Bonds Account, Subordinate Lien Obligations Account, Commercial Paper Account or Line of Credit Notes Account.

7. The **Residual Account** may be used for paying any expenses or obligations of the Water System, including, without limitation, any Operation and Maintenance Costs, making deposits when due in the Second Lien Bonds Account, making deposits when due in the

Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bonds Account), making deposits when due in the Commercial Paper Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Accounts or the Subordinate Lien Obligations Account), making deposits when due in the Line of Credit Notes Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Accounts, in the Subordinate Lien Obligations Account or in the Commercial Paper Account), any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Water System or any other cost or expense relating to the Water System or the financing or refinancing of the Water System.

For purposes of complying with the Rate Covenant and other covenants of the Master Indentures described in “INTRODUCTION – Rate Covenant” (above) and APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “– Additional Second Lien Bonds,” the Chief Financial Officer may allocate from the Residual Account to Net Revenues Available for Bonds, the amount determined by the Chief Financial Officer to be allocated for the applicable Fiscal Year.

The following chart shows the priority of the flow of funds from the Water Fund into each of the accounts established pursuant to the Master Indentures as described in greater detail above.



To provide for debt service on the Bonds, the City, on or before each May 1 and November 1 (each a “Deposit Date”), commencing November 1, 2026, is required to deposit into the 2026 Second Lien Bonds Subaccount established within the Second Lien Bonds Account pursuant to the Indenture, from amounts on deposit in the Second Lien Bonds Account (other than monies, instruments or securities or any Qualified Reserve Account Credit Instrument on deposit in a Debt Service Reserve Account for

any other series of Second Lien Bonds issued or to be issued), an amount equal to the aggregate of the following amounts (such amounts are calculated by the Trustee and transferred by the City to the Trustee in accordance with the Indenture on or before each such Deposit Date):

(a) for deposit into the Series 2026 Principal and Interest Account of the 2026 Second Lien Bonds Subaccount (the “*Principal and Interest Account*”), an amount equal to the Principal and Interest Account Requirement; and

(b) for deposit into the Program Fee Account of the 2026 Second Lien Bonds Subaccount, the amount estimated by the City to be required as of the close of business on the related Deposit Date to pay all Program Fees payable from amounts in the Program Fee Account during the semi-annual period commencing on such related Deposit Date and, in the case of the initial Deposit Date, any fees payable from the date of issuance to, but not including, such initial Deposit Date.

“Principal and Interest Account Requirement,” as used in the preceding sentence, means an amount, calculated as of each Deposit Date, equal to the total principal and interest due on the Bonds on such Deposit Date. Except as otherwise provided in the Indenture, moneys on deposit in the Principal and Interest Account will be held by the Trustee for the sole and exclusive benefit of the Bonds and used for the purpose of paying the principal of and interest on the Bonds when due. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Application of Bond Proceeds – Deposits into 2026 Second Lien Bonds Subaccount and Accounts Therein.”

Additional Bonds and Obligations Subordinated to the Bonds

As long as there are any Bonds or other Outstanding Second Lien Bonds, the City may issue Second Lien Parity Bonds in parity with the Bonds and other Outstanding Second Lien Bonds for any lawful purpose of the Water System, including, to refund the Bonds, other Outstanding Second Lien Bonds, Subordinate Lien Obligations or obligations payable from revenues of the Water System on a basis subordinate to the Second Lien Bonds, as well as issue Subordinate Lien Obligations and other obligations subordinated to Second Lien Bonds. The issuance of Second Lien Parity Bonds is subject to certain conditions, including compliance with debt service coverage covenants, which are summarized in APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Second Lien Bonds.”

The Master Indentures do not restrict the City’s ability to issue obligations payable on a basis subordinate to the Bonds. As of April 1, 2026, there were \$457,541,223 outstanding in aggregate principal amount of Subordinate Lien Obligations in the form of loans from the Illinois Environmental Protection Agency (“*IEPA*”) and \$13,341,035 outstanding Water System Line of Credit Notes. See “WATER SYSTEM DEBT – Obligations Subordinated to the Bonds and other Second Lien Bonds” and “Commercial Paper Notes and Water System Line of Credit Notes” with respect to outstanding obligations payable on a basis subordinate to the Bonds.

Deficiencies and Excesses

In the event of a deficiency in any Fiscal Year in any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, the Commercial Paper Account, the Line of Credit Notes Account, or the Water Rate Stabilization Account, the amount of such deficiency shall be transferred from the Residual Account and deposited into such Account or Subaccount.

Whenever the balance in any subaccount of any Senior Lien Rebate Account exceeds the amount required to be on deposit in such account, the excess may be transferred to the Water Fund, provided that no such transfers shall be made when any debt service payments on outstanding obligations of the City (including the Bonds) that are payable by their terms from the revenues of the Water System are past due. Any funds that remain in the Water Fund at the end of any Fiscal Year shall be retained in the Residual Account of the Water Fund and shall be available for appropriation for any proper purpose of the Water System.

Cash and Investments

Any cash or investments in the Second Lien Bonds Account and the Commercial Paper Account of the Water Fund are held under the Master Indentures by the Trustee. See “Flow of Funds,” above, and “Investments of Funds Held Under the Master Indentures,” below for a description of Permitted Investments of such funds as provided by the Master Indentures. Amounts in accounts not held by the Trustee are held by the City (“*City Held Accounts*”) and deposited in segregated bank accounts. Since 2019, the City has maintained all cash and investments of the City Held Accounts in separate bank accounts segregated from the City’s general accounts, including those of the Corporate Fund of the City. As part of the Financial Policies (as defined below), the City intends to continue maintaining all cash and investments of the Water Fund in segregated bank accounts.

Generally, unless otherwise authorized by the City Council, the investment of City funds, such as those deposited in City Held Accounts, is governed by the City’s Municipal Code, which provides that neither the City Comptroller nor the City Treasurer has the authority to “... (i) invest in arrangements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities or (ii) borrow against or otherwise obligate City investments for the purpose of investment.” See APPENDIX C – “CITY OF CHICAGO DEPARTMENT OF WATER MANAGEMENT WATER FUND ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2024 – Notes (1) and (2).” In accordance with the requirements of the Public Funds Investment Act enacted by the State, the City Council has authorized the City Treasurer to adopt a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the Office of the City Treasurer in the investment of City funds in accordance with the Municipal Code.

Investment of Funds Held Under the Indenture

All moneys held in any fund, account, and subaccount established under the Seventeenth Supplemental Indenture, are required to be invested in Permitted Investments in accordance with the Indenture except that moneys in the Principal and Interest Account shall only be invested in Governmental Obligations scheduled to mature on the earlier of (i) (A) 30 days from the date of investment for amounts representing principal of the Bonds, or (B) six months from the date of investment for amounts representing interest payable on the Bonds, or (ii) the date upon which such moneys will be required to be used in accordance with the Seventeenth Supplemental Indenture. All such investments shall be deemed at all times part of the fund, account or subaccount for which they were made.

No Debt Service Reserve Account or Qualified Reserve Account Credit Instrument

No Debt Service Reserve Account or Qualified Reserve Account Credit Instrument has been established with respect to the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Series 2026A Bonds maturing on November 1, 2061, with CUSIP # 167736 2K2 (the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX K to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million and \$215.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Insured Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Insured Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise.

RATINGS

The Bonds are rated “A+” (Stable Outlook) by S&P Global Ratings, “A+” (Negative Outlook) by Fitch Ratings and “AA” (Stable Outlook) by Kroll Bond Rating Agency. The Insured Bonds are expected to be assigned a rating of “AA” by S&P Global Ratings based upon the issuance of the Policy by BAM at the time of the issuance of the Insured Bonds. BAM’s rating by S&P Global Ratings is “AA” (Stable Outlook.)

A rating reflects only the view of the rating agency giving such rating. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time. An explanation of the significance of such rating may be obtained from such organization. There is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have adverse consequences for the Water System or an adverse effect on the price at which the Bonds may be resold.

WATER SYSTEM DEBT

No Outstanding Senior Lien Bonds

There are no outstanding Senior Lien Bonds or other obligations with a claim to Net Revenues senior to the Bonds, and the City has covenanted under the Master Indenture, not to issue any obligations with a claim to Net Revenues senior to that of the Bonds and of Outstanding Second Lien Bonds. The Master Indenture Amendment makes no changes to this negative senior lien covenant. See “INTRODUCTION – Lien Status and Security for the Bonds” and “SECURITY FOR THE BONDS.”

Outstanding Second Lien Bonds

The outstanding Second Lien Bonds of the Water System calculated as of August 5, 2026, will consist of, after the issuance of the Bonds, \$2,516,089,958 in aggregate principal amount of Second Lien Bonds including \$195,394,958 drawn under the WIFIA Loan (as described below) as of April 1, 2026, after giving effect to the refunding of the Refunded Bonds, the purchase and cancellation of the Tendered Bonds and the issuance of the Series 2026A, Series 2026B, and Series 2026C Bonds. The Ordinance authorized the issuance of \$1,050,000,000 principal amount of Bonds of which \$700,000,000 were for costs of the Projects and related purposes and \$350,000,000 for refunding and related purposes. The Subordinate Lien Obligations and other subordinate obligations outstanding are described under the caption “Obligations Subordinated to the Bonds and other Second Lien Bonds” below.

Pursuant to the Master Indenture and a Fourteenth Supplemental Indenture dated as of October 1, 2023 (the “*Fourteenth Supplemental Indenture*”) between the City and the Trustee, the City issued its bond (the “*WIFIA Bond*”) in favor of the US Environmental Protection Agency (the “*US EPA*”) (in substitution for its previously issued Second Lien Water Revenue Bonds, Project Series 2023 Taxable), in connection with a loan from the US EPA pursuant to the Water Infrastructure Finance and Innovation Act in a principal amount not to exceed \$336,000,000 (the “*WIFIA Loan*”) memorialized in an amended loan agreement between the City and the US EPA (the “*WIFIA Loan Agreement*”). Under the WIFIA Loan Agreement, the maximum principal amount of the WIFIA Bond is \$336,000,000. The WIFIA Bond bears interest at 4.38% per annum, with a final maturity of November 1, 2056. The City’s obligations under the WIFIA Loan are evidenced by the WIFIA Bond and are secured on a parity with the other Outstanding Second Lien Bonds under the Master Indenture and the Fourteenth Supplemental Indenture.

The following table reflects the Outstanding Second Lien Bonds calculated as of August 5, 2026 after giving effect to the refunding of the Refunded Bonds, the purchase and cancellation of the Tendered Bonds and the issuance of the Series 2026A, Series 2026B and Series 2026C Bonds.

Series	Final Maturity Date (November 1)	Principal Amount Outstanding Before Issuance of the Bonds ¹	Bonds Refunded or Tendered	Principal Amount Outstanding After Issuance of the Bonds ^{2,3}
2000	2030	\$100,000,000	\$100,000,000	-
2001	2030	51,180,000	-	\$51,180,000
2004	2027	64,380,000	33,345,000	31,035,000
2010B	2040	250,000,000	-	250,000,000
2010C	2029	29,665,000	-	29,665,000
2016A-1	2031	42,455,000	36,160,000	6,295,000
2017	2036	137,665,000	39,650,000	98,015,000
2017-2	2038	179,320,000	100,025,000	79,295,000
2023A	2062	254,210,000	-	254,210,000
2023B	2040	284,705,000	-	284,705,000
2023C ³	2056	195,394,958	-	195,394,958
2024A	2044	293,160,000	-	293,160,000
2026A	2066			646,630,000
2026B	2031			159,910,000
2026C	2038			136,595,000
Total		<u>\$1,882,134,958</u>	<u>\$309,180,000</u>	<u>\$2,516,089,958</u>

¹ As of April 1, 2026.

² This column reflects the amount of Outstanding Second Lien Bonds calculated as of August 5, 2026, after giving effect to the refunding of the Refunded Bonds, the purchase and cancellation of the Tendered Bonds and the issuance of the Series 2026A, Series 2026B, and Series 2026C Bonds.

³ Reflects amounts drawn under the WIFIA Loan as of April 1, 2026.

Obligations Subordinated to the Bonds and other Second Lien Bonds

The City has entered into fully disbursed loan agreements with IEPA as shown in the following table to fund Water System projects. Each loan constitutes a Subordinate Lien Obligation. It is anticipated that the City will enter into additional IEPA loans and may enter into other additional Subordinate Lien Obligations in the future. Subordinate Lien Obligations, including the IEPA loans, have a claim to payments from amounts in the Water Fund that is subordinate to the claim of the Bonds. As of April 1, 2026, there were \$457,541,223 outstanding in aggregate principal amount of Subordinate Lien Obligations in the form of fully disbursed loans from the IEPA.

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SUBORDINATE LIEN OBLIGATIONS OUTSTANDING

<u>IEPA Loans in Repayment</u>	<u>Final Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Amount of Loan Outstanding⁽¹⁾</u>
L17-3767	9/9/2037	1.995	27,935,703
L17-3769	11/1/2032	1.25	581,211
L17-3770	12/2/2031	0	2,735,434
L17-4564	12/21/2031	1.25	1,959,444
L17-4686	11/1/2032	1.25	581,783
L17-4687	12/27/2032	1.25	2,358,887
L17-4864	3/21/2034	2.295	2,979,216
L17-4865	7/16/2034	1.93	18,690,170
L17-5025	10/16/2034	1.93	7,525,347
L17-5199	6/17/2035	1.995	24,727,993
L17-5229	9/2/2038	1.86	19,607,880
L17-5232	1/31/2036	2.21	35,313,764
L17-5281	4/14/2035	1.995	8,063,203
L17-5319	1/4/2041	1.64	29,639,675
L17-5330	11/21/2042	1.76	48,677,205
L17-5331	7/17/2037	1.86	51,352,758
L17-5332	6/1/2036	1.86	11,554,905
L17-5361	8/13/2039	1.64	3,879,029
L17-5384	7/17/2037	1.64	14,161,274
L17-5417	6/19/2038	1.86	27,226,483
L17-5480	5/25/2039	1.76	76,873,399
L17-5481	10/9/2039	1.76	8,403,452
L17-5482	12/30/2044	2.00	27,296,532
L17-5483	8/16/2043	1.11	5,416,476
Total Outstanding Principal Balance			<u><u>\$457,541,223</u></u>

Source: City of Chicago, Department of Water Management.

⁽¹⁾ The outstanding principal amounts are as of April 1, 2026. Totals may not add due to rounding.

The City has also signed initial loan agreements pertaining to an additional \$73.5 million of IEPA loans. Disbursements for these loans are ongoing and the final amounts of the loans may change based on project needs.

Historically, the IEPA Program provides loans for a twenty-year repayment term in most instances with shorter repayment schedules negotiated under certain project circumstances. Under new rules adopted in 2024 the repayment term for new loans is now thirty years. The loans are provided at simple interest and payback does not begin until the completion of construction. Interest rates for the program and which would be applicable to future IEPA loans are established annually and are calculated and applied at one-half the Bond Market Interest Rate, defined as the mean interest rate of the *Bond Buyer* 20 Bond General Obligation Index for the preceding fiscal year. The interest rate in effect at the time of origination remains fixed for the life of the loan.

Commercial Paper Notes and Water System Line of Credit Notes

Ordinances of the City authorizing the issuance of water revenue bonds also authorize the issuance from time to time of Commercial Paper Notes and Water System Line of Credit Notes for the purposes of financing or refinancing capital improvements to the Water System or providing funds to meet the cash flow needs of the Water System, among others. The maximum aggregate principal amount

of all Commercial Paper Notes and Water System Line of Credit Notes outstanding at any one time may not exceed \$200,000,000 without further authorization from the City Council.

There are no Commercial Paper Notes currently outstanding. Currently, the City has outstanding Water System Line of Credit Notes as set forth in the table below.

<u>Series</u>	<u>Amount Committed</u>	<u>Amount Drawn</u>	<u>Facility Expiration</u>	<u>Bank</u>
2025	\$40,000,000	\$13,341,035	6/16/2028	PNC Bank, National Association

Interest Rate Swaps

The City has no interest rate swaps associated with the City's Second Lien Bonds; however the City reserves its rights to enter into interest rate swaps in connection with Second Lien Bonds in the future.

WATER SYSTEM ANNUAL DEBT SERVICE

The aggregate debt service on Second Lien Bonds, and Subordinate Lien Obligations (which are described above), after the issuance of the Bonds, the refunding of the Refunded Bonds and the purchase and cancellation of the Tendered Bonds, is as shown in the following table:

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**SECOND LIEN AND SUBORDINATE LIEN OUTSTANDING ANNUAL DEBT SERVICE AFTER
THE ISSUANCE OF THE BONDS, THE REFUNDING OF THE REFUNDED BONDS AND THE PURCHASE AND
CANCELLATION OF THE TENDERED BONDS⁽¹⁾**

Fiscal Year	Outstanding Second Lien Bonds Debt Service ⁽²⁾	The Bonds			Total Second Lien Bond Debt Service ⁽²⁾	Outstanding Subordinate Lien Obligations Debt Service ⁽³⁾	Total Debt Service Requirement
		Principal	Interest	Total			
2026	169,218,793	2,780,000	19,731,703	22,511,703	191,730,496	42,045,045	233,775,541
2027	121,591,804	40,675,000	47,955,250	88,630,250	210,222,054	42,045,049	252,267,103
2028	118,196,701	32,175,000	45,921,500	78,096,500	196,293,201	42,045,053	238,338,254
2029	121,967,176	43,290,000	44,312,750	87,602,750	209,569,926	42,045,057	251,614,983
2030	106,487,684	56,255,000	42,148,250	98,403,250	204,890,934	42,045,061	246,935,995
2031	142,449,646	25,340,000	39,335,500	64,675,500	207,125,146	42,045,065	249,170,212
2032	148,188,341	14,850,000	38,068,500	52,918,500	201,106,841	41,237,945	242,344,785
2033	123,186,241	13,155,000	37,326,000	50,481,000	173,667,241	40,720,608	214,387,849
2034	124,767,620	16,020,000	36,668,250	52,688,250	177,455,870	40,673,317	218,129,187
2035	128,402,305	16,705,000	35,867,250	52,572,250	180,974,555	35,211,310	216,185,865
2036	135,774,949	13,420,000	35,032,000	48,452,000	184,226,949	30,634,611	214,861,560
2037	134,679,256	15,700,000	34,361,000	50,061,000	184,740,256	28,048,682	212,788,937
2038	118,697,222	6,140,000	33,576,000	39,716,000	158,413,222	17,755,633	176,168,854
2039	120,698,022		33,269,000	33,269,000	153,967,022	11,553,507	165,520,529
2040	120,498,543		33,269,000	33,269,000	153,767,543	7,340,931	161,108,474
2041	46,097,096	25,000,000	33,269,000	58,269,000	104,366,096	6,222,269	110,588,365
2042	46,101,096	25,000,000	32,019,000	57,019,000	103,120,096	5,103,602	108,223,699
2043	46,103,096	25,000,000	30,769,000	55,769,000	101,872,096	1,778,062	103,650,158
2044	46,100,846	25,000,000	29,519,000	54,519,000	100,619,846	1,436,660	102,056,506
2045	32,127,096	27,400,000	28,269,000	55,669,000	87,796,096		87,796,096
2046	32,125,884	28,775,000	26,899,000	55,674,000	87,799,884		87,799,884
2047	32,130,521	30,205,000	25,460,250	55,665,250	87,795,771		87,795,771
2048	32,129,434	25,000,000	23,950,000	48,950,000	81,079,434		81,079,434
2049	32,126,571	15,750,000	22,700,000	38,450,000	70,576,571		70,576,571
2050	32,130,621	16,750,000	21,912,500	38,662,500	70,793,121		70,793,121
2051	32,129,746	17,750,000	21,075,000	38,825,000	70,954,746		70,954,746
2052	72,560,733		20,187,500	20,187,500	92,748,233		92,748,233
2053	72,560,808		20,187,500	20,187,500	92,748,308		92,748,308
2054	72,561,233		20,187,500	20,187,500	92,748,733		92,748,733
2055	72,562,358		20,187,500	20,187,500	92,749,858		92,749,858
2056	72,561,958		20,187,500	20,187,500	92,749,458		92,749,458
2057	22,464,475	22,505,000	20,187,500	42,692,500	65,156,975		65,156,975
2058	22,464,150	23,690,000	19,005,988	42,695,988	65,160,138		65,160,138
2059	22,460,150	24,940,000	17,762,263	42,702,263	65,162,413		65,162,413
2060	22,463,000	26,245,000	16,452,913	42,697,913	65,160,913		65,160,913
2061	22,460,850	27,620,000	15,075,050	42,695,050	65,155,900		65,155,900
2062	22,460,950	28,890,000	13,625,000	42,515,000	64,975,950		64,975,950
2063		51,760,000	12,180,500	63,940,500	63,940,500		63,940,500
2064		54,350,000	9,592,500	63,942,500	63,942,500		63,942,500
2065		61,500,000	6,875,000	68,375,000	68,375,000		68,375,000
2066		63,500,000	3,492,500	66,992,500	66,992,500		66,992,500
Total	\$2,841,686,979	\$943,135,000	\$1,087,870,415	\$2,031,005,415	\$4,872,692,394	\$519,987,466	\$5,392,679,860

- (1) Principal and interest for each year includes amounts payable on the City's Second Lien Bonds on May 1 and November 1 of that year. All of the City's outstanding Second Lien Bonds bear interest at a fixed rate. Reflects debt service on the currently drawn portion of the WIFIA Loan as of April 1, 2026 but excludes debt service on any future draws that may be made under the WIFIA Loan. Totals may not add due to rounding.
- (2) Calculated as of August 5, 2026. Interest for each year includes the full amount of interest payable on the City's Series 2010B Second Lien Bonds without adjustment for certain direct payment subsidies expected by the City to be received from the U.S. Treasury. Debt service is net of capitalized interest, as applicable.
- (3) As of April 1, 2026. Reflects only Subordinate Lien Obligations that have final loan amounts with the IEPA but does not reflect initial awards that are still drawing or have not yet drawn funds from the IEPA.

DEPARTMENT OF WATER MANAGEMENT

The City's Department of Water Management (the "*Department*") is an executive department of the City with responsibility for the operation, maintenance, repair, improvement, replacement and extension of the Water System and the Sewer System. Water and sewer funds are held separately to comply with legal requirements.

The budgeted employment level of the Department for 2025 for Water System employees was 979 and for Sewer System employees was 584 (these figures represent the total number of full-time equivalent employees budgeted within the Department on those funds, including seasonal employees). The Department includes employees with professional qualifications in the fields of engineering, law, science, construction management, public sector management and financial management, as well as skilled technical personnel. Substantially all of the Department's employees are covered by five-year collective bargaining agreements which became effective July 1, 2022. The 2026 Water Fund budget anticipates the impact of future funding increases, which includes wage increases and anticipated wage increases with respect to such collective bargaining agreements.

Organization and Staffing

The chief administrator of the Department is the Commissioner, who is appointed by the Mayor with the approval of the City Council. On January 16, 2024, the Mayor appointed Alfonzo Conner, Jr. as the Department's Commissioner, with the Chicago City Council confirming his permanent appointment as Commissioner on February 21, 2024. Under the direction of the Commissioner, the Department is organized into five bureaus and the Commissioner's office as follows:

Commissioner's Office: The office is responsible for the oversight and management of general and project-specific initiatives for the other bureaus, including procurement and contract administration. This office also determines departmental policies.

Administration: This bureau is responsible for the collection and dissemination of all financial information, personnel, labor relations, information technology and payroll.

Operations and Distribution: This bureau is responsible for the maintenance, repair and installation of water and sewer mains and appurtenances, including valves, fire hydrants, manholes, catch basins and valve basins. This bureau is also responsible for lead service line replacement, water meter installation, reading, repair, replacement and safety.

Water Supply: This bureau is responsible for the treatment, purification, pumping and monitoring the quality and purity of the water supply.

Engineering Services: This bureau is responsible for providing engineering and inspection support for the planning, design, expansion, rehabilitation, operating, monitoring and inspection of the Water and Sewer Systems and facilities.

The City maintains a self-insurance program, including casualty coverage, general liability coverage and workers' compensation for the Department. The City also maintains replacement-cost property insurance that covers the major facilities of the Water System.

WATER SYSTEM

Description of Facilities

Treatment Plants. The Department operates the world's largest conventional water treatment facility, the James W. Jardine Water Purification Plant (the "*Jardine Plant*"), with multiple engineering redundancies and excess treatment capacity. The Eugene Sawyer Jr. Purification Plant, previously named South Water Purification Plant (the "*Sawyer Plant*") is the 8th largest conventional water treatment facility in the world. The Sawyer Plant was placed into service in 1947 with a rated capacity of 480 million gallons per day ("*MGD*"). In 1966, the capacity of the Sawyer Plant was expanded by an additional 240 MGD. Today, the Sawyer Plant maintains a rated capacity of 720 MGD and serves the City south of 39th Street and the City's south and southwest suburban customers. The Jardine Plant is the largest fresh water purification plant in the world with a rated capacity of 1.44 billion gallons per day ("*BGD*"). It has been in operation since 1964 serving the City north of 39th Street, the DuPage Water Commission, and the City's other western and northern suburban customers. The two plants aggregate a continuous service capacity of 2.16 BGD and the systems meet or exceed US EPA standards on numerous quality and regulatory metrics.

These plants are supplied from four water intakes, two of which are water intake cribs located in Lake Michigan two to four miles from shore and two of which are shore intakes (one at each plant).

Pumping Stations; Water Supply Tunnels; Water Distribution. Water is transported throughout the Water System by 64 miles of water supply tunnels. These tunnels are located 40 to 150 feet below the surface of the ground and range in size from six feet to 20 feet in diameter. Water is raised from the tunnels by the pumps at the 12 pumping stations and delivered to customers through a water distribution system of approximately 4,200 miles of water mains (ranging in size from four to sixty inches in diameter), approximately 48,000 fire hydrants and approximately 48,000 valves.

Capital Improvement Program

The City, through the Department, continually improves and rehabilitates the Water System. To provide for future additions to the Water System, replacement of facilities and rehabilitation of existing facilities, the Department most recently prepared an ongoing projected capital improvement program covering a five-year period from 2026 to 2030 (the "*Capital Improvement Program*" or "*CIP*").

The Capital Improvement Program includes a series of annual benchmarks that the Department intends to achieve in order to implement the entire Capital Improvement Program. The Capital Improvement Program addresses the renewal, replacement and modification of the Water System's infrastructure and focuses on four major areas: (i) water main replacement, (ii) lead service line replacement ("*LSLR*"), (iii) rehabilitation, electrification and modification of pumping stations and rehabilitation of intakes, and (iv) rehabilitation and upgrading of the Water System's two purification plants. In anticipation of all required LSLR work, the City developed an updated LSLR plan in April of 2026. See "Lead Service Line Replacement Program; Statutory Requirements" and "LSLR Funding." below. The Department plans to replace approximately 147 miles of water mains between the years 2026 through 2030. As part of state legislation described below that requires lead service line replacement whenever a lead service line is damaged or disturbed, the Department stopped the stand-alone meter installation program at the end of 2022. Going forward, meter installation is included as part of the LSLR programs associated with water main replacement, sewer main replacement, and all LSLR programs described below.

With respect to the electrification of pumping stations, only two completely steam-operated plants remain, Mayfair Pumping Station and Western Avenue Pumping Station. Procurement for the Mayfair Pumping Station feasibility study is underway, with planning for the project anticipated to advance through 2028. The procurement for the design for the electrification of the Western Avenue Pumping Station has been completed and the preliminary design started in the third quarter of 2025. The Department completed the electrification of the Springfield Avenue Pumping Station and the conversion of the Central Park Pumping Station from steam to electric power is underway. The Central Park Pumping Station is partially steam and will be fully electrified once this construction project is completed in 2028.

Planning efforts have been completed for the Water Tunnel Inspection, Water Tunnel Shaft Hardening, and the Department-wide Electric Safety Programs. Implementation of the Electric Safety Program is currently underway and is projected to be completed by 2027. The Cermak Pumping Station and Lakeview Pumping Station electrification upgrades are also currently in design and are anticipated to be completed by 2027, positioning both projects to advance to construction in 2028. The Chicago/Grand Prairie Water Commission Water Supply Tunnel Connection project is expected to be construction-ready in the first quarter of 2027.

The Capital Improvement Program for the ten-year period that included multiple prior capital plans undertaken from 2016 to 2025 were intended to address deferred maintenance and accelerate investment in water main replacement, meter installation, and upgrades to pumping stations and purification plants. The Department is also advancing treatment plant construction projects during the 2024–2028 period, including the Sawyer Filter Building Roof Rehabilitation, Sawyer Boiler Replacement, Sawyer and Jardine Phosphate Improvements, Sawyer Filter Underdrain Rehabilitation, Sawyer Chemical Building Switchgear, Jardine structural roadway improvements, Jardine Sediment Force Main Improvement, and the Sawyer Sinkhole Rehabilitation project. The Department has also initiated condition assessment studies for all Department facilities. These are anticipated to be completed by the third quarter of 2027 and will help guide proactive long-term investments across the Department’s facilities portfolio. In addition, rehabilitation of the 68th Street Crib is also advancing and should be completed by the fourth quarter of 2026. At the Jardine Plant, the Department installed new chlorine scrubbers, new switchgears and standby generators, completed a new state of the art laboratory and replaced the roof on the East Filter Building. With respect to the Sawyer Plant, the Department replaced the medium voltage electrical power distribution systems, installed standby generators, new switchgears, and a dehumidification system, and replaced the filter backwash.

During the period from 2016 through 2025, the Department replaced 430 miles of water mains and installed 65,778 meters on non-metered accounts. Water main replacement projects are selected based on the age and leak/break history of water mains. Using this conservation-focused model to determine water main investments, the City has reduced the daily pumping demand for Chicago-only from about 650 MGD in 2000 to just under 400 MGD by the end of 2024 (an approximate 40% reduction). The City uses a Program Management Office (“PMO”) to provide core water main and LSLR design, facilities design, force account (for permit and third-party coordination), program controls, records, and IT services. The City uses a separate Construction Manager (“CM”) to provide resident engineer/inspector services for water main installation and LSLRs across all LSLR programs. The City also uses contractors for restoration services following LSLR, water CIP, and water repair work.

The Water System’s historic expenditures for 2021 through 2025 and projected expenditures for 2026 through 2030 under the Capital Improvement Program are summarized in the table below. The projected information presented in the table reflects the Department’s expected allocations of resources to various projects, but actual cash expenditures for these projects, which are subject to annual approval of the Office of Budget and Management, may vary. The primary sources of funds to undertake these

projects are expected to be proceeds from bonds, IEPA loans, and funding from current water revenue (also referred to as “Pay-Go”).

**2021-2030
2021-2025 HISTORICAL AND 2026-2030 PROJECTED
CAPITAL AND FACILITIES IMPROVEMENT PROGRAM FUNDING BY SOURCE
(Dollars in Millions)⁽¹⁾**

Funding Sources	2021	2022	2023	2024	2025⁽²⁾	2026	2027	2028	2029	2030
Second Lien Bonds/WIFIA Loans	\$0.0	\$13.8	\$88.3	\$150.4	\$198.0	\$516.5	\$771.6	\$863.0	\$995.5	\$1,011.4
IEPA Loans	19.3	20.9	23.7	14.9	14.8	60.0	60.0	60.0	60.0	60.0
Pay-Go	94.0	77.1	47.9	59.0	116.1	1.9	1.9	1.9	1.9	1.9
GO Bonds/TIF/ Other City Funds	0.0	2.2	14.5	20.5	40.2	115.7	203.2	227.5	236.1	243.2
Federal Grants	15.0	14.9	6.1	14.4	10.9	40.9	43.5	45.2	46.7	48.1
Total	\$128.3	\$128.9	\$180.5	\$259.2	\$380.0	\$734.9	\$1,080.2	\$1,197.5	\$1,340.1	\$1,364.5

(1) Totals may not add due to rounding.

(2) Reflects unaudited results.

Lead Service Line Replacement Program; Statutory Requirements

Before the start of the City’s LSLR programs, there were approximately 409,000 lead service lines in the City, primarily in older (pre-1986) single-family and two-flat residences. Since the start of the City’s LSLR programs, 13,605 full lead service line replacements have been completed. Lead is a toxin that is harmful to human health. Developing fetuses, infants and young children are especially vulnerable. Most lead ingestion, however, is via ingestion of lead paint. The Department has the largest lead database in the United States and has mailed approximately 143,000 lead test kits and distributed approximately 67,000 water filter kits.

The State’s Lead Service Line Replacement and Notification Act, 415 ILCS 5/17.12 (“*LSL Replacement and Notification Act*”), which was signed into state law on August 27, 2021 and became effective for the City on January 1, 2023, requires full water service line replacement whenever any lead or galvanized iron lines are broken or disturbed, including for service line leaks and breaks and water main replacement. Although not required by the LSL Replacement and Notification Act, the City also performs LSLR when undertaking sewer main replacements. Therefore, any lead service lines that are identified as a result of the Capital Improvement Program will have to be replaced.

The LSL Replacement and Notification Act provides no funding for LSLR. Under the LSL Replacement and Notification Act, the City has 50 years (with the possibility of up to 15 years of extensions) to complete all LSLR work. The 50-year replacement period for the City, however, does not commence until April 15, 2027. In October 2024, the United States Environmental Protection Agency (“*USEPA*”) issued the Lead and Copper Rule Improvements (“*LCRI*”), which requires a significantly shorter LSLR replacement period. See “*Lead and Copper Rule Improvements*,” below.

As part of the City’s plan to improve the quality of water provided to the residents of the City and to achieve compliance with the LSL Replacement and Notification Act and LCRI, the City replaces lead service lines in the City through various programs (“*LSLR Programs*”). These LSLR Programs include Equity LSLR, Daycares LSLR, Leaks & Breaks LSLR, Water Main LSLR, Sewer Main LSLR, Block-Level, and Owner-Initiated LSLR. LSLR consists of replacement of the water line running from the

water main to the external water shut-off valve (sometimes called the “Buffalo-box” or “B-box”), owned by the City (the “*Public-side LSLR*”) funded from Water System funds (except for LSLR performed under the Owner-Initiated LSLR described below) and replacement of the water line running from the external water shut-off valve into the property owned by the private property owner (the “*Private-side LSLR*”) currently funded from sources other than Water System funds. The City owns the public-side of a lead service line but the private-side LSLR requires the consent of the property owner. See, however, “*LSLR Funding – Water Revenues Not Yet Available to Fund Private-side LSLR*” below regarding the potential effect of the adoption of the Sixteenth Supplemental Indenture and the Master Indenture Amendment on the financing sources available to fund Private-side LSLR.

Phase I LSLR (2021-2022), Homeowner-Initiative LSLR and Daycare LSLR Equity, Daycares, and Owner-Initiated

In 2021, prior to the effective date of the LSL Replacement and Notification Act, the City launched the initial phase of the LSLR Program (“*Phase I*”). Phase I aims to help residents who wish to replace their lead service lines and prioritizes LSLR for those residents who are low-income. The City initiated two methods of City-assisted LSLR in Phase I: (i) an Equity LSLR Program, in which City contractors provide complete Public-side and Private-side LSLR (currently funded from funds other than Water System funds) for eligible low-income residents; and (ii) an Owner-Initiated LSLR Program, in which property owners perform their own full LSLR with their own funds and the City waives up to \$5,000 in permit fees for qualified property owners who wish to pay for their own Public and Private-side LSLR. The Department performs about 600 replacements per year under the Equity LSLR Program and 2,159 replacements have been completed under this program. The Department estimates that approximately 300 lead service line replacements are performed each year under the Owner-Initiated LSLR Program and 1,280 replacements have been completed under the Owner-Initiated LSLR Program. In December 2022, the Department started the Daycare LSLR Program with funding provided by grants from the State and subsequently supplemented by federal earmarks. Under the Daycare LSLR Program the City replaces approximately 120 lead or galvanized iron service lines per year and 369 replacements have been completed under this program. The initial focus was to undertake Daycare LSLRs for daycare facilities located in low-income neighborhoods.

Phase II LSLR (2023-2024) Main Replacements, Leaks & Breaks

The LSL Replacement and Notification Act went into effect for the City in 2023. This requires the City to perform replacements whenever there is a leak or break on a lead service line or galvanized line. The LSLR programs that began in Phase I continued and were expanded in Phase II. The City executed two (2) new contracts for the Equity Program and the Daycares Program. The City executed eight (8) new contracts for the Leaks & Breaks Program to comply with the individual location replacements required by LSL Replacement and Notification Act. To perform block-level replacements (i.e. LSLR on blocks without other work such as new water main or new sewer main installation), the City executed eight (8) new contracts to perform Block-Level LSLR. Blocks selected for Block-Level LSLR are those with both newer water main and newer (or recently lined) sewer main. The City executed three (3) new water main replacement contracts that include LSLR as part of the project scope. During this time frame, the City performed the first water main replacement with full LSLR in the Little Village neighborhood. State regulations were changed to allow the Department to receive additional state funding for what had previously been reserved for disadvantaged communities; that analysis is now performed on a census-tract basis. Finally, the \$336 million WIFIA Loan was executed to help fund public side LSLR.

Phase III LSLR (2025-Onward) Block-Level Focus; Funding; LCRI Compliance

The LSLR programs developed under Phases I and II continue to grow as part of Phase III. As a result of changes to state regulations allowing for census-tract determinations, the City received its first \$14 million in principal forgiveness funding from the IEPA for Block-Level replacements in seven (7) blocks on the south side of Chicago for the State's fiscal year 2025 and \$17 million for the State's fiscal year 2026. The City received a combined \$2 million in congressional earmarks for the Daycare LSLR program. The City recently received notice of a \$9.9 million Water Infrastructure Improvements for the Nation ("WIIN") grant award for Block-Level LSLR in the Austin neighborhood. The City performed its first combined water main replacement/sewer main replacement/LSLR in the Portage Park Neighborhood and will continue to move forward with such combined projects as a comprehensive approach to coordinated capital work and to reduce costs and residential disruption. Following 2023 flooding on the west side of Chicago, in 2026 the City was awarded a Community Development Block Grant Disaster Recovery ("CDBG-DR"). This award includes \$221 million for new sewer main replacement that includes funding for about 2,600 LSLRs. To improve competition and reduce costs, the City has executed the first set of Small Business Initiative ("SBI") contracts and has started the development of a procurement for a pool of pre-qualified LSLR contractors. The City has adjusted its LSLR approach in order to comply with the LSL Replacement and Notification Act and LCRI. To accomplish this, the City will focus on more Block-Level work (i.e. LSLR with water main replacement, sewer main replacement, pure Block-Level, and water/sewer/LSLR combined projects).

LSLR Program Efficiencies

The LSLR programs are a critical component of the CIP. To accomplish full replacements in compliance with applicable regulatory mandates, the City has organizationally reframed the Department to provide an appropriate management structure for LSLR consistent with its importance. The Department has been organizationally reframed to support LSLR execution. LSLR falls under the management of a Deputy Commissioner position, and the City has increased the number of internal staff performing LSLR in the field. The Department's CM has also on-boarded additional staff to manage LSLR inspection services and direct outreach to residents impacted by LSLR. Working with the City's Department of Transportation ("CDOT"), the Department has received permission to perform trenchless LSLR for block-level work without the need for property-by-property permitting. The City has worked with the Illinois Department of Transportation ("IDOT"), to reduce permit processing times for LSLR work happening on IDOT roads in Chicago. To expedite LSLR and further streamline coordination, the City will focus on completing more block-level LSLR by undertaking additional Water Main replacements (with LSLR), sewer main replacements (with LSLR), combined Water Main/Sewer Main/LSLR projects, and lone Block-Level LSLR (i.e., LSLR on an entire block without other CIP work). In addition, the Department will be pursuing LSLR work on longer contiguous project stretches. The City's block-level LSLR work typically takes place on 2-block stretches. The Department plans on exceeding those project limits to encompass continuous ½ mile or full mile stretches. The Department will also begin to pilot citywide LSLR on the same street so that crews will perform LSLR work on the full citywide length of a street. These approaches will improve coordination, reduce costs, and improve resident participation.

To continue to reduce costs by increasing the LSLR contractor pool, the City has reduced the contractor insurance and project bond requirements to levels that are more consistent with the scope of LSLR work. In order to increase LSLR participation by more modest contractors, the City has started a Small Business Initiative ("SBI") for LSLR. The first four (4) SBI contracts have been awarded in 2026, and the City will continue to issue such SBI procurements. To help streamline procurement, the Chicago Municipal Code was amended in 2026 to allow for the prequalification of vendors for construction work on the City's Water System, including LSLR. Under such prequalification process, contractors who meet

the City's eligibility standards will be prequalified to perform LSLR construction services. As work becomes available, a new standard procurement process will not be required. Instead, the City will issue notifications of such work to prequalified firms and will select the lowest responsive bidder from this prequalified pool. The City has started the new procurements to replace the majority of the LSLR contracts. As the City continues to improve processes, enhance coordination, and on-board additional contractors, the City hopes that these new LSLR procurements will potentially reduce overall per unit LSLR costs.

The City is projecting the completion of approximately 83,000 full LSLRs across all programs from 2026 to 2030.

Lead and Copper Rule Improvements. In October 2024, USEPA issued the Lead and Copper Rule Improvements ("LCRI"). LCRI goes into effect in October 2027 and requires full system LSLR within 10 years. Large utilities, such as Chicago, are eligible for deferred annual replacement of not less than 39 replacements per 1,000 connections. For the City, this would mean a minimum annual replacement of approximately 19,000 service lines and completion of system-wide replacements by 2047. The City has modeled its LSLR program in compliance with LCRI. LCRI also lowered the lead action level from 15 to 10 micrograms per liter. The City expects that it will be under the LCRI lead action level.

The City is planning on meeting the requirements of the LCRI from operational, financial, and capital planning perspectives. The City does not expect the implementation of the LCRI to affect the City's ability to meet its covenants under the Master Indentures. To meet the LCRI replacement requirements, the City has made shorter-term adjustments (2026 to 2030) and longer-term adjustments (through 2047) to future work alongside LSLR. The City has estimated program-by-program LSLR projections and costs through final completion in 2047. The future focus is LSLR work on a block-by-block basis rather than individual locations. The Department has partnered with other City departments and other governmental agencies to better effectuate the rapid delivery of LSLR. These include IDOT, IEPA, USEPA Region 5, Chicago Public Schools ("CPS"), Chicago Transit Authority ("CTA"), and People's Gas. The City is working on the 2026 procurement of new contracts for the Leaks & Break Program, Block-Level Program, and Water Main Replacement Program. The City continues to discuss best practices with similarly situated municipalities such as Detroit, Cincinnati, Milwaukee, Denver, Newark, and Washington DC. See also "*LSLR Program Efficiencies*," above.

In 2025, the American Water Works Association filed suit against USEPA to vacate and remand LCRI (USCA Case #24-1376). The City is not a party to this litigation. The Department is moving forward with the Department's LSLR programs in compliance with the LCRI. The City cannot anticipate the outcome of this litigation but such outcome may result in changes to the Department's currently anticipated LSLR programs.

LSLR Funding

The City estimates that the full construction cost to replace all of the lead service lines and galvanized lines requiring replacement in the City is approximately \$14 billion to \$16 billion in current dollars. Approximately 45% of the estimated cost is for Private-side LSLR (\$6.3 billion to \$7.2 billion) and approximately 55% of the estimated cost is for Public-side LSLR (\$7.7 billion to \$8.8 billion). The City expects water revenue bonds, general obligation bonds, federal funding, state funding, and other funding sources to finance the costs of lead service line replacement, subject to certain limitations.

Water Revenues Not Yet Available to Fund Private-side LSLR.

The City may not currently use revenues from the Water System to pay for Private-side LSLR. City bond ordinances and the Master Indenture, authorizing the issuance of outstanding water revenue bonds and related agreements provide that Gross Revenues may only be used for Water System operation and maintenance and debt service payments on the applicable water revenue bonds. The term “Water System” is defined in the City’s water revenue bond ordinances and the Master Indenture, as all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for water supply, distribution or collection purposes. The Private-side of the water service lines are not owned or controlled by the City; therefore the water revenue bond ordinances and the Master Indenture currently preclude the use of Gross Revenues from being used to finance Private-side LSLR.

The Municipal Code of Chicago and other prior City ordinances authorizing Outstanding Second Lien Bonds do not currently permit the City to use revenues of the Water System for Private-side LSLR. If the Municipal Code and such ordinances were to be amended to permit such use, and the New Master Indenture is then effective, the City will be able to use Net Revenues to fund certain Private-side LSLR consisting of that portion of each water service line no greater than 2 inches in diameter that runs from the shut-off valve to a point where the water service line connects to the internal plumbing system inside a property.

In order to fund Private-side LSLR, and unless and until the City is able to use Net Revenues for such purposes, the City anticipates utilizing State Revolving Fund (“SRF”) forgivable loan funding, and federal and State grants. In addition, in June, 2025, the City issued \$75,895,000 of general obligation bonds to finance LSLR and in November, 2025 the City appropriated \$173 million of general obligation bond funding to act as a backstop in case State and federal funding is not sufficient to fund Private-side LSLR. LSLR financing currently or in the future provided by general obligations bonds of the City may be refinanced with Second Lien Parity Bonds or other obligations secured by Net Revenues.

Use of Water Revenues to Fund Public-side LSLR.

The City may use Net Revenues to pay for Public-side LSLR as part of the City’s Water System. The City intends to finance Public-side LSLR through a mix of proceeds from Second Lien Bonds, WIFIA loans and Pay-Go.

The City cannot guarantee that the LSLR Program will be implemented as described herein. See “FORWARD-LOOKING STATEMENTS.”

Infrastructure Investment and Jobs Act LSLR Funding.

On November 15, 2021, the Infrastructure Investment and Jobs Act (the “IIJA”), Public Law 117-58, was signed into federal law. Among other things, the IIJA provides historic funding for investments in water infrastructure. One highlight of the investments is \$15 billion in funding specifically earmarked for LSLR being made available to the states through the existing SRF programs. The new funding was authorized over the course of five years beginning with federal fiscal year 2022 through 2026. The IIJA provides that 49% of the funding must be provided in the form of additional subsidies to “disadvantaged communities,” which in Illinois may take the form of forgivable loans; the remaining funding will be provided for the purpose of loans under existing SRF programs.

For the State’s 2025 fiscal year, Illinois was allocated approximately \$230 million from the IIJA for LSLR. For the State’s 2026 fiscal year, that amount will increase to approximately \$240 million. For the State’s 2027 fiscal year, that amount will increase to \$442 million. Part 663 within Title 35 of the

Illinois Administrative Code went into effect on January 26, 2024 to guide how the IEPA will determine how LSLR funds are distributed throughout the State. The City did not qualify as a “disadvantaged community” until Part 663 was adjusted in 2024 to allow for scoring and funding based on census tract determinations. Prior to this adjustment, the City exceeded the “disadvantaged community” population limits. The IEPA has yet to formally adopt rules on annual funding caps on municipalities, but under the State’s programs for the State’s fiscal year 2025, the City was awarded \$14 million in SRF principal forgiveness for seven census tracts under the new Part 663 scoring matrix. This \$14 million is being invested in block-level LSLR. For the State’s fiscal year 2026, the City was awarded \$28 million in SRF of which approximately \$17 million was principal forgiveness. For the State’s fiscal year 2027, the City has submitted funding nomination forms for \$28 million in SRF for block-level LSLR.

Quality of Water Supplied

The quality of the water drawn by the City from Lake Michigan meets currently applicable federal and State standards in all material respects. The water operations of the Department are subject to the requirements of the federal Safe Drinking Water Act of 1974, 42 U.S.C. §300f et seq., as amended in 1986 and 1996 by Congress (the “*Safe Drinking Water Act*”). The Safe Drinking Water Act sets the regulatory agenda of the US EPA, to include, among other things, the development of drinking water standards for more than 90 contaminants. In addition, the Department is subject to compliance of Title 35, Subtitle F, Chapter 1, Part 611 of Illinois Administrative Code as the IEPA has primary authority over drinking water utilities within Illinois.

The Department is in compliance with all physical, chemical, radiological, and bacteriological standards established by the regulations currently in effect under the Safe Drinking Water Act and is studying the potential impacts of proposed rules as well as those still under development by the US EPA. As the US EPA promulgates additional regulations, the Department could potentially be required to modify operations and/or construct facilities beyond those contemplated by the Capital Improvement Program. The Department believes, however, that planned capital projects should address all current regulatory requirements.

Water treatment at each plant includes the addition of chlorine to disinfect, fluoride to help fight tooth decay, coagulants to settle out impurities in the water and blended phosphate to coat pipes and service lines.

The Department has state-of-the-art microbiology and chemistry laboratories at each plant that conduct compliance sampling for the treatment process and distribution system. The Department recently spent \$10 million to upgrade both laboratories at the Jardine Plant with the latest and most advanced technologies; reflecting these enhanced capabilities, the Jardine Water Purification Plant facilities received designation as IEPA Certified laboratories. In addition to ongoing water quality monitoring, these laboratories help advance the Department’s ongoing research on water treatment, including use of ortho-phosphate to enhance corrosion control in the City’s distribution system and support LSLR efforts.

The IEPA implemented a Source Water Assessment Program (“*SWAP*”) to assist with watershed protection of public drinking water supplies. The SWAP inventoried potential sources of contamination and determined the susceptibility of the source water to contamination. The IEPA has completed the SWAP for the City’s water supply. The SWAP, as implemented, helps the City make important decisions about how to protect Lake Michigan as its drinking water source. By working to ensure safe drinking water supplies, the health and economy of the community and the preservation of natural resources may be greatly improved. However, at certain times of the year the potential for contamination still exists due to wet-weather flows. In addition, the crib structures serve to attract waterfowl, gulls and terns that frequent the Great Lakes area, thereby concentrating fecal deposits at the intakes and thus compromising

the source water quality. Additionally, the shore intakes may be susceptible to contaminants from storm water runoff, marinas and shoreline point sources due to the influx of groundwater to the lake. Having this information allows the Department to continually monitor water quality throughout the treatment process to ensure compliance with all standards established by the regulations currently in effect under the Safe Drinking Water Act.

Lead and Copper Monitoring. Pursuant to the Safe Drinking Water Act, the Department is required to conduct Lead and Copper Rule (“LCR”) monitoring every year. The Department continues to be in compliance with the LCR; its only LCR violation was in 1993. In 2022 the Revised Lead and Copper Rule (“RLCR”) was released changing sampling protocols, collecting water closer to a lead service line. In 2025, two rounds of lead compliance sampling were conducted under the new protocol; the 90th percentile results were below the 10ppb “trigger” level. Further, in April 2025 Chicago switched to a new corrosion control treatment, using orthophosphate to reduce lead leaching into drinking water. Results to date have shown a 25-30% decrease in 90th percentile lead concentrations throughout the City.

Other Monitoring. The Department monitors tap water quality and performs testing 24 hours a day, seven days a week. The City’s tap water meets all US EPA and State health standards for safe, clean drinking water. The Department had no violation of a contaminant level or of any other water quality standard in its most recent Consumer Confidence Report made available to the public in June 2024. The City continues monitoring for Cryptosporidium, Giardia and E. coli in its source water as part of its water quality program. To date, Cryptosporidium has not been detected in these samples, but Giardia was detected in one raw lake water sample collected in September 2010. Treatment processes have subsequently been optimized to provide effective barriers for removal of Cryptosporidium oocysts and Giardia cysts in the source water, effectively removing these organisms in the treatment process. By maintaining low turbidity through the removal of particles from the water, the possibility of Cryptosporidium and Giardia organisms getting into the drinking water system is greatly reduced.

New PFAS Rule. The US EPA has issued the final National Primary Drinking Water Regulation (the “PFAS Rule”) for six per- and polyfluoroalkyl substances (“PFAS”), effective June 25, 2024. The PFAS Rule establishes Maximum Contaminant Levels (“MCL”) for six PFAS in drinking water: perfluorooctanoic acid (“PFOA”), perfluorooctane sulfonic acid (“PFOS”), perfluorohexane sulfonic acid (“PFHxS”), perfluorononanoic acid (“PFNA”), and hexafluoropropylene oxide dimer acid (“HFPO-DA”) as contaminants with individual MCLs, and PFAS mixtures containing at least two or more of PFHxS, PFNA, HFPO-DA, and perfluorobutane sulfonic acid using a Hazard Index MCL to account for the combined and co-occurring levels of these PFAS in drinking water.

The PFAS Rule requires water systems to conduct initial and ongoing compliance monitoring for the regulated PFAS by 2027. Starting 3 years after the promulgation of the PFAS Rule, regular monitoring for compliance must begin, and results of compliance monitoring must be included in Consumer Confidence Reports and public notification for monitoring and testing violations must occur. Five years after promulgation of the PFAS Rule (starting 2029), water systems must comply with all MCL and provide public notification of MCL violations.

The Department has proactively monitored for all six PFAS compounds and similar to other Lake Michigan Utilities has detected the presence of PFOA and PFOS at levels below the MCL for those compounds. Available data indicate that the City’s current treatment is sufficient to meet the PFAS Rule requirements, and the City will continue to comply with the US EPA’s PFAS requirements relating to drinking water.

WATER SYSTEM SERVICE AREA

Service Area

The Water System supplied water to a service area of approximately 806 square miles as of December 31, 2024. The City accounted for approximately 228 square miles and the suburban customers accounted for approximately 578 square miles of the service area.

In addition, the City entered into a water supply contract with the City of Joliet in May 2023, to begin water service in 2030 (see “New Water Service to the Southwest Suburbs: Joliet and the Grand Prairie Water Commission (“GPWC”)”, below).

Population Served

The following table shows the population for the City and the suburban customers of the Water System as shown in each decennial census since 1970:

WATER SYSTEM SERVICE AREA POPULATION⁽¹⁾

Year	Chicago	Suburban Customers	Total	Number of Suburbs Served
1980	3,005,072	1,152,614	4,157,686	75
1990	2,783,726	1,589,557	4,373,283	95
2000	2,896,016	2,410,021	5,306,037	125
2010	2,695,598	2,600,496	5,296,094	125
2020	2,746,388	2,513,390	5,259,778	123

⁽¹⁾ Source of population figures: U.S. Department of Commerce, Census Bureau.

For additional economic and demographic information regarding the City and the Water System, see APPENDIX E – “INFORMATION REGARDING CITY OF CHICAGO ECONOMY AND DEMOGRAPHICS.”

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The following table lists the 120 suburban and other customers currently served, directly or indirectly, by the Water System as of December 31, 2025.

SUBURBAN CUSTOMERS SERVED BY THE WATER SYSTEM

Addison	Downers Grove	Leyden Township	Plainfield
Alsip	Elk Grove Village	Lisle	Posen
Bartlett	Elmhurst	Lombard	River Forest
Bedford Park	Elmwood Park	Lyons	River Grove
Bellwood	Evergreen Park	Markham	Riverdale
Bensenville	Forest Park	Matteson	Riverside
Berkeley	Forest View	Maywood	Robbins
Berwyn	Franklin Park	McCook	Rolling Meadows
Bloomington	Garden Homes	Melrose Park	Roselle
Blue Island	Sanitary District	Merrionette Park	Rosemont
Bolingbrook	Glen Ellyn	Midlothian	Schaumburg
Bridgeview	Glendale Heights	Mokena	Schiller Park
Broadview	Hanover Park	Mount Prospect	South Holland
Brookfield	Harvey	Naperville	South Stickney
Burnham	Harwood Heights	New Lenox	Sanitary District
Burr Ridge	Hazel Crest	Norridge	Stickney
Calumet City	Hickory Hills	North Riverside	Stone Park
Calumet Park	Hillside	Northlake	Streamwood
Carol Stream	Hinsdale	Oak Brook	Summit
Central Stickney	Hodgkins	Oak Forest	Thornton
Sanitary District	Hoffman Estates	Oak Lawn	Tinley Park
Chicago Ridge	Homer Glen	Oak Park	Villa Park
Cicero	Hometown	Oakbrook Terrace	Westchester
Clarendon Hills	IAWC ⁽¹⁾	Olympia Fields	Westmont
Country Club Hills	Indian Head Park	Orland Hills	Wheaton
Countryside	Itasca	Orland Park	Willow Springs
Crestwood	Justice	Palos Heights	Willowbrook
Darien	La Grange	Palos Hills	Winfield
Des Plaines	La Grange Highland	Palos Park	Wood Dale
Dixmoor	Sanitary District	Park Ridge	Woodridge
Dolton	La Grange Park	Phoenix	Worth

Source: City of Chicago, Department of Water Management.

⁽¹⁾ IAWC (Illinois American Water Company, formerly Citizens' Utilities Company of Illinois) serves 11 unincorporated areas in Cook and DuPage Counties, Illinois.

City Water Accounts

As of December 31, 2024, the Water System supplied 494,459 accounts. Of these, 169,009 were non-metered and 325,450 were metered. The number of metered accounts has exceeded the number of non-metered accounts as a result of the Meter Installation Program for all single-family and two-family dwellings within the City. Water meters are required on all new construction of single-family and two-family dwellings within the City and on any new services to existing buildings in the City. All suburban customers (primarily municipal corporations) are metered.

The following table reflects the total accounts of the Water System, non-metered and metered, for the past 10 years:

WATER SYSTEM ACCOUNTS

Year Ended December 31	Non-Metered	Metered	Total
2015	227,801	266,284	494,085
2016	206,913	287,351	494,264
2017	190,276	303,877	494,153
2018	180,608	313,758	494,366
2019	178,348	316,262	494,610
2020	177,641	316,783	494,424
2021	176,931	317,398	494,329
2022	172,048	322,226	494,274
2023	170,456	323,928	494,384
2024	169,009	325,450	494,459

Source: City of Chicago, Department of Water Management.

Non-City Customers

Suburbs. The Department's service to its suburban customers is based on various contracts and on an Illinois statute (the "*WRD Statute*") which establishes and authorizes the operation of the Metropolitan Water Reclamation District of Greater Chicago (the "*Water Reclamation District*"). The Water Reclamation District currently serves municipalities in the Chicago area and its function is to construct, maintain and operate sewage treatment plants, necessary sewers, and drainage outlets. The WRD Statute requires the City to supply water at the City limits to any municipal corporation within the Water Reclamation District, if such municipal corporation builds suitable water mains to the City's corporate limits. While the WRD Statute also provides that the City shall sell water to such municipal corporations at a rate at no greater price or charge than that applicable to similar large users in the City, that statutory requirement may be superseded by the City exercising its home rule power to charge a different rate by enacting an ordinance authorizing a different rate than that required by the WRD Statute. The City's plans to transition to a Cost-of Service-Water-Rate (as defined below) for its suburban customers are expected to be implemented by enactment of one or more City ordinances authorizing the Cost-of-Service Water Rate. See "FINANCIAL OPERATIONS – Transition to AWWA Cost-of-Service Water Rate Methodology for Suburban Customers."

Currently, the Department's outstanding contracts with its suburban customers generally have terms of 10 years with three 10-year extensions for a total of 40 years and include certain water supply and planning provisions, such as requiring the suburban customers to maintain storage capacity for a two-day supply of water and establishing the maximum rate at which suburban customers may withdraw water from the Department's mains. The Department has continued to supply water at the current water rate to those suburban customers that have not yet renewed their contracts. While the City may be precluded from shutting off water service to suburban customers for failure to pay amounts owed, the City has available legal remedies to enforce such contracts.

All told, Chicago supplies water to roughly 40 percent of all Illinois residents, including the citizens of approximately 120 suburban communities. There are currently 46 suburbs/water systems that are direct water customers of the City, many of which in turn provide Chicago water to many other downstream communities. This includes suburban water commissions such as the DuPage Water

Commission (“DWC”), the Northwest Suburban Municipal Joint Action Water Agency (“NSMJAWA”), and Oak Lawn, that serve multiple communities and which are the largest customers of the Chicago water system (see “*Largest Suburban Customers*,” below).

Largest Suburban Customers. The respective contracts which the City has executed with NSMJAWA and the DWC differ from the standard contracts described above. The contract with NSMJAWA is for a 40-year term and expires in 2032. The contract with the DWC was extended in February 2024 until 2041. Both contracts contain provisions regarding shared responsibility for capital expenditures and Operation and Maintenance Costs of the pumping stations that serve NSMJAWA and DWC, respectively. The Village of Oak Lawn (which serves several other south and southwestern suburban customers as the Oak Lawn Regional Water System) entered a contract with the Department in 2013 with a 30-year term, expiring at the end of calendar year 2042 with an option by Oak Lawn to extend the contract for a further ten years. In 2024, the DWC was the Department’s largest suburban customer, NSMJAWA was the second-largest suburban customer and Oak Lawn was the third-largest suburban customer, with sales of approximately \$126.7 million, \$47.1 million and \$46.9 million, respectively.

In 2024, the suburban customers accounted for approximately 39% of water pumpage and approximately 49% of net water sales of the Water System. See “Ten Largest Suburban Customers,” below.

New Water Service to the Southwest Suburbs: Joliet and the Grand Prairie Water Commission (GPWC)

The City and Joliet have entered into a Water Supply Agreement (the “*Chicago-Joliet WSA*”) effective May 1, 2023 that entails design and construction of the significant new water infrastructure required to supply water to Joliet by 2030. Concurrently with the negotiations of the Chicago-Joliet WSA, Joliet engaged five other communities in the southwest suburbs whose groundwater sources also are depleting (Channahon, Crest Hill, Minooka, Romeoville and Shorewood) in a preliminary agreement to join the new Grand Prairie Water Commission (“*GPWC*”), which was authorized by state legislation in 2022 and adopted its bylaws in July 2024. Pursuant to the Chicago-Joliet WSA, the agreement was assigned to the GPWC on August 13, 2025, under substantially the same terms as the Chicago-Joliet WSA. The term of the Chicago-Joliet WSA is 100 years with the option for two additional ten (10) year extensions.

The Chicago-Joliet WSA will facilitate the largest expansion of the Water System in 40 years and is estimated initially to generate approximately \$30 million in additional annual gross revenue and \$1 billion in aggregate net present value to the City’s Water Fund. It is anticipated that the City will incur approximately \$65 million in capital costs in order to provide water to Joliet and the GPWC which the City expects to recover through the rate setting methodology set forth in the Chicago-Joliet WSA beginning once the City commences providing water to Joliet and the GPWC in 2030. Pursuant to the Chicago-Joliet WSA, through the GPWC, the Chicago-Joliet WSA will provide water to roughly 250,000 residents of the southwest suburbs.

Joliet and the member communities of the GPWC will pay the Cost-of-Service Water Rate (as defined below, see “FINANCIAL OPERATIONS – Transition to AWWA Cost-of-Service Water Rate Methodology for Suburban Customers.”)

Establishment of the Chicago Water Partners Advisory Council (CWPAC)

In June 2022, in order to help the City strengthen its relationships with its suburban wholesale customers, the City Council authorized the establishment of a new advisory body called the Chicago Water Partners Advisory Council (the “CWPAC”). The members of the CWPAC comprise representatives of all suburban wholesale water customers of the Chicago Water System.

The mission of the CWPAC, which held its initial quarterly meeting in June 2022, is two-fold. First, the organization provides recommendations to the Commissioner on operations, capital improvement, the Cost-of-Service Water Rate Methodology, and other matters regarding the Water System. Second, the CWPAC is intended to foster and enhance regional collaboration on water policy issues, providing an ongoing platform for sharing of information and industry best practices, including, when appropriate, taking positions on matters external to the Department concerning broader water policy. Examples of the latter could include commenting upon proposed regulatory changes by the IDNR or the IEPA. All recommendations provided by the CWPAC are non-binding and strictly advisory in nature.

The CWPAC adopted formal bylaws on June 26, 2024. As a Public body under Illinois’ Open Meetings Act (5 ILCS 120/), the meetings of the CWPAC are open to the public and to news media. As required by statute, notices of its meetings, agendas, and meeting minutes are posted and maintained on the Department’s website.

In order to facilitate the creation of the CWPAC and strengthen relationships with its suburban wholesale customers, in 2021 the City also created in the Department of Water Management the position of Deputy Commissioner, Regional Partnerships.

Ten Largest Suburban Customers

Listed below are the Department’s 10 largest suburban customers in 2024. Most of these customers supply one or more other suburban customers. No one suburban customer represents more than 20% of aggregate City and suburban water revenues.

TEN LARGEST SUBURBAN CUSTOMERS OF THE WATER SYSTEM IN 2024

Customer	Amount of Sales (in Thousands)
DuPage Water Commission (DWC).....	\$126,705
Northwest Suburban Municipal Joint Action Water Agency (NSMJAWA).....	47,074
Oak Lawn, Illinois	46,872
Bedford Park, Illinois.....	33,900
Melrose Park, Illinois.....	19,907
Cicero, Illinois	11,850
Harvey, Illinois	10,158
Berwyn, Illinois	9,744
Alsip, Illinois	9,544
McCook, Illinois.....	9,395
Total.....	<u>\$325,149</u>

Source: City of Chicago, Department of Water Management.

The Department intends that upon contract renewal, updated contracts will include provisions for the transition to Cost-of-Service Water Rate. See “FINANCIAL OPERATIONS – Transition to AWWA Cost-of-Service Water Rate Methodology for Suburban Customers.”

From time to time, the City is notified that one or more suburban communities that now receive water service from the City are considering potential alternative sources for their water supply. The City lost Niles and Morton Grove in 2019 followed by Lincolnwood in 2021 as water supply customers, which together represented approximately \$8 million in annual water revenues. In 2022, the cities of Homewood and Flossmoor left Harvey, a Chicago customer, as its water supplier. On the other hand, in 2019, the DWC began water service to the Village of Bartlett, and, in 2021, the communities of Oswego, Montgomery, and Yorkville announced their intention to begin taking water from the DuPage Water Commission. The DWC commenced engineering work on a pipeline extension in July 2023 to service the Oswego, Montgomery, and Yorkville communities and the project is expected to provide drinking water as early as 2028.

As noted above, the DWC signed a contract extension through 2041 with the City in February 2024. The DWC, like other suburban communities from time to time, has been considering potential alternative sources for their water supply. In May 2024, the DWC announced the closing of a reputed \$80 million property acquisition in the suburb of Northbrook which, reportedly, could serve as a component of a potential separate water supply system for the DWC. The City has continued negotiations with the DWC, but no assurance can be given concerning the outcome of such negotiations.

See “LITIGATION” for a discussion of certain litigation by the City to recover moneys owed to the City under certain of its water supply contracts.

State of Illinois. The State of Illinois (the “*State*”) is obligated to make payments to the City in instances where it is a user of the Water System, except in situations and to the extent that the applicable State property qualifies for an exemption. The revenue from the State as user constitutes less than one percent of the Water System’s annual operating revenues. No operating revenues from any users of the Water System (other than the State) flow through the State; all such revenues are paid directly to the City.

Water Pumpage

During 2024, the Water System pumped approximately 233 billion gallons of water. Because the Water System supplies water to non-metered customers and certain exempt users, many of which are also not metered, it is impossible for the Department to account exactly for its total system pumpage. However, the Department estimates that, in 2024, total water losses were approximately 6% of total pumpage.

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WATER PUMPAGE TO CITY AND SUBURBAN CUSTOMERS
(in millions of gallons)

Year	City	DWC	Other Suburban Customers	Total
2015	164,187	26,776	71,643	262,606
2016	159,161	26,938	70,521	256,620
2017	153,049	27,049	67,999	248,097
2018	153,477	27,035	69,079	249,591
2019	149,009	25,957	65,999	240,964
2020	142,309	27,218	64,900	234,427
2021	144,753	27,565	65,854	238,172
2022	145,628	27,702	64,741	238,072
2023	146,851	27,827	63,761	238,439
2024	142,561	27,342	63,372	233,275

Source: City of Chicago, Department of Water Management. Historical pumpage figures have been updated over time based on refined underlying data and calculations and may differ from amounts shown in prior Water Fund financial statements.

As the table below indicates, from 2015 through 2024 the Water System's maximum daily pumpage ranged from 39% to 50% of the Water System's capacity.

WATER SYSTEM PUMPAGE AND CAPACITY

Year	Total Annual Pumpage (MGD)	Average Daily Pumpage (MGD)	Maximum Daily Pumpage (MGD)	System's Rated Pumpage Capacity (MGD)	Maximum Daily Pumpage as % of Capacity
2015	262,606	719	890	2,160	41
2016	256,620	701	934	2,160	43
2017	248,097	680	1,089	2,160	50
2018	249,591	685	859	2,160	40
2019	240,964	661	838	2,160	39
2020	234,427	641	842	2,160	39
2021	238,172	651	836	2,160	39
2022	238,072	652	873	2,160	40
2023	238,439	653	855	2,160	40
2024	233,275	637	825	2,160	38

Source: City of Chicago, Department of Water Management. Historical pumpage figures have been updated over time based on refined underlying data and calculations and may differ from amounts shown in prior Water Fund financial statements

Lake Michigan Allocations

City Allocations. Diversion of water from Lake Michigan began in 1900 when the flow of the Chicago River was reversed. In 1922, the State of Wisconsin filed the first lawsuit relating to the diversion of Lake Michigan water at Chicago. The United States Supreme Court referred the case to a Special Master and a ruling was issued in 1930 which allowed the State to divert 6,500 cubic feet per second ("CFS") until 1938 and 1,500 CFS thereafter. Water pumpage for potable water supply use was not chargeable to the amounts allowed for diversion under the decree. In 1957, the State of Wisconsin again filed suit in the United States Supreme Court. The suit led to the appointment of a Special Master and the resultant 1967 decree, based on the Special Master's findings, restricted the State from diverting

more than 3,200 CFS (2,068 Million Gallons per Day). This limitation on diversion includes water pumpage for potable water supply.

In a related matter, on July 26, 1996, the State, the seven other Great Lakes states, the United States and the Water Reclamation District entered into a Memorandum of Understanding (the “MOU”) with respect to water diversion from Lake Michigan. The MOU was designed to address a dispute among the states as to an alleged violation of the decrees of the United States Supreme Court (discussed above) limiting the total amount of water diverted by the State and its political subdivisions. The other Great Lakes states contended that the water being diverted had exceeded the Supreme Court’s limitation of 3,200 CFS.

To address the other Great Lakes states’ concern that the State was exceeding its diversion limit, the State agreed to (1) maintain its diversions at the Supreme Court’s limit and in fact, to use less than the 3,200 CFS for the next 20 years, (2) reduce leakage at the Chicago River Controlling Works, (3) reduce diversion for navigation make-up, and (4) complete allocation proceedings regarding all domestic and industrial Illinois Lake Michigan water users. The MOU also provided that the State shall use its power to ensure that municipalities using water from Lake Michigan, including the City, comply with allocation limits, unaccounted-for-flow requirements, and conservation requirements required by State law, regulation, court order, consent decree or settlement agreement.

The City was not a signatory to the MOU, but in 1996, in an effort to assist the State in meeting the diversion requirements set out in the MOU, voluntarily agreed to expand a Water Conservation Plan initially implemented by the Department in 1989. The City’s 1996 Water Conservation Plan (the “1996 Plan”) expanded the repair program to eliminate or prevent delays in leak repairs, expanded its public education program and required the metering of various large non-metered water users. Since the MOU, the City has seen a decrease in its actual water usage.

Illinois Allocations. The IDNR, previously a part of the Illinois Department of Transportation, is responsible for the apportionment of Lake Michigan water within the State pursuant to the Level of Lake Michigan Act (615 ILCS 50/1 *et seq.*). On July 28, 1999, the IDNR entered its allocation Order LMO 99-3 with respect to its allocations of Lake Michigan water. The allocations under Order LMO 99-3 to the City and to the suburbs served by the City are as follows:

**LAKE MICHIGAN ALLOCATION UNDER ORDER LMO 99-3
TO CITY AND SUBURBS SERVED BY CITY⁽¹⁾**

Year	City	Suburbs	Total
2000	713.0	334.3	1,047.3
2010	737.1	362.2	1,099.3
2020	750.1	377.1	1,127.2

⁽¹⁾ Source: IDNR. Allocations are rounded to tenths; actual allocations are specific to .001 MGD. Figures are in Cubic Feet per Second.

In 2023, the IDNR completed its review of and hearings on all domestic Lake Michigan water allocations and proposed allocation adjustments for all permittees to reflect current use and future demands out to the year 2050 and issued its Final Administrative Decision in February 2024. The allocation adjustment under the IDNR’s Final Administrative Decision will reduce the City’s allocation by approximately 20%, although the City’s allocation is for the City only and does not include an allocation for the City’s suburban customers which each have their own Lake Michigan allocation. Even with these reductions, however, Chicago’s allocation will still be above the City’s anticipated actual daily

usage through 2050, and the allocations approved by the IDNR easily accommodate the additional usage resulting from the implementation of the Chicago-Joliet WSA and the extended agreement with the DuPage Water Commission.

FINANCIAL OPERATIONS

Rates, Fees, and Users

The Water Fund receives no share of any state or local property or income taxes. Revenues from the sale of water provide for the operation, maintenance and debt service of the Water System. The City obtains Water System operating revenues only from the users of the Water System. The operating revenues from users of the Water System do not flow through the State, any State agency, or any other political subdivision, but are paid directly to the City. See “WATER SYSTEM SERVICE AREA – Non-City Customers.”

No regulation by any administrative agency applies to Water System rates. Current Water System rates for metered accounts are based on a dollar rate per thousand cubic feet. The assessment of non-metered users is based on a formula primarily involving the front width of the building and the number of stories therein plus a charge for an outside hose connection and extra charges for large water-using devices such as water-cooled air conditioners. See “– Water System Rates” and “Transition to AWWA Cost-of-Service Water Rate Methodology for Suburban Customers” below.

Certain publicly owned properties and not-for-profit organizations enjoy exemptions from the payment of Water System rates in connection with metered accounts. These exemptions range from 100% (e.g., for many publicly owned entities such as properties owned by the City and certain not-for-profit organizations that have net assets or fund balances at the end of the year preceding the water rate charge of less than \$1 million) to 25% (e.g., for not-for-profit organizations having net assets or fund balances at the end of the year preceding the water rate charge of greater than or equal to \$10 million but less than \$250 million).

Whenever projected Gross Revenues will not be sufficient to comply with the Rate Covenant in the Master Indentures, the City is required to prepare a rate study for the Water System identifying the rate charges necessary to comply with the Rate Covenant, and the Budget Office and the Chief Financial Officer are required to recommend appropriate action to the City Council to comply with the Rate Covenant, which may include rate increases and/or expenditure reductions. See “INTRODUCTION – Rate Covenant.”

Water System Rates

Water System rates are set by the City Council. Pursuant to the Rate Ordinances annual Water System rates are now automatically adjusted by applying to the previous year’s rates the rate of inflation, calculated based on the Consumer Price Index published by the United States Bureau of Labor Statistics for the 365-day period ending on the most recent January 1. Such increases do not require further action by the City Council. Any such automatic annual increase, however, is capped at 5% of the previous year’s rate. On June 1, 2025, the water rate increased by 4.00% to \$4.89 per 1,000 gallons. On June 1, 2026, the water rate will increase by 1.85% to \$4.98 per 1,000 gallons. See Footnote 2 of the CITY OF CHICAGO WATER SYSTEM Historical and Projected Financial Operations (Dollars in Thousands) Table, under “FINANCIAL OPERATIONS – Historical and Projected Financial Operations.”

Historical Water System rates, as authorized by the City Council, are summarized in the table below.

HISTORICAL WATER RATE INCREASES

Date Effective	1,000 Cubic Feet	1,000 Gallons	Increase Over Prior Rate (%)
June 1, 2017	29.04	3.88	1.83
June 1, 2018	29.49	3.95	1.54
June 1, 2019	29.73	3.98	0.82
June 1, 2020	30.46	4.08	2.45
June 1, 2021	30.79	4.13	1.10
June 1, 2022	32.33	4.33	5.00
June 1, 2023	33.95	4.55	5.00
June 1, 2024	35.10	4.70	3.37
June 1, 2025	36.51	4.89	4.00
June 1, 2026	37.18	4.98	1.85

Source: City of Chicago, Department of Water Management.

Transition to AWWA Cost-of-Service Water Rate Methodology for Suburban Customers

Beginning in 2030, the City expects to transition from its current uniform rate for suburban customers to a rate based upon cost of service (the “*Cost-of-Service Water Rate*”). The methodology for calculating the Cost-of-Service Water Rate will be based upon relevant case law and the American Water Works Association (the “*AWWA*”) M1 Principles of Water Rates, Fees, and Charges (the “*M1 Manual*”). The M1 Manual is considered to be the industry standard for setting water rates by public water suppliers nationally and is used by several peer entities.

Under the Cost-of-Service Water Rate, rates will be developed based upon the specific facilities and components of the water supplier’s system that are “used and useful” in providing water service to each wholesale customer. Cost of service will be determined based on the portions of the system that each customer uses. Growth in the rate over time is capped at the greater of CPI or 5% (the “*Inflation Cap*”), but with a 10-year lookback that allows the City to recover the AWWA rate when it’s higher than the Inflation Cap across a 10-year period. This process offers wholesale customers greater transparency and predictability concerning water rates and is a continuation of the City’s efforts to strengthen its relationship with its suburban customers and improve its competitive position within the region.

On October 3, 2025, the Department and the City’s Department of Finance provided initial Cost-of-Service Water Rate models to each wholesale suburban customer, based upon a 2024 Cost-of Service Rate Study. Going forward, these rate models will be revised and refined with updated data prior to the 2030 transition to Cost-of-Service Water Rates. Under these initial Cost-of-Service Water Rate models, some suburban customers’ rates are higher than current rates and some are lower. The City does not expect the transition to the Cost-of-Service Water Rate to affect the City’s ability to meet its covenants under the Master Indentures.

Collections and Delinquencies

The City’s Department of Finance issues a bill combining water, sewer and refuse charges, and water and sewer taxes, to each customer on a unified utility bill (“*Unified Bill*”). The collection strategy involves collection of amounts owed on the unified utility bills as a whole, and for this reason the

Department of Finance follows the same collection strategy for collecting water and sewer charges, as described below. The Department of Finance bills most large industrial, commercial, and wholesale municipal accounts each month, with a few exceptions that are billed quarterly. Metered residential accounts and smaller accounts are generally billed once every two months, unless a customer enters into a payment arrangement or enrolls in the UBR Program (as defined below), in which case they are billed monthly. As of April 2026, and since December 2020, non-metered accounts are billed monthly.

Payments on both metered and non-metered accounts are due 21 days after the bills are issued. A late payment penalty assessed at a monthly rate of one and one-fourth percent is imposed on all charges exceeding \$10.00 for which payment in full is not received within 30 calendar days from the date the bill was issued.

Delinquency notices, which were generated at an average rate of 17,528 per week in 2024, are sent to delinquent account holders when their balances are 30 days past due. A second delinquency notice is sent after 60 days. A third delinquency notice is sent after 90 days. After an active account reaches 365 days past due with a balance greater than \$1,000, the portion of the account balance meeting these criteria is referred to an outside collection agency or law firm for collections. Inactive accounts (accounts for prior owners, nonmetered accounts registered as vacant, and those that do not currently have water or sewer service) that are 91 days past due with balances of \$200 or greater are referred to an outside collection agency or law firm for collection. Outside law firms may pursue collection by obtaining a judgment at the City of Chicago Department of Administrative Hearings or in the Circuit Court of Cook County, by recording a lien against the property, or by additional legal collection actions. Additionally, by ordinance, when a property is transferred, a deed cannot be recorded with the Cook County Clerk's Recording Division unless the Department of Finance certifies that all service charges and penalties due and owing on the unified utility bill for service to that property have been paid in full (unless another law or rule provides otherwise).

See also "LITIGATION" for a discussion of certain litigation by the City to recover moneys owed to the City under certain of its water supply contracts.

Chicago Water and Sewer Tax-Unified Billing

On September 14, 2016, the City Council approved a tax on the use or consumption of water in the City, and on the transfer of wastewater to the City's sewer system (the "*Sewer System*") from properties located in the City (subject to certain exceptions) (the "*Chicago Water and Sewer Tax*"). The Chicago Water and Sewer Tax revenues are not Gross Revenues of the Water System and will not be utilized for the operations of the Water System, and the Chicago Water and Sewer Tax revenues will not be pledged to the repayment of the Bonds. The Chicago Water and Sewer Tax current rate is \$1.255 per 1,000 gallons and no assurance may be given that it will remain the same.

Chicago residents receiving both water and sewer service from the City, as well as refuse collection services provided by the City's Department of Streets and Sanitation, are sent a Unified Bill which details the charges for each service. The Chicago Water and Sewer Tax also appears as a separately stated item on the Unified Bill for City-provided water, sewer and refuse collection services. The first unified bills which included refuse collection services were sent in 2016 to City residents. Beginning in March 2017, the Unified Bill also included the Chicago Water and Sewer Tax as a separate charge. Pursuant to the Municipal Code, payments on the Unified Bill are allocated pro rata among the Chicago Water and Sewer Tax and water, sewer and refuse collection charges and fees, with oldest unpaid amounts being paid first. No assurance can be given, however, that this will always be the method of allocation of partial payments. It is possible that partial payments may be allocated in the future in a non-pro rata manner, in which event water charges could receive a lower priority than refuse collection

charges, sewer charges and/or the Chicago Water and Sewer Tax in allocating partial payments. To date, the Chicago Water and Sewer Tax and the allocation of payments or of partial payments on the Unified Bill to water charges, sewer charges, Chicago Water and Sewer Tax, and refuse collection services have not had a material adverse effect on the collection by the City of water charges.

Utility Billing Relief Program

In 2019, the City implemented a moratorium on water shutoffs for non-payment. In April 2020, in order to address issues with water affordability for low-income residents, the City launched the Utility Billing Relief Program (the “*UBR Program*”). The UBR Program provides low-income City residents with a reduced rate on their water rate, sewer rate, and Chicago Water and Sewer Tax as well as debt relief for those who demonstrate they can manage the reduced rate bills for one year. In order to be eligible for the UBR Program, an applicant must meet the income criteria for the Low Income Home Energy Assistance Program, which currently requires household income generally at or below 200% of the federal poverty level, and the applicant must own and reside in a single family home, 2 unit, or 3 unit property. As of August 2024, the UBR Program has helped approximately 27,000 unique accountholders through reduced billing rates and an opportunity to have past utility debt forgiven. The UBR Program, and the revenues not collected as a result of the program, have not had, and are not expected to have, any material impact on the security for the Bonds or the ability of the City to pay the debt service on the Bonds.

Distribution of Revenues by Type of Account

The following table identifies the approximate percentage distribution of revenues by type of account for the years 2015 through 2024:

Year	City Service Area			Industrial and Commercial	Suburban Service Area	Other
	Residential		Total			
	Metered	Non-Metered				
2015	21	17	38	13	47	2
2016	20	14	34	12	47	7
2017	22	14	36	13	49	2
2018	23	13	36	13	49	2
2019	23	13	36	13	49	2
2020	24	11	35	12	51	2
2021	23	13	36	12	50	2
2022	24	13	37	13	48	2
2023	23	13	36	13	49	2
2024	24	13	37	13	48	2

Source: City of Chicago, Department of Water Management.

Annual Budget Review and Implementation of Annual Budget

The Department’s annual budget is developed and implemented as part of the City’s annual budget and is based upon an analysis of its historical Operation and Maintenance Costs. If the projected Gross Revenues are not sufficient to satisfy the Rate Covenant, taking into account net transfers from the Residual Account, proposed rate increases are included in the Department’s proposed annual budget. See

“INTRODUCTION – Rate Covenant.” In addition to or in lieu of rate increases, the City could take other steps to meet the Rate Covenant. See “Historical and Projected Financial Operations” under this caption.

Once the Department has prepared and finalized its proposed annual budget, the Director of the Office of Budget and Management (the “*Budget Director*”) considers the Department’s proposed budget along with the proposed annual budgets recommended and submitted by all of the other departments and agencies whose budgets become part of the City’s proposed annual budget. Following the Budget Director’s approval, the budgets must be approved by the Mayor, the City Council’s Committee on Budget and Governmental Operations and the City Council. After the City Council has approved the proposed annual budgets as the City’s annual appropriation ordinance, the ordinance is forwarded to the Mayor for approval.

Should the Mayor veto the approved annual appropriation ordinance, the City Council may override the veto with a two-thirds vote.

The City Council may also refuse to approve the Mayor’s proposed annual budget. In such a case, the appropriate process for passage of the City budget may have to be judicially determined. In addition, in such case, the Water System would continue to operate and users would still be required to pay for service. By law, the City’s budget must be approved by December 31 of the year preceding the budget year. The City’s 2026 budget was approved by the City Council on December 20, 2025.

During each year, the Budget Director uses an allotment system to manage each department’s expenditures against its respective annual appropriation. The Budget Director requires departments to submit quarterly allotment budgets which the Budget Director, in turn, monitors. Should any department’s expenditures exceed its receipt of revenues, the Budget Director, through the quarterly budget allotment procedure, has the authority to institute economy measures against such department to ensure that its expenditures do not exceed or outpace its revenue collection.

The Financial Policies of the Water System

The City has developed the following financial policies applicable to the Water System (the “*Financial Policies*”):

Segregation of Funds

The City maintains all cash and investments of the Water Fund in separate bank accounts from the City’s general accounts, including those of the Corporate Fund of the City. Gross Revenues of the Water System are deposited directly in the segregated accounts after they are allocated from the Unified Bill payments. As part of the Financial Policies, the City intends to continue maintaining all cash and investments of the Water Fund in segregated bank accounts.

Days Cash on Hand

In addition to the requirement in the Master Indentures that the City maintain amounts in the Water Rate Stabilization Account equal to at least 90 Days’ Cash On Hand, the City also intends to maintain at least 270 Days’ Cash On Hand. For the purpose of calculating Days’ Cash On Hand under the Financial Policies, the balance in the Water Rate Stabilization Account and the Residual Account will be included, along with any unrestricted cash and investments and any other restricted cash and investments available for the payment of debt service. The City calculates Water Fund Days’ Cash On Hand as of December 31, 2024 to equal 363 days, and projects that Days’ Cash On Hand for the projection period will remain at comparable levels.

The Financial Policies described above are not a legal requirement to which the City is bound but represent practices that, as of the date of this Official Statement, the City intends to follow in connection with the financial operations of the Water System. Subject to compliance by the City with the requirements of the Master Indentures, the Financial Policies may be changed, terminated in whole or in part, or disregarded in whole or in part at the City's discretion. No assurance can be given regarding future compliance by the City with the Financial Policies.

Historical and Projected Financial Operations

Following are the Water Fund's Statements of Operations as summarized from the Water Fund Annual Comprehensive Financial Reports for the years ended December 31, 2019 through 2024 ("*Water Fund Financial Statements*") together with projected financial operations and projected debt service coverage calculations for the years ending December 31, 2025 through December 31, 2029, reflecting the issuance of the Bonds and the application of the proceeds therefrom. The projected financial operations and debt service coverage calculations also include additional anticipated issuances of debt through the end of the projection period.

The Water Fund's operating revenues for 2024 increased by approximately \$35.4 million compared to the prior year operating revenues. This increase of 4.4% is primarily due to (i) a modest increase in water sales as a result of an increase in the water rate effective June 1, 2024 and (ii) a modest decrease in the provision for doubtful accounts. Projected operating revenues are estimated to increase based on projected inflationary trends.

The Water Fund's operating expenses before depreciation and amortization for 2024 increased approximately \$6.3 million compared to the prior year operating expenses. The increase of 1.2% is primarily due to increases to transmission and distribution costs, purification costs, and power and pumping costs all due to global market changes in commodity costs, and to increased labor costs.

Projected operating expenses (excluding pension contributions) are estimated to increase based on projected inflationary trends. Such projected operating expenses reflect an increase in each year based on growth in indirect costs being charged to the Water Fund as reimbursements to the General Fund. The methodology for charging these indirect costs to the Water Fund is prepared by a third party and is consistent with generally accepted accounting principles.

Direct pension contributions by the Water Fund are budgeted at \$78 million in 2026. Indirect pension contributions allocable to the Water Fund are budgeted at \$25.8 million in 2026. Pursuant to the Pension Funding Policy (as defined below), the City budgeted the 2026 Advance Pension Contribution (as defined below), of which the Water Fund's allocable share was \$13.9 million. Future pension contributions are projected to grow from 2027 to 2029.

In addition to rate increases, the City could achieve compliance with its Rate Covenant (see "INTRODUCTION – Rate Covenant") in some other manner including any combination of rate increases, decreases in operating expenses, changes in its Capital Improvement Program or in the timing and amounts of future borrowings or changes in net transfer to/from the Residual Account.

The City has prepared the projections discussed herein and summarized in the table below. The City believes that the underlying assumptions provide a reasonable basis for the projections, and that the projections present, to the best of the City's knowledge and belief, the City's expected course of action. However, some of the assumptions upon which the projections are based inevitably will not materialize and unanticipated events and circumstances may occur. The management of the City has prepared the

projected financial information set forth below to present the expected financial performance of the Water System.

The accompanying projected financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but, in the view of the City's management, was prepared on a reasonable basis, reflects its best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Water System. Accordingly, these projections are not fact and should not be relied on as being necessarily indicative of future results and readers of this Official Statement are cautioned not to place undue reliance on the projected operations of the Water System which are contained herein.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for, and disclaim any association with, the projected financial information.

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CITY OF CHICAGO WATER SYSTEM Historical and Projected Financial Operations (Dollars in Thousands)⁽¹⁾

	Actual					Projected				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Revenues										
Water Sales ⁽²⁾⁽³⁾	\$743,771	\$763,802	\$785,327	\$798,700	\$840,902	\$872,332	\$896,207	\$916,175	\$939,080	\$984,693
Less: Provision for doubtful accounts ⁽⁴⁾	(29,461)	(15,212)	(33,092)	(27,995)	(30,854)	(32,101)	(32,692)	(33,509)	(34,347)	(35,206)
Other operating revenues	22,268	27,135	27,579	32,905	28,942	28,942	28,942	28,942	28,942	28,942
Total Operating Revenues	\$736,578	\$775,725	\$779,814	\$803,610	\$838,990	\$869,173	\$892,456	\$911,608	\$933,674	\$978,430
Operating Expenses ⁽⁵⁾										
Source of supply	200	102	213	212	131	136	139	142	146	149
Power and pumping	40,705	45,167	45,319	53,047	62,065	64,574	65,762	67,407	69,092	70,819
Purification	61,778	62,334	73,519	87,339	83,212	86,576	88,169	90,374	92,633	94,949
Transmission and distribution	71,718	74,791	61,766	86,513	98,128	102,095	103,974	106,573	109,238	111,969
Customer accounting and collection	26,991	26,521	22,886	26,539	19,353	20,135	20,506	21,019	21,544	22,083
Administrative and general	13,913	14,933	14,197	14,227	16,970	17,656	17,981	18,431	18,891	19,364
Central Services and General Fund Reimbursement	118,111	112,303	121,904	122,544	125,730	130,813	133,220	136,551	139,965	143,464
Indirect Pension Expense	21,728	20,825	23,258	23,694	23,694	25,872	25,806	26,218	26,638	27,064
Pension Expense	(47,881)	(33,871)	67,422	94,786	79,893	92,864	77,276	77,849	78,614	79,466
Advance Pension Expense	-	-	-	-	6,055	-	13,856	13,491	12,351	11,119
Total Operating Expenses	\$307,263	\$323,105	\$430,484	\$508,901	\$515,231	\$540,722	\$546,689	\$558,055	\$569,111	\$580,445
Interest Income (other than from construction accounts) ⁽⁶⁾	17,033	1,734	(66,924)	54,100	42,421	5,906	5,906	5,906	5,906	5,906
NET REVENUES	\$446,348	\$454,354	\$282,406	\$348,809	\$366,180	\$334,357	\$351,673	\$359,459	\$370,470	\$403,891
Plus: Transfers to Water Rate Stabilization Account	-	-	-	-	-	(4,462)	(1,942)	(2,686)	(2,753)	(2,822)
Plus: Pension expense other than contribution ⁽⁷⁾	(92,258)	(84,160)	(9,900)	2,600	(11,600)	-	-	-	-	-
Other available funds ⁽⁸⁾	467,076	423,975	461,115	358,500	419,000	419,000	419,000	419,000	419,000	419,000
Water Rate Stabilization Account Year-End Balance	85,821	91,754	85,821	88,549	88,034	92,496	94,438	97,124	99,877	102,699
Net Revenue Available for Bonds	\$821,166	\$794,169	\$733,621	\$709,909	\$773,580	\$748,895	\$768,732	\$775,773	\$786,717	\$820,069
Debt Service Requirement: ⁽⁹⁾										
Senior Lien Debt Service ⁽¹⁰⁾	-	-	-	-	-	-	-	-	-	-
Existing and Projected Second Lien Debt Service ⁽¹¹⁾	\$178,607	\$178,616	\$178,520	\$191,182	\$178,038	\$185,416	\$191,622	\$218,466	\$235,264	\$256,127
Second Lien Debt Service Coverage ⁽¹²⁾	4.60x	4.45x	4.11x	3.71x	4.35x	4.04x	4.01x	3.55x	3.34x	3.20x
Existing and Projected IEPA Subordinate Lien Debt Service	\$33,333	\$38,300	\$37,279	\$41,700	\$40,784	\$42,220	\$42,170	\$43,670	\$45,920	\$48,922
Combined Second & Sub. Lien Debt Service Coverage ⁽¹²⁾	\$211,940	\$216,916	\$215,799	\$232,882	\$218,822	\$227,636	\$233,792	\$262,137	\$281,184	\$305,049
	3.87x	3.66x	3.40x	3.05x	3.54x	3.29x	3.29x	2.96x	2.80x	2.69x

Note: The applicable footnotes for the preceding table are shown on the following page.

Source: Actual - City of Chicago, Water Fund Financial Statements: Projected - City of Chicago, Department of Water Management, Department of Finance and Office of Budget and Management

- (1) Totals may not add due to rounding.
- (2) Water rate projections reflect automatic CPI increases of 4.00% on June 1, 2025 and 1.85% on June 1, 2026; projected CPI increases of 2.5% in each of 2027 and 2028; and an assumed increase in 2029 above projected CPI (which would require an amendment to the Rate Ordinances.)
- (3) Projected annual Water Sales reflect gross billings and not collections, which is in accordance with generally accepted accounting principles. Prior year annual collections have averaged 96.5% of gross billings for the last five years.
- (4) Projected provision for bad debt is estimated to increase by 4.04% and 1.84% in 2025 and 2026, and 2.5% annually from 2027 through 2029.
- (5) Non-pension operating expenditure growth is projected to increase by 4.04% and 1.84% in 2025 and 2026, and 2.5% annually from 2027 through 2029. Direct pension contribution, advance pension contribution in 2025-2029, and indirect pension expense in 2025-2026 are projected based on the City's inputs. Indirect pension expense is projected to grow at 1.6% annually from 2027 through 2029.
- (6) Amounts in 2025-2029 assumed to be average of audited results in 2012-2021.
- (7) Of the \$79.9 million of pension expense recognized in 2024, \$91.5 million represents the portion of the City's pension cash contribution payable in 2024 to the pension funds and allocable to the Water Fund. The resulting \$(11.6) million difference reflects the net noncash pension adjustment recognized pursuant to GASB 68 and, because it was not due and payable during 2024, is not included in Operating Expenses for purposes of calculating the debt service coverage ratio.
- (8) As provided in the Master Indenture, Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs, for paying required debt service on all bonds and notes secured by Water System revenues, for paying any required amounts into any other accounts established for any bonds or notes secured by Water System revenues and to make any deposits into the Water Rate Stabilization Account ("*Other Available Funds*"), can be applied to debt service for any future period. Other Available Funds is equal to total current unrestricted assets net of total current liabilities included in the annual Basic Financial Statements - Statements of Net Position as of December 31 of the prior period. From 2025 through 2029, Other Available Funds are projected to be \$419 million per year.
- (9) Reflects the issuance of the Bonds and the refunding of the Refunded Bonds. Future new money issuances may reflect capitalized interest and future refinancings may entail recapitalization of refunding savings. Reflects projected future refundings of callable bonds with certain interest rate assumptions. Reflects projected future issuance of bonds and currently anticipated draws under the WIFIA Loan, to fund capital expenditures. There can be no assurance that any future refundings or capital financings will be completed when assumed, or at all. Interest for each year also includes the full amount of interest payable on the City's Series 2010B Second Lien Bonds without adjustment for certain direct payment subsidies expected by the City to be received from the U.S. Treasury.
- (10) There are no outstanding Senior Lien Bonds or other obligations with a claim to Net Revenues senior to the Bonds, and the City has covenanted under the Master Indenture not to issue any obligations with a claim to Net Revenues senior to that of the Bonds and of Outstanding Second Lien Bonds.
- (11) With respect to Existing and Projected Second Lien Debt Service, includes debt service on the 2026A, 2026B, and 2026C Bonds and excludes debt service on the Refunded Bonds and the Tendered Bonds. Also reflects future new money issuances (which may include capitalized interest, as needed) to support the CIP and periodic refinancings with targeted savings.
- (12) Under the Rate Covenant, the City is required to establish rates and charges sufficient to produce Net Revenues Available for Bonds equal to at least 100% of Second Lien Debt Service and 110% of Subordinate Lien Debt Service. The coverage ratios shown above are provided for informational purposes.

The amounts of annual net water sales and cash collected from the then current and prior years' billings are included in the following table:

NET WATER SALES AND CASH COLLECTIONS

Year	Net Water Sales ⁽¹⁾	Cash Collected During Year for Current and Prior Years' Sales	Percentage of Sales Collected
2016	\$765,335,622	\$749,581,522	98%
2017	750,892,971	718,476,589	96%
2018	760,437,497	750,361,496	99%
2019	745,092,361	726,431,575	97%
2020	732,111,077	717,068,450	98%
2021	764,091,701	747,363,111	98%
2022	793,579,454	757,748,653	95%
2023	798,030,528	781,074,313	98%
2024	840,925,684	798,582,411	95%
2025 ⁽²⁾	873,617,454	854,577,765	98%

Source: City of Chicago, Department of Water Management. Restated historical figures 2016.

- (1) Actual amounts billed during calendar year differs from Water Fund Financial Statements which include charges accrued for calendar year regardless of year in which billed. Collections reflect the amount of water collection that was submitted, which differs from Water Fund Financial Statements.
- (2) Reflects unaudited results.

Pension Costs

Determination of Pension Contributions

Pension costs paid out of the Water Fund constitute Operation and Maintenance Costs for purposes of determining Net Revenues and compliance with the City's covenants (including the Rate Covenant) under the Master Indentures. See "INTRODUCTION – Rate Covenant."

Pursuant to the Illinois Pension Code, as revised from time to time (the "*Pension Code*"), the City contributes to four retirement funds (collectively, the "Retirement Funds"), which provide benefits upon retirement, death or disability to members of the Retirement Funds and their beneficiaries. The Retirement Funds are as follows, listed in order from largest to smallest membership: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("*MEABF*"); (ii) the Policemen's Annuity and Benefit Fund of Chicago ("*PABF*"); (iii) the Firemen's Annuity and Benefit Fund of Chicago ("*FABF*"); and (iv) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("*LABF*"). The Retirement Funds' membership consists primarily of current and former employees of the City and their beneficiaries. Water System employees participate in the MEABF and LABF. For additional information on Water Fund's portion of the net pension liability to the MEABF and LABF, see Note 6 of APPENDIX C – "CITY OF CHICAGO DEPARTMENT OF WATER MANAGEMENT WATER FUND ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2024 – Notes to Basic Financial Statements – 6. Pension Plans."

Members of each Retirement Fund are eligible (individually, an "Eligible Member," and collectively, "*Eligible Members*") for an annual annuity payment (the "*Annuity Benefits*") if they meet certain age, years of service and prior service credit requirements (the "*Eligibility Factors*"). Benefits to

each Eligible Member are statutorily established based on a combination of the Eligibility Factors and the Eligible Member's average annual salary for certain years prior to retirement (the "*Annuity Factors*").

Annuity Benefits for each of the Retirement Funds are funded from three sources: (i) contributions from the City from the proceeds of a levy on all taxable property within the City (the "*City Contributions*") and from any other legally available funds including payments from the Department on behalf of Water System employees (collectively, "*Other Available Funds*," as described below), (ii) contributions from Eligible Members (the "*Employee Contributions*," and together with the City Contributions, the "*Contributions*"), and (iii) investment returns. The Department has historically contributed its pro rata share of City Contributions to the MEABF and LABF based on the Annuity Factors for the number of Water System employees who are Eligible Members.

The portion of the City's contribution presently made from Other Available Funds consists of several revenue sources, including (i) general corporate fund revenues, and (ii) revenues of the enterprise systems (with respect to the portion of the contribution allocable to the employees of the respective enterprise systems). The City has identified additional revenue sources to assist in making the increased contributions to LABF and MEABF as a result of the enactment of P.A. 100-23 (described below). With respect to LABF, the City expects that a portion of such increased contribution will be made from funds in the Corporate Fund made available as a result of an increase in the 911 surcharge, which was implemented in September 2014. With respect to MEABF, the City intends to continue to utilize revenues generated from a tax on water and sewer usage which was imposed by the City Council in September 2016, to fund a portion of the increase in the City's contributions to MEABF.

The City allocates to its enterprise funds, including the enterprise fund for the Water System, their share of the City's annual contribution to the Retirement Funds based upon the amount of services provided by City employees to the functions or enterprises related to or paid out of those funds. The enterprise funds account for their allocable share of the City's contributions to the Retirement Funds as operating and maintenance expenses. In addition, beginning in 2015, the financial statements of the enterprise funds have included an allocation of the applicable Net Pension Liability to such funds as required by the New GASB Standards. The amounts allocable to the respective enterprise funds, including the enterprise fund for the Water System, may be significant and may have a material effect on such financial statements.

The provisions of the Pension Code mandate the amounts the City must contribute to the Retirement Funds, and the City is bound to contribute, and historically has contributed, such amounts.

Historically, the Pension Code required the City to contribute to a Retirement Fund a statutory multiple of the amount contributed to such Retirement Fund by the employees who are Eligible Members two years prior to the levy year of the property tax used to generate the contribution (the "*Multiplier Funding System*"). The Multiplier Funding System did not adjust for changes in the funding level of such Retirement Fund, so in many years the contributions determined under the Multiplier Funding System were substantially less than the contribution that would have resulted from an actuarial determination.

The City's contributions to the Retirement Funds are no longer calculated in accordance with the Multiplier Funding System. Public Act 96-1495 ("*P.A. 96-1495*"), as modified by Public Act 99-506 ("*P.A. 99-506*" and, together with P.A. 96-1495, the "*FABF/PABF Funding Legislation*"), modified the articles of the Pension Code applicable to FABF and PABF to provide for calculation of the respective contributions to such Retirement Funds in accordance with the FABF/PABF Funding Plan (as hereinafter defined and described). Public Act 100-23 ("*P.A. 100-23*") modified the articles of the Pension Code applicable to LABF and MEABF to provide for calculation of the respective contributions to such

Retirement Funds in accordance with the LABF/MEABF Funding Plan (as hereinafter defined and described).

Pursuant to the FABF/PABF Funding Legislation, beginning in levy year 2020, the City must annually levy a property tax (unless Other Available Funds are used) for each of FABF and PABF in an amount necessary to achieve a funded ratio of 90 percent in such Retirement Funds by the end of fiscal year 2055 (the “*FABF/PABF Actuarial Funding*”). For levy years 2015 through 2019, the FABF/PABF Funding Legislation specified the amounts of the property taxes to be levied by the City in gradually increasing amounts ahead of the FABF/PABF Actuarial Funding (the “*FABF/PABF Phase-in Funding*” and, together with the FABF/PABF Actuarial Funding, the “*FABF/PABF Funding Plan*”). The FABF/PABF Funding Legislation also mandated that any proceeds received by the City in relation to the operation of a casino in the City shall be expended by the City to satisfy the City’s employer contribution obligations to FABF and PABF in any year.

Pursuant to P.A. 100-23, beginning in levy year 2022, the City must annually levy a property tax (unless Other Available Funds are used) for each of LABF and MEABF in an amount necessary to achieve a funded ratio of 90 percent in such Retirement Funds by the end of fiscal year 2058 (the “*LABF/MEABF Actuarial Funding*”). For levy years 2017 through 2021, P.A. 100-23 specified the amount of property taxes to be levied by the City in gradually increasing amounts ahead of the LABF/MEABF Actuarial Funding (the “*LABF/MEABF Phase-in Funding*” and, together with the LABF/MEABF Actuarial Funding, the “*LABF/MEABF Funding Plan*”).

On August 1, 2025, the Illinois Governor signed Public Act 104-0065 (“*P.A. 104-0065*”). P.A. 104-0065 made changes to the Pension Code that affect the benefits owed to certain members of PABF and FABF. However, as noted previously, Water System employees participate in the MEABF and LABF.

2026 Budgeted Contributions

The City’s Fiscal Year 2026 budget includes the following contributions to the Retirement Funds (as indicated by total annual contribution and the Water Fund’s proportional share): (i) \$1,133.3 million for MEABF, of which \$67.7 million, or approximately 6.0%, is the Water Fund’s proportional share; and (ii) \$153.3 million for the LABF, of which \$24.2 million, or approximately 15.8%, is the Water Fund’s proportional share. In addition, the 2026 Water Fund budget includes \$25.8 million for indirect pension contributions chargeable to the Water Fund. These 2026 budgeted contributions include the advance pension contribution described below.

The allocations described in this subsection are not all required by statute but represent the City’s current method of allocating its pension costs. The City may alter the manner in which it allocates its pension costs to these funds at any time.

Pension Funding Policy

Beginning with the 2023 Budget year, the City published a new debt and pension management policy (the “*Pension Funding Policy*”) that states: “Starting in fiscal year 2023, the City will annually budget for an advance pension contribution which, in addition to the statutorily required contribution, and in the determination of the Chief Financial Officer, will not increase the total net pension liability of the City’s four pension funds based on best efforts projections and information available at the time of budget. This total net pension liability calculation will be based on the GASB 67/68 calculation of net pension liability included annually in the City’s Annual Comprehensive Financial Report and will include

components of said calculation including interest cost derived from unfunded liability, normal cost, administrative costs, employee contributions and market value of the assets of the fund.”

The first of these advance pension contributions, totaling approximately \$242.0 million, was included in the 2023 Budget adopted by the City Council on November 7, 2022. The second of these contributions, totaling approximately \$306.6 million, was included in the 2024 Budget adopted by the City Council on November 15, 2023. The third of these contributions, totaling approximately \$271.8 million, was included in the 2025 Budget adopted by City Council on December 16, 2024. The fourth of these contributions, totaling approximately \$259.6 million, was included in the 2026 Budget adopted by City Council on December 29, 2025 (the “2026 Advance Pension Contribution”). These advance pension contributions, in addition to preventing an increase in the City’s net pension liability, also help avoid market losses due to asset liquidations by the pension funds. To manage near-term cash-management considerations related to delays in the receipt of property taxes, among other cash flow matters, while preserving the benefits of the Pension Funding Policy, the City has elected to split the 2026 Advance Pension Contribution of \$259.6 million into two equal installments. The first installment of \$129.8 million was paid on January 16, 2026, and the second installment of \$129.8 million will be paid later in the year. The 2026 Advance Pension Contribution is included in the figures cited above under “2026 Budgeted Contributions.” As part of the Pension Funding Policy, the Water Fund pays its proportionate share of the Advance Pension Contribution. For Budget Year 2026, the Water Fund’s Advance Pension Contribution has been budgeted as approximately \$11.3 million for MEABF and \$2.6 million for LABF.

2026 ADVANCE PENSION CONTRIBUTION BY RETIREMENT FUND
(\$ IN MILLIONS)

<u>Retirement Fund</u>	<u>Amount</u>
MEABF	\$161.2
LABF	14.6
PABF	72.2
FABF	<u>11.6</u>
Total:	<u>\$259.6</u>

INVESTMENT CONSIDERATIONS

The following discussion of investment considerations should be reviewed by prospective investors before purchasing the Bonds. The following discussion summarizes some, but not all, of the possible investment considerations that could adversely affect the ability of the City to pay debt service on all or a portion of the Bonds on a timely basis or in full and could have an adverse effect on the liquidity and/or market value of the Bonds. The discussion does not address every possible factor that could negatively affect Gross Revenues or Net Revenues of the Water System. There can be no assurance that other factors not discussed herein will not become material in the future. See also “INTRODUCTION – Forward Delivery” and “FORWARD DELIVERY” with respect to additional risks and conditions associated with the Series 2026B Bonds.

Adverse Change in Laws

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the City’s ability to raise taxes, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws,

regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the City or the taxing authority of the City, which could materially adversely affect the City's operations or financial condition. While there is currently no State statute regulating Water System rates, future State statutes or court decisions could limit or otherwise adversely affect the City's ability to set Water System rates.

Interest on the Bonds could become subject to federal and/or State income tax as a result of changes in tax laws. For example, recent legislative tax proposals in the U.S. Congress would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds. The Bonds will not be subject to mandatory redemption, and the interest rates on the Bonds will not be subject to adjustment, in the event of any change in the tax treatment of interest on the Bonds. In such event, the market value of and ability of owners to sell the Bonds could be adversely affected. No assurance can be provided, and no predictions can be made, as to whether there will be any change in tax laws relating to state and local government bonds, including the Bonds, or to what effect.

Investors in the Bonds should consult their own financial and tax advisors in connection with their purchase of the Bonds.

Effect of Potential Future Ratings Downgrades

The City does not anticipate that any potential credit downgrades would affect collection or availability of Net Revenues in any material respect. However, such events could have an adverse effect on the Water System because the interest rate the City pays on new issuances of Water System debt is highly dependent on the Water System debt credit ratings and the City funds ongoing capital improvement projects to the Water System, in part, through the sale of indebtedness of the Water System. Downward changes in the Water System debt ratings could significantly increase the cost, or decrease the availability, or both, of such borrowing. If this occurs, additional pressure may be placed on Water System debt interest rates or capital funding.

Additionally, ratings downgrades may have an adverse effect on the market value or liquidity of the Bonds.

Unfunded Pensions

The Retirement Funds have significant unfunded liabilities and low funding ratios. The amount of the Water System's contributions to the Retirement Funds are projected to increase in future years. See "FINANCIAL OPERATIONS – Pension Costs." Future required contribution increases may require the Water System to increase its revenues, reduce its expenditures, or some combination thereof, which may impact the Water System.

Effect of the Sixteenth Supplemental Indenture and the New Master Indenture

As described under "INTRODUCTION – Amendment to the Master Indenture," the Master Indenture Amendment provided for by the Sixteenth Supplemental Indenture, if and when effective, would expand the definition of "Water System." The Municipal Code of Chicago and other prior City ordinances authorizing Outstanding Second Lien Bonds do not currently permit the City to use revenues of the Water System for Private-side LSLR. If the Municipal Code and such ordinances were to be amended to permit such use, and the New Master Indenture is then effective, the City will be able to use Net Revenues to fund certain Private-side LSLR consisting of that portion of each water service line no greater than 2 inches in diameter that runs from the shut-off valve to a point where the water service line connects to the internal plumbing system inside a property. The City estimates that the full construction

cost to replace Private-side LSLR requiring replacement in the City is \$6.3 billion to \$7.2 billion in current dollars. See “WATER SYSTEM – Lead Service Line Replacement Program; Statutory Requirement,” “– LSLR Funding” and “Quality of Water Supplied.”

Uncertain Enforcement of Remedies

The remedies available to bondholders upon nonpayment of principal of or interest on the Bonds are uncertain and in many respects dependent upon discretionary judicial actions. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Remedies.”

The Master Indentures do not contain a provision allowing for the acceleration of the Bonds in the event of a default in the payment of principal of and interest on the Bonds when due.

Bankruptcy

Under federal law, municipalities, including the City, are ineligible for bankruptcy unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy. State law does not currently permit municipalities, including the City, to be debtors in bankruptcy, and therefore, municipalities, including the City, are currently ineligible for bankruptcy.

As with all State law, the current prohibition on municipal bankruptcies is subject to review or change by State government. From time to time, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois municipalities to be debtors in bankruptcy. The City is unable to predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

In the event of a change in State law to provide that the City is eligible to be a debtor in bankruptcy, and if that authority were to be acted upon, there is no guarantee that the bankruptcy court would consider the Bondholders to have a secured claim under the United States Bankruptcy Code (the “*Bankruptcy Code*”) with respect to Net Revenues or amounts on deposit in the Second Lien Bonds Account, the Water Rate Stabilization Account, the Residual Account and any Second Lien Construction Accounts. Neither the Net Revenues nor the accounts of the Water Fund are subject to a statutory lien in favor of the Bondholders. In addition, the Net Revenues may not be “special revenues” as defined in the Bankruptcy Code.

Operational Security and Cybersecurity

Operational Security of the Water System

The damage to the Water System resulting from vandalism, sabotage, natural disasters or terrorist activities may adversely affect the operations and finances of the Water System. While the Department maintains robust procedures and capabilities to ensure the physical security of the Water System including (i) collaboration with the City’s Office of Emergency Management and Communications (OEMC), which provides the Department with access to the citywide network of video cameras to allow 24/7 surveillance of the Water System, (ii) as part of the Department’s ongoing partnership with law enforcement agencies, including the Chicago Police Department, the US Coast Guard, the FBI and the Department of Homeland Security, and (iii) elevated enhancement of physical security of the Water System and water access points in advance of large-scale public events and/or in response to any intelligence received indicating a potential threat, there can be no complete assurance that the City’s comprehensive security, emergency preparedness and response plans will completely prevent or mitigate

all such potential damage, or that the costs of maintaining such security measures will not be greater than currently anticipated.

Cybersecurity of Administrative and Financial Systems

The Department relies on information technology systems with respect to customer service, administration, billing, and accounting. In addition, the Department relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies. A loss of these systems, or major problems with the operation of these systems, could have a material adverse effect on the financial condition and results of operations of the Water System. Information technology systems may be vulnerable to damage or interruption from the following types of cybersecurity attacks or other events:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data;
- computer viruses, cybersecurity attacks, intentional security breaches, hacking, denial of service actions, misappropriation of data and similar events;
- difficulties in the implementation of upgrades or modification to information technology systems; and

City computer networks and systems provide support to the Water Department departmental operations and constituent services by collecting and storing sensitive data, including intellectual property, security information, proprietary business process information, information applying to suppliers and business partners and personally identifiable information of customers, constituents and employees. The secure processing, maintenance and transmission of this information is critical to departmental operations, the provision of citizen services and the Water System's finances through the collection of water fees. Increasingly, governmental entities are being targeted by cyberattacks seeking to obtain confidential data or disrupt critical services or financial operations. A rapidly changing cyber risk landscape may introduce new vulnerabilities that attackers and/or hackers can exploit in attempts to effect breaches or service disruptions. Employee error and/or malfeasance may also contribute to data loss or other system disruptions. Any such breach could compromise networks and the confidentiality, integrity and availability of systems and the information stored there. The potential disruption, access, modification, disclosure or destruction of data could result in interruption of the efficiency of Water System financial management, initiation of legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions in operations and the services provided and the loss of confidence in Water System operations, ultimately adversely affecting Water System revenues.

The City's Department of Technology and Information has developed a set of information technology and security policies, in an effort to protect the confidentiality, integrity and availability of the City's information technology data and assets. These policies are applicable to all City information technology systems and networks, those entrusted to third parties, City employees and others, including but not limited to contractors, vendors and consultants.

No assurance can be given that any cyberattacks, if successful, will not have a material adverse effect on the administrative operations or financial condition of the Water System.

Although the Department does not believe that its systems are at a materially greater risk of cybersecurity attacks than other similar utilities, its information technology systems may be vulnerable to damage or interruption from the types of cybersecurity attacks or other events listed above or other similar actions, and such incidents or other events may be unprecedented and may go undetected for a period of time.

The City, including the Department, maintains ongoing communication and cooperation with the FBI and Department of Homeland Security's Cybersecurity & Infrastructure Security Agency ("CISA") to review and improve upon protocols to protect the Water System against cyber and/or physical intrusions. As an example, in July 2022, the Department and CISA conducted a "Cyber Tabletop Exercise" at the City's Jardine Plant to: 1) assess information sharing processes with internal and external stakeholders; 2) examine the effectiveness of the City's plans and processes protecting its water system; 3) evaluate the City's coordination efforts to respond to and recover from cybersecurity incidents; and 4) explore processes for requesting additional incident response resources.

Isolated System Infrastructure

The Department's operational systems at its two water purification facilities are completely isolated from the internet. There is no way to log in externally to the Department's operational systems, which can only be controlled by operators physically located at the Department's facilities. This isolation provides even greater protection against potential cyber-attacks. Finally, even in the unlikely event of a complete IT failure of these operational systems, the Department has the capability to manually maintain 100% operational capability at both of its water purification plants.

Force Majeure Events

There are certain unanticipated events beyond the City's control that could have a material adverse impact on the Department's and City's operations and financial conditions if they were to occur. These events include fire, flood, earthquake, epidemic, pandemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the Department's and City's operations and financial condition, and on the Net Revenues Available for Bonds.

Limited Obligations

The Bonds are limited obligations of the City payable solely from Net Revenues. The Bonds are not secured by a lien upon any physical properties of the Water System, nor has the City established a debt reserve fund or obtained any third-party credit enhancement, credit support, surety bond or insurance with respect to the Bonds except for the Insured Bonds which will be insured by BAM upon the delivery of the Policy concurrently with the issuance of the Insured Bonds.

Issuance of Additional Second Lien Bonds

There are no outstanding Senior Lien Bonds or other obligations with a claim to Net Revenues senior to the Bonds, and the City has covenanted under the Master Indenture not to issue any obligations

with a claim to Net Revenues senior to that of the Bonds and of Outstanding Second Lien Bonds. The Master Indenture Amendment makes no changes to this negative senior lien covenant. See “INTRODUCTION – Lien Status and Security for the Bonds” and “SECURITY FOR THE BONDS.”

Subject to certain financial tests and limitations contained in the Indenture and described in APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” under the caption “Additional Second Lien Bonds,” the City may issue additional Second Lien Bonds on a parity with the Bonds. The debt service requirements for the payment of any such additional Second Lien Bonds may be substantial and require rate increase(s) in excess of those authorized by the Rate Ordinances. If such rate increase(s) are needed, such incremental rate increase(s) will require further action by the City Council. See “FINANCIAL OPERATIONS – Water System Rates” and “Historical and Projected Financial Operations” for the City’s current financial projections. See also “INTRODUCTION –Amendment to the Master Indenture” regarding an expanded definition of Water System.

The financial tests that must be satisfied to permit the issuance of additional bonds are based on certain assumptions concerning future revenue and debt service requirements. Actual debt service requirements may exceed assumed requirements and result in lower debt service coverage on the Bonds.

Debt Covenants

The City is obligated to comply with the Rate Covenant. Failure to comply with the Rate Covenant, if not cured or waived, could result in the City being required to repay or finance the related borrowings before their due date, limit future borrowings, cause cross-default issues, and increase borrowing costs. If forced to repay or refinance (on less favorable terms) these borrowings, the Department’s business, financial condition, and results of operations could be adversely affected by increased costs and rates.

Environmental Regulations

As described herein under “WATER SYSTEM – Lead Service Line Replacement Program; Statutory Requirement” and “– Quality of Water Supplied,” the City is subject to state and federal environmental laws and regulations applicable to the Water System. These laws and regulations are subject to change, and the City may be required to expend substantial funds to meet the requirements of such changing laws and regulations in the future. Failure to comply with these laws and regulations may result in the imposition of administrative, civil, and criminal penalties, or the imposition of an injunction requiring the City to take or refrain from taking certain actions. While the Department has budgeted for future capital and operating expenditures to comply with these laws and regulations, it is possible that new or stricter standards could be imposed that will require additional capital expenditures or raise operating costs.

Water Conservation

Decreased customer water consumption as a result of water conservation efforts may adversely affect demand for water services and may reduce revenues and earnings. There may be declines in water usage per customer as a result of an increase in conservation awareness, and the structural impact of an increased use of more efficient plumbing fixtures and appliances. Difficulty obtaining future rate increases beyond the annual automatic adjustment currently authorized to offset decreased customer water consumption to cover investments and expenses, may adversely affect the business, financial condition, and results of operations of the Water System. See “FINANCIAL OPERATIONS – Water System Rates.”

LITIGATION

There are no pending legal proceedings to which the City is a party or to which any of its property is subject that may materially affect the City's ability to pay the principal of and interest on the Bonds when they become due.

The City is or may become a defendant to various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, discrimination, civil rights actions and other matters. However, there is neither litigation pending nor, to the best of the City's knowledge, threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds, or except as disclosed herein, materially adversely affecting the collection, pledge or application of any moneys or security provided for the payment of the Bonds. The City expects that the resolution of the matters disclosed below, in some of which the City is the plaintiff, will not affect the City's obligation to satisfy the Rate Covenant.

Farmer v. City of Chicago. This case is a putative class action that was filed in the Circuit Court of Cook County, Illinois challenging the reasonableness of the City's water rates and sewer rates. The plaintiff's Fourth Amended Complaint alleges that the various exemptions for hospitals, certain government organizations and non-profits and cost allocations in the City's recent budget ordinances caused her water and sewer rates to be higher. The plaintiff is requesting, on behalf of a class of City water and sewer customers, "disgorgement" of the excess charges in the period 2016 to the present. The City is vigorously defending this case.

Grabowski v. City of Chicago. This case is a putative class action in the Circuit Court of Cook County, Illinois challenging the City's processes for refunding overpayments related to utility billing accounts. In particular, the suit seeks the return of any account credits to individuals who have moved or otherwise canceled their utility service since 2017. In September 2024, the Court dismissed the case with prejudice. The plaintiff has appealed this decision.

City of Chicago v. City of Harvey. The City of Harvey, Illinois ("Harvey"), which purchases water from the City and resells it to downstream municipalities as well as to its own residents and businesses, stopped making regular water payments to the City in November 2008. The City filed a lawsuit in the Circuit Court of Cook County, Illinois (the "*Circuit Court*") against Harvey, which the parties settled in January 2015 with the entry of a consent decree (the "*Consent Decree*") that required Harvey to pay \$20,000,000 to the City for past unpaid water charges in fixed monthly amounts over seven years with three percent interest, as well as to timely pay its current water bills. After Harvey violated the Consent Decree by, among other things, falling behind on payments and failing to submit quarterly reports, the City filed motions for final judgment, specific performance, and to appoint a receiver over Harvey's water system. Those motions were granted, and the receiver was in place from August 2017 through December 2020, at which time he was discharged by the Circuit Court.

Subsequently, the parties agreed to an interim order (the "*Interim Order*") (which has been extended from time to time and is currently set to expire on June 1, 2026) to govern their relationship while a final settlement is being negotiated. Under the Interim Order, Harvey is obligated to pay the City at least 70% of its water revenue, and, to accomplish that obligation, all of its downstream municipal customers as well as its eight largest commercial customers are obligated to pay the bills that would otherwise be paid to Harvey to an escrow agent, who receives the funds and distributes those funds to the City on a monthly basis to satisfy Harvey's current water bills. The current balance owed by Harvey to the City is approximately \$42,000,000; Harvey has made minimal payments towards judgment balance since December 2019. The City is vigorously pursuing this case.

City of Chicago v. Village of Dolton. The Village of Dolton, Illinois (“Dolton”), which purchases water from the City and resells it to its own residents and businesses, had fallen behind in making regular payments to the City in 2009. The City filed a lawsuit in the Circuit Court against Dolton in March 2018, which the parties settled in November 2018 with the entry of a consent decree. Under the consent decree, judgment was entered against Dolton in the amount of \$9,086,343.49, to be paid via an initial payment of \$600,000 in November 2018, and subsequent annual installments of \$1,153,022.17 over ten years. The consent decree also requires Dolton to pay its monthly water bills on time.

Since the settlement, Dolton has paid its annual installment payments. Its next annual installment payment is due on or before December 31, 2026. However, Dolton has fallen behind in paying its monthly water bills. Dolton paid its October 2024 through April 2025 bills late and partially paid its May 2025 bill late. Dolton has not yet paid the remaining balance for the May 2025 bill nor bills from June 2025 through March 2026. The City has been issuing Notices of Default in accordance with the consent decree, as well as reminders, and is in active discussions with Dolton about Dolton becoming current on its outstanding bills.

City of Chicago v. Village of Robbins. The Village of Robbins, Illinois (“Robbins”), which purchases water from the City and resells it to its own residents and businesses, has struggled to make regular payments to the City since the 1990s. The City filed a lawsuit in the Circuit Court against Robbins in March 2018, which the parties settled in June 2024. Pursuant to the terms of the settlement agreement, Robbins and the City agreed to a judgment, which was entered by the court in July 2024, for the total amount the City sought in the litigation, which is \$41,929,142.83, which includes uncharged penalties and a prior judgment. This agreed judgment will be stayed for seven years. If Robbins pays its current invoices during the seven-year stay period, then the City will forgive the uncharged penalties and prior judgment, which will reduce the amount Robbins owes the City to \$18,565,927.60. Robbins will make payments toward the \$18,565,927.60 owed in accordance with a 40-year repayment plan that has monthly payments of \$102,152.27.

The City has issued a Notice of Default to Robbins for unpaid water bills starting in December of 2024; Robbins did not pay the bills during the cure period and has not yet made any bill payments in 2025 or 2026.

Benchmark Construction Company, Inc. (“Benchmark”) v. City of Chicago. Benchmark was hired by the Department to replace water mains during 2013 – 2019. The City determined that Benchmark was in default under its water main replacement contracts due to its failure to comply with standards mandated under State law (the “Separation Standards”) with respect to the separation of water mains from sewer mains. Benchmark filed suit in the Circuit Court in December 2021 challenging the City’s determination and seeking damages. That suit is ongoing. In March 2022, Benchmark filed suit against the City and the IEPA in the United States District Court for the Northern District of Illinois, challenging the constitutionality of the Separation Standards. That case was voluntarily dismissed in April 2024 and the parties have entered into a tolling agreement as to those claims. Benchmark is currently appealing a decision by the City’s Department of Procurement Services (“DPS”) that Benchmark failed to make good faith efforts with respect to women-owned business enterprise utilization. The City’s Department of Administrative Hearings has heard the case, and the administrative law judge will issue a ruling in the coming months.

NPL Construction Co. (“NPL”) v. City of Chicago. NPL was hired by the Department to replace water mains during 2016 – 2019. The City determined that NPL was in default under its water main replacement contracts due to its failure to comply with the Separation Standards. NPL filed suit in the Circuit Court in December 2021 challenging the City’s determination and seeking damages. The case was remanded by agreement of the parties to DPS for further findings. DPS issued its decision in July

2024, finding, among other things, that NPL is responsible for correcting non-compliant work. NPL sought Circuit Court review of that decision. The Circuit Court affirmed DPS's prior decision on all but one issue, finding that the warranty period was one year and that NPL only had a duty to correct the work for one year following the final acceptance of the work. The parties did not brief, and the Court did not decide, NPL's claim that delays allegedly caused by DWM resulted in a need to accelerate work under the contract, for which NPL claims it is entitled to additional compensation.

FINANCIAL STATEMENTS

The basic financial statements of the City's Water Fund as of and for the year ended December 31, 2024, and included by specific reference in APPENDIX C – "CITY OF CHICAGO DEPARTMENT OF WATER MANAGEMENT WATER FUND ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2024" to this Official Statement (the "*Audit*"), have been audited by Deloitte & Touche LLP, an independent auditor (the "*Auditor*"), as stated in its report referenced therein. The City has not requested that the Auditor update any information contained in the Audit since the date of the Audit. The Auditor has not been engaged to perform, and has not performed since the date of the Audit, any procedures on the financial statements addressed in the Audit.

CO-FINANCIAL ADVISORS

The City has retained RSI Group LLC and Public Resources Advisory Group, Inc. to act as co-financial advisors (the "*Financial Advisors*") in connection with the offering of the Bonds. The Financial Advisors have provided advice on the plan of financing and structure of the Bonds and have reviewed certain legal documents, including this Official Statement, with respect to financial matters. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of, the information contained in this Official Statement. Each Financial Advisor is a "municipal advisor" as defined in Rule 15Ba1-1 of the Securities and Exchange Act of 1934, as amended.

UNDERWRITING

Mesirow Financial, Inc., as representative on behalf of itself and the other underwriters listed on the cover of this Official Statement (the "*Underwriters*") has agreed, subject to certain conditions set forth in the Bond Purchase Agreement, between the Underwriters and the City, to purchase (a) the Series 2026A Bonds at a price equal to \$662,710,000.97 (which represents the aggregate principal amount of the Series 2026A Bonds less an underwriters' discount of \$3,749,451.43 and plus a net original issue premium of \$19,829,452.40); and (b) the Series 2026C Bonds at a price equal to \$150,219,642.47 (which represents the aggregate principal amount of the Series 2026C Bonds less an underwriters' discount of \$826,031.73 and plus original issue premium of \$14,450,674.20). The obligation of the Underwriters to accept delivery of the Series 2026A Bonds and of the Series 2026C Bonds is subject to various conditions set forth in the Bond Purchase Agreement between the Underwriters and the City. The Underwriters are obligated to purchase all of the Series 2026A Bonds and the Series 2026C Bonds if any of the Series 2026A Bonds and the Series 2026C Bonds are purchased.

Mesirow Financial, Inc., as representative on behalf of itself and the Underwriters has agreed, subject to certain conditions set forth in the Forward Delivery Bond Purchase Agreement between the Underwriters and the City, to purchase the Series 2026B Bonds at a price equal to \$167,600,905.83 (which represents the aggregate principal amount of the Series 2026B Bonds less an underwriters' discount of \$493,736.32 and plus original issue premium of \$8,184,642.15). The obligation of the Underwriters to purchase the Series 2026B Bonds is subject to various conditions set forth in the Forward

Delivery Bond Purchase Agreement. The Underwriters are obligated to purchase all of the Series 2026B Bonds if any of the Series 2026B Bonds are purchased. For additional information regarding the Forward Delivery Bond Purchase Agreement, including the conditions precedent to the obligation of the Underwriters to purchase the Series 2026B Bonds, see “FORWARD DELIVERY” herein.

The Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public.

Academy Securities, Inc. has entered into third-party distribution agreements with various dealers for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these third-party distribution agreements, Academy Securities may share a portion of its underwriting compensation with the respective dealers.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has banking and financial relationships with the City.

San Blas Securities, LLC may offer to sell the Bonds to its affiliates, San Blas Advisory, Inc. and SB Advisory, LLC. Securities in San Blas Securities, LLC’s inventory for resale to San Blas Advisory, Inc. and SB Advisory, LLC customers may include securities such as those offered by the City.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds will be addressed by the separate approving opinions of Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Holley & Pearson-Farrer LLP, Chicago, Illinois, Co-Bond Counsel. The proposed form of their opinions is included herein as APPENDIX D – “PROPOSED FORM OF SERIES 2026A AND SERIES 2026C OPINION OF CO-BOND COUNSEL,” APPENDIX D-1 – “PROPOSED FORM OF SERIES 2026B INITIAL LETTER OF CO-BOND COUNSEL” and APPENDIX D-2 – “PROPOSED FORM OF SERIES 2026B FINAL DELIVERY DATE OPINION OF CO-BOND COUNSEL.”

Certain legal matters will be passed upon for the City by (i) its Corporation Counsel, and (ii) in connection with the preparation of this Official Statement and the Supplement to the Official Statement, Cotillas and Associates, Chicago, Illinois, and Burke Burns and Pinelli, Ltd., Chicago, Illinois, Co-Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Greenberg Traurig, LLP, Chicago, Illinois.

FORWARD DELIVERY

The City expects that the Series 2026B Bonds will be issued and delivered on or about the Final Delivery Date. There are numerous conditions which must be satisfied prior to issuance and delivery of the Series 2026B Bonds, and the following is not meant to be an exhaustive list of such conditions. There can be no assurance that all of the conditions to the issuance and delivery of the Series 2026B Bonds will be satisfied, nor that the Series 2026B Bonds will be issued.

Forward Delivery Period

The Underwriters have entered into the Forward Delivery Bond Purchase Agreement with the City on May 5, 2026, with respect to the issuance, delivery of and payment for the Series 2026B Bonds, subject to the satisfaction of certain conditions described therein. The Underwriters' obligations under the Forward Delivery Bond Purchase Agreement to purchase, accept delivery of and pay for the Series 2026B Bonds on August 5, 2026 (the "*Final Delivery Date*") are conditioned upon the performance by the City of its obligations thereunder, the delivery on or about May 21, 2026 (the "*Initial Closing Date*") of certain certificates and forms of legal opinions, the delivery on the Final Delivery Date of certain certificates and legal opinions, including, without limitation, the delivery of the opinions of Co-Bond Counsel, with respect to the Series 2026B Bonds, dated the Final Delivery Date, substantially in the form and to the effect as set forth in APPENDIX D-2 to this Official Statement (the "*Final Delivery Date Co-Bond Counsel Opinions*"), and the satisfaction of other conditions as of the Final Delivery Date, all as described below.

Supplement to the Official Statement

Pursuant to the Forward Delivery Bond Purchase Agreement, the City has agreed to prepare a supplement to this Official Statement (the "*Supplement to the Official Statement*"), to be dated a date not more than 25 days and not less than 10 days prior to the Final Delivery Date, and which, as of such date, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. It is anticipated that the Supplement to the Official Statement will include as an Appendix the City of Chicago Department of Water Management Water Fund Annual Comprehensive Financial Report For the Year Ended December 31, 2025, if available prior to the date of the Supplement to the Official Statement.

If, between the date of delivery of the Supplement to the Official Statement and the Final Delivery Date, any event occurs which would cause the Supplement to the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and if in the opinion of the City or the Underwriters such event requires the preparation and publication of a supplement or amendment to the Supplement to the Official Statement, the City will cause the Supplement to the Official Statement to be amended or supplemented.

Other than the Supplement to the Official Statement, as amended or supplemented, if applicable, neither the City nor the Underwriters have agreed to, nor are the City or the Underwriters obligated to, provide updates to the information contained in this Official Statement during the Forward Delivery Period (as defined herein) to those purchasers of the Series 2026B Bonds that have entered with the Underwriters into a Forward Delivery Contract (as defined below).

Termination of Forward Delivery Bond Purchase Agreement During the Forward Delivery Period

At any time subsequent to the Initial Closing Date and on or prior to the Final Delivery Date (the “*Forward Delivery Period*”), the Underwriters have the right to terminate their obligations under the Forward Delivery Bond Purchase Agreement by notifying the City of their election to do so, if:

(1) As a result of a Change in Law (as defined herein), the Underwriters are or would be prohibited from lawfully purchasing the Series 2026B Bonds as provided in the Forward Delivery Bond Purchase Agreement or lawfully selling such Series 2026B Bonds or beneficial ownership interests therein to the public; or

(2) There shall occur any event which, in the reasonable judgment of the Representative (as defined herein), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Preliminary Official Statement, the final Official Statement or the Supplement to the Official Statement (other than any statement or information provided by the Underwriters) or (B) is not reflected in the Preliminary Official Statement, the final Official Statement or the Supplement to the Official Statement, but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, and, in either such event, the City refuses to permit the Preliminary Official Statement, the final Official Statement or the Supplement to the Official Statement, as the case may be, to be supplemented to correct or supply such statement or information, or the effect of the Preliminary Official Statement, the final Official Statement or the Supplement to the Official Statement, as so corrected or supplemented is, in the reasonable judgment of the Representative, to materially adversely affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or

(3) There shall occur any outbreak of hostilities or any national or international calamity or crisis or a financial crisis or an escalation of any such hostilities, calamity or crisis, the effect of which on the financial markets of the United States is, in the reasonable judgment of the Representative, to materially adversely affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or

(4) Any rating of the Series 2026B Bonds by a national rating agency rating the Series 2026B Bonds has been withdrawn or suspended; or

(5) A general suspension of trading on the New York Stock Exchange shall have occurred and be in force or minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by the New York Stock Exchange or by order of the Securities and Exchange Commission or any other governmental authority the effect of which on the financial markets of the United States is, in the reasonable judgment of the Representative, to materially adversely affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or

(6) A general banking moratorium shall have been declared by either federal or state authorities and be in force or a material disruption in commercial banking and securities settlement and clearance services shall have occurred, the effect of which on the financial markets of the United States is, in the reasonable judgment of the Representative, to materially adversely

affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or

(7) Co-Bond Counsel determines that for any reason, including a Change of Law, Co-Bond Counsel will not be able to render their Final Delivery Date Co-Bond Counsel Opinions substantially in the form attached to this Official Statement, and either (A) Co-Bond Counsel did not provide written notice thereof to the City and the Representative (the “*Co-Bond Counsel Opinion Notice*”) or (B) the City did not notify the Representative within five business days of receipt of the Co-Bond Counsel Opinion Notice that it has retained a new firm or firms to deliver such opinion.

(8) The issuance, offering or sale of the Series 2026B Bonds as contemplated by this Official Statement is or would be in violation of any provision of the federal or state securities laws, including the Securities Act of 1933, as amended, the 1934 Act or the Trust Indenture Act of 1939, as amended.

Forward Delivery Contracts

The Underwriters advised the City that, upon the execution by the Underwriters of the Forward Delivery Bond Purchase Agreement, in connection with the Underwriters’ obligations to purchase the Series 2026B Bonds pursuant to the Forward Delivery Bond Purchase Agreement, each purchaser of the Series 2026B Bonds will be required to execute and deliver a Forward Delivery Contract in substantially the form attached hereto as APPENDIX J – “FORM OF FORWARD DELIVERY CONTRACT” (each, a “*Forward Delivery Contract*”). The proposed form of the Forward Delivery Contract is attached hereto at the request and for the convenience of the Underwriters. The City will not be a party to any Forward Delivery Contract, and the City is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Forward Delivery Bond Purchase Agreement are not conditioned or dependent upon the performance of any Forward Delivery Contract.

THE UNDERWRITERS (AND, IN TURN, THE PURCHASERS OF THE SERIES 2026B BONDS FROM THE UNDERWRITERS) MAY NOT REFUSE TO PURCHASE THE SERIES 2026B BONDS BY REASON OF “GENERAL MARKET OR CREDIT CHANGES,” INCLUDING SPECIFICALLY, BUT NOT LIMITED TO, (A) CHANGES IN ANY RATING ASSIGNED TO THE SERIES 2026B BONDS AT THE INITIAL CLOSING DATE (OTHER THAN THE WITHDRAWAL OR SUSPENSION OF ANY RATING OF THE SERIES 2026B BONDS BY A NATIONAL RATING AGENCY RATING THE SERIES 2026B BONDS), (B) CHANGES IN THE CREDIT ASSOCIATED WITH THE SERIES 2026B BONDS GENERALLY, (C) CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE CITY IN RESPECT OF THE WATER SYSTEM PRIOR TO THE FINAL DELIVERY DATE, (D) MATTERS PRESENTED IN THE SUPPLEMENT TO THE OFFICIAL STATEMENT, INCLUDING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE WATER FUND FOR THE YEAR ENDED DECEMBER 31, 2025, AND (E) CHANGES IN THE GENERAL LEVEL OF INTEREST RATES OR CHANGES IN VALUE OF THE SERIES 2026B BONDS FOR ANY REASON OTHER THAN A FULL ELIMINATION OF TAX EXEMPTION OR ANY REASON OTHER THAN AS DESCRIBED IN PARAGRAPHS (1) THROUGH (8) ABOVE UNDER “– TERMINATION OF FORWARD DELIVERY BOND PURCHASE AGREEMENT DURING THE FORWARD DELIVERY PERIOD.”

Additional Risks Related to the Forward Delivery Period

In addition to the risks set forth above, purchasers of the Series 2026B Bonds are subject to certain additional risks, some of which are described below, and which will not constitute grounds for purchasers to refuse to accept delivery of and pay for the Series 2026B Bonds.

Tax Law Risk; Final Delivery Date Co-Bond Counsel Opinions

Subject to the additional conditions of settlement described under “Termination of Forward Delivery Bond Purchase Agreement During the Forward Delivery Period” above, the Forward Delivery Bond Purchase Agreement obligates the City to deliver and the Underwriters to acquire the Series 2026B Bonds if the City delivers the Final Delivery Date Co-Bond Counsel Opinions substantially in the form attached as APPENDIX D-2 to this Official Statement. During the Forward Delivery Period, new legislation, new court decisions, new regulations or new rulings may be enacted, promulgated or interpreted that might prevent Co-Bond Counsel from rendering their Final Delivery Date Co-Bond Counsel Opinions or otherwise affect the substance of such Final Delivery Date Co-Bond Counsel Opinions. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the Series 2026B Bonds for purposes of federal income taxation payable on “state or local bonds,” the City might be able to satisfy the requirements for the delivery of the Series 2026B Bonds. In such event, the Underwriters would be required to accept delivery of the Series 2026B Bonds, and the purchasers would be required to accept delivery of the purchased Series 2026B Bonds from the Underwriters. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Ratings Risk

Ratings have been assigned to the Series 2026B Bonds as described in this Official Statement under “RATINGS.” No assurances can be given that the ratings assigned to the Series 2026B Bonds on the Final Delivery Date will not be different from those currently assigned to the Series 2026B Bonds. Issuance of the Series 2026B Bonds and the Underwriters’ obligations under the Forward Delivery Bond Purchase Agreement are not conditioned upon the assignment of any particular rating for the Series 2026B Bonds or the maintenance of the initial ratings of the Series 2026B Bonds.

Market Value Risk

The market value of the Series 2026B Bonds as of the Final Delivery Date may be affected by a variety of factors, including, without limitation, general market conditions, the rating then assigned to the Series 2026B Bonds, the financial condition and operations of the City and the City and federal and State income tax and other laws. The market value of the Series 2026B Bonds as of the Final Delivery Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Series 2026B Bonds, and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the Series 2026B Bonds if the conditions in the Forward Delivery Bond Purchase Agreement are satisfied on the Final Delivery Date. NEITHER THE CITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE SERIES 2026B BONDS AS OF THE FINAL DELIVERY DATE. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the Series 2026B Bonds as of the Final Delivery Date or thereafter or not have a materially adverse impact on any secondary market for the Series 2026B Bonds.

Termination of Forward Delivery Bond Purchase Agreement

The Underwriters may terminate the Forward Delivery Bond Purchase Agreement by notification to the City on or prior to the Final Delivery Date if any of the events described above in paragraphs (1) through (8) under “– Termination of Forward Delivery Bond Purchase Agreement During the Forward Delivery Period” occur. Although the City is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Bond Purchase Agreement on the Final Delivery Date, no assurances can be made that, as of the Final Delivery Date, (i) there will have been no Change of Law, (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Initial Closing Date or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the Series 2026B Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Final Delivery Date conditions in the Forward Delivery Bond Purchase Agreement may not be met, with the possible result that the delivery of the Series 2026B Bonds will not occur.

Secondary Market Risk

The Underwriters are not obligated to make a secondary market for the Series 2026B Bonds, and no assurances can be given that a secondary market will exist for the Series 2026B Bonds during the Forward Delivery Period. Purchasers of the Series 2026B Bonds should assume that the Series 2026B Bonds will be illiquid throughout the Forward Delivery Period.

TAX MATTERS

Federal Tax Exemption

The Series 2026A Bonds, the Series 2026B Bonds and the Series 2026C Bonds will be treated as a single issue for certain federal income tax purposes. As a result, failure to comply with federal tax law requirements with respect to any of the Series 2026A Bonds, the Series 2026B Bonds or the Series 2026C Bonds may cause interest on all of the Series 2026A Bonds, the Series 2026B Bonds and the Series 2026C Bonds to be included in gross income for federal income tax purposes.

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C. and Holley & Pearson-Farrer LLP, Chicago, Illinois, Co-Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Co-Bond Counsel will express no opinion regarding any other federal tax consequences arising with respect to the Bonds and the interest thereon.

The opinion on federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Co-Bond Counsel's opinion assumes the accuracy of the City's certifications and representations and the continuing compliance with the City's covenants. Noncompliance with these covenants by the City may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Co-Bond Counsel will not undertake to determine (or to so inform any

person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsels' attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. They represent Co-Bond Counsels' legal judgment as to the excludability of interest on the Bonds from gross income for federal income tax purposes but are not a guarantee of that conclusion. The Federal income tax opinion is not binding on the Internal Revenue Service ("IRS") or any court. Co-Bond Counsel cannot give and have not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "*Code*"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, corporations (as defined in Section 59(k) of the Code) subject to the alternative minimum tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Co-Bond Counsel will express no opinion regarding any such consequences.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

Tax Treatment of Accruals on Original Issue Discount

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Bond is less than the stated redemption price of such Bonds at maturity, then such Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such Bonds are referred to as "*OID Bonds*"). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

Amortizable Bond Premium

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes

for the original purchasers of such Bonds (collectively, the “*Original Premium Bonds*”) an amortizable bond premium. The Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer’s basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the “*Premium Bonds*”). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer’s yield to maturity determined by using the taxpayer’s basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer’s adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

Market Discount

The “market discount rules” of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the IRS.

Future Developments

Co-Bond Counsels’ engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, Co-Bond Counsel is not obligated to defend the City in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the

beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. CO-BOND COUNSEL EXPRESS NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL LEGISLATION, AND THE TREATMENT OF ORIGINAL ISSUE PREMIUM OR ORIGINAL ISSUE DISCOUNT.

No State Tax Exemption

Interest on the Bonds is not exempt from present Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel express no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

SECONDARY MARKET DISCLOSURE

On the Initial Closing Date (with respect to the Series 2026A Bonds and the Series 2026C Bonds) and on the Final Delivery Date (with respect to the Series 2026B Bonds), the City will enter into a Continuing Disclosure Undertaking with respect to the Series of Bonds issued on the respective dates (each an “*Undertaking*” and together the “*Undertakings*”) for the benefit of the beneficial owners of such respective Series of Bonds to send certain information annually and to provide notice of certain events related to the Bonds to the Municipal Securities Rulemaking Board (the “*MSRB*”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “*Rule*”), as amended, adopted by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (the “*Exchange Act*”). The MSRB has designated its Electronic Municipal Market Access system, known as “*EMMA*,” as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events that will be noticed on an occurrence basis and a summary of other terms of the Undertakings, including termination, amendment and remedies, are set forth below. The City anticipates that the Undertaking with respect to the Series 2026B Bonds will contain provisions substantially similar to those described below except that factual information set forth below may be updated with respect to the Series 2026B Bonds as of the Final Delivery Date.

A failure by the City to comply with the Undertakings will not constitute a default under the respective Bonds, the Ordinance or the Indenture, and beneficial owners of the Bonds are limited to the

remedies described in the respective Undertaking. See “– Consequences of Failure of the City to Provide Information” below. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of such Bonds and their market price.

The following is a brief summary of certain provisions of the Undertakings 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 or will be available upon request from the City.

Annual Financial Information Disclosure

The City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB, commencing with the Audited Financial Statements for the fiscal year ended December 31, 2025, prepared in accordance with generally accepted accounting principles applicable to government units (as described below).

Annual Financial Information means financial information and statistical data generally consistent with that contained under the table included under the caption “WATER SYSTEM – Capital Improvement Program” and captioned “2021-2025 Historical and 2026-2030 Projected Capital and Facilities Improvement Program Funding By Source” (total amounts only), the tables captioned “Water System Service Area Population,” “Water System Accounts” and “Water System Pumpage and Capacity” under the caption “WATER SYSTEM SERVICE AREA” and the five-year historical data contained in the table captioned “CITY OF CHICAGO WATER SYSTEM – Historical and Projected Financial Operations” under the caption “FINANCIAL OPERATIONS.”

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

Annual Financial Information exclusive of Audited Financial Statements (commencing with the Audited Financial Statements for the fiscal year ended December 31, 2025) will be provided to the MSRB on EMMA, not more than 210 days after the last day of the City’s fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed within 30 days of availability to the City.

Reportable Events Disclosure

The City covenants that it will file or cause to be filed in a timely manner, not in excess of 10 business days after occurrence, to the MSRB the disclosure of the occurrence of a Reportable Event (defined below) applicable to a Series of Bonds. Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The “Reportable Events,” certain of which may not be applicable to all Bonds, are:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of Bond holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the City (considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if the jurisdiction of the City has been assumed by leaving the City Council and the City's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City or the Water System, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect holders of Bonds, if material; and
- (p) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

The term "financial obligation" as used in paragraphs (o) and (p) of the Reportable Events above means: (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertakings.

In the event of a failure of the City to comply with any provision of the Undertakings with respect to a Series of Bonds, the beneficial owner of any such Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the Undertakings. The Undertakings provide that any court action must be initiated in the Circuit Court of Cook County, Illinois. A default under the Undertakings shall not be deemed a default under the applicable Series of Bonds, the Ordinance or the Indenture, and the sole remedy under the Undertakings in the event of any failure of the City to comply with the Undertakings shall be an action to compel performance.

Amendments; Waiver

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

- (a) (i) the amendment or 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 Undertakings, 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 a Series of Bonds, as determined by a party unaffiliated with the City (such as the Trustee or co-bond counsel), or by approving vote of the owners of such Bonds pursuant to the terms of the Indenture at the time of the amendment or waiver; or
- (b) the amendment or waiver is otherwise permitted by the Rule.

EMMA

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

Termination of Undertaking

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

Additional Information

Nothing in the Undertakings will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertakings or any other means of

communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the City chooses to include any information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event in addition to that which is specifically required by an Undertaking, the City shall have no obligation under the Undertaking to update such information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event.

The disclosure in this paragraph and under “Category A Corrective Actions,” “Category B Corrective Actions,” and “Category C Corrective Actions” below is being provided by the City for the sole purpose of assisting the Underwriters in complying with the Rule. The City previously entered into continuing disclosure undertakings, as an “obligated person” under the Rule (the “*Prior Undertakings*”). In the previous five year period beginning on April 20, 2021 and ending on April 20, 2026 (the “*Compliance Period*”), the City has, on several instances during the Compliance Period, failed to comply with certain provisions of the Prior Undertakings, including: (a) failing to file or timely file certain financial information and/or operating data, including, but not limited to, the instances described under “Category A Corrective Actions” below; (b) failing to provide certain required financial information and/or operating data in its filings, including, but not limited to the instances described under “Category B Corrective Actions” below; and (c) failing to file or timely file certain notices, including, but not limited to the instances described under “Category C Corrective Actions” below. “Certain Annual Financial Information” means (a) all or certain portions of the information defined as “Annual Financial Information” and/or (b) the “Audited Financial Statements” as each such term is defined in the applicable continuing disclosure undertaking for the applicable bond issue(s) described below.

Category A Corrective Action

The City failed to file on EMMA on a timely basis Certain Annual Financial Information for the year 2021, with respect to the City’s Tax Increment Allocation Revenue Refunding Bonds (Pilsen Redevelopment Project), Series 2014A and Series 2014B (the “*Pilsen Series 2014AB Bonds*”). However, the Pilsen Series 2014AB Bonds have since matured. The City filed on EMMA the 2021 annual information for the Pilsen Series 2014AB Bonds on July 29, 2022.

On September 5, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the City’s Second Lien Water Revenue Bonds, Project Series 2023A (the “*Series 2023A Bonds*”). In connection with such notice filing, the City also filed on EMMA the City of Chicago, Illinois Water Fund Basic Financial Statements as of and for the Year Ended December 31, 2023, Required Supplementary Information, Additional Information, Statistical Information, and Independent Auditor’s Report with respect to the Series 2023A Bonds.

On September 5, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the City’s Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2001 (the “*Series 2001 Bonds*”) and the Wastewater Transmission Revenue Bonds, Refunding Series 1998A (the “*Series 1998A Bonds*”). In connection with such notice filing, the City also filed on EMMA the City of Chicago, Illinois Sewer Fund Basic Financial Statements as of and for the Year Ended December 31, 2023, Required Supplementary Information, Additional Information, Statistical Information, and Independent Auditor’s Report with respect to the Series 2001 Bonds and Series 1998A Bonds.

On September 5, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the City’s General Obligation Bonds, Taxable Project Series 2017B (the “*Series 2017B Bonds*”) and failed to link the CUSIP for the January 1,

2029 maturity of the Series 2017B Bonds (the “2029 Maturity”) to such notice. In connection with such notice filing, the City also filed on EMMA the City’s Annual Comprehensive Financial Report for the Year Ended December 31, 2023 with respect to the Series 2017B Bonds except for the 2029 Maturity.

On October 11, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the 2029 Maturity. In connection with such notice filing, the City also filed on EMMA the City’s Annual Comprehensive Financial Report for the Year Ended December 31, 2023 with respect to the 2029 Maturity.

On October 11, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the City’s Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2024A. In connection with such notice filing, the City also filed on EMMA the City’s Annual Comprehensive Financial Report for the Year Ended December 31, 2023.

On October 11, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the City’s General Obligation Bonds, Series 2019A and General Obligation Bonds, Series 2021B. In connection with such notice filing, the City also filed on EMMA the City’s Continuing Disclosure Annual Financial Information For Year Ended December 31, 2023.

On November 22, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Financial Information in connection with the City’s Motor Fuel Tax Refunding Bonds Series 2013 (Issue of June 2014). Such Certain Financial Information had been filed on EMMA on August 3, 2021.

Category B Corrective Actions

On November 12, 2021, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information including certain capital improvements tables for the year 2020 and certain third-party sourced Retirement Fund tables with respect to the Series 2014AB Bonds. In connection with such notice filing, the City also filed on EMMA such capital improvements tables for the years 2020 and 2021 and certain third-party sourced Retirement Fund tables with respect to the Series 2014AB Bonds.

On August 9, 2022, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the Series 2014AB Bonds and the City’s General Obligation Bonds, Series 2021A and Series 2021B (the “*Series 2021 Bonds*”). In connection with such notice filing, the City filed Tables 1-10 on EMMA in connection with the Series 2014AB Bonds and the Series 2021 Bonds.

On August 9, 2022, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with the City’s Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017A and Refunding Series 2017B. In connection with such notice filing, the City also filed on EMMA a table titled “Historical Capital Improvement Program Funding by Source,” including data from 2017 to 2021.

On July 31, 2024, the City filed on EMMA a notice regarding its failure to file on a timely basis Certain Annual Financial Information in connection with its Chicago O’Hare International Airport Customer Facility Charge Senior Lien Bonds, Series 2013 and its Chicago O’Hare International Airport Customer Facility Charge Senior Lien Refunding Bonds, Series 2023. In connection with such notice

filing, the City also filed on EMMA a table presenting bond debt service and TIFIA loan debt service on a historic only basis from Fiscal Year 2010 to 2023.

Category C Corrective Actions

On July 8, 2021, S&P upgraded the rating of the City's Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014), including the Riverwalk Transportation Infrastructure Finance and Innovation Act draw-down loan, from "BB+" to "BBB." On July 27, 2021, the City filed on EMMA an event notice relating to this rating upgrade.

On December 8, 2021, the City filed a notice of incurrence of a financial obligation (i.e., loans incurred by the City pursuant to each of the then-existing Line of Credit Agreements) pertaining to the City's General Obligation Bonds, Series 2019A and General Obligation Refunding Bonds, Series 2020A. On December 8, 2021 and January 25, 2022, the City also filed the applicable redacted Line of Credit Agreements with EMMA.

On April 11, 2023, S&P upgraded the rating on the City's Second Lien Wastewater Transmission Revenue Bonds to "A+" from "A" and the outlook was stable. On July 29, 2024, the City filed on EMMA an event notice relating to this rating upgrade for the City's Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2001 (the "*Series 2001 Bonds*") since the Series 2001 Bonds were not previously linked to the original filing related to this rating upgrade.

On October 30, 2023, Fitch Ratings upgraded the rating on the City's Second Lien Water Revenue Bonds to "A+" from "A" and the outlook was stable. Fitch also assessed the Standalone Credit Profile (SCP) of the City's water system at 'a+.' On July 29, 2024, the City filed on EMMA an event notice relating to this rating upgrade and assessment of the SCP for the City's Second Lien Water Revenue Bonds Project and Refunding Series 2010A (collectively, the "*Series 2010 Bonds*") and the City's Second Lien Water Revenue Bonds, Project Series 2023A (the "*Series 2023A Bonds*") since the Series 2010 Bonds and the Series 2023A Bonds were not previously linked to the original filing related to this rating upgrade and assessment of the SCP.

On April 30, 2024, Moody's Ratings upgraded the insurance financial strength (IFS) rating of Assured Guaranty Corp. (AGC) from A2 to A1. On November 22, 2024, the City filed on EMMA an event notice related to this rating upgrade for the City's General Airport Third Lien Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment) with CUSIP number 167593AP7).

On October 3, 2024, Moody's Ratings downgraded the insurance financial strength (IFS) of National Public Finance Guarantee Corporation (National) from Baa2 to Baa3. On March 13, 2025, the City filed on EMMA an event notice related to this rating downgrade.

VERIFIER

Robert Thomas, CPA, LLC, Shawnee Mission, Kansas (the "*Verifier*"), upon delivery of the Bonds, will deliver to the City, Co-Bond Counsel and the Underwriters a report stating that the firm, at the request of the City and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to the sufficiency of the principal and interest received from the investment in the Governmental Obligations, together with any initial cash deposit, to meet the timely payment of the applicable principal or redemption price of and interest on the Refunded Bonds. The Verifier has also reviewed the mathematical accuracy of certain computations based on certain assumptions relating to the sufficiency of proceeds of the Series 2026C Bonds allocated to the purchase of the Tendered Bonds.

The Verifier will express no opinion on the attainability of any assumptions or the tax-exempt status of the Bonds. The computations verified by the Verifier are intended in part to support conclusions of the City and Co-Bond Counsel concerning the federal income tax status of the Bonds.

FORWARD LOOKING STATEMENTS

This Official Statement contains certain statements relating to future actions or results that are forward-looking statements. When used in this Official Statement, the words “estimate,” “intend,” “expect,” “project,” “anticipate,” “plan,” and “budget” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause future actions and actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, Bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and future actions and actual results; those differences could be material. The City does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

CONSIDERATIONS RELATED TO THIS OFFICIAL STATEMENT

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment or purchase of the Bonds and the rights and obligations of the registered owners thereof.

Except as specifically provided herein, references to website addresses presented herein, including the City’s website or any other website containing information about the City, are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose including for purposes of Rule 15c2-12 promulgated pursuant to the Securities Exchange Act.

Any statements made in this Official Statement 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 opinions or estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered owners of the Bonds.

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AUTHORIZATION OF OFFICIAL STATEMENT

The execution of this Official Statement, and its distribution and use by the Underwriters in connection with the initial public offering, sale and distribution of the Bonds by the Underwriters, has been duly authorized and approved by the City.

CITY OF CHICAGO

By: /s/ Michael D. Belsky
Michael D. Belsky
City Comptroller

APPENDIX A

CERTAIN DEFINITIONS OF THE INDENTURE

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APPENDIX A

CERTAIN DEFINITIONS OF THE INDENTURE

Capitalized words and terms used in this Official Statement that are not otherwise defined in this Official Statement have the meanings set forth below in this APPENDIX A, unless the context clearly indicates that some other meaning is intended.

“Aggregate Second Lien Bonds Requirement” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to 110 percent of Aggregate Second Lien Debt Service with respect to such Bond Year or other specified 12-month period with respect to the Second Lien Bonds of all series and all Section 2.08 Obligations and Section 2.09 Obligations, provided that for purposes of the provisions of the Master Indentures relating to the issuance of Second Lien Parity Bonds, “Aggregate Second Lien Bonds Requirement” means, as of any particular date of computation and with respect to a particular Bond Year or other specific 12-month period, 110 percent of Annual Second Lien Debt Service with respect to such Bond Year or other specified 12-month period, and for purposes of calculating interest payable during such Bond Year or other specified 12-month period in respect of any Variable Rate Bonds, the rate of interest shall be assumed to equal the rate of interest paid with respect to such Variable Rate Bonds on the interest payment date immediately preceding the date of calculation.

“Aggregate Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to the aggregate amounts required by the provisions of all Supplemental Indentures creating series of Second Lien Bonds and all instruments creating Section 2.08 Obligations and Section 2.09 Obligations to be deposited from Net Revenues in all sub-funds, accounts and subaccounts created under such Supplemental Indentures in such Bond Year or other specified 12-month period, provided that for purposes of calculating interest payable during such Bond Year or other specified 12-month period in respect to any Variable Rate Bonds, the rate of interest shall be assumed to equal the rate of interest paid with respect to such Variable Rate Bonds on the interest payment date immediately preceding the date of calculation.

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

“Annual Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period and with respect to Second Lien Bonds of a particular series or consisting of a particular Section 2.08 Obligation or Section 2.09 Obligation, an amount of money equal to the sum of (a) all interest, costs or fees payable during such Bond Year or other specified 12-month period with respect to all Second Lien Bonds of said series, such Section 2.08 Obligation and Section 2.09 Obligation Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year or other specified 12-month period with respect to all Second Lien Bonds of said series, such Section 2.08 Obligation and Section 2.09 Obligation Outstanding on said date of computation, all calculated on the assumption that such Second Lien Bonds, Section 2.08 Obligation and Section 2.09 Obligation will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Master Indenture and the Supplemental Indenture creating such series or the instrument creating such Section 2.08 Obligation or Section 2.09 Obligation of Principal Installments payable at or after said date of computation.

“Annual Subordinate Lien Debt Service” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and with respect to Subordinate Lien Obligations of a particular series, an amount of money equal to the sum of (a) all interest payable during such Fiscal Year or other specified 12-month period on all Subordinate Lien Obligations of said series Outstanding on said date of computation and (b) all Principal Installments payable during such Fiscal Year or other specified 12-month period with respect to all Subordinate Lien Obligations of said series Outstanding on said date of computation, all calculated on the assumption that Subordinate Lien Obligations will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Subordinate Lien Obligation Ordinances of Principal Installments payable at or after said date of computation.

“Authorized Denomination” means, with respect to a particular Series 2026 Second Lien Bond, \$5,000 and any integral multiple of \$5,000.

“Bondholder,” “holder,” “owner of the Bonds” or “Registered Owner” means the Registered Owner of any Bond.

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

“Bond Registrar” means the Trustee.

“Bond Year” means a 12-month period commencing on November 1 of a calendar year to and including October 31 of the next succeeding calendar year.

“Business Day” means any day of the year on which banks located in the city, or cities, respectively, in which are located the designated corporate trust office of the Trustee are not required or authorized to remain closed on and which The New York Stock Exchange is not closed.

“Cash on Hand” means the sum, as shown on the most recent audited financial statements of the Water Fund, of cash, cash equivalents, liquid investments and marketable securities in the Water Fund and any account or sub-account therein, excluding any such items in the Senior Lien Rebate Accounts, Second Lien Bonds Account, Subordinate Lien Obligations Account, Commercial Paper Account or Line of Credit Notes Account.

“Chief Financial Officer” means the Chief Financial Officer appointed by the Mayor of the City or, in the event no person is at the time then so appointed and acting, the City Comptroller of the City.

“City Clerk” means the duly elected and qualified person serving as the City Clerk of the City.

“Commercial Paper Account” means the separate and segregated account of that name established and existing in the Water Fund.

“Commercial Paper Notes” means obligations commonly described as “Commercial Paper” issued by City from time to time and payable from the Commercial Paper Account.

“Constitution” means the 1970 Constitution of the State of Illinois.

“Costs of Issuance” means any item of expense payable or reimbursable, directly or indirectly, by the City and related to the authorization, offering, sale, issuance and delivery of Second Lien Bonds, including but not limited to travel and other expenses of any officer or employee of the City in connection

with the authorization, offering, sale, issuance and delivery of such Second Lien Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and disbursements of financial advisors, accountants and engineers, initial fees and charges of the Trustee, legal fees and disbursements, fees and disbursements of other consultants and professionals, costs of credit-ratings, fees and charges for preparation, execution, transportation and safekeeping of Second Lien Bonds, application fees and premiums on municipal bond insurance, surety bond and credit facility charges and costs.

“Costs of Issuance Account” means the account designated the “Series 2026 Bonds, Costs of Issuance Account” established pursuant to the Seventeenth Supplemental Indenture into which Bond proceeds are to be deposited to pay Costs of Issuance, as described in APPENDIX B hereto under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Application of Bond Proceeds.”

“Days’ Cash On Hand” means Cash On Hand divided by the quotient of (i) operating expenses, as shown on the most recent audited financial statements of the Water Fund, and (ii) 365.

“Debt Service Reserve Account” means, with respect to any series of Second Lien Bonds for which the Supplemental Indenture authorizing the issuance of such Second Lien Bonds has established a debt service reserve requirement, the account by that name established pursuant to such Supplemental Indenture.

“Escrow Accounts” means the Escrow Accounts established under the Escrow Agreement for the refunding of the Refunded Bonds.

“Escrow Agent” means The Bank of New York Mellon Trust Company, N.A.

“Escrow Agreement” means the Escrow Deposit Agreement dated May 21, 2026, between the City and the Escrow Agent.

“Federal Subsidies” means (i) the direct payments by the Treasury Department to the City of a portion of the interest payable by the City on the 2010B Second Lien Bonds and the 2010C Second Lien Bonds and (ii) to the extent hereafter appropriated by the Congress of the United States, payments by the Treasury Department to the City resulting from subsidies, tax credits or other incentives or benefits to state and local governments in connection with the issuance of debt obligations by such governments.

“Fiscal Year” means the period beginning January 1 and ending December 31 of any year.

“Governmental Obligations” means securities which are obligations described in clauses (a) and (b) of the definition of “Permitted Investments” set forth below.

“Gross Revenues” means all income and receipts from any source which under generally accepted accounting principles are properly recognized as being derived from the operation of the Water System, including without limitation (a) charges imposed for water service and usage, (b) charges imposed for sales of water to municipalities (other than the City) and other users of water service, (c) charges imposed for inspections and permits for connection to the Water System, (d) grants (excluding grants received for capital projects) and (e) Investment Earnings. Gross Revenues do not include (1) amounts credited to customers on their bills, such as the purchase price paid to such customers for capital assets of the water systems; or (2) Federal Subsidies unless the Supplemental Indenture authorizing the series of Second Lien Bonds with respect to which Federal Subsidies are to be paid provides otherwise.

“Hedge Counterparty” means the person or persons with which the City enters into an Interest Rate Hedge Agreement.

“IEPA Program” means the Illinois Clean Water Initiative Public Water Supply Loan Program or any successor program administered by the State, and any similar program through which funds authorized by the United States Government, including the United States Environmental Protection Agency, and administered by the State or any federally authorized agency.

“Interest Payment Date” means each May 1 and November 1, commencing on November 1, 2026.

“Interest Rate Hedge Agreement” means an interest rate exchange, hedge or similar agreement with a Hedge Counterparty entered into in order to hedge or manage the interest payable on all or a portion of any series of Second Lien Bonds, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent. Obligations of the City under an Interest Rate Hedge Agreement shall not constitute indebtedness of the City for which its full faith and credit are pledged or for any other purpose.

“Investment Earnings” means interest plus net profits and less net losses derived from investments made with any portion of the Gross Revenues or with any money in the Accounts in the Water Fund (other than the Senior Lien Rebate Accounts). Investment earnings do not include interest or earnings on investments of any second lien rebate accounts established under the Indenture.

“Line of Credit Notes Account” means the separate and segregated account of that name established and existing in the Water Fund.

“Loan” means, collectively, the borrowing or borrowings by the City from the IEPA under the IEPA Program and evidenced by one or more Loan Agreements.

“Loan Agreement” means each loan agreement to be entered into between the City and the IEPA setting forth the terms of the Loan.

“Maturity Date” means November 1 of any year in which Principal Installments become due on the Bonds.

“Mayor” means the Mayor of the City.

“Net Revenues” means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs.

“Net Revenues Available for Bonds” means that portion of the Net Revenues remaining in any period, plus the amounts allocated from the Water Rate Stabilization Account and from the Residual Account at the direction of the Chief Financial Officer as described under “SECURITY FOR THE BONDS – Flow of Funds.”

“Operation and Maintenance Costs” means all expenses reasonably incurred by the City in connection with the operation, maintenance, renewal, replacement and repair of the Water System, which under generally accepted accounting principles are properly chargeable to the Water System and not capitalized, including, without limitation, salaries, wages, retirement plan contribution obligations, taxes, contracts for services, costs of materials and supplies, purchase of power, fuel, insurance, reasonable

repairs and extensions necessary to render efficient service, the costs related to any agreements or other arrangements entered into pursuant to the Indenture, Paying Agent's fees, and all incidental expenses, but excluding any provision for depreciation or for interest on Second Lien Bonds, Subordinate Lien Obligations, Commercial Paper Notes, Water System Line of Credit Notes or other obligations for borrowed money payable from the Net Revenues, the fees of the trustee and any remarketing agent, paying agent or bond registrar for the Second Lien Bonds, and the paying agent, if any, for Subordinate Lien Obligations.

“Opinion of Bond Counsel” means a written opinion of one or more firms of nationally recognized bond counsel designated by the Corporation Counsel of the City in form and substance acceptable to the City and the Trustee, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

“Outstanding” means, with reference to any series of Second Lien Bonds, all of such obligations issued under the Master Indenture or Section 2.08 Obligations that are outstanding and unpaid, provided that such term shall not include obligations:

- (i) which have been paid or redeemed in full both as to principal, redemption, premium, if any, and interest; or
- (ii) which have matured or which have been duly called for redemption and for the payment of which money is on deposit with designated paying agents for such Second Lien Bonds or are otherwise properly available, sufficient to pay the principal of, redemption premium, if any, and interest on such Second Lien Bonds; or
- (iii) for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Governmental Obligations, in each case the maturing principal of and interest on which will be sufficient, without reinvestment, to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Second Lien Bonds; or
- (iv) which are owned by the City.

When used with respect to Subordinate Lien Obligations, “Outstanding” has the meaning ascribed to such term in the related Subordinate Lien Obligation Ordinance.

“Paying Agent” means the Trustee and any other bank, national banking association or trust company designated by the City or the Trustee pursuant to the Seventeenth Supplemental Indenture as a paying agent for the Bonds, and any successor or successors appointed by the Chief Financial Officer or the Trustee under the Seventeenth Supplemental Indenture.

“Payment Date” means any date on which a Principal Installment or interest on any series of Second Lien Bonds is payable in accordance with its terms and the terms of the Master Indenture and the Supplemental Indenture creating such series, or, in the case of any Section 2.08 Obligation or amounts which are payable under any Section 2.09 Obligation, in accordance with the terms of the instrument creating such Section 2.08 Obligation or such Section 2.09 Obligation.

“Permitted Investments” means to the extent permitted by law and under the Master Indenture at the time of such investment, any of the following:

(a) United States Treasury bills, notes and bonds or certificates of indebtedness 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 Indenture), has been created in such obligations for the benefit of the applicable account in the Water Fund or, to the extent permitted, in any irrevocable trust or escrow established to make provision for the payment and discharge of the indebtedness on all obligations which are payable from Net Revenues;

(c) obligations, participations or other instruments of or issued by a federal agency or United States government-sponsored enterprise or instrumentality, including but not limited to Fannie Mae, the Federal Home Loan Mortgage Corporation, 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 which has capital of not less than \$250,000,000 or (ii) by certificates of deposit which are continuously and fully insured by (A) any federal agency 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 (including the Trustee and its affiliates);

(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) Debt obligations of any state of the United States or any other political or governmental subdivision of any state of the United States rated, at the time of purchase, no less than “A-,” or equivalent rating, by at least two accredited Rating Agencies, or having an equivalent credit enhancement instead of a second rating;

(g) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated as investment grade by at least two Rating Agencies, without regard to any refinement or gradation of rating categories by numerical

modifier or otherwise, in their highest rating category (if not rated by at least two Rating Agencies then a rating by a single 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 “Permitted Investments”), with any bank, trust company, national banking association (which may include any Paying Agent or Bond Registrar), insurance company or any other financial institution which 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 their three highest respective long-term rating categories, without regard to any refinement or gradation of rating categories 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 two Rating Agencies in their two 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;

(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, as amended, including those for which the Trustee or an affiliate performs services for a fee, whether as custodian, transfer agent, investment advisor or otherwise;

(l) Certificates of deposit of municipal depositories or national banks (including the Trustee and its affiliates) secured or collateralized as follows and shall be either:

1. Fully collateralized at least 100% by a combination of bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, of any US State, or any political subdivision of a US State, which are rated at least AA, or equivalent rating, by at least two accredited ratings agencies and maintaining such rating during the term of such investments.

2. Secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating

category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment.

3. Fully collateralized at least 100% by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term deposit; and

(m) Any other suitable investment instrument permitted by state laws governing municipal investments or City Municipal Code, subject to the reasonable exercise of prudence in investing public funds.

“Principal Installment” means:

(a) as of any particular date of computation and with respect to Second Lien Bonds of a particular series or consisting of a particular Section 2.08 Obligation, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Second Lien Bonds of said series or Section 2.08 Obligation which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Second Lien Bonds which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Indenture, with respect to the Second Lien Bonds, or the ordinance or trust indenture creating any other series of Second Lien Bonds or the instrument creating such Section 2.08 Obligation, of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Second Lien Bonds, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of such Outstanding Second Lien Bonds, and for all purposes of the Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment; and

(b) as of any particular date of computation and with respect to Subordinate Lien Obligations of a particular series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Subordinate Lien Obligations of said series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Subordinate Lien Obligations which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Subordinate Lien Obligation Ordinance authorizing the issuance of each series of Subordinate Lien Obligations of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Subordinate Lien Obligations, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding Subordinate Lien Obligations of such series, and for all purposes of the Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

“Program Fee Account” means the account designated the “Series 2026 Bonds, Program Fee Account” established in the 2026 Second Lien Bonds Subaccount as described in APPENDIX B hereto under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – 2026 Second Lien Bonds Subaccount.”

“Program Fees” means:

(a) the fees, expenses and other charges payable to each fiduciary, including the applicable Trustee, the applicable Trustee's Agent and any Paying Agent, pursuant to the provisions of the Master Indenture and the corresponding Supplemental Indenture; provided that

if at any time there shall be any Series of Second Lien Bonds Outstanding under a Supplemental Indenture other than the corresponding series of Bonds, then “Program Fees” for such purposes, shall mean only such portion of such fees, expenses and other charges as shall be payable with respect to, or properly allocable to, the duties performed by each such fiduciary with respect to such Bonds;

(b) ongoing fees payable to any Rating Agency maintaining a rating on such Bonds, and

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

“Qualified Reserve Account Credit Instrument” means, with respect to Second Lien Bonds, a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated “Aa” or “AA” or better by a Rating Agency as of its date of issuance.

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

“Record Date” means, with respect to the Bonds, each April 15 and October 15 (whether or not a Business Day).

“Redemption Price” means with respect to the Bonds, the redemption prices set forth under the caption “DESCRIPTION OF THE BONDS – Redemption” and, with respect to any other series of Second Lien Bonds, the redemption price of such Second Lien Bonds pursuant to the provisions of such Second Lien Bonds or the Supplemental Indenture creating such Second Lien Bonds, or such other redemption price as may be specified in such Second Lien Bonds or Supplemental Indenture.

“Registered Owner” means the person or persons in whose name or names a Bond is registered in the registration books kept by the Bond Registrar.

“Residual Account” means the separate account of that name established by the City in the Water Fund and described under the heading “SECURITY FOR THE BONDS – Flow of Funds.”

“Second Lien Bond Determination Certificate” means the certificate of the Chief Financial Officer with respect to the Bonds filed with the Office of the City Clerk or the Deputy City Clerk, addressed to the City Council as provided in the Ordinance.

“Second Lien Bonds” means the Bonds, the Series 2024A Bonds, the Series 2023A Bonds, the Series 2023B Bonds, the Series 2023C Bonds, the Series 2017-2 Bonds, the Series 2017 Bonds, the Series 2016A-1 Bonds, the Series 2010B Second Lien Bonds, the Series 2010C Bonds, the Series 2004 Bonds, the 2001 Second Lien Bonds, the Series 2000 Bonds and all Second Lien Parity Bonds.

“Second Lien Bonds Account” means the separate account of that name previously established in the Water Fund as described in the Master Indenture.

“Second Lien Parity Bonds” means obligations which may be issued after the issuance of the Bonds which are payable from Net Revenues on an equal and ratable basis with the Bonds and all other Outstanding Second Lien Bonds.

“Section 2.08 Obligations” means any obligations incurred by the City to reimburse or otherwise make payments to the issuer or issuers of one or more letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies or surety bonds (including Qualified Reserve Account Credit Instruments) securing one or more series of Second Lien Bonds as described in APPENDIX B hereto under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Section 2.08 Obligations and Section 2.09 Obligations,” including any fees or other amounts payable to the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, whether such obligations are set forth in one or more reimbursement agreements entered into between the City and the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto, or any combination thereof.

“Section 2.09 Obligations” means any obligations incurred by the City to any one or more Hedge Counterparties as described in APPENDIX B hereto under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Section 2.08 Obligations and Section 2.09 Obligations,” including any fees or amounts payable by the City under each related Interest Rate Hedge Agreement or agreement described in the Master Indenture.

“Senior Lien Bond Ordinances” means the ordinances of the City authorizing the issuance of Senior Lien Bonds.

“Senior Lien Bonds” means the Series 1997 Bonds and the Series 2000 Senior Lien Bonds.

“Senior Lien Rebate Accounts” means the separate accounts with that title in the Water Fund referred to in the Master Indenture.

“Series 1997 Bonds” means the Water Revenue Bonds, Series 1997, of the City which are Outstanding from time to time.

“Series 2000 Bond Ordinance” means the ordinance passed by the City Council on November 17, 1999, authorizing the issuance of the Series 2000 Senior Lien Bonds, the Series 2000 Bonds and the Series 2000 Subordinate Lien Obligations, and the Senior Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2000 Bonds.

“Series 2000 Bonds” means the Second Lien Water Revenue Bonds, Series 2000, of the City which are Outstanding from time to time.

“Series 2000 Senior Lien Bonds” means the Senior Lien Water Revenue Bonds, Series 2000, of the City which are Outstanding from time to time.

“Series 2000 Subordinate Lien Obligations” means the Loans authorized by and defined in the Series 2000 Bond Ordinance which are Outstanding from time to time.

“Series 2001 Second Lien Bonds” means the Second Lien Water Revenue Refunding Bonds, Series 2001, of the City which are Outstanding from time to time.

“Series 2004 Bonds” means the Second Lien Water Revenue Refunding Bonds, Series 2004, of the City which are Outstanding from time to time.

“Series 2010 Second Lien Bonds” means, collectively, the Series 2010A Second Lien Bonds, the Series 2010B Second Lien Bonds and the Series 2010C Second Lien Bonds which are Outstanding from time to time.

“Series 2010B Second Lien Bonds” means the Second Lien Water Revenue Bonds, Taxable Project Series 2010B (Build America Bonds – Direct Payment), of the City, which are Outstanding from time to time.

“Series 2010C Second Lien Bonds” means the Second Lien Water Revenue Bonds, Taxable Project Series 2010C (Qualified Energy Conservation Bonds – Direct Payment), of the City, which are Outstanding from time to time.

“Series 2012 Second Lien Bond Ordinance” means the ordinance passed by the City Council on March 14, 2012 as amended by the ordinance passed by the City Council on May 9, 2012, authorizing, among other things, the issuance of the Series 2012 Second Lien Bonds, the 2012 Subordinate Lien Obligations and the Water System Line of Credit Notes, and the Second Lien Bond Determination Certificate of the Chief Financial Officer in connection with the Series 2012 Second Lien Bonds.

“Series 2012 Subordinate Lien Obligations” means the Loans authorized by and defined in the Series 2012 Second Lien Bond Ordinance.

“Series 2016A Bonds” means the Second Lien Water Revenue Bonds, Series 2016A-1 (Tax-Exempt) of the City, which are Outstanding from time to time.

“Series 2017 Bonds” means the Second Lien Water Revenue Refunding Bonds, Series 2017, of the City, which are Outstanding from time to time.

“Series 2017-2 Bonds” means the Second Lien Water Revenue Refunding Bonds, Series 2017-2, of the City, which are Outstanding from time to time.

“Series 2023A Bonds” means the Second Lien Water Revenue Refunding Bonds, Project Series 2023A, of the City, which are Outstanding from time to time.

“Series 2023B Bonds” means the Second Lien Water Revenue Refunding Bonds, Refunding Series 2023B, of the City, which are Outstanding from time to time.

“Series 2023C Bonds” means the Second Lien Water Revenue Refunding Bonds, Project Series 2023C (Taxable), of the City, which are Outstanding from time to time.

“Series 2024A Bonds” means the Second Lien Water Revenue Bonds, Refunding Series 2024A, of the City, which are Outstanding from time to time.

“Series 2026 Deposit Requirement” has the meaning set forth in APPENDIX B hereto under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Application of Bond Proceeds – Deposits into 2026 Second Lien Bonds Subaccount and Accounts Therein.”

“Series 2026 Principal and Interest Account” means the account designated the “Series 2026 Bonds, Principal and Interest Account” established in the 2026 Second Lien Bonds Subaccount as described in APPENDIX B hereto under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – 2026 Second Lien Bonds Subaccount.”

“Sinking Fund Payment” means:

(a) as of any particular date of determination and with respect to the Outstanding Second Lien Bonds of any series or consisting of any Section 2.08 Obligation, the amount required by the Supplemental Indenture creating such series or the instrument creating such Section 2.08 Obligation to be paid in any event by the City on a single future date for the retirement of such Second Lien Bonds which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Second Lien Bond; and

(b) as of any particular date of determination and with respect to the Outstanding Subordinate Lien Obligations of any series, the amount required by a Subordinate Lien Obligation Ordinance to be paid in any event by the City on a single future date for the retirement of Subordinate Lien Obligations of such series which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Subordinate Lien Obligation.

“Subordinate Lien Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on Subordinate Lien Obligations required to be paid in that Fiscal Year.

“Subordinate Lien Debt Service Reserve Subaccount” means the separate Subaccount of that name previously established by the City in the Subordinate Lien Obligations Account and described in the Master Indenture.

“Subordinate Lien Obligation Ordinances” means each ordinance of the City authorizing the issuance of Subordinate Lien Obligations.

“Subordinate Lien Obligation Revenues” means all sums, amounts, funds or moneys which are deposited to the Subordinate Lien Obligations Account.

“Subordinate Lien Obligations” means the Series 2000 Subordinate Lien Obligations, the Series 2008 Subordinate Lien Obligations, the Series 2010 Subordinate Lien Obligations, the Series 2012 Subordinate Lien Obligations and all Subordinate Lien Parity Obligations.

“Subordinate Lien Obligations Account” means the separate account of that name established in the Water Fund as described in the Master Indenture.

“Subordinate Lien Parity Obligations” means obligations which are payable from Subordinate Lien Obligation Revenues on an equal and ratable basis with all Outstanding Subordinate Lien Obligations.

“Subordinate Lien Principal and Interest Subaccount” means the separate Subaccount of that name established by the City in the Subordinate Lien Obligations Account and described in the Master Indenture.

“Supplemental Indenture” means any indenture modifying, altering, supplementing or conforming the terms of the Master Indenture duly entered into in accordance with the terms of the Master Indenture, including, without limitation, the Seventeenth Supplemental Indenture.

“Trust Estate” means (i) all right, title and interest of the City in and to Net Revenues; and amounts on deposit in the accounts of the Water Fund except for amounts on deposit in the Senior Lien Rebate Accounts, the Subordinate Lien Obligations Account, the Commercial Paper Account and the

Line of Credit Notes Account, in each case to the extent pledged and assigned under the Master Indenture (ii) all moneys and securities from time to time held by the Trustee under the terms of the Seventeenth Supplemental Indenture and (iii) any and all other property, rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to the Seventeenth Supplemental Indenture.

“2026 Second Lien Bonds Subaccount” means the 2026 Second Lien Bonds Subaccount established within the Second Lien Bonds Account pursuant to the Indenture, as described in APPENDIX B hereto under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – 2026 Second Lien Bonds Subaccount.”

“Variable Rate Bonds” means any Second Lien 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 such Second Lien Bonds.

“Water Fund” means the separate fund designated the “Water Fund of the Municipality of Chicago” previously established by the City and described in the Master Indenture.

“Water Rate Stabilization Account” means the separate account of that name previously established in the Water Fund and described in the Master Indenture.

“Water System” means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for water supply, distribution or collection purposes, including the Projects, any and all further extensions, improvements and additions to the foregoing.*

“Water System Line of Credit Agreement” means a line of credit agreement with a commercial bank or other financial institution in the form customarily used to provide borrowers with a revolving line of credit.

“Water System Line of Credit Notes” means the Water System Line of Credit Notes defined in and authorized by the Series 2012 Ordinance.

* Upon the effectiveness of the Master Indenture Amendment, the definition of “Water System” will read as follows:

“Water System” means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for water supply, distribution or collection purposes, including that portion of each water service line no greater than 2 inches in diameter that runs from the shut-off valve to a point where the water service line connects to the internal plumbing system inside a property, the Projects, any and all further extensions, improvements and additions to the foregoing.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Certain provisions of the Indenture are already summarized in the body of the Official Statement. The following is a composite summary of certain other provisions of the Indenture to which reference is made for a complete statement of the provisions and contents of such document. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, copies of which are on file with the Trustee.

Section 2.08 and Section 2.09 Obligations

The City reserves the right under the Indenture to provide one or more irrevocable letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies or surety bonds (including Qualified Reserve Account Credit Instruments) or a combination of the foregoing to secure the payment of the principal of, premium, if any, and interest on one or more series of Second Lien Bonds, including the Bonds, or in the event owners of such series of Second Lien Bonds have the right to require tender or purchase thereof, to secure the payment of the tender or purchase price of such Second Lien Bonds upon the demand of their owners. Any Section 2.08 Obligation is payable on a parity basis under the Indenture as any series of Second Lien Bonds issued pursuant to a Supplemental Indenture.

Subject to the last paragraph under this subcaption, if the City enters into Interest Rate Hedge Agreements with a Hedge Counterparty 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, where the City has made a determination that such Interest Rate Hedge Agreement was entered into for the purpose of providing substitute interest payments for Second Lien Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Interest Rate Hedge Agreement and so long as the Hedge Counterparty is not in default under such Interest Rate Hedge Agreement: (i) for purposes of any calculation of Annual Second Lien Debt Service, as applicable, the interest rate on the Second Lien Bonds of such maturity or maturities, as applicable, shall be determined as if such Second Lien Bonds, as applicable, bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the City under such Interest Rate Hedge Agreement, (ii) any net payments required to be made by the City to the Hedge Counterparty pursuant to such Interest Rate Hedge Agreement from Net Revenues shall be deemed payments on Second Lien Bonds, as applicable, and be made on a parity with payments due on other Second Lien Bonds, as applicable, and (iii) any net payments received by the City from the Hedge Counterparty pursuant to such Interest Rate Hedge Agreement shall be applied in the Second Lien Bonds Account, as applicable.

If the City shall enter into an agreement of the type generally described in the immediately preceding paragraph that does not satisfy the requirements for qualification as an Interest Rate Hedge Agreement as a result of its failure to make the determination described therein or otherwise, then: (i) the interest rate adjustment or assumptions referred to in (i) of the immediately preceding paragraph shall not be made, (ii) any net payments required to be made by the City to the Hedge Counterparty pursuant to such Interest Rate Hedge Agreement from Gross Revenues shall be made only from amounts available after the payment of all Second Lien Bonds, and (iii) any net payments received by the City from the Hedge Counterparty pursuant to such Interest Rate Hedge Agreement may be treated as Gross Revenues at the option of the City and applied as directed by the City.

Termination payments made with respect to an Agreement described in the immediately preceding paragraphs shall be made only after making all payments then due on Second Lien Bonds.

The City may enter into an Interest Rate Hedge Agreement pursuant to the immediately preceding paragraphs only if (i) each Rating Agency then rating or proposing to rate Second Lien Bonds (if such Rating Agency also rates the unsecured obligations of the Hedge Counterparty or its guarantor) has assigned to the unsecured obligations of the Hedge Counterparty or of the person who guarantees the obligation of the Hedge Counterparty to make its payments to the City, as of the date the Interest Rate Hedge Agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Second Lien Bonds by such Rating Agency (without regard to Credit Enhancement Instruments), and (ii) the City has notified each Rating Agency then rating or proposing to rate Second Lien Bonds (whether or not such Rating Agency also rates the unsecured obligations of the Hedge Counterparty or its guarantor) in writing, at least 15 days prior to executing and delivering the Interest Rate Hedge Agreement of its intention to enter into the Interest Rate Hedge Agreement and has received from such Rating Agency a written indication that the entering into of the Interest Rate Hedge Agreement by the City will not in and of itself cause a reduction or withdrawal by such Rating Agency of its unenhanced rating on the Second Lien Bonds.

2026 Second Lien Bonds Subaccount

Moneys on deposit in the 2026 Second Lien Bonds Subaccount, and in each Account established in it as described below, shall be held in trust by the Trustee for the sole and exclusive benefit of the Registered Owners of the Bonds. In the Seventeenth Supplemental Indenture, the City creates and establishes with the Trustee separate Accounts within the 2026 Second Lien Bonds Subaccount as follows:

- (i) the Program Fee Account;
- (ii) the Principal and Interest Account; and
- (iii) the Cost of Issuance Account.

Application of Bond Proceeds

The aggregate proceeds received by the City from the sale of the Bonds (exclusive of underwriters' discount), shall be applied as follows:

- (i) the Trustee shall deposit into the Costs of Issuance Account an amount of the proceeds received by the City from the sale of the Bonds to be applied to pay Costs of Issuance; and
- (ii) the Trustee will deposit with the Escrow Agent an amount of the proceeds received by the City from the sale of the Bonds to be applied pursuant to the Escrow Agreement to refund the Refunded Bonds.

Deposits into 2026 Second Lien Bonds Subaccount and Accounts Therein. On each Deposit Date, there shall be deposited into the 2026 Second Lien Bonds Subaccount from amounts on deposit in the Second Lien Bonds Account (other than monies, instruments or securities or any other Qualified Reserve Account Credit Instrument on deposit in a Debt Service Reserve Account for any other series of Second Lien Bonds issued or to be issued) an amount equal to the aggregate of the following amounts, which amounts shall have been calculated by the Trustee and certified by the Chief Financial Officer and transferred by the City to the Trustee in accordance with the Indenture on or before the Business Day next preceding each such Deposit Date, respectively:

(a) for deposit into the 2026 Principal and Interest Account, an amount equal to the 2026 Principal and Interest Account Requirement; and

(b) for deposit into the Program Fee Account, the amount estimated by the City to be required as of the close of business on the related Deposit Date to pay all Program Fees payable from amounts in the Program Fee Account during the semi-annual period commencing on such related Deposit Date and, in the case of the initial Deposit Date, any Program Fees payable from the Date of Issuance to, but not including, such initial Deposit Date.

In addition to the Series 2026 Deposit Requirement, there shall be deposited into the 2026 Second Lien Bonds Subaccount any other moneys received by the Trustee under and pursuant to the Master Indenture or the Seventeenth Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the 2026 Second Lien Bonds Subaccount or to one or more accounts in that Subaccount.

Upon calculation by the Trustee of each Series 2026 Deposit Requirement, the Trustee shall notify the City of the Series 2026 Deposit Requirement and the Deposit Date to which it relates, and shall provide the City with such supporting documentation and calculations as the City may reasonably request.

Use of Moneys in the Series 2026 Principal and Interest Account

Moneys in the Series 2026 Principal and Interest Account shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds, for the redemption of the Bonds prior to their respective Maturity Dates and for the payment of Section 2.08 Obligations and Section 2.09 Obligations. Funds for payment of principal of, premium, if any, and interest due on each Payment Date with respect to the Bonds (including the optional redemption of the Bonds pursuant to the Seventeenth Supplemental Indenture and not otherwise provided for, and with respect to Section 2.08 Obligations and Section 2.09 Obligations), shall be derived from moneys held in the Series 2026 Principal and Interest Account, ratably, without preference or priority of any kind, except that termination and other non-scheduled payments with respect to Section 2.09 Obligations shall be paid on a subordinate basis.

Use of Moneys in Program Fee Account. Moneys deposited into the Program Fee Account shall be used solely for the payment of Program Fees payable by the City to third parties with respect to the Bonds as set forth in a certificate of the City filed with the Trustee.

Additional Second Lien Bonds

As long as there are any Outstanding Second Lien Bonds, the City may issue Second Lien Parity Bonds for any lawful purpose of the Water System, including to refund Outstanding Second Lien Bonds, Subordinate Lien Obligations or obligations payable from revenues of the Water System on a basis subordinate to the Second Lien Bonds and Subordinate Lien Obligations, upon compliance with the following conditions:

(i) the funds required to be transferred to the Second Lien Bonds Account and its sub-funds, accounts and subaccounts shall have been transferred in full up to the date of delivery of such Second Lien Parity Bonds; and

(ii) (1) Net Revenues Available for Bonds for the last completed Fiscal Year prior to the issuance of the Second Lien Parity Bonds (as shown by the audit of an independent certified public accountant), or Net Revenues Available for Bonds for such last completed Fiscal Year, adjusted as described below, shall equal at least 100 percent of the sum of the Aggregate

Second Lien Bonds Requirement and the Aggregate Subordinate Lien Debt Service in each Fiscal Year following the issuance of the proposed Second Lien Parity Bonds, computed on a *pro forma* basis assuming (w) the issuance of the proposed Second Lien Parity Bonds and the application of the proceeds of any Second Lien Parity Bonds as provided in the ordinance or trust indenture authorizing their issuance, sale and delivery and (x) any allocation of amounts in the Residual Account as described under the caption “SECURITY FOR THE BONDS – Flow of Funds” as shall be estimated by the Chief Financial Officer in the current or any future Fiscal Year. Net Revenues Available for Bonds may be adjusted as follows for purposes of this paragraph (ii):

(A) if prior to the issuance of such Second Lien Parity Bonds, the City shall have enacted an increase in the rates of the Water System from the rates in effect for such last completed Fiscal Year, Net Revenues Available for Bonds may be adjusted to reflect the Net Revenues Available for Bonds for such last completed Fiscal Year as they would have been had the increased rates been in effect during all of that last completed Fiscal Year; and

(B) if prior to the issuance of such Second Lien Parity Bonds, the City shall have enacted an increase in the rates of the Water System scheduled to take effect in a future Fiscal Year, such rate increase may be reflected in Net Revenues Available for Bonds for purposes of calculating debt service coverage for such last completed Fiscal Year;

Any such adjustment shall be evidenced by a certificate of the Chief Financial Officer.

(2) The conditions of paragraph (ii)(1) above, shall be deemed to have been satisfied if (A) Net Revenues Available for Bonds for the current or next succeeding Fiscal Year (as estimated by the Chief Financial Officer), adjusted as described in paragraph (ii)(1) above, shall equal at least 100 percent of the sum of the Aggregate Second Lien Bonds Requirement and the Aggregate Subordinate Lien Debt Service in each Fiscal Year following the issuance of the proposed Second Lien Parity Bonds, computed on a *pro forma* basis assuming (y) the issuance of the proposed Second Lien Parity Bonds and the application of the proceeds of any Second Lien Parity Bonds as provided in the ordinance or Supplemental Indenture authorizing their issuance, sale and delivery and (z) any allocation of amounts in the Residual Account as described under the caption “SECURITY FOR THE BONDS – Flow of Funds” as shall be estimated by the Chief Financial Officer in the current or any future Fiscal Year. In estimating Net Revenues Available for Bonds for the next succeeding Fiscal Year, the City shall engage the services of and be guided by a consultant of national reputation for advising municipalities with respect to setting rates and charges for water systems.

The City may issue Second Lien Parity Bonds without complying with the requirements stated above:

(i) to pay, redeem or refund Outstanding water revenue bonds if in the judgment of the City there will be insufficient money available to make payments of interest on or principal of those Outstanding water revenue bonds (at maturity or on Sinking Fund Payments dates) as such amounts become due; or

(ii) to pay, redeem or refund any Outstanding water revenue bonds if (A) the sum of the Aggregate Second Lien Debt Service and the Aggregate Subordinate Lien Debt Service in each Fiscal Year in which there was to be any Aggregate Second Lien Debt Service or Aggregate Subordinate Lien Debt Service on Outstanding water revenue bonds after the issuance of the

Second Lien Parity Bonds and the payment, redemption or refunding of such Outstanding water revenue bonds will not be in excess of (B) the sum of Aggregate Second Lien Debt Service and Aggregate Subordinate Lien Debt Service prior to the issuance of the Second Lien Parity Bonds in each such Fiscal Year.

Other obligations, including bonds, may be issued payable from Net Revenues Available for Bonds on a basis subordinate to the Second Lien Bonds.

Covenant Against Pledge of Net Revenues

The City has covenanted that it will not, other than in connection with the issuance of Second Lien Parity Bonds, issue any bonds, notes or other evidences of indebtedness secured by a pledge of Net Revenues or create or cause to be created any lien or charge on Net Revenues, or on any other amounts pledged for the benefit of owners of the Second Lien Bonds under the Indenture; except that the City has the right to issue (i) Subordinate Lien Obligations, (ii) bonds, notes or other evidences of indebtedness payable from or secured by a pledge of Net Revenues to be derived on and after the discharge and satisfaction of the pledge related to all Second Lien Bonds and (iii) bonds, notes or other evidences of indebtedness payable from or secured by a pledge of amounts which may be withdrawn from the Second Lien Bonds Account held under the Indenture so long as such pledge is expressly subordinate to the pledge securing the Second Lien Bonds.

Other Covenants

In addition to the covenants referred to above, the City covenants under the Indenture as follows:

(a) The City will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on, all Second Lien Bonds, including, without limitation, Section 2.08 Obligations, in strict conformity with the terms of such Second Lien Bonds and of the Master Indenture, the Supplemental Indentures creating the Second Lien Bonds of each series and the instruments creating Section 2.08 Obligations or Section 2.09 Obligations, and that it will faithfully observe and perform all the conditions, covenants and requirements of the Indenture, each such Supplemental Indenture and instrument and of the Second Lien Bonds issued or incurred under such Supplemental Indenture.

(b) The City will maintain the Water System in good repair and working order, will continuously operate it on a Fiscal Year basis, and will punctually perform all duties with respect to the Water System required by the Constitution and laws of the State.

(c) So long as any Second Lien Bonds are Outstanding, the City will continue to operate the Water System as a revenue-producing system so as to produce Gross Revenues sufficient to satisfy the covenants of the Indenture.

(d) The City from time to time will make all necessary and proper repairs, replacements, additions and betterments to the Water System so that the Water System may at all times be operated efficiently, economically and properly. When any necessary equipment or facility shall have been worn out, destroyed or otherwise is insufficient for proper use, it shall be promptly replaced so that the value and efficiency of the Water System shall be at all times fully maintained.

(e) The City will establish such rules and regulations for the control and operation of the Water System as are necessary for the safe, lawful, efficient and economical operation of the Water System.

(f) The City will faithfully perform at all times to the extent applicable to the City any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Second Lien Bond executed, authenticated and delivered under the Indenture, and in all proceedings pertaining to the Indenture.

(g) (i) The City will not direct or permit any action which (or fail to take any action the failure of which) would cause any Second Lien Bond to be an “arbitrage bond” within the meaning of the Code.

(ii) The covenants and agreements of the City described in this paragraph (g) shall apply as long as any of the Second Lien Bonds continue to bear interest (whether or not they are Outstanding water revenue bonds) and shall also apply after the Second Lien Bonds cease to bear interest but only within such subsequent period as shall be required for the City to comply with the covenants described in this paragraph (g).

(iii) The City (A) will take all actions that are necessary to be taken (and avoid taking any action that it is necessary to avoid being taken) so that interest on tax-exempt Second Lien Bonds will not be or become subject to federal income taxation under present law, and (B) will take all actions reasonably within its power to take that are necessary to be taken (and avoid taking any actions that are reasonably within its power to avoid taking and that it is necessary to avoid) so that interest on tax-exempt Second Lien Bonds will not be or become includible in gross income for federal income tax purposes under the federal income tax laws as in effect from time to time.

(iv) The City will, without limitation, (A) to the extent required by the Code, restrict the yield on investments of amounts received upon the sale of the Second Lien Bonds and other amounts, and (B) timely rebate to the United States of America certain amounts that may be received as interest or other investment earnings on accounts of the Water Fund, all as shall be necessary to comply with this paragraph (g). The City shall also make or cause to be made identifiable investments of amounts allocable to the Second Lien Bonds as shall be necessary or appropriate to be able to ascertain the amounts that may be required so to be rebated to the United States of America. The City shall from time to time determine the amounts in accounts of the Water Fund that shall be subject so to be rebated and those amounts from time to time shall be held by the City in the second lien rebate account established under the Indenture and shall be rebated to the United States of America in the amounts and at the times as required. Such amounts so subject from time to time so to be rebated shall not be available for the other purposes for which the Water Fund and its accounts and accounts and sub-accounts established by the Indenture may be applied, and, for purposes of computing the balance in the Water Fund and such various accounts shall be disregarded.

(v) The City will not take any of the following actions without in each such event obtaining the Opinion of Bond Counsel (which may represent the City from time to time in other matters) that such action will not contravene any covenant of the Indenture and will not make compliance with those covenants impossible: (A) defease any Second Lien Bonds; (B) sell, lease or otherwise dispose of any material portion of the Water System; (C) enter into or amend any short-term or long-term contract for water service by the City other than pursuant to general rates charged to the general public; or (D) enter into or amend any contract or arrangement for persons other than its employees to manage the Water System.

(vi) The provisions described in this paragraph (g) are not to be interpreted to impose upon the City any obligation to redeem or to purchase any Second Lien Bonds other than with proceeds or other amounts available under the Indenture.

Defaults and Remedies

Each of the following events constitutes an event of default under the Indenture:

(a) payment of the principal or Redemption Price, if any, of any Second Lien Bond shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(b) payment of any installment of interest on any Second Lien Bond shall not be made when the same shall become due; or

(c) the City shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in the Second Lien Bonds, which materially affects the rights of the owners of the Second Lien Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding Second Lien Bonds; provided, however, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all due diligence; or

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

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c) or (d) above (and as specified in any Supplemental Indenture with respect to additional events of default described under such Supplemental Indenture), the Trustee may unless otherwise directed pursuant to the Indenture, proceed, and upon the written direction of the owners of not less than a majority in principal amount of the Outstanding Second Lien Bonds given in accordance with the Indenture, shall proceed in its own name to protect and enforce its rights and the rights of the owners of the Second Lien Bonds by such of the following remedies or any additional remedies specified in one or more Supplemental Indentures with respect to a particular series as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

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

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

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

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

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the Second Lien Bonds for principal, Redemption Price, interest or otherwise, under any provision of the Indenture or any Supplemental Indenture or of the Second Lien Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Second Lien Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture of the owners of the Second Lien Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the Indenture for such purpose, in any manner provided by law the moneys adjudged to be payable.

Under no circumstance may the Trustee declare the principal of or interest on the Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default under the Master Indenture or the Seventeenth Supplemental Indenture.

In the event that upon the happening and continuance of any event of default, the moneys held by the Trustee shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Second Lien Bonds, such moneys (other than moneys held for the payment or redemption of particular Second Lien Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting under the Master Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the owners of the Second Lien Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Master Indenture, shall, except as otherwise provided with respect to moneys held for the exclusive benefit of Second Lien Bonds of a particular series or particular Section 2.08 Obligations or Section 2.09 Obligations under the provisions of a Supplemental Indenture be applied as follows:

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

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

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

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

In case any proceedings taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the City, the Trustee and the owners of the Second Lien Bonds shall be restored to their former positions and rights under the Master Indenture, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

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

No owner of any Second Lien Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Master Indenture, or for the protection or enforcement of any right or remedy under the Master Indenture or any right under law unless such owner shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 25 percent in principal amount of the Second Lien Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or granted under law to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case (except with respect to the enforcement of credit enhancement devices securing Second Lien Bonds), at the option of the Trustee, to be conditions precedent to the execution of the powers under the Master Indenture or for any other remedy under the Master Indenture or under law.

BAM shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant to the Master Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee (with respect to the Insured Bonds). In furtherance thereof and as a term of the Seventeenth Supplemental Indenture and each Insured Bond, each Insured Bondholder appoints BAM as its agent and attorney-in-fact and agrees that BAM may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersede as or performance bond pending any such appeal, and (D) the right to

vote to accept or reject any plan of adjustment. In addition, each Insured Bondholder delegates and assigns to BAM, to the fullest extent permitted by law, the rights of each Insured Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Insured Bondholder for BAM's benefit, and agrees to cooperate with BAM in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Insured Bondholders shall expressly include mandamus, but these provisions shall not create any remedy not otherwise expressly granted by the Master Indenture.

All rights of any insurance company that has insured the scheduled payment of the principal of and interest on all or any portion of a series of Second Lien Bonds (a "Bond Insurer") under the provisions of the Indenture described in this APPENDIX B under the captions "– Defaults and Remedies," "– Supplemental Indentures Without Consent of Owners" and "– Supplemental Indentures With Consent of Owners" shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its bond insurance policy insuring such Second Lien Bonds; (ii) such bond insurance policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision of such bond insurance policy is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such bond insurance policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy; reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction; provided, however, that nothing in the Indenture shall in any way limit or affect the rights of the Bond Insurer as an Insured Bondholder, as subrogee of an Insured Bondholder or as assignee of an Insured Bondholder, or otherwise, to be reimbursed and indemnified for its costs and expenses and other payment on or in connection with the Insured Bonds or the Insurance Policy either by operation of law or at equity or by contract.

Supplemental Indentures without Consent of Owners

A Supplemental Indenture may be authorized at any time by an ordinance of the City Council and shall be fully effective upon the execution thereof by the City and the Trustee and the filing with the Trustee of a copy of such ordinance certified by the City Clerk, for the following purposes:

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

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

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

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

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

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

(g) to modify any of the provisions of the Master Indenture in any respect whatever, provided that such modification shall be, and be expressed to be, effective only after all Second Lien Bonds Outstanding at the date of the execution and delivery of such Supplemental Indenture shall cease to be Outstanding.

A Supplemental Indenture may be authorized at any time by an ordinance adopted by the City Council which, upon (i) filing with the Trustee of a copy of such ordinance certified by the City Clerk, (ii) the filing with the Trustee and the City of an instrument in writing made by the Trustee consenting thereto, and (iii) execution and delivery of such Supplemental Indenture, shall be fully effective to: (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Master Indenture; (2) to insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable and are not contrary to or inconsistent with the Master Indenture; or (3) to provide additional duties of the Trustee under the Master Indenture as in effect.

Additionally, the Seventeenth Supplemental Indenture may, without the consent of, or notice to, any of the Bondholders, be supplemented and amended, in such manner as shall not be inconsistent with the terms and provisions of the Seventeenth Supplemental Indenture or the Master Indenture, for any one or more of the following purposes:

to provide for certificated Bonds; and

to secure or maintain ratings from any Rating Agency in the highest long-term debt rating category of such Rating Agency which are available for the Bonds, which changes will not restrict, limit or reduce the obligation of the City to pay the principal of, premium, if any, and interest on such Bonds as provided in the Indenture or otherwise adversely affect the Registered Owners of such Bonds under the Indenture.

Supplemental Indenture with Consent of Owners

Any modification or amendment of the Indenture or of any Supplemental Indenture or of the rights and obligations of the City and of the owners of the Second Lien Bonds, other than as described in the immediately preceding caption, may be made by a supplemental indenture authorized at any time by an ordinance of the City Council, with the written consent given as provided in the Indenture:

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

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

(c) in case any Section 2.08 Obligations are affected by the modification or amendment, of the party to whom Section 2.08 Obligations so affected are payable; and

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

No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Second Lien Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or a reduction in the rate of interest thereon, or in terms of purchase or the purchase price thereof, without the consent of the owner of such Second Lien Bond, or shall reduce the percentages or otherwise affect the classes of Second Lien Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or any Paying Agent with respect to the Second Lien Bonds without its written assent thereto. A series of Second Lien Bonds or any specified Section 2.08 Obligations or Section 2.09 Obligations shall 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 Second Lien Bonds of such series or of such Section 2.08 Obligations or Section 2.09 Obligations.

Defeasance

If the City shall pay or cause to be paid to the owners of all Second Lien Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein, in the Master Indenture, the Supplemental Indentures creating such Second Lien Bonds and in the instruments creating Section 2.08 Obligations and Section 2.09 Obligations, then the pledge of Net Revenues provided by the Master Indenture and all other rights granted thereby shall be discharged and satisfied.

Any Second Lien Bonds or interest installments appertaining to such Second Lien Bonds, whether at or prior to the maturity or the prior redemption date thereof shall be deemed to have been paid within the meaning of the preceding paragraph if:

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

(b) there shall have been deposited with the Trustee for such purpose either moneys which are sufficient or Governmental Obligations (consisting of obligations described in clause (a) of the definition of Permitted Investments) maturing and bearing interest at times and in amounts sufficient (without reinvestment of such Governmental Obligations), together with the moneys on deposit with the Trustee for such purpose, to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Second Lien Bonds on and prior to the redemption date or maturity date of such Second Lien Bonds, as the case may be; and

(c) in the event said Second Lien Bonds are not by their terms subject to redemption within the next succeeding 45 days, the City shall have given the Trustee, in form satisfactory to it, irrevocable instructions to mail, as soon as practicable, a notice to the owners of such Second Lien Bonds that the

deposit required by clause (b) above has been made with the Trustee and that said Second Lien Bonds are deemed to have been paid as described under this caption “– Defeasance” and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of, and accrued interest on, said Second Lien Bonds.

No defeasance of a Second Lien Bond that is to be paid more than 90 days after the date of the deposit referred to in clause (b) above shall be effective until the Trustee shall have received a verification report signed by an independent certified public accountant that the Governmental Obligations (described in clause (a) of the definition of Permitted Investments) and moneys to be deposited for such purpose are sufficient to pay the principal and Redemption Price of, and interest on, all Second Lien Bonds with respect to which provision for payment is to be made pursuant to the process described under this caption “– Defeasance” by virtue of the deposit of such Governmental Obligations and moneys.

The City has reserved the right to substitute in place of Governmental Obligations and moneys, other Governmental Obligations and moneys sufficient to pay when due the principal and interest or Redemption Price, if any, to become due on all Second Lien Bonds secured by such obligations; provided that prior to such substitution the City files with the Trustee: (i) a verification report signed by an independent certified public accountant stating that the substitute Governmental Obligations and moneys, as substituted, are sufficient to pay the principal and Redemption Price of, and interest on, all Second Lien Bonds for which provision of payment was made by the deposit of the initial Governmental Obligations and moneys, and (ii) an opinion of nationally recognized bond counsel to the effect that such substitution has been duly authorized in accordance with the Indenture and will not adversely affect the tax-exempt status of any Second Lien Bonds previously authenticated and delivered under the Indenture.

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APPENDIX C

**CITY OF CHICAGO DEPARTMENT OF WATER MANAGEMENT WATER FUND ANNUAL
COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2024**

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APPENDIX C

CITY OF CHICAGO DEPARTMENT OF WATER MANAGEMENT WATER FUND ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2024

This APPENDIX C includes by specific reference the City's Water Fund basic financial statements as of and for the year ended December 31, 2024, and independent auditor's report (the "*2024 Audited Financial Statements*"), which has been filed as part of the City of Chicago Department of Water Management Water Fund Annual Comprehensive Financial Report For the Year Ended December 31, 2024 (the "*2024 ACFR*") and can be obtained from the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access ("*EMMA*") system. The 2024 Audited Financial Statements have not been updated since the date of the 2024 Audited Financial Statements. The specific URL for the filing of the 2024 ACFR is as referenced below and no other items filed on the EMMA website are included by reference as part of this Official Statement.

<https://emma.msrb.org/P21945771-P21486073-P21937370.pdf>

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APPENDIX D

**PROPOSED FORM OF SERIES 2026A AND SERIES 2026C OPINION OF CO-BOND
COUNSEL**

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APPENDIX D

PROPOSED FORM OF SERIES 2026A AND SERIES 2026C OPINION OF CO-BOND COUNSEL

[Closing Date]

City of Chicago

The Bank of New York Mellon Trust
Company, N.A., as Trustee

Re: City of Chicago
Water Revenue Bonds, Project Series 2026A
Water Revenue Bonds, Refunding Series 2026C

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Chicago (the “City”) of its \$646,630,000 aggregate principal amount Water Revenue Bonds, Project Series 2026A (the “Series 2026A Bonds”) and its \$136,595,000 aggregate principal amount Water Revenue Bonds, Refunding Series 2026C (the “Series 2026C Bonds” and, together with the Series 2026A Bonds, the “Bonds”). The Bonds are limited obligations of the City issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and an ordinance adopted by the City Council of the City on April 15, 2026, authorizing the Bonds (the “Ordinance”). The Bonds are being executed and delivered under an Amended and Restated Master Indenture of Trust Securing City of Chicago Second Lien Water Revenue Bonds, dated as of May 1, 2023, as previously supplemented (the “Master Indenture”), and as supplemented by the Seventeenth Supplemental Indenture Securing Second Lien Water Revenue Bonds, Project Series 2026A, Refunding Series 2026B (Forward Delivery) and Refunding Series 2026C, dated as of May 1, 2026 (the “Seventeenth Supplemental Indenture,” and together with the Master Indenture, the “Indenture”), each from the City to The Bank of New York Mellon Trust Company, N.A. (as successor to American National Bank and Trust Company of Chicago and J.P. Morgan Trust Company, National Association), as trustee (the “Trustee”). The Bonds are being issued as Second Lien Bonds under the Indenture. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture or the Ordinance, as applicable.

The proceeds from the sale of the Series 2026A Bonds will be used to (i) pay for certain costs of the Projects and (ii) pay costs of issuance of the Series 2026A Bonds. The proceeds from the sale of the Series 2026C Bonds will be used to (i) repurchase and cancel by means of a tender offer the Tendered Bonds and (ii) pay costs of issuance of the Series 2026C Bonds.

The Bonds are issuable only as fully registered bonds without coupons in Authorized Denominations.

The Series 2026A Bonds are dated the date hereof and are due on November 1 in each of the years and in the respective amounts and bear interest payable on May 1 and November 1 in each of the years, commencing November 1, 2026, at the respective rates per annum, as follows:

Maturity (November 1)	Principal Amount	Rate Per Annum	Maturity (November 1)	Principal Amount	Rate Per Annum
2041	\$25,000,000	5.00%	2047	\$ 30,205,000	5.00%
2042	25,000,000	5.00	2048	25,000,000	5.00
2043	25,000,000	5.00	2051	50,250,000	5.00
2044	25,000,000	5.00	2061	125,000,000	5.25
2045	27,400,000	5.00	2064	135,000,000	5.00
2046	28,775,000	5.00	2066	125,000,000	5.50

The Series 2026C Bonds are dated the date hereof and are due on November 1 in each of the years and in the respective amounts and bear interest payable on May 1 and November 1 in each of the years, commencing November 1, 2026, at the respective rates per annum, as follows:

Maturity (November 1)	Principal Amount	Rate Per Annum	Maturity (November 1)	Principal Amount	Rate Per Annum
2026	\$ 580,000	5.00%	2033	\$13,155,000	5.00%
2027	1,335,000	5.00	2034	16,020,000	5.00
2029	3,165,000	5.00	2035	16,705,000	5.00
2030	17,885,000	5.00	2036	13,420,000	5.00
2031	17,640,000	5.00	2037	15,700,000	5.00
2032	14,850,000	5.00	2038	6,140,000	5.00

The Bonds are subject to optional and mandatory sinking fund redemption, at the times, in the manner and upon the terms specified in the Seventeenth Supplemental Indenture.

In connection with the issuance of the Bonds we have examined the following:

- (a) the Constitution of the State of Illinois and such laws as we deemed pertinent to this opinion;
- (b) certified copies of the Ordinance and the Master Indenture;
- (c) an executed counterpart of the Seventeenth Supplemental Indenture; and
- (d) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based upon our examination of the foregoing, we are of the opinion that:

1. The City is a municipal corporation duly existing under the laws of the State of Illinois and is a home rule unit of local government within the meaning of Section 6(a) of Article VII of the 1970 Illinois Constitution. The City has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Ordinance, and under the Master Indenture and the Ordinance to enter into the Seventeenth Supplemental Indenture with the Trustee and to issue the Bonds thereunder.

2. The Ordinance is in full force and effect and is valid and binding upon the City in accordance with its terms. The Master Indenture and the Seventeenth Supplemental Indenture have been duly authorized, executed, and delivered by the City, constitute valid and binding obligations of the City and are legally enforceable in accordance with their respective terms.

3. The Bonds have been duly authorized and issued, are the legal, valid, and binding limited obligations of the City, have received all required approvals for their issuance, are entitled to the benefits and security of the Indenture, and are enforceable in accordance with their terms.

4. The Bonds are Second Lien Bonds under the Master Indenture payable solely from Net Revenues, except for any monies, instruments and securities or any Qualified Reserve Account Credit Instrument on deposit in a Debt Service Reserve Account for any other series of Second Lien Bonds issued or to be issued, and from certain other amounts, as provided in the Indenture, and all other moneys and securities from time to time held by the Trustee under the terms of the Indenture. The Bonds and the interest thereon are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any state constitutional or statutory provision or limitation as to indebtedness. The Bonds do not have a claim for payment from any taxes of the City. Neither the faith and credit nor the taxing power of the State of Illinois, the City or any political subdivision of the State of Illinois is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

5. The Ordinance, the Master Indenture and the Seventeenth Supplemental Indenture create the valid and binding assignments and pledges which they purport to create of the Trust Estate assigned and pledged to the Trustee under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

6. Subject to the condition that the City comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, under present law, in the opinion of co-bond counsel, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference for purposes of the federal alternative minimum tax. Failure to comply with certain of such covenants could cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the Bonds. In rendering the foregoing opinion we have relied on certifications of the City with respect to certain material facts solely within its knowledge relating to the application of the proceeds of the Bonds, the application of the proceeds of the Tendered Bonds and certain other matters pertaining to the tax-exempt status of the Bonds. We are also relying, without independent investigation, on the verification report of Robert Thomas CPA, LLC, with respect to the mathematical computations of (i) the yield on the Series 2026C Bonds and the yield on certain investments and (ii) the sufficiency of amounts to be applied to the payment and redemption of the Tendered Bonds.

7. Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

In rendering this opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Ordinance, the Master Indenture and the Seventeenth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws reflecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

We express no opinion with respect to the Bonds or other matters related to the Bonds other than those specifically rendered here. Our opinion represents our professional judgment regarding the legal issues expressly addressed herein, and is not a guarantee of a result. This opinion is given as of the date

hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D-1

PROPOSED FORM OF SERIES 2026B INITIAL LETTER OF CO-BOND COUNSEL

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APPENDIX D-1

PROPOSED FORM OF SERIES 2026B INITIAL LETTER OF CO-BOND COUNSEL

[Initial Closing Date]

City of Chicago

The Bank of New York Mellon Trust
Company, N.A., as Trustee

Mesirow Financial, Inc., as
representative of the Underwriters
named in the Forward Delivery Bond
Purchase Agreement dated May 5, 2026

Re: City of Chicago
Water Revenue Bonds, Refunding Series 2026B (Forward Delivery)

Ladies and Gentlemen:

We have furnished you with the form of our proposed approving opinion as co-bond counsel, attached hereto as Exhibit I, with respect to the issuance by the City of Chicago (the “City”) of its \$159,910,000 aggregate principal amount Water Revenue Bonds, Refunding Series 2026B (Forward Delivery) (the “Bonds”). Under the law existing on the date hereof and based on the facts in existence on the date hereof, if the Bonds are properly executed and authenticated, and if they are issued and delivered on the Final Delivery Date, as contemplated in the Forward Delivery Bond Purchase Agreement, dated May 5, 2026, between the City and Mesirow Financial, Inc., as representative of the Underwriters named therein, respecting the Bonds, we will be able to render the attached approving opinions.

Respectfully submitted,

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APPENDIX D-2

**PROPOSED FORM OF SERIES 2026B FINAL DELIVERY DATE
OPINION OF CO-BOND COUNSEL**

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APPENDIX D-2

PROPOSED FORM OF SERIES 2026B FINAL DELIVERY DATE OPINION OF CO-BOND COUNSEL

[Closing Date]

City of Chicago

The Bank of New York Mellon Trust
Company, N.A., as Trustee

Re: City of Chicago
Water Revenue Bonds, Refunding Series 2026B (Forward Delivery)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Chicago (the “City”) of its \$159,910,000 aggregate principal amount Water Revenue Bonds, Refunding Series 2026B (Forward Delivery) (the “Bonds”). The Bonds are limited obligations of the City issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and an ordinance adopted by the City Council of the City on April 15, 2026, authorizing the Bonds (the “Ordinance”). The Bonds are being executed and delivered under an Amended and Restated Master Indenture of Trust Securing City of Chicago Second Lien Water Revenue Bonds, dated as of May 1, 2023, as previously supplemented (the “Master Indenture”), and as supplemented by the Seventeenth Supplemental Indenture Securing Second Lien Water Revenue Bonds, Project Series 2026A, Refunding Series 2026B (Forward Delivery) and Refunding Series 2026C, dated as of May 1, 2026 (the “Seventeenth Supplemental Indenture,” and together with the Master Indenture, the “Indenture”), each from the City to The Bank of New York Mellon Trust Company, N.A. (as successor to American National Bank and Trust Company of Chicago and J.P. Morgan Trust Company, National Association), as trustee (the “Trustee”). The Bonds are being issued as Second Lien Bonds under the Indenture. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture or the Ordinance, as applicable.

The proceeds from the sale of the Series 2026B Bonds will be used to (i) refund the Refunded Bonds and (ii) pay costs of issuance of the Series 2026B Bonds.

The Bonds are issuable only as fully registered bonds without coupons in Authorized Denominations.

The Bonds are dated the date hereof and are due on November 1 in each of the years and in the respective amounts and bear interest payable on May 1 and November 1 in each of the years, commencing November 1, 2026, at the respective rates per annum, as follows:

Maturity (November 1)	Principal Amount	Rate Per Annum	Maturity (November 1)	Principal Amount	Rate Per Annum
2026	\$ 2,200,000	5.00%	2029	\$40,125,000	5.00%
2027	39,340,000	5.00	2030	38,370,000	5.00
2028	32,175,000	5.00	2031	7,700,000	5.00

The Bonds are not subject to redemption prior to their maturity dates.

In connection with the issuance of the Bonds we have examined the following:

- (a) the Constitution of the State of Illinois and such laws as we deemed pertinent to this opinion;
- (b) certified copies of the Ordinance and the Master Indenture;
- (c) an executed counterpart of the Seventeenth Supplemental Indenture; and
- (d) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based upon our examination of the foregoing, we are of the opinion that:

1. The City is a municipal corporation duly existing under the laws of the State of Illinois and is a home rule unit of local government within the meaning of Section 6(a) of Article VII of the 1970 Illinois Constitution. The City has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Ordinance, and under the Master Indenture and the Ordinance to enter into the Seventeenth Supplemental Indenture with the Trustee and to issue the Bonds thereunder.

2. The Ordinance is in full force and effect and is valid and binding upon the City in accordance with its terms. The Master Indenture and the Seventeenth Supplemental Indenture have been duly authorized, executed, and delivered by the City, constitute valid and binding obligations of the City and are legally enforceable in accordance with their respective terms.

3. The Bonds have been duly authorized and issued, are the legal, valid, and binding limited obligations of the City, have received all required approvals for their issuance, are entitled to the benefits and security of the Indenture, and are enforceable in accordance with their terms.

4. The Bonds are Second Lien Bonds under the Master Indenture payable solely from Net Revenues, except for any monies, instruments and securities or any Qualified Reserve Account Credit Instrument on deposit in a Debt Service Reserve Account for any other series of Second Lien Bonds issued or to be issued, and from certain other amounts, as provided in the Indenture, and all other moneys and securities from time to time held by the Trustee under the terms of the Indenture. The Bonds and the interest thereon are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any state constitutional or statutory provision or limitation as to indebtedness. The Bonds do not have a claim for payment from any taxes of the

City. Neither the faith and credit nor the taxing power of the State of Illinois, the City or any political subdivision of the State of Illinois is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

5. The Ordinance, the Master Indenture and the Seventeenth Supplemental Indenture create the valid and binding assignments and pledges which they purport to create of the Trust Estate assigned and pledged to the Trustee under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.

6. Subject to the condition that the City comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, under present law, in the opinion of co-bond counsel, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference for purposes of the federal alternative minimum tax. Failure to comply with certain of such covenants could cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the Bonds. In rendering the foregoing opinion we have relied on certifications of the City with respect to certain material facts solely within its knowledge relating to the application of the proceeds of the Bonds, the application of the proceeds of the Refunded Bonds and certain other matters pertaining to the tax-exempt status of the Bonds. We are also relying, without independent investigation, on the verification report of Robert Thomas CPA, LLC, with respect to the mathematical computations of (i) the yield on the Bonds and the yield on certain investments and (ii) the sufficiency of amounts to be applied to the payment and redemption of the Refunded Bonds.

7. Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

In rendering this opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Ordinance, the Master Indenture and the Seventeenth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws reflecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

We express no opinion with respect to the Bonds or other matters related to the Bonds other than those specifically rendered here. Our opinion represents our professional judgment regarding the legal issues expressly addressed herein, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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APPENDIX E

INFORMATION REGARDING CITY OF CHICAGO ECONOMY AND DEMOGRAPHICS

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APPENDIX E

INFORMATION REGARDING CITY OF CHICAGO ECONOMY AND DEMOGRAPHICS

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Set forth in this APPENDIX E is certain economic and demographic information regarding the City. Sources of information are set forth in footnotes. With respect to non-City sources, the City considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy. Sources of information as set forth in the footnotes may include references to certain websites; these websites are not included or incorporated into this Official Statement.

ECONOMY

The Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (the “**Chicago MSA**”)* has a population of approximately 9.5 million people, with over 4.9 million employees.^{†‡} The City’s workforce is spread across a diverse array of industries. With \$894 billion GDP (up 27.7% since 2020), the Chicago metro area economy is the 3rd largest in the U.S.[§]

The Chicago MSA’s largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality, and manufacturing; additional details are available in Table 1. The regional economy is extremely diverse with no employment sector representing greater than 20% of the total.

The percentage of total (non-farm) employment by major industry sector for the Chicago MSA are shown in Table 1. Note that totals may not sum due to rounding.

TABLE 1. CHICAGO AREA EMPLOYMENT BY SECTOR (DECEMBER, 2025)**

Sector (Number in Thousands)	Employees	Change from Dec. 2024 – Dec. 2025	
		Number	Percent
TOTAL NONFARM	4,787.8	28.5	0.6
Trade, Transportation and Utilities	963.5	(10.0)	(1.0)
Professional and Business Services	812.8	(0.1)	(0.0)
Education and Health Services	806.0	23.3	3.0
Government	570.4	17.8	3.2
Leisure and Hospitality	464.3	(0.7)	(0.2)
Manufacturing	400.5	(8.1)	(2.0)
Financial Activities	317.8	2.0	0.6
Other Services	195.4	(0.3)	(0.2)
Construction	175.4	1.8	1.0
Information	80.1	2.9	3.8
Mining and Logging	1.6	(0.1)	(5.9)

POPULATION

As of July 1, 2024, the City of Chicago was home to approximately 2.72 million people who live in more than one million households.^{††} According to the 2020 Census, the City’s population is up 1.9

* The Chicago MSA comprises the following counties:

- Illinois: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry and Will
- Indiana: Jasper, Lake, Newton and Porter
- Wisconsin: Kenosha

† U.S. Census Bureau, “Metropolitan and Micropolitan Statistical Areas Population Totals and Components of Change: 2020-2022.” (<https://www.census.gov/data/datasets/time-series/demo/popest/2020s-total-metro-and-micro-statistical-areas.html>)

‡ U.S. Bureau of Labor Statistics, “Civilian labor force and unemployment by state and metropolitan area.” (<https://www.bls.gov/news.release/metro.t01.htm>)

§ U.S. Bureau of Economic Analysis, “Total Gross Domestic Product for Chicago-Naperville-Elgin, IL-IN-WI (MSA).” <https://fred.stlouisfed.org/series/NGMP16980>

** U.S. Bureau of Labor Statistics, https://www.bls.gov/regions/midwest/summary/blssummary_chicago.pdf.

†† See U.S. Census Bureau QuickFacts (<https://www.census.gov/quickfacts/fact/table/chicagocityillinois,US/PST045222>).

percent compared to the 2010 Census. The population of the United States, the State of Illinois, Cook County and the City for the census years 1980 to 2020 and estimates for 2024 and 2025 is shown in Table 2.

TABLE 2. POPULATION (1980-2025)^{††}

Year	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2020	331,449,281	12,812,508	5,275,541	2,746,388 ^{§§}
2024	340,110,988	12,710,158	5,182,617	2,721,308
2025	341,784,857	12,719,141	5,194,625	N/A

As shown in Table 3, according to the 2018-2022 ACS survey, Chicago had the highest share of residents with a college degree among the seven most populous cities in the U.S. (Phoenix, Los Angeles, Chicago, New York, Philadelphia, Houston and San Antonio) at 42.43%. Additionally, Chicago had the highest share of residents with professional or advanced degrees at 18.02%.

TABLE 3. COLLEGE AND ADVANCED DEGREES (2018-2022)^{***}

City	Total	Bachelor's Degree	Advanced or Professional Degree	Bachelor % of Total	Advanced % of Total
Phoenix	1,052,043	203,364	124,497	19.33	11.83
LA	2,731,538	652,185	350,595	23.88	12.84
Chicago	1,911,330	466,629	344,395	24.41	18.02
NYC	6,126,610	1,423,801	1,039,873	23.24	16.97
Philadelphia	1,090,012	204,967	161,343	18.80	14.80
Houston	1,513,104	316,987	214,976	20.95	14.21
San Antonio	937,630	160,023	99,688	17.07	10.63

PER CAPITA INCOME AND WAGES

The per capita personal income (not adjusted for inflation) for the United States, the State of Illinois, Cook County and the Chicago MSA are set forth in Table 4, for the years 2020 through 2024.

[Table 4 appears on the next page]

^{††} See Footnote 4 on the prior page.

^{§§} As indicated in Footnote 5 on the prior page, the population as of July 1, 2022 had fallen to 2,665,039.

^{***} American Community Survey 2018-2022.

TABLE 4. PER CAPITA INCOME (2020-2024)

Year	United States ^{†††}	State of Illinois ^{†††}	Chicago MSA ^{§§§}	Cook County ^{****}
2020	59,153	61,157	65,871	66,952
2021	64,430	67,278	71,206	72,979
2022	65,470	67,655	73,317	72,847
2023	70,002	71,761	77,429	77,018
2024	73,204	74,522	N/A	79,964

Median household income in the Chicago MSA in 2024 was \$90,770, compared to \$83,211 in the State of Illinois and \$81,604 in the United States.^{††††}

EMPLOYMENT

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2020 through 2024 is set forth in Table 5.

TABLE 5. TOTAL EMPLOYMENT (2020-2024) (IN THOUSANDS)^{††††}

Year	State of Illinois ^{§§§§}	Chicago MSA ^{*****}	Cook County ^{†††††}	Chicago ^{†††††}
2020	5,759	4,356	2,327	1,203
2021	5,980	4,547	2,436	1,260
2022	6,177	4,735	2,552	1,320
2023	6,166	4,723	2,542	1,217
2024	6,294	4,756	2,615	1,400

The annual unemployment rates for the United States, the State of Illinois, Cook County, the Chicago MSA and the City are set forth in Table 6 for the years 2020 through 2024.

^{†††} U.S. Bureau of Economic Analysis, Table SAINC1,

https://apps.bea.gov/itable/index.html?appid=70&stepnum=40&Major_Area=3&State=00000&Area=00000&TableId=21&Statistic=3&Drill=1

^{†††} U.S. Bureau of Economic Analysis, Table SAINC1,

https://apps.bea.gov/itable/index.html?appid=70&stepnum=40&Major_Area=3&State=00000&Area=17000&TableId=21&Statistic=3&Drill=1

^{§§§} U.S. Bureau of Economic Analysis, Table CAINC1,

<https://apps.bea.gov/histdata/HistFileDetails.html?HistCatId=5&FileGroupId=314>

^{****} U.S. Bureau of Economic Analysis, Table CAINC1,

https://apps.bea.gov/itable/index.html?appid=70&stepnum=40&Major_Area=4&State=17000&Area=17031&TableId=20&Statistic=3&Drill=1

^{††††} U.S. Census Bureau,

https://data.census.gov/table/ACSDT1Y2022.B19013?g=040XX00US17_310XX00US16980_010XX00US&tp=true&tid=ACSDT1Y2021.B19013

^{††††} U.S. Bureau of Labor Statistics, “Local Area Unemployment Statistics,” data expressed as average of 12-month data.

^{§§§§} U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUST170000000000003>.

^{*****} U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUMT1716980000000003>.

^{†††††} U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUCN1703100000000003>.

^{†††††} U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUCT1714000000000003>.

TABLE 6. ANNUAL UNEMPLOYMENT RATES (2020-2024)^{§§§§§}

Year	United States ^{*****}	State of Illinois	Chicago MSA	Cook County	Chicago
2020	8.1	9.4	9.7	10.7	11.5
2021	5.4	6.1	6.2	7.0	7.5
2022	3.7	4.6	4.6	5.0	5.3
2023	3.6	4.4	4.3	4.3	4.6
2024	4.3	5.0	5.1	5.4	5.5

The percentage of total (non-farm) employment by major industry sector for the Chicago-Naperville-Arlington Heights, IL area^{†††††}, State of Illinois and the United States for December 2025 are shown in Table 7. Note that totals may not sum due to rounding.

TABLE 7. PERCENTAGE OF TOTAL NON-FARM EMPLOYMENT BY MAJOR INDUSTRY SECTOR (DECEMBER 2025)

Sector	United States ^{†††††}	Illinois ^{§§§§§§}	Chicago-Naperville-Arlington Heights
Trade, Transportation and Utilities	18.1%	19.6%	19.9%
Education and Health Services	17.4	16.6	17.4
Professional and Business Services	14.1	14.8	17.8
Government	14.7	13.8	11.5
Leisure and Hospitality	10.7	9.9	9.6
Manufacturing	8.0	9.2	7.1
Financial Activities	5.8	6.4	7.3
Construction	5.2	3.9	3.4
Other Services	3.8	4.1	4.1
Information	1.8	1.6	1.9
Mining and Logging	0.4	0.1	0.0
TOTAL	100.0%	100.0%	100.0%

§§§§§ See Footnotes 13-17.

***** U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," 2/2/2024, <https://www.bls.gov/cps/>.

††††† U.S. Bureau of Labor Statistics, http://www.bls.gov/regions/midwest/il_chicago_md.htm.

§§§§§ U.S. Bureau of Labor Statistics, "Current Employment Statistics (National),"

<http://www.bls.gov/web/empst/cseeb1a.htm>.

§§§§§§ U.S. Bureau of Labor Statistics, <http://www.bls.gov/regions/midwest/illinois.htm>.

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APPENDIX F

ADDITIONAL REDEMPTION PROCEDURES

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APPENDIX F

ADDITIONAL REDEMPTION PROCEDURES

General Redemption Procedures

The Bonds may be called for redemption by the Trustee upon receipt by the Trustee at least 45 days prior to the redemption date (or such shorter period as shall be acceptable to the Trustee) of a written request of the City requesting such redemption. Term Bonds shall be called for redemption by the Trustee without further request or direction from the City or any other party.

Unless waived by any owner of Bonds to be redeemed, notice of the call for any optional redemption shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 45 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Bond to be redeemed shall not affect the validity of the proceedings for the redemption of any other Bond to be redeemed. Any notice of redemption mailed as provided herein shall be conclusively presumed to have been given whether or not actually received by the addressee.

All notices of redemption shall specify, at a minimum: (i) the series name and designation and certificate numbers of Bonds being redeemed, (ii) the CUSIP numbers of the Bonds being redeemed, (iii) the principal amount of the Bonds being redeemed and the redeemed amount for each certificate (for partial calls), (iv) the redemption date, (v) the redemption price, (vi) the date of issuance of the Bonds being redeemed, (vii) the interest rate and maturity date of the Bonds being redeemed, (viii) the date of mailing of notices to Registered Owners and information services (if required), and (ix) the name of the employee of the Trustee who may be contacted with regard to such notice. With respect to an optional redemption of any Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the redemption price of the Bonds being redeemed. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Bonds, and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Unless the notice of redemption is made conditional as provided above, on or prior to any redemption date for Bonds, the City shall deposit with the Trustee an amount of money sufficient to pay the redemption price of all Bonds or portions thereof which are to be redeemed on that date.

Notice of redemption having been given as aforesaid, the Bonds, or portions thereof, so to be redeemed shall, on the redemption date (unless the redemption has been canceled), become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds, or portions thereof, shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same interest rate and maturity in the amount of the unpaid principal. If any Bond, or portion thereof, called for redemption shall not be so paid upon surrender for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by such Bond, or portion thereof, so called for redemption.

Selection of Bonds for Redemption

If fewer than all the Bonds of the same interest rate and maturity are to be redeemed, the aggregate principal amount thereof to be redeemed shall be in an Authorized Denomination, and the Trustee shall assign to each Bond of such interest rate and maturity a distinctive number for each minimum Authorized Denomination of such Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Bond shall be redeemed as shall equal such minimum Authorized Denomination for each number assigned to it and so selected. For purposes of any redemption of fewer than all of the outstanding Bonds of a single interest rate and maturity, the particular Bonds or portions thereof to be redeemed shall be selected not more than 60 days prior to the redemption date by the Trustee.

APPENDIX G

REGISTRATION, TRANSFER AND REPLACEMENT OF CERTIFICATED BONDS

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APPENDIX G

REGISTRATION, TRANSFER AND REPLACEMENT OF CERTIFICATED BONDS

Subject to the limitations described under “Book-Entry Only Form” and APPENDIX H– “Book-Entry Only System,” the Bonds are transferable upon surrender thereof at the designated corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the holder of a Bond or such holder’s attorney duly authorized in writing. Any Bond, upon surrender of such Bond at the designated corporate trust office of the Trustee together with an assignment duly executed by the Registered Owner of such Bond or such Registered Owner’s attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee, may be exchanged for an equal aggregate principal amount of Bonds of like date and tenor of any Authorized Denomination. No service charge shall be imposed upon the Registered Owners for any exchange or transfer of Bonds. The City and the Trustee may, however, require payment by the person requesting an exchange or transfer of Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation to such exchange or transfer, except in the case of the issuance of one or more Bonds for the unredeemed portion of a Bond surrendered for redemption in part.

The Trustee shall not be required to transfer or exchange any Bond during the period commencing on the Record Date next preceding any Interest Payment Date of such Bond and ending on such Interest Payment Date, or to transfer or exchange such Bond after the mailing of notice calling such Bond for redemption has been made as provided under the Indenture or during the period of 15 days next preceding the giving of notice of redemption of Bonds of the same maturity and interest rate.

The owners of the Bonds have no right to the appointment or retention of a securities depository for the Bonds. If (i) the City determines, or (ii) the City receives notice that the securities depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Bonds of a given series, that the securities depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the beneficial owners that they obtain certificated Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Bond certificates for such series. The City shall have no obligation to make any determination described in this paragraph.

If, following a determination or event specified in the preceding paragraph, the City discontinues the maintenance of the Bonds in book-entry form with the then-current securities depository, the City will issue replacement Bonds to the replacement securities depository, if any, or, if no replacement securities depository is selected for the Bonds, directly to the Participants as shown on the records of the former securities depository or, to the extent requested by any Participant, to the Beneficial Owners of the Bonds shown on the records of such Participant. The City and the Trustee may conclusively rely upon (i) a certificate of the securities depository as to the identity of the participants in the book-entry system and (ii) a certificate of such participants as to the identity of, and the respective principal amounts of Bonds beneficially owned by, the Beneficial Owners.

Prior to any transfer of the Bonds outside the book-entry only system (including, but not limited to, the initial transfer outside the book-entry only system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. Replacement Bonds shall be in fully registered form and in Authorized Denominations, be payable as to interest on the Interest Payment Dates of the Bonds by check mailed to each owner at the address of such owner as it appears on the Bond Register or at the option of

any owner of not less than \$1,000,000 principal amount of Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such owner as of such Record Date, if such owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement Bonds, are payable only upon presentation and surrender of such replacement Bond or Bonds at the designated corporate trust office of the Trustee.

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and recordkeeping with respect to the beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners is based on certain information furnished by DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof. Accordingly, neither the City nor the Underwriters of the Bonds makes any representation concerning these matters.

The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect, and the City expressly disclaims any responsibility to update this Official Statement to reflect any such changes. Investors wishing to use the facilities of DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. The City will have no responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the DTC Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Ordinance and the Indenture or other documents related to the Bonds.

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

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

Payment of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participant and not of DTC, the Underwriters, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC Participants.

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

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

Unless otherwise noted, the information contained in the preceding paragraphs concerning DTC and DTC's book-entry system has been extracted from information furnished by DTC. Neither the City nor the Underwriters makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

SO LONG AS THE BONDS ARE REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER DTC NOMINEE, AS NOMINEE FOR DTC, THE CITY AND THE TRUSTEE MAY TREAT DTC (OR ITS NOMINEE) AS THE SOLE AND EXCLUSIVE REGISTERED OWNER OF THE BONDS FOR ALL PURPOSES UNDER THE BOND ORDINANCE AND INDENTURE, INCLUDING FOR THE PURPOSES OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, GIVING ANY NOTICE PERMITTED OR REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE BOND ORDINANCE AND INDENTURE, REGISTERING THE TRANSFER OF THE BONDS OR OTHER ACTION TO BE TAKEN BY REGISTERED OWNERS AND FOR ALL OTHER PURPOSES WHATSOEVER.

THE CITY AND THE TRUSTEE SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, TO ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR TO ANY DTC PARTICIPANT OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE CITY (KEPT BY THE TRUSTEE) AS BEING A REGISTERED OWNER THAT DTC OR DTC PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS: (i) PAYMENTS OF PRINCIPAL OR INTEREST ON THE BONDS; (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DTC PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

INTEREST AND PRINCIPAL WILL BE PAID BY THE CITY OR THE TRUSTEE TO DTC OR ITS NOMINEE. DISBURSEMENT OF SUCH PAYMENTS TO THE DIRECT PARTICIPANTS IS THE RESPONSIBILITY OF DTC, AND DISBURSEMENT OF SUCH PAYMENTS TO THE BENEFICIAL OWNERS IS THE RESPONSIBILITY OF THE DTC PARTICIPANTS.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, references in this Official Statement to the holders or registered owners of the Bonds (other than under the heading "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

NONE OF THE CITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO: (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (ii) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OF

ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE TERMS OF THE BOND ORDINANCE OR INDENTURE; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. OR OTHER DTC NOMINEE AS THE REGISTERED HOLDER OF THE BONDS; OR (vi) ANY OTHER MATTER.

Each person for whom a DTC Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant and may desire to make arrangements with such DTC Participant to have all notices of redemption or other communications of DTC, which may affect such person, to be forwarded in writing by such DTC Participant and to have notification made of all interest payments. NONE OF THE CITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the City determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the City or restricted registration is no longer in effect, Bond certificates will be delivered as described in the Bond Ordinance and the Indenture.

APPENDIX I

SUMMARY OF THE REFUNDED BONDS AND THE TENDERED BONDS

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APPENDIX I

SUMMARY OF THE REFUNDED BONDS AND THE TENDERED BONDS

REFUNDED BONDS

Prior Bond Issue	Maturity (November 1)	Interest Rate	Principal Amount Paid or Refunded	Purchase or Redemption Price	Redemption or Payment Date	CUSIP[†]
2000	2028	5.000%	\$32,940,000	100.000	11/1/2026	167736E29
2000	2029	5.000%	32,910,000	100.000	11/1/2026	167736E37
2000	2030	5.000%	30,795,000	100.000	11/1/2026	167736E45
2004	2027	5.000%	32,700,000	100.000	11/1/2026	167736F77
2016A-1	2027	5.000%	6,305,000	100.000	11/1/2026	167736G43
2016A-1	2028	5.000%	6,440,000	100.000	11/1/2026	167736G50
2016A-1	2029	5.000%	7,215,000	100.000	11/1/2026	167736G68
2016A-1	2030	5.000%	7,575,000	100.000	11/1/2026	167736G76
2016A-1	2031	5.000%	7,705,000	100.000	11/1/2026	167736G84

[†] CUSIP data herein is provided by CUSIP Global Services (“CGS”). CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Neither the City, the Financial Advisors nor the Underwriters (as defined herein) or their agents or counsel is responsible for the selection, use or accuracy of the initial CUSIP numbers nor is any representation made as to their correctness with respect to the Refunded Bonds, as applicable, as included herein or at any time in the future. The initial CUSIP number for a specific series, maturity, interest rate, and call date is subject to being changed after the issuance of the Refunded Bonds, as applicable, as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Refunded Bonds, as applicable.

TENDERED BONDS

Prior Bond Issue	Maturity (November 1)	Interest Rate	Principal Amount Paid or Refunded	Redemption Price	Redemption or Payment Date	CUSIP[†]
2000	2028	5.000%	\$ 60,000	100.500	5/21/2026	167736E29
2000	2029	5.000%	90,000	100.500	5/21/2026	167736E37
2000	2030	5.000%	3,205,000	100.500	5/21/2026	167736E45
2004	2027	5.000%	645,000	100.500	5/21/2026	167736F77
2016A-1	2027	5.000%	240,000	100.500	5/21/2026	167736G43
2016A-1	2028	5.000%	430,000	100.500	5/21/2026	167736G50
2016A-1	2031	5.000%	250,000	100.500	5/21/2026	167736G84
2017	2029	5.000%	4,615,000	103.248	5/21/2026	167736K71
2017	2030	5.250%	6,425,000	104.451	5/21/2026	167736K89
2017	2031	5.250%	4,585,000	104.354	5/21/2026	167736K97
2017	2032	5.250%	7,005,000	104.230	5/21/2026	167736L21
2017	2033	5.250%	4,920,000	104.169	5/21/2026	167736L39
2017	2034	5.250%	2,510,000	103.463	5/21/2026	167736L47
2017	2035	5.250%	2,800,000	103.878	5/21/2026	167736L54
2017	2036	5.000%	6,790,000	102.694	5/21/2026	167736L62
2017-2	2030	5.000%	12,370,000	104.009	5/21/2026	167736P27
2017-2	2031	5.000%	12,655,000	103.919	5/21/2026	167736P35
2017-2	2032	5.000%	7,700,000	103.590	5/21/2026	167736P43
2017-2	2033	5.000%	8,100,000	103.597	5/21/2026	167736P50
2017-2	2034	5.000%	13,380,000	103.606	5/21/2026	167736P68
2017-2	2035	5.000%	13,775,000	103.376	5/21/2026	167736P76
2017-2	2036	5.000%	6,500,000	103.300	5/21/2026	167736P84
2017-2	2037	5.000%	15,560,000	103.111	5/21/2026	167736P92
2017-2	2038	5.000%	9,985,000	102.959	5/21/2026	167736Q26

[†] CUSIP data herein is provided by CUSIP Global Services (“CGS”). CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Neither the City, the Financial Advisors nor the Underwriters (as defined herein) or their agents or counsel is responsible for the selection, use or accuracy of the initial CUSIP numbers nor is any representation made as to their correctness with respect to the Tendered Bonds, as applicable, as included herein or at any time in the future. The initial CUSIP number for a specific series, maturity, interest rate, and call date is subject to being changed after the issuance of the Tendered Bonds, as applicable, as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Tendered Bonds, as applicable.

APPENDIX J

FORM OF FORWARD DELIVERY CONTRACT

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APPENDIX J

FORM OF FORWARD DELIVERY CONTRACT

[Initial Closing Date]

Mesirow Financial, Inc.
353 North Clark Street
Chicago, Illinois 60654
Attention: Municipal Underwriting Desk

Re: City of Chicago – Forward Delivery of Water Revenue Bonds, Refunding Series 2026B
(Forward Delivery) (the “**Series 2026B Bonds**”)

The undersigned (the “**Purchaser**”) hereby agrees to purchase from Mesirow Financial, Inc., as Representative (the “**Representative**”) on behalf of the Underwriters (the “**Underwriters**”) set forth in the Forward Delivery Bond Purchase Agreement (defined below) when, as, and if issued and delivered to the Representative by the City of Chicago (the “**City**”), and the Representative agrees to sell to the Purchaser:

WATER REVENUE BONDS, REFUNDING SERIES 2026B (FORWARD DELIVERY)

<u>Par Amount</u>	<u>Maturity Date (November 1)</u>	<u>Interest Rate</u>	<u>CUSIP Number[†]</u>	<u>Yield</u>	<u>Price</u>
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[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”). CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS. CUSIP numbers are provided for convenience of reference only. None of the City, the Underwriters nor their respective agents or counsel assume responsibility for the accuracy of such numbers.

of the above-referenced Series 2026B Bonds (the “**Purchased Obligations**”) offered by the City under the Preliminary Official Statement, dated April 20, 2026 (the “**Preliminary Official Statement**”), and the Official Statement, dated May 5, 2026 (the “**Final Official Statement**”), and the Supplement to the Official Statement, dated on or around the Date of Delivery (defined below) (the “**Supplement to the Official Statement**” and, together with the Final Official Statement, referred to herein as the “**Official Statement**”), in each case, relating to the Series 2026B Bonds, at the purchase price and with the principal amounts, maturity dates, interest rates, yields and prices shown above, and on the further terms and conditions set forth in this Forward Delivery Contract. The Series 2026B Bonds are being purchased by the Underwriters pursuant to a Forward Delivery Bond Purchase Agreement, dated May 5, 2026, between the City and Representative, on behalf of the Underwriters (the “**Forward Delivery Bond**”).

Purchase Agreement”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Forward Delivery Bond Purchase Agreement or the Official Statement.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Final Official Statement (including, without limitation, the section entitled “**FORWARD DELIVERY**” therein), has considered the risks associated with purchasing the Purchased Obligations and is duly authorized to purchase the Purchased Obligations. The Purchaser further acknowledges and agrees that the Purchased Obligations are being sold on a “forward” basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Obligations from the Representative on or about August 5, 2026 (the “**Date of Delivery**”) as they may be issued and delivered in accordance with the Forward Delivery Bond Purchase Agreement.

Payment for the Purchased Obligations shall be made to the Representative or upon its order on the Date of Delivery upon delivery to the Purchaser of the Purchased Obligations through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Representative or the Underwriters be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the City does not for any reason issue and deliver the Purchased Obligations.

The obligation of the Purchaser to take delivery of the Purchased Obligations hereunder shall be unconditional. Notwithstanding the preceding sentence, the Purchaser may terminate its obligation to purchase the Purchased Obligations in the event that between the Initial Closing (as provided in the Forward Delivery Bond Purchase Agreement) and the Date of Delivery (the “**Forward Delivery Period**”), one of the following events shall have occurred and the Purchaser has notified the Representative in writing as provided herein:

- (1) As a result of a Change in Law (defined below), the Underwriters are or would be prohibited from lawfully purchasing the Series 2026B Bonds as provided in the Forward Delivery Bond Purchase Agreement or lawfully selling the Series 2026B Bonds or beneficial ownership interests therein to the public; or
- (2) There shall occur any event which, in the reasonable judgment of the Representative, either (A) makes untrue or incorrect in any material respect any statement or information contained in the Preliminary Official Statement, the Final Official Statement or the Supplement to the Official Statement (other than any statement or information provided by the Underwriters), or (B) is not reflected in the Preliminary Official Statement, the Final Official Statement or the Supplement to the Official Statement, but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, and, in either such event, the City refuses to permit the Preliminary Official Statement, the Final Official Statement or the Supplement to the Official Statement, as the case may be, to be supplemented to correct or supply such statement or information, or the effect of the Preliminary Official Statement, the Final Official Statement or the Supplement to the Official Statement, as so corrected or supplemented, is, in the reasonable judgment of the Representative, to materially adversely affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or
- (3) There shall occur any outbreak of hostilities or any national or international calamity or crisis or a financial crisis or an escalation of any such hostilities, calamity or crisis, the effect of which on the financial markets of the United States is, in the reasonable

judgment of the Representative, to materially adversely affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or

- (4) Any rating of the Series 2026B Bonds by a national rating agency rating the Series 2026B Bonds has been withdrawn or suspended; or
- (5) A general suspension of trading on the New York Stock Exchange shall have occurred and be in force or minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by such Exchange or by order of the Securities and Exchange Commission or any other governmental authority the effect of which on the financial markets of the United States is, in the reasonable judgment of the Representative, to materially adversely affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or
- (6) A general banking moratorium shall have been declared by either federal or State authorities and be in force or a material disruption in commercial banking and securities settlement and clearance services shall have occurred, the effect of which on the financial markets of the United States is, in the reasonable judgment of the Representative, to materially adversely affect the market for the Series 2026B Bonds or the sale, at the contemplated offering price or prices (or yield or yields), by the Underwriters of the Series 2026B Bonds; or
- (7) Co-Bond Counsel determines that for any reason, including a Change in Law (defined below), Co-Bond Counsel will not be able to render its opinions substantially in the form as attached to the Official Statement, and either (A) Co-Bond Counsel did not provide written notice thereof to the City and the Representative (the “**Co-Bond Counsel Notice**”), or (B) the City did not notify the Representative within five business days of receipt of the Co-Bond Counsel Notice that it has retained a new firm or firms to deliver such opinion; or
- (8) The issuance, offering or sale of the Series 2026B Bonds as contemplated by the Official Statement is or would be in violation of any provision of the federal or state securities laws, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended.

A “**Change in Law**” means (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (but only if such enacted, introduced or recommended legislation, by its terms, would apply to purchases or sales of the Series 2026B Bonds as provided in the Forward Delivery Bond Purchase Agreement), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (but only if such proposed or enacted law, rule or regulation, by its terms, would apply to purchases or sales of the Series 2026B Bonds as provided in the Forward Delivery Bond Purchase Agreement), or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case would, (A) as to the Underwriters, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the Series 2026B Bonds as provided in the Forward Delivery Bond Purchase Agreement or selling the Series 2026B Bonds or

beneficial ownership interests therein to the public, (B) as to the City, make the issuance, sale or delivery of the Series 2026B Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized), or (C) eliminate the exclusion from gross income for federal income tax purposes of interest on the Series 2026B Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized); *provided, however*, that such change in or addition to law, legislation, rule, regulation, judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued, as the case may be, subsequent to the date of the Forward Delivery Bond Purchase Agreement.

If the Change of Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on “state or local bonds,” the City may, nonetheless, be able to satisfy the requirements for the delivery of the Series 2026B Bonds. In such event, the Underwriters would be obligated to purchase the Series 2026B Bonds from the City and the Purchaser would be required to accept delivery of the Purchased Obligations from the Underwriters.

The Purchaser acknowledges and agrees that the Purchased Obligations are being sold on a “forward delivery” basis for delivery on the Date of Delivery and that the Purchaser is obligated to take up and pay for the Purchased Obligations on the Date of Delivery unless the Underwriters terminate the Forward Delivery Bond Purchase Agreement or the Purchaser terminates its obligation to purchase the Purchased Obligations as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Forward Delivery Contract to the Representative before the Date of Delivery. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after the Date of Delivery. The Purchaser is not a third-party beneficiary under the Forward Delivery Bond Purchase Agreement and has no rights to enforce, or cause the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Obligations on the Date of Delivery because of “general market or credit changes,” including specifically, but not limited to (a) changes in any rating assigned to the Purchased Obligations at the Initial Closing Date (other than the withdrawal or suspension of any rating of the Purchased Obligations by a national rating agency rating the Purchased Obligations), (b) changes in the credit associated with the Purchased Obligations generally, (c) changes in the financial condition, operations, performance, properties or prospects of the City in respect of the Water System (as defined in the Preliminary Official Statement) prior to the Date of Delivery, (d) matters presented in the Supplement to the Official Statement including the Annual Comprehensive Financial Report for the Water Fund for the Year Ended December 31, 2025, and (e) changes in the general level of interest rates or changes in value of the Purchased Obligations for any reason other than a full elimination of tax exemption or any reason other than as described in paragraphs (1) through (8) above. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Obligations in accordance with the terms hereof, even if the Purchaser decides to sell such Purchased Obligations following the date hereof, unless the Purchaser sells Purchased Obligations to another entity with the prior written consent of the Representative, on behalf of the Underwriters, and such entity provides a written acknowledgment of confirmation of purchase order and a forward delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Forward Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Obligations hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject.

This Forward Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Representative is entering into the Forward Delivery Bond Purchase Agreement with the City to purchase the Purchased Obligations in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Forward Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument under the laws of the State of New York.

It is understood that the acceptance by the Representative of any Forward Delivery Contract (including this one) is in the Representative's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a "first-come, first-served" basis. If this Forward Delivery Contract is acceptable to the Representative, it is requested that the Representative, on behalf of the Underwriters, sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Representative, on behalf of the Underwriters, and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Forward Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Forward Delivery Contract shall be construed and administered under the laws of the State of New York.

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APPENDIX K

SPECIMEN BOND INSURANCE POLICY

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APPENDIX K

SPECIMEN POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day, otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
28 Liberty Street, 59th Floor
New York, New York 10005
Telecopy:
212-962-1524 (attention: Claims)

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