

*In the opinion of Nixon Peabody LLP and Hardwick Law Firm, LLC (“Co-Transaction Counsel”), under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations and certifications described herein, interest on the Series 2018C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Co-Transaction Counsel is also of the opinion that interest on the Series 2018C Bonds is not a preference item for purposes of the alternative minimum tax imposed under the Code. Interest on the Series 2018C Bonds is not exempt from present Illinois income taxes. See “TAX MATTERS” herein regarding certain other tax considerations.*



**\$612,420,000**

**SALES TAX SECURITIZATION CORPORATION**

**Sales Tax Securitization Bonds,  
Series 2018C**

**Dated: Date of Delivery**

**Maturity Dates: January 1, as shown on inside cover**

The Sales Tax Securitization Corporation (the “**Corporation**”) is a special purpose, bankruptcy-remote not-for-profit corporation incorporated under the General Not For Profit Corporation Act of 1986 of the State of Illinois (805 ILCS 105), as amended. The Corporation is an instrumentality of, but separate and apart from, the City of Chicago (the “**City**”).

The Sales Tax Securitization Bonds, Series 2018C (the “**Series 2018C Bonds**”) are to be issued by the Corporation pursuant to (i) a resolution of the Corporation’s Board of Directors adopted on November 2, 2017 (the “**Resolution**”) and (ii) a Master Trust Indenture, dated as of December 1, 2017 by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as heretofore supplemented and amended and as supplemented by a Fourth Supplemental Trust Indenture, dated as of December 1, 2018, by and between the Corporation and the Trustee (collectively, the “**Indenture**”). The Series 2018C Bonds, together with the Series 2017 Bonds, the Series 2018A Bonds, and the Series 2018B Bonds (each defined herein) and any Additional Bonds (defined herein) issued under the Indenture, are referred to herein as the “**Bonds**”. The Bonds, together with any Subordinated Indebtedness (defined herein) issued under the Indenture, are referred to herein as the “**Secured Obligations**”.

The Series 2018C Bonds will be fully registered bonds issued in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the Series 2018C Bonds. Purchasers of the Series 2018C Bonds will not receive certificates representing their interests in the Series 2018C Bonds purchased. Interest on the Series 2018C Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2019. Principal and Redemption Price of and interest on the Series 2018C Bonds will be paid by the Trustee to DTC, which in turn will remit such principal and Redemption Price and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2018C Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2018C Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See APPENDIX A — “BOOK-ENTRY ONLY SYSTEM”.

The Series 2018C Bonds are subject to optional and mandatory redemption, all as described herein.

The Corporation has purchased the Sales Tax Revenues (defined herein) from the City pursuant to the Sale Agreement (defined herein). Certain proceeds of the Series 2018C Bonds will be used to pay costs of issuance of the Series 2018C Bonds. The net proceeds of the Series 2018C Bonds will be conveyed by the Corporation to the City pursuant to the Sale Agreement and used by the City to refund certain outstanding general obligation bonds of the City.

The Series 2018C Bonds are limited obligations of the Corporation and are payable solely from the Sales Tax Revenues and the other collateral pledged under the Indenture. The Corporation has no financial assets available for payment of the Series 2018C Bonds other than the Sales Tax Revenues and the other collateral pledged under the Indenture.

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See the inside cover for Maturity Dates, Interest Rates and Prices or Yields.

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**The Series 2018C Bonds do not represent or constitute a debt of the City or of the State of Illinois (the “State”) within the meaning of any constitutional or statutory limitation or a pledge of the full faith and credit of the City or the State or grant to the holders thereof any right to have the City or the General Assembly of the State levy any taxes or appropriate any funds for the payment of the principal or Redemption Price of, or interest on, the Series 2018C Bonds. The Corporation does not have the power to pledge the credit, the revenues or the taxing power of the State or the City, and neither the credit, the revenues nor the taxing power of the State or the City is, or shall be deemed to be, pledged to the payment of any of the Series 2018C Bonds. The Corporation has no taxing power.**

*The Series 2018C Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to the approval of legality by Co-Transaction Counsel. Certain legal matters with respect to the Corporation will be passed upon by (i) Co-Transaction Counsel, (ii) Mayer Brown LLP, as Counsel to the Corporation, and (iii) Reyes Kurson, Ltd., as Special Disclosure Counsel to the Corporation. Certain legal matters with respect to the City will be passed upon by (i) its Corporation Counsel and (ii) Chapman and Cutler LLP, as Special Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Barnes & Thornburg LLP, as Underwriters’ Counsel. It is expected that the Series 2018C Bonds will be available for delivery in book-entry form only through The Depository Trust Company in New York, New York, on or about December 4, 2018.*

**Loop Capital Markets**

**RBC Capital Markets**

**The Williams Capital Group, L.P.  
Academy Securities**

**Stifel**

**Mesirow Financial, Inc.**

## MATURITY SCHEDULE

### \$612,420,000 Sales Tax Securitization Bonds, Series 2018C

#### \$315,420,000 Series 2018C Serial Bonds

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>C</sup></u>	<u>CUSIP<sup>†</sup> No.</u>
2022	\$14,760,000	5.00%	2.75%	79467BBP9
2023	14,905,000	5.00%	2.85%	79467BBQ7
2024	15,645,000	5.00%	2.94%	79467BBR5
2025	16,430,000	5.00%	3.06%	79467BBS3
2026	17,255,000	5.00%	3.22%	79467BBT1
2027	18,120,000	5.00%	3.36%	79467BBU8
2028	19,590,000	5.00%	3.48%	79467BBV6
2029	20,710,000	5.00%	3.56%	79467BBW4
2030	3,500,000	5.00%	3.63% <sup>C</sup>	79467BBY0
2030	18,250,000	5.50%	3.51% <sup>C</sup>	79467BBX2
2031	26,860,000	5.50%	3.57% <sup>C</sup>	79467BBZ7
2032	28,330,000	5.50%	3.64% <sup>C</sup>	79467BCA1
2033	15,000,000	5.00%	3.81% <sup>C</sup>	79467BCC7
2033	14,895,000	5.50%	3.69% <sup>C</sup>	79467BCB9
2034	22,520,000	5.25%	3.79% <sup>C</sup>	79467BCD5
2035	23,700,000	5.25%	3.84% <sup>C</sup>	79467BCE3
2036	10,000,000	5.00%	3.96% <sup>C</sup>	79467BCF0
2036	14,950,000	5.50%	3.84% <sup>C</sup>	79467BCG8

**\$41,500,000 5.00% Series 2018C Term Bonds Due January 1, 2043, Yield 4.15%<sup>C</sup>, CUSIP<sup>†</sup> No. 79467BCH6**

**\$91,500,000 5.25% Series 2018C Term Bonds Due January 1, 2043, Yield 4.08%<sup>C</sup>, CUSIP<sup>†</sup> No. 79467BCJ2**

**\$164,000,000 5.25% Series 2018C Term Bonds Due January 1, 2048, Yield 4.16%<sup>C</sup>, CUSIP<sup>†</sup> No. 79467BCK9**

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C-Yield to First Optional Call on January 1, 2029

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<sup>†</sup> Copyright, American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders of the Series 2018C Bonds only at the time of issuance of the Series 2018C Bonds and neither the Corporation nor the Underwriters make any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity 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 2018C Bonds.

*Certain capitalized terms used but not defined in the following paragraphs are defined in the Offering Circular on the pages noted in the Index of Defined Terms.*

**CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE OR MAINTAIN THE PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES OFFERED HEREBY, INCLUDING OVER-ALLOTMENT AND STABILIZING TRANSACTIONS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**No dealer, broker, salesperson or other person is authorized in connection with any offering made hereby to give any information or make any representation other than as contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Corporation, the City or the Underwriters. This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.**

This Offering Circular has been prepared by the Corporation and contains information furnished by the Corporation, the City and other sources, all of which are believed by the Corporation to be reliable.

The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the City since the date hereof or that the information contained herein is correct as of any date subsequent to the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. See “CONTINUING DISCLOSURE UNDERTAKING”.

This Offering Circular contains forecasts, projections and estimates that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Sales Tax Revenues (see “INVESTMENT AND LEGAL CONSIDERATIONS”), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Corporation, its financial advisors, the City or the Underwriters that the results of such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

References in this Offering Circular to the Indenture and the Sale Agreement (each as defined herein) do not purport to be complete. Refer to the Indenture and the Sale Agreement for full and complete details of their provisions. Copies of the Indenture and the Sale Agreement are on file with the Trustee.

If and when included in this Offering Circular, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes,” “structured,” “targets,” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Corporation and the City. These forward-looking statements speak only as of the date of this Offering Circular. The Corporation and the Underwriters disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Corporation’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

The order and placement of material in this Offering Circular, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all materials in this Offering Circular, including its appendices, must be considered in their entirety.

**THE PROPOSED SECURITIES TRANSACTIONS DESCRIBED HEREIN WILL BE MADE ON THE BASIS OF EXEMPTIONS FROM REGISTRATION PROVIDED IN THE SECURITIES ACT OF 1933, AS AMENDED.**

**THE SERIES 2018C BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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

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## INTRODUCTORY STATEMENT

This Offering Circular sets forth information concerning the issuance by the Sales Tax Securitization Corporation (the “**Corporation**”) of its Sales Tax Securitization Bonds, Series 2018C in the aggregate principal amount of \$612,420,000 (the “**Series 2018C Bonds**”). The Corporation is a special purpose, bankruptcy-remote not-for-profit corporation incorporated under the provisions of the General Not For Profit Corporation Act of 1986 of the State of Illinois (805 ILCS 105), as amended. See “INVESTMENT AND LEGAL CONSIDERATIONS—Bankruptcy of the City”. The incorporation of the Corporation was authorized by an ordinance of the City of Chicago (the “**City**”) passed by the City Council of the City (the “**City Council**”) on October 11, 2017 (the “**Ordinance**”). The Corporation is an instrumentality of, but separate and apart from, the City.

The Corporation has purchased all of the City’s right, title and interest in and to the Sales Tax Revenues (as hereinafter defined) from the City pursuant to the Sale Agreement (as hereinafter defined). Certain proceeds of the Series 2018C Bonds will be used to pay costs of issuance of the Series 2018C Bonds. The net proceeds of the Series 2018C Bonds will be conveyed by the Corporation to the City pursuant to the Sale Agreement and such proceeds will be applied by the City to refund certain outstanding general obligation bonds of the City. See “PLAN OF FINANCE”.

The Series 2018C Bonds will be issued pursuant to (i) a resolution (the “**Resolution**”), adopted by the Board (as defined herein) on November 2, 2017, and (ii) a Master Trust Indenture, dated as of December 1, 2017 by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as heretofore supplemented and amended and as supplemented by a Fourth Supplemental Trust Indenture, dated as of December 1, 2018, by and between the Corporation and the Trustee (collectively, the “**Indenture**”). The Series 2018C Bonds are limited obligations of the Corporation and are payable solely from the Sales Tax Revenues and the other collateral pledged under the Indenture. The Indenture permits the issuance of Additional Bonds (as hereinafter defined), including the Series 2018C Bonds, subject to the satisfaction of certain conditions set forth in the Indenture, and Subordinated Indebtedness (as hereinafter defined), all as described herein. See “SECURITY FOR THE SECURED OBLIGATIONS—Outstanding Bonds, Additional Bonds and Subordinated Indebtedness” herein. The Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds (each as hereinafter defined) and the Series 2018C Bonds, together with any Additional Bonds issued under the Indenture, are referred to herein as the “**Bonds**”. The Bonds, together with any Subordinated Indebtedness issued under the Indenture, are referred to herein as the “**Secured Obligations**”.

Division 13 of Article 8 of the Illinois Municipal Code, as amended (the “**Act**”), authorizes any home rule municipality to enter into agreements to assign, sell, transfer or otherwise convey all or any part of any revenues or taxes that it receives from the State Comptroller, the State Treasurer or the Illinois Department of Revenue (the “**Department of Revenue**”) to a corporation, trust or other entity that has been established for the limited purpose of issuing obligations for the benefit of such home rule municipality.

As authorized by the Act, the City and the Corporation executed and entered into, and the Trustee acknowledged and agreed to, an Assignment, Purchase and Sale Agreement dated as of December 14, 2017 (the “**Sale Agreement**”) contemporaneously with the issuance of the Series 2017 Bonds on December 14, 2017 (the “**Sale Date**”). Pursuant to the Sale Agreement, the City sold and conveyed to the Corporation, without recourse (subject to the obligations contained in the Sale Agreement), all right, title and interest of the City on the Sale Date in and to the Sales Tax Revenues. The purchase price paid and to be paid by the Corporation to the City under the Sale Agreement consists of: (i) the net proceeds of the Series 2017 Bonds and an instrument (the “**Residual Certificate**”) which is initially held by the City and entitles the City to receive all funds that are on deposit in the Residual Fund (“**Residual Revenues**”) each month after the required payments on the Secured Obligations and other payments and deposits required under the Indenture have been made, and (ii) the net proceeds of any Additional Bonds, including the Series 2018A Bonds, the Series 2018B Bonds, the Series 2018C Bonds, and any Subordinated Indebtedness.

On the Sale Date, the City irrevocably directed the State Comptroller, the State Treasurer and the Director of the Department of Revenue to pay all Sales Tax Revenues directly to the Trustee. The offices of the State Comptroller, the State Treasurer and the Department of Revenue, through authorized officials, have acknowledged that such direction by the City is irrevocable during the term of the Sale Agreement, and have agreed to provide for the deposit of the Sales Tax Revenues with the Trustee until such time as the Trustee shall advise them of the termination of the Sale Agreement. See “SECURITY FOR THE SECURED OBLIGATIONS”.

Upon receipt of any Sales Tax Revenues, the Trustee will immediately deposit such Sales Tax Revenues in the Securitized Sales Tax Revenue Fund. See “THE SALE AGREEMENT”. The Sales Tax Revenues are not legally available for any other purpose of the City, including payment of the City’s general obligation bonds or any other indebtedness of the City. See “SALES TAX REVENUES—Sales Tax Revenues Not Legally Available for Any Other Purpose”. The Act provides that obligations issued by the Corporation (including the Secured Obligations) shall be secured by a statutory lien (with the meaning given to such term in Section 101(53) of Title 11 of the United States Code (the “**Bankruptcy Code**”)) on the Sales Tax Revenues received or entitled to be received by the Corporation, which shall automatically attach from the time obligations are issued without further action or authorization by the Corporation or any other entity. See “SECURITY FOR THE SECURED OBLIGATIONS—Statutory Lien”.

The “**Sales Tax Revenues**” consist of (a) all amounts payable upon the order of the State Comptroller to or upon the order of the City or the Corporation as transferee resulting from the collection of three separate taxes (collectively, the “**Home Rule Sales Taxes**”) imposed by the City pursuant to its home rule powers and authority granted by State statute and collected by the Department of Revenue (the “**Home Rule Sales Tax Revenues**”), and (b) all amounts payable upon the order of the State Comptroller to or upon the order of the City or the Corporation as transferee resulting from the collection of four separate taxes (collectively, the “**State Sales Taxes**”) imposed by the State and collected by the Department of Revenue (the “**Local Share Sales Tax Revenues**”). See “SALES TAX REVENUES”. Under the Indenture, the Corporation has assigned and pledged the Sales Tax Revenues to the Trustee as security for the Secured Obligations, including the Series 2018C Bonds. See “SECURITY FOR THE SECURED OBLIGATIONS”.

The Sales Tax Revenues do not include amounts received from certain other sales taxes imposed by the City and collected by the City. Such sales taxes that are collected by the City are not part of the Sales Tax Revenues, are not assigned to the Corporation pursuant to the Sale Agreement and are not subject to the lien of the Indenture. See “CITY-COLLECTED SALES TAXES NOT PLEDGED TO SECURED OBLIGATIONS”. Sales Tax Revenues once deposited to the Residual Fund and any other funds that are deposited to the Residual Fund become Residual Revenues. Residual Revenues are paid to or on the order of the holder of the Residual Certificate (initially the City) free and clear of the lien of the Indenture, and Bondholders have no claim on the Residual Revenues. See “SECURITY FOR THE SECURED OBLIGATIONS—Flow of Funds” and “—Residual Revenues Not Pledged to the Secured Obligations” and “THE RESIDUAL CERTIFICATE”.

The Bonds do not constitute a debt of the State of Illinois (the “**State**”) or the City, and neither the State nor the City is liable thereon. The Corporation does not have the power to pledge the credit, the revenues or the taxing power of the State or the City, and neither the credit, the revenues nor the taxing power of the State or the City is pledged to the payment of any of the Bonds. The Corporation has no taxing power.

Capitalized terms used in this Offering Circular and not otherwise defined shall have the meanings given such terms in the Indenture. See APPENDIX C — “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”. For locations of definitions of certain terms used herein, see “Index of Defined Terms” at the end of this Offering Circular.



## THE SALE AGREEMENT

*The following summary describes certain terms and effects of the Sale Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Sale Agreement. Copies of the Sale Agreement may be obtained upon written request to the Trustee.*

### **Conveyance of Certain Sales Tax Revenues**

Pursuant to the Sale Agreement, the City has irrevocably sold and conveyed to the Corporation, absolutely and unconditionally, as of the Sale Date and for the duration of the Conveyance Period (as herein defined), without recourse (subject to certain continuing obligations in the Sale Agreement) in accordance with and subject to the terms of the Sale Agreement, all right, title and interest of the City on the Sale Date in and to the Sales Tax Revenues. As consideration for such sale and conveyance of the Sales Tax Revenues by the City to the Corporation, the Corporation (i) on the Sale Date, paid, without recourse, to the City the proceeds of the Series 2017 Bonds received by the Corporation upon the issuance of the Series 2017 Bonds (net of certain financing costs) and issued and conveyed the Residual Certificate to the City, (ii) on February 22, 2018, paid, without recourse, to the City the net proceeds of the Series 2018A Bonds and the Series 2018B Bonds received by the Corporation upon the issuance of the Series 2018A Bonds and the Series 2018B Bonds, and (iii) has promised to pay and otherwise convey to or upon the order of the City, (a) on the date of issuance of the Series 2018C Bonds (the “**Closing Date**”) the net proceeds of the Series 2018C Bonds and (b) the net proceeds of any other Additional Bonds and any Subordinated Indebtedness. “**Conveyance Period**” means the period of time during which the conveyance of the Sales Tax Revenues by the City to the Corporation pursuant to the Sale Agreement is effective, namely, from the Sale Date until the date on which there are no Secured Obligations remaining Outstanding and the Indenture has been discharged in accordance with its terms.

In accordance with the Act, the sale and conveyance and other transfer of the right to receive the Sales Tax Revenues will for all purposes: (i) constitute a “true sale” and absolute conveyance of all right, title, and interest therein and not a pledge or other security interest for any borrowing, (ii) be valid, binding and enforceable in accordance with the terms of the Sale Agreement and the Indenture, and (iii) not be subject to disavowal, disaffirmance, cancellation, or avoidance by reason of the insolvency of any party, lack of consideration, or any other fact, occurrence or rule of law.

The Sale Agreement provides that the right of the Corporation to receive the Sales Tax Revenues and the right of the City to convey the Sales Tax Revenues, on and after the Sale Date, are each valid and enforceable. During the Conveyance Period for which the Sales Tax Revenues are payable to the Corporation and pledged under the Indenture, the right of the Corporation to receive the Sales Tax Revenues will be superior and prior to the right and claim of the owner of the Residual Certificate to receive the Residual Revenues. Notwithstanding anything to the contrary in the Indenture or the Residual Certificate, the Trustee will not make any deposits to the Residual Fund unless and until the deposits required to be made by the Indenture as described below under “SECURITY FOR THE SECURED OBLIGATIONS—Flow of Funds” have been made in full.

From and after the Sale Date during the Conveyance Period, all Sales Tax Revenues assigned by the City pursuant to the Act and paid to the Trustee will be applied in accordance with the provisions of the Indenture. In the event the City should receive in error any payments or other funds constituting Sales Tax Revenues after the Sale Date, the City will promptly disburse the same to the Trustee, as directed. Upon receipt of any Sales Tax Revenues, the Trustee will immediately deposit such Sales Tax Revenues in the Securitized Sales Tax Revenue Fund.

The City will cooperate with the Corporation to the fullest extent permitted by law, including the Act, to assure receipt by the Corporation of all of the Sales Tax Revenues when and as due in accordance with the Sale Agreement.

### **Residual Revenues; Modification of Indenture**

As part of the consideration for the sale to the Corporation by the City of the Sales Tax Revenues, the Corporation issued and conveyed the Residual Certificate to the City on the Sale Date. In accordance with the

Indenture, the Residual Revenues will be paid to the holder of the Residual Certificate promptly upon the application of the Sales Tax Revenues each month pursuant to the Indenture.

The Sale Agreement provides that regardless of the provisions of the Indenture related to the amendment or modification thereof, the Indenture will not be amended or modified in any manner adverse to the City with respect to the disposition of any Secured Obligations issued by the Corporation without the written consent of the City.

### **Covenants of the City**

The City covenants as follows:

(a) Pursuant to the Act, the City pledges and agrees with the Corporation that the City (i) has irrevocably directed the Director of the Department of Revenue, the State Comptroller and the State Treasurer to transfer all Sales Tax Revenues directly to the Trustee as the assignee of the Corporation, (ii) shall take no action that would in any way materially adversely (A) impair the Corporation's right to receive the Sales Tax Revenues, (B) limit or alter the rights vested in the Corporation to fulfill the terms of its agreements with the holders of the Secured Obligations, or (C) impair the rights and remedies of the holders of the Secured Obligations or the security for the Secured Obligations until the Secured Obligations, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of the holders of Secured Obligations, are fully paid and discharged; provided, however, that the remedies available to the Corporation and the holders of the Secured Obligations for any breach of the pledges and agreements of the City set forth in this paragraph (a) are limited to injunctive relief. The Agreement provides that the Corporation is authorized to include such pledge and agreement in the Indenture for the benefit of the holders of the Secured Obligations and the Corporation has included this pledge and agreement of the City in the Indenture.

(b) The City will not issue any bonds or other evidences of indebtedness that are secured by a pledge or lien on all or any portion of the Sales Tax Revenues; provided that as holder of the Residual Certificate the City may apply Residual Revenues for any lawful corporate purpose of the City, including the payment of indebtedness secured thereby.

(c) The City agrees to use all reasonable efforts to pursue any action legally available to it to cause collections of Sales Tax Revenues in any Fiscal Year to be maintained at such levels as shall produce Sales Tax Revenues in such Fiscal Year equal to not less than 100 percent of the sum in such Fiscal Year of (i) the aggregate principal and Sinking Fund Installments of and interest on all Outstanding Secured Obligations required to be paid during such Fiscal Year, (ii) the deposits to the Debt Service Reserve Fund for such Fiscal Year required by the provisions of the Indenture, (iii) the deposits to the Subordinated Indebtedness Fund for such Fiscal Year required by the provisions of the Indenture, and (iv) any other deposits or other amounts required by the provisions of the Indenture for such Fiscal Year.

(d) The City will at all times do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid to the holders of any tax-exempt Secured Obligations issued by the Corporation shall be and remain excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code (as defined herein), and applicable regulations issued thereunder. No proceeds of the Secured Obligations received by the City shall at any time be used directly or indirectly to acquire securities, obligations or investment property the acquisition or holding of which would cause any tax-exempt Secured Obligation to be an "arbitrage bond" as defined in the Code and any applicable regulations issued thereunder. Further, the City shall not permit facilities financed or refinanced with proceeds of tax-exempt Secured Obligations received by the City from the Corporation to be used in a manner that would result in any interest paid to the holders of such tax-exempt Secured Obligations being no longer excludable from gross income for federal income tax purposes. In furtherance of these covenants, the City shall execute and comply with the tax certificate provided by Co-Transaction Counsel in connection with the issuance of such tax-exempt Secured Obligations (including the tax certificate provided by Co-Transaction Counsel in connection with the issuance of the Series 2018C Bonds).

(e) Any Independent Director (as defined herein) appointed by the City will satisfy the requirements of the Corporation's bylaws and will not have any Prohibited Relationships (as defined herein). See "THE CORPORATION" herein.

## **Covenants of the Corporation**

The Corporation covenants as follows:

(a) While any Secured Obligations are outstanding, at least one membership position on the Board will be reserved for an Independent Director as defined in the Corporation's bylaws as on file with the Illinois Secretary of State on the Sale Date; provided, however, that the Independent Director will not have any Prohibited Relationships; and further provided, however, that the position of Independent Director may remain vacant until such Independent Director is required for a Specified Vote (as defined herein). See "THE CORPORATION" herein.

(b) The Corporation will not incur any indebtedness other than Secured Obligations as permitted under the Indenture.

(c) The Corporation will: (i) have its own separate telephone number, stationery and bank checks signed by it and in its own name, (ii) if it uses any premises, its portion of such premises shall be defined and separately identified, (iii) maintain its books and records separately from the City and any other entity, (iv) segregate its assets from those of the City and any other entity, (v) strictly observe corporate formalities in its dealings, (vi) maintain compliance with the General Not For Profit Corporation Act of 1986 of the State of Illinois (805 ILCS 105), as amended, (vii) timely and fully perform and comply with all obligations under the Sale Agreement, the Indenture, the Bond Purchase Agreement for the Series 2018C Bonds, by and between the Corporation and the Underwriters (hereinafter defined), and the Residual Certificate (collectively, the "**Transaction Documents**") and (viii) not make any change in the character of its business that could adversely affect the enforceability of any Transaction Document or the ability of the Corporation to perform its obligations under the Sale Agreement, or any other Transaction Document without the prior written consent of the City and the Trustee.

(d) The Corporation will not amend its articles of incorporation, bylaws, or other governing documents without the express written consent of the Trustee and the City.

(e) The Corporation will comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its existence, rights, franchises, qualifications, and privileges as a not-for-profit corporation.

(f) The Corporation will, as soon as practicable, pay to the City any amounts due to the City that are received by the Corporation in error.

## **Covenant of the Trustee**

The Trustee pledges and agrees to (i) deposit the Sales Tax Revenues in the Securitized Sales Tax Revenue Fund and (ii) on a daily basis, if practicable, but in no event later than two Business Days after receipt thereof, apply the Sales Tax Revenues in accordance with the provisions of the Indenture.

## **Amendments**

The Sale Agreement may be amended by the City and the Corporation with the consent of the Trustee, but without the consent of any of the holders of the Secured Obligations: (a) to cure any ambiguity; (b) to correct or supplement any provisions in the Sale Agreement; (c) to correct or amplify the description of the Sales Tax Revenues; (d) to add additional covenants for the benefit of the Corporation; (e) to make adjustments necessary to account for administrative changes in the laws of the State related to the distribution of Sales Tax Revenues; or (f) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in the Sale Agreement that shall not adversely affect in any material respect the security for the Secured Obligations.

The Sale Agreement may also be amended from time to time by the City and the Corporation with the consent of the holders of not less than a majority in principal amount of the Outstanding Secured Obligations for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Sale Agreement or of modifying in any manner the rights of the holders of the Secured Obligations; but no such amendment shall reduce

the aforesaid portion of the outstanding amount of the Secured Obligations, the holders of which are required to consent to any such amendment, without the consent of the holders of all the Outstanding Secured Obligations.

Under the Sale Agreement, it is not necessary for the consent of the holders of the Secured Obligations to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof. Without the prior written consent of the holder of the Residual Certificate and the Trustee, which consent may not be unreasonably withheld, no amendment, supplement or other modification of the Sale Agreement will be entered into or be effective if such amendment, supplement or modification affects the Residual Certificate holder's or the Trustee's, as applicable, own rights, duties or immunities under the Sale Agreement or otherwise.

## **SECURITY FOR THE SECURED OBLIGATIONS**

### **Pledge of Trust Estate**

Pursuant to the Indenture, the Secured Obligations, including the Series 2018C Bonds, will be secured by a pledge of and security interest in the "**Trust Estate**", consisting of: (a) all right, title and interest of the Corporation in and to the Sales Tax Revenues, including, without limitation, the present and continuing right to make claim for, collect, receive and receipt for the Sales Tax Revenues, and to bring actions and proceedings for the enforcement of the payment thereof; (b) all right, title and interest of the Corporation in, to and under the Sale Agreement, including, without limitation, the present and continuing right to make claim for, collect, receive and receipt for the Sales Tax Revenues, to bring actions and proceeding for the enforcement of the payment thereof and of the State's non-impairment pledge and agreement authorized by the Act and included in the Indenture; (c) except as otherwise provided in the Indenture, all of the Corporation's right, title and interest in money and securities on deposit with the Trustee in the funds and accounts created pursuant to the Indenture (other than the Operating Fund, the City Proceeds Account and the Residual Fund) and any Supplemental Indenture, provided that the priority in which such money and securities are applied to the repayment of the Bonds and Subordinated Indebtedness is as expressly specified in the Indenture; and (d) any and all other property of every kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred to the Trustee as and for additional security under the Indenture by the Corporation or by any person on behalf of the Corporation, including without limitation the money and securities of the Corporation held by the Trustee as security for the Secured Obligations.

The Bonds, including the Series 2018C Bonds, will be secured on a parity basis by a first priority lien on the Trust Estate. Any Subordinated Indebtedness would be secured by a lien on the Trust Estate that is subject to and subordinate to the lien of the Bonds. All Subordinated Indebtedness is subordinated, to the extent and in the manner provided in the Indenture, to the prior payment of the principal of and interest on the Bonds then due and payable.

The Trust Estate does not include the proceeds of any Secured Obligations held in the City Proceeds Account or any other proceeds of the Secured Obligations paid to or at the direction of the City (but does include the proceeds of the Secured Obligations held in the Capitalized Interest Account). None of the proceeds of the Secured Obligations held in the City Proceeds Account or otherwise paid to or at the direction of the City will in any way be pledged to the payment of the Secured Obligations or be part of the Trust Estate. Each registered owner of Bonds ("**Bondholder**" or "**Holder**") by purchase of its Bonds, and each holder of Subordinated Indebtedness by purchase of its Subordinated Indebtedness, waives any right in or to any proceeds derived from the issuance of Secured Obligations held in the City Proceeds Account or otherwise paid to or at the direction of the City.

In the Indenture, the Corporation covenants that it will defend, preserve and protect the pledge of the Trust Estate and all of the rights of the holders of Secured Obligations under the Indenture and each Supplemental Indenture.

### **Flow of Funds**

The Sales Tax Revenues are collected by the Department of Revenue. See "SALES TAX REVENUES—General—Collection and Distribution". The City has irrevocably directed the State Comptroller, the State Treasurer and the Director of the Department of Revenue to pay all Sales Tax Revenues directly to the Trustee. The offices of the State Comptroller and of the State Treasurer and the Department of Revenue, through authorized officials, have

acknowledged that such direction by the City is irrevocable during the term of the Sale Agreement, and have agreed to provide for the deposit of the Sales Tax Revenues with the Trustee until such time as the Trustee shall advise them of the termination of the Sale Agreement. All Sales Tax Revenues received by the Trustee shall be deposited on a daily basis, if practicable, but in no event more than two Business Days after receipt thereof by the Trustee, into the Securitized Sales Tax Revenue Fund.

Promptly (and in no event later than two Business Days) following the deposit of Sales Tax Revenues into the Securitized Sales Tax Revenue Fund, the Trustee shall withdraw from the Securitized Sales Tax Revenue Fund and transfer and apply such amounts as follows and in the following order of priority:

(i) To the Operating Fund in each Fiscal Year (a) the lesser of (1) \$250,000 (the “**Operating Cap**”) and (2) the budgeted Corporation Expenses for such Fiscal Year less (b) the amount on deposit in the Operating Fund as of the first day of such Fiscal Year available for the Corporation Expenses for such Fiscal Year;

(ii) to the Interest Account of the Debt Service Fund, an amount equal to (a) any interest then due and unpaid on Outstanding Bonds, plus (b) 150 percent of the Interest Funding Requirement (as defined below) until the amount on deposit therein is equal to 100 percent of the interest due on all Outstanding Bonds on the next succeeding January 1 or July 1 (each, an “**Interest Payment Date**”), less any amounts scheduled to be transferred to the Interest Account of the Debt Service Fund from the Capitalized Interest Account of the Debt Service Fund pursuant to the Indenture prior to the next succeeding Interest Payment Date;

(iii) to the Principal Account of the Debt Service Fund, an amount equal to (a) any principal and Sinking Fund Installments then due and unpaid on Outstanding Bonds, plus (b) 150 percent of the Principal Funding Requirement (as defined below) until the amount on deposit therein is equal to 100 percent of the principal and Sinking Fund Installments due on all Outstanding Bonds on the next succeeding January 1 (each, a “**Principal Payment Date**”);

(iv) to reimburse, *pro rata*, each provider or issuer of a Reserve Fund Facility (a “**Provider**”) for the amount payable to such Provider on account of amounts advanced by it under a Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto (“**Provider Payments**”), which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Provider;

(v) upon the direction of an Authorized Officer of the Corporation, to the Arbitrage Rebate Fund the amount set forth in such direction;

(vi) to the Debt Service Reserve Fund, the Debt Service Reserve Deposit Requirement, if any;

(vii) to the Subordinated Indebtedness Fund, the amount required to be deposited therein as set forth in a Supplemental Indenture;

(viii) to the Corporation, the amount, if any, necessary to pay Corporation Expenses specified by a certificate of an Authorized Officer of the Corporation in excess of the Operating Cap for such Fiscal Year or incurred but not paid in the preceding Fiscal Year;

(ix) upon the direction of the Corporation, to the Debt Retirement Fund, the amount set forth in such direction; and

(x) to the Residual Fund, any remaining balance, which will promptly be paid to the holder of the Residual Certificate (initially the City) under the terms of the Indenture, the Sale Agreement and the Residual Certificate.

“**Interest Funding Requirement**” means, as of any date, 100 percent of the interest accrued on all Outstanding Bonds as of the first day of the next succeeding calendar month, calculated based on a 360-day year consisting of twelve 30-day months.

**“Principal Funding Requirement”** means, as of any date, an amount equal to the sum of the principal and Sinking Fund Installments due on all Outstanding Bonds on the next succeeding Principal Payment Date assuming that such amount was payable in twelve equal monthly installments on the first day of each calendar month ending on such Principal Payment Date.

The Trustee will pay out of the Debt Service Fund the principal and Sinking Fund Installments of and interest on all Outstanding Bonds as such amounts become due and payable.

If, on the second Business Day or on any subsequent date preceding any date on which the principal or Sinking Fund Installment of or interest on Outstanding Bonds is due, the amount in the Debt Service Fund is less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Bonds due on said date, the Trustee will withdraw, first, from the Debt Retirement Fund, and then from the Debt Service Reserve Fund, and deposit to the Debt Service Fund, such amount as will increase the amount therein to an amount sufficient to make such payments. No amount will be withdrawn from the Debt Retirement Fund if and to the extent such amount is required to pay the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased.

There is no Debt Service Reserve Fund Requirement for the Series 2018C Bonds, the Series 2017 Bonds, the Series 2018A Bonds, or the Series 2018B Bonds.

On the last day of each Fiscal Year, money in the Debt Service Fund in excess of the amount required to pay principal or Sinking Fund Installments of or interest on Outstanding Bonds on the next succeeding Principal Payment Date (including income or interest earned) will be withdrawn and transferred first, to the Debt Service Reserve Fund in such amount, if any, as is necessary to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement (if any), second, to the Subordinated Indebtedness Fund in such amount, if any, as is necessary to make the amount on deposit therein equal to the principal of and interest due and payable on the Subordinated Indebtedness on the next Principal Payment Date, and third, any excess remaining may at the direction of the Corporation either be retained in the Debt Service Fund or transferred to any other fund or account established pursuant to the Indenture. If no direction has been given by the Corporation, the excess on the last day of each Fiscal Year will be transferred to the Residual Fund.

Money deposited in the Debt Retirement Fund during any Fiscal Year may during any subsequent Fiscal Year be applied at the direction of the Corporation to the purchase or redemption of Outstanding Bonds or to pay or make provision for payment of Outstanding Bonds in accordance with the Indenture. In no event, however, may the Corporation call for redemption, contract to purchase or make provision for payment of Outstanding Bonds in accordance with the Indenture if at such time the amount on deposit in the Debt Service Fund is less than the amount then required to be on deposit therein. Notwithstanding the foregoing, money in the Debt Retirement Fund not required to pay the Redemption Price or purchase price of Bonds theretofore called for redemption or contracted to be purchased shall, at the direction of an Authorized Officer of the Corporation, be withdrawn from the Debt Retirement Fund and transferred to the Debt Service Fund or the Arbitrage Rebate Fund at any time money is required for the purposes of such funds.

### **Residual Revenues Not Pledged to the Secured Obligations**

In accordance with the Indenture and the Sale Agreement, any Sales Tax Revenues and any other funds deposited to the Residual Fund become Residual Revenues upon such deposit. Residual Revenues will promptly be paid to the holder of the Residual Certificate (initially the City) free and clear of the lien of the Indenture, upon deposit to the Residual Fund following the application of the Sales Tax Revenues as described above under “—Flow of Funds”. The Residual Revenues are funds of the holder of the Residual Certificate (initially the City). The City may apply the Residual Revenues for any purpose and may incur indebtedness secured by the Residual Revenues. The Trustee and the holders of the Secured Obligations have no claim on the Residual Revenues under any circumstance, including a deficiency in the Sales Tax Revenues.

## Events of Default and Remedies

### *Events of Default*

An “**Event of Default**” under the Indenture means any one of the following events:

(a) payment of the principal or Redemption Price of any Bond is not made by the Corporation when due and payable, either at maturity or by proceedings for redemption or otherwise;

(b) payment of an installment of interest on any Bond is not made by the Corporation when due and payable;

(c) the Corporation defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Indenture or in the Bonds or in any Supplemental Indenture on the part of the Corporation to be performed and such default shall continue for 90 days after written notice specifying such default and requiring same to be remedied shall have been given to the Corporation by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Outstanding Bonds, unless, if such default is capable of being cured but is not capable of being cured within 90 days, the Corporation has commenced to cure such default within said 90 days and diligently prosecutes the cure thereof;

(d) the Corporation shall (1) generally not be paying its debts as they become due, (2) commence a voluntary case or other proceeding seeking liquidation, reorganization, dissolution, rehabilitation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, (3) make a general assignment for the benefit of its creditors, (4) declare a moratorium or (5) take any corporate action to authorize any of the foregoing; or

(e) a trustee in bankruptcy, custodian or receiver for the Corporation or any substantial part of its property shall have been appointed and the same has not been discharged within 90 days after such appointment.

### *Remedies*

If an Event of Default occurs:

(i) The Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds, shall, protect and enforce its rights and the rights of the Bondholders under the Indenture or under any Supplemental Indenture or under the laws of the State by such suits, actions or special proceedings in equity or at law: (a) for specific performance of any covenant in the Indenture or any Supplemental Indenture or in aid or execution of any power granted in the Indenture or any Supplemental Indenture, or (b) for an accounting against the Corporation as if the Corporation were the trustee of an express trust, or (c) for the enforcement of any proper legal or equitable remedy as the Trustee deems most effectual to protect and enforce such rights, including the enforcement of its rights and remedies, as assignee, under any agreement assigned to it under the Indenture, including but not limited to the Sale Agreement, and of its rights and obligations under the Act.

(ii) The Trustee shall give notice of each Event of Default known to it to the Corporation, the holder of the Residual Certificate and each Provider within ten days after knowledge of the occurrence thereof and to the Holders of Bonds within 30 days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. In the case of an Event of Default other than an Event of Default described in clause (a) or (b) of the definition of “Event of Default” above, the Trustee may withhold notice thereof to the Holders of Bonds if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Bonds. The Holders of a majority in principal amount of the Outstanding Bonds shall have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture and each Supplemental Indenture.

Neither the Trustee nor the holders of Secured Obligations have the right to sell or foreclose on the Sales Tax Revenues or the rights of the Corporation under the Sale Agreement. An Event of Default will not result in acceleration of any of the Secured Obligations.

#### *Priority of Payments after Default*

If at any time the money held by the Trustee under the Indenture and under each Supplemental Indenture is not sufficient to pay the principal of and interest on the Bonds as they become due and payable, such money together with any money then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Indenture or otherwise, shall be applied (after payment of all amounts owing to the Trustee under the Indenture) as follows:

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

(ii) Second, to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all such amounts due on any date, then to the payment thereof ratably, according to the amount of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

#### **Outstanding Bonds, Additional Bonds and Subordinated Indebtedness**

##### *Outstanding Bonds*

On December 14, 2017, the Corporation issued its Sales Tax Securitization Bonds, Series 2017A in the aggregate principal amount of \$172,065,000 (the “**Series 2017A Bonds**”), its Sales Tax Securitization Bonds, Taxable Series 2017B in the aggregate principal amount of \$400,630,000 (the “**Series 2017B Bonds**”) and its Sales Tax Securitization Bonds, Taxable Series 2017C in the aggregate principal amount of \$171,040,000 (the “**Series 2017C Bonds**”), and together with the Series 2017A Bonds and the Series 2017B Bonds, the “**Series 2017 Bonds**”).

On February 22, 2018, the Corporation issued its Sales Tax Securitization Bonds, Series 2018A in the aggregate principal amount of \$376,305,000 (the “**Series 2018A Bonds**”) and its Sales Tax Securitization Bonds, Taxable Series 2018B in the aggregate principal amount of \$303,975,000 (the “**Series 2018B Bonds**”).

The Series 2017 Bonds, the Series 2018A Bonds and the Series 2018B Bonds remain Outstanding and are secured by a first lien on the Trust Estate on a parity basis with the Series 2018C Bonds. See “ANNUAL DEBT SERVICE” for a table showing the aggregate debt service requirement of the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds, and the Series 2018C Bonds.

##### *Additional Bonds*

The Indenture permits the issuance of additional indebtedness, including Bonds other than the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds (“**Additional Bonds**”), which term includes Bonds issued for the purpose of refunding any Outstanding Bonds (“**Refunding Bonds**”). The Series 2018C Bonds are being issued as Additional Bonds pursuant to the provisions of the Indenture. The Resolution authorizes the issuance of the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds, the Series 2018C Bonds and any additional Secured Obligations including Additional Bonds up to an aggregate principal amount of \$3,000,000,000. The Ordinance adopted by the City authorized the issuance of Secured Obligations, including the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds, in one or more series in an aggregate principal amount not to exceed \$3,000,000,000. Secured Obligations including Additional Bonds in excess of the \$3,000,000,000 limitation must be authorized by an ordinance of the City which approves the



amount and the terms of such Additional Bonds or Subordinated Indebtedness and the purposes for which the proceeds of such Additional Bonds or Subordinated Indebtedness will be used.

Additional Bonds, including the Series 2018C Bonds, may be issued to make payment to or upon the order of the Corporation for the benefit of the City, including to provide for payment of the principal of and interest on notes, bonds or other obligations of the City, and for the funding or refunding of Bonds or other notes, bonds or other indebtedness of the Corporation (including interest thereon). Such Additional Bonds will be authenticated and delivered by the Trustee only upon receipt by it (in addition to other requirements of the Indenture) of:

(a) a certificate of the Corporation demonstrating that the Sales Tax Revenues for the most recently completed Fiscal Year are at least 400 percent of Maximum Annual Debt Service after giving effect to the issuance of the Bonds of such Series (exclusive of Capitalized Interest and defeased Bonds on or prior to the date of issuance of the Bonds then to be issued, including as a result of the issuance of the Bonds then to be issued), provided that in connection with the issuance of any Additional Bonds prior to the end of the first full Fiscal Year of the Corporation, Sales Tax Revenues will equal the Home Rule Sales Tax Revenues and the Local Share Sales Tax Revenues that were paid to the City in the most recently completed fiscal year of the City; or

(b) if the Bonds to be issued are Refunding Bonds, either (i) a certificate of the Corporation described in (a) above or (ii) a certificate of the Corporation to the effect that the Corporation projects that the amount payable in any Fiscal Year for the principal and Sinking Fund Installments of and interest on all Outstanding Bonds after giving effect to the issuance of the Refunding Bonds will not be greater than the amount payable during such Fiscal Year for the principal and Sinking Fund Installments of and interest on all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

For more information concerning the provisions of the Indenture applicable to the issuance of Additional Bonds, see APPENDIX C — “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”.

#### *Subordinated Indebtedness*

The Corporation reserves the right to incur indebtedness pursuant to a Supplemental Indenture in furtherance of its corporate purposes secured by a lien on the Trust Estate that is subject to and subordinate to the first priority lien on the Trust Estate granted to Holders of Outstanding Bonds and payable from amounts on deposit in the Subordinated Indebtedness Fund (“**Subordinated Indebtedness**”). All Subordinated Indebtedness will be subordinated to the prior payment of the principal of and interest on the Bonds then due and payable, to the extent and in the manner provided in the Indenture. See APPENDIX C — “CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”.

### **Certain Covenants of the State and the City**

#### *Covenants of the State Contained in the Act*

In the Act, the State pledges to and agrees with the City and the Corporation that the State will not limit or alter the rights and powers vested in the State Comptroller, the State Treasurer, or the Department of Revenue by the Act with respect to the disposition of the Sales Tax Revenues that have been conveyed by the City to the Corporation under the Sale Agreement so as to impair the terms of any contract, including the Sale Agreement, made by the City with the Corporation or any contract executed by the Corporation in connection with the issuance of obligations by the Corporation for the benefit of the City until all requirements with respect to the deposit, by the State Comptroller, the State Treasurer or the Department of Revenue, of Sales Tax Revenues for the benefit of the Corporation have been fully met and discharged. In addition, the State pledges to and agrees with the City and the Corporation that the State will not limit or alter the basis on which the City’s share or percentage of Sales Tax Revenues is derived, or the use of such funds, so as to impair the terms of any such contract.

### *Covenants of the City Contained in the Sale Agreement*

*Collection of Sales Tax Revenues.* The City agrees to use all reasonable efforts to pursue any action legally available to it to cause collections of Sales Tax Revenues in any Fiscal Year to be maintained at such levels as shall produce Sales Tax Revenues in such Fiscal Year equal to not less than 100 percent of the sum in such Fiscal Year of (a) the aggregate principal and Sinking Fund Installments of and interest on all Outstanding Secured Obligations required to be paid during such Fiscal Year, (b) the deposits to the Debt Service Reserve Fund for such Fiscal Year required by the provisions of the Indenture, (c) the deposits to the Subordinated Indebtedness Fund for such Fiscal Year required by the provisions of the Indenture, and (d) any other deposits or other amounts required by the provisions of the Indenture for such Fiscal Year.

*Protection of Title; Non-Impairment Covenant.* Pursuant to the Act and the Sale Agreement, the City has irrevocably directed the Director of the Department of Revenue, the State Comptroller and the State Treasurer to transfer all Sales Tax Revenues directly to the Trustee as the assignee of the Corporation. In accordance with the Act and as set forth in the Sale Agreement, the City has pledged and agreed that it shall not take any action that would in any way materially adversely (a) impair the Corporation's right to receive the Sales Tax Revenues, (b) limit or alter the rights vested in the Corporation to fulfill the terms of its agreements with the holders of the Secured Obligations, or (c) impair the rights and remedies of the holders of the Secured Obligations or the security for the Secured Obligations until the Secured Obligations, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of the holders of the Secured Obligations, are fully paid and discharged; provided, however, that the remedies available to the Corporation and the holders of the Secured Obligations for any breach of the pledges and agreements of the City set forth in this paragraph are limited to injunctive relief. The Sale Agreement provides that the Corporation is authorized to include such pledge and agreement in the Indenture for the benefit of the holders of the Secured Obligations and the Corporation has included this pledge and agreement of the City in the Indenture.

*Indebtedness Secured by Sales Tax Revenues.* The City shall not issue any bonds or other evidences of indebtedness that are secured by a pledge or lien on all or any portion of the Sales Tax Revenues; provided that as holder of the Residual Certificate the City may apply Residual Revenues for any lawful corporate purpose of the City, including the payment of indebtedness secured thereby.

*Tax Covenant.* The City will at all times do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid to the holders of any tax-exempt Secured Obligations issued by the Corporation shall be and remain excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code and applicable regulations issued thereunder. No proceeds of the Secured Obligations received by the City shall at any time be used directly or indirectly to acquire securities, obligations or investment property the acquisition or holding of which would cause any tax-exempt Secured Obligation to be an "arbitrage bond" as defined in the Code and any applicable regulations issued thereunder. Further, the City shall not permit facilities financed or refinanced with proceeds of tax-exempt Secured Obligations received by the City from the Corporation to be used in a manner that would result in any interest paid to the holders of any such tax-exempt Secured Obligations being no longer excludable from gross income for federal income tax purposes. In furtherance of these covenants, the City shall execute and comply with the tax certificate provided by Transaction Counsel in connection with the issuance of such tax-exempt Secured Obligations (including the tax certificate provided by Co-Transaction Counsel in connection with the issuance of the Series 2018C Bonds).

### **Statutory Lien**

The Act provides that obligations issued by the Corporation (including the Secured Obligations) shall be secured by a statutory lien (with the meaning given to such term in Section 101(53) of Title 11 of the Bankruptcy Code) on the Sales Tax Revenues received or entitled to be received by the Corporation. The statutory lien shall automatically attach from the time such obligations are issued without further action or authorization by the Corporation or any other entity (including the City), person, governmental authority or officer. The statutory lien shall be valid and binding from the time such obligations are executed and delivered and the statutory lien shall automatically be effective, binding and enforceable against the Corporation, the City, the State Comptroller, the State Treasurer and the Department of Revenue, and their agents, successors, and transferees, and creditors.

## Limited Obligations; No Indebtedness of City

The Secured Obligations, including the Series 2018C Bonds, are limited obligations of the Corporation and payable solely from the Sales Tax Revenues and the other collateral pledged under the Indenture. The Secured Obligations do not represent or constitute a debt of the City or of the State within the meaning of any constitutional or any statutory limitation or a pledge of the faith and credit of the City or the State or grant to the holders thereof any right to have the City or the General Assembly of the State levy any taxes or appropriate any funds for the payment of the principal or Redemption Price of or interest on the Secured Obligations. The Corporation does not have the power to pledge the credit, the revenues or the taxing power of the State or the City, and neither the credit, the revenues nor the taxing power of the State or the City is, or shall be deemed to be, pledged to the payment of any of the Secured Obligations. The Corporation has no taxing power.

The Indenture does not create indebtedness of the City for any purpose, including constitutional or statutory limitations.

## SALES TAX REVENUES

### General

The Sales Tax Revenues consist of the Home Rule Sales Tax Revenues resulting from the Home Rule Sales Taxes and the Local Share Sales Tax Revenues resulting from the State Sales Taxes, all as described below.

#### *Home Rule Sales Tax Revenues*

The Home Rule Sales Tax Revenues result from the collection of the Home Rule Sales Taxes, as currently authorized by the Home Rule Municipal Retailers' Occupation Tax Act (65 ILCS 5/8-11-1), the Home Rule Municipal Service Occupation Tax Act (65 ILCS 5/8-11-5) and the Home Rule Municipal Use Tax Act (65 ILCS 5/8-11-6) (collectively, the "**Home Rule Sales Tax Statutes**"), each as supplemented and amended, or any successor or substitute law, ordinance or other legislation subsequently enacted (which taxes are currently imposed by the City pursuant to Sections 3-40-010, 3-40-430 and 3-28-030, respectively, of the Municipal Code of Chicago, as amended), or successor or substitute taxes therefor as provided by law in the future. The Home Rule Sales Tax Statutes require that the Department of Revenue pay over to the State Treasurer, *ex officio*, as trustee, all taxes and penalties collected under the Home Rule Sales Tax Statutes.

(i) The Home Rule Municipal Retailers' Occupation Tax ("**Home Rule Municipal Retailers' Occupation Tax**") is currently imposed on persons selling in the City at retail most items of nontitled tangible personal property at a rate of 1.25 percent of the gross receipts from such sales. This tax must be imposed in increments of 0.25 percent, and can only be imposed if the City also imposes a municipal service occupation tax.

(ii) The Home Rule Municipal Service Occupation Tax ("**Home Rule Municipal Service Occupation Tax**") is currently imposed on persons making sales in the City of service where tangible personal property or real estate is transferred, at a rate of 1.25 percent of the selling price of the tangible personal property transferred (either in the form of tangible personal property or in the form of real estate) as an incident to sale of such service. This tax must be imposed at the same rate as the Home Rule Municipal Retailers' Occupation Tax described in subsection (i) above.

(iii) The Home Rule Municipal Use Tax on Titled Personal Property ("**Home Rule Municipal Use Tax on Titled Personal Property**") is imposed on the privilege of using within the City titled personal property that is purchased at retail from a retailer (whether located in or outside the City) and that is titled or registered in the City and collected on sales in Cook County and all five contiguous counties. The tax rate is 1.25 percent of the titled personal property's selling price. The use tax on titled personal property collected by the City on sales outside the six-county area is not part of the Home Rule Municipal Use Tax on Titled Personal Property and not part of the Sales Tax Revenues. See "CITY-COLLECTED SALES TAXES NOT PLEDGED TO SECURED OBLIGATIONS".

Currently there is no legal limit on the rate at which the City may impose the Home Rule Sales Taxes. An ordinance of the City Council changing the rate of any of the Home Rule Sales Taxes collected by the Department of Revenue on behalf of the City is required either (i) to be filed with the Department of Revenue on or before April 1 in order for the Department of Revenue to make the rate increase effective beginning the next succeeding July 1 or (ii) to be filed with the Department of Revenue on or before October 1 in order for the Department of Revenue to make the rate increase effective for the following calendar year. The rate for each of the Home Rule Sales Taxes was last increased in 2005, from one percent to the current rate of 1.25 percent.

The Home Rule Sales Tax Revenues include interest payable by the State Treasurer with respect to the Home Rule Municipal Retailers' Occupation Tax and the Home Rule Municipal Service Occupation Tax.

In addition to monthly disbursements of proceeds of the Home Rule Municipal Retailers' Occupation Tax and the Home Rule Municipal Service Occupation Tax, the City is entitled to an additional distribution each November in order to mitigate delays caused by the distribution procedures imposed in 1990 by the Home Rule Municipal Retailers' Occupation Tax Act and the Home Rule Municipal Service Occupation Tax Act. Such additional distribution for each tax is in an amount equal to (i) the average monthly disbursement of such tax during the immediately preceding fiscal year of the State (excluding the two months of highest disbursements) less (ii) the amount so distributed the prior November for the second preceding fiscal year of the State.

#### *Local Share Sales Tax Revenues*

The Local Share Sales Tax Revenues result from the collection of the State Sales Taxes, as imposed by the State pursuant to the Retailers' Occupation Tax Act (35 ILCS 120), the Service Occupation Tax Act (35 ILCS 115), the Use Tax Act (35 ILCS 105) and the Service Use Tax Act (35 ILCS 110) (collectively, the "**State Sales Tax Statutes**"), each as supplemented and amended, or successor or substitute taxes therefor as provided by law in the future. The State Sales Tax Statutes require that the Department of Revenue deposit the net receipts from collections of these taxes into various State funds, including the Local Government Tax Fund and the State and Local Sales Tax Reform Fund, both special funds in the State Treasury. Pursuant to the State Finance Act (30 ILCS 105) (the "**State Finance Act**"), distributions of such net receipts are to be made to designated recipients, including the City, from the Local Government Tax Fund and from the State and Local Sales Tax Reform Fund. Pursuant to the State Finance Act, distributions from the Local Government Tax Fund are not subject to annual appropriation by the State General Assembly while distributions from the State and Local Sales Tax Reform Fund are subject to annual appropriation by the State General Assembly.

(i) The Illinois Retailers' Occupation Tax ("**Illinois Retailers' Occupation Tax**") is currently imposed on persons engaged in the business of selling at retail tangible personal property (other than grocery food, drugs and medical appliances) ("general merchandise") at the rate of 6.25 percent on gross receipts from such sales and at the rate of 1.00 percent on sales of grocery food, drugs and medical appliances. The Illinois Retailers' Occupation Tax Act requires that the Department of Revenue deposit a portion of the net receipts from this tax in the Local Government Tax Fund (16 percent of the tax on general merchandise and 100 percent of the tax on grocery food, drugs and medical appliances). The City is allocated the portion of these tax amounts deposited in the Local Government Tax Fund from this tax resulting from sales that occurred in the City, and pursuant to the Sale Agreement will assign these amounts to the Corporation.

(ii) The Illinois Service Occupation Tax ("**Illinois Service Occupation Tax**") is currently imposed on persons making sales of service where tangible personal property is transferred as an incident of sale of such service, at the rate of 6.25 percent of the selling price of nontitled tangible personal property (other than grocery food, drugs and medical appliances) ("general taxed property") and at the rate of 1.00 percent of the selling price of grocery food, drugs and medical appliances. The Illinois Service Occupation Tax Act requires that the Department of Revenue deposit a portion of the net receipts of this tax in the Local Government Tax Fund (16 percent of the tax on general taxed property and 100 percent of the tax on grocery food, drugs and medical appliances). The City is allocated the portion of these tax amounts deposited in the Local Government Tax Fund from this tax resulting from sales that occurred in the City, and pursuant to the Sale Agreement will assign these amounts to the Corporation.

(iii) The Illinois Use Tax (“**Illinois Use Tax**”) is currently imposed on the privilege of using in the State most items of tangible personal property (other than grocery food, drugs and medical appliances) (“general taxable property”) at the rate of 6.25 percent of either the selling price or fair market value of such property and at the rate of 1.00 percent of either the selling price or fair market value of grocery food, drugs and medical appliances, in each case purchased outside the State. Effective October 1, 2018, the State expanded the application of the Illinois Use Tax to apply to out-of-state retailers making sales of tangible personal property to purchasers in Illinois if at the end of any calendar quarter (a) the cumulative gross receipts from such sales during the preceding twelve month period are \$100,000 or more; or (b) the retailer has entered into 200 or more separate transactions for such sales during the preceding twelve month period. The Illinois Use Tax Act requires that the Department of Revenue deposit portions of the net receipts of this tax in the Local Government Tax Fund (16 percent of the tax on tangible personal property titled or registered by a State governmental agency) and in the State and Local Sales Tax Reform Fund (20 percent of the tax on general taxable property other than titled tangible personal property and 100 percent of the tax on grocery food, drugs and medical appliances). The City is allocated 100 percent of the amounts deposited in the Local Government Tax Fund from this tax for the sale of titled or registered items for which State addresses for titling or registration purposes are given as being in the City and 20 percent of the amounts deposited in the State and Local Sales Tax Reform Fund from this tax, and pursuant to the Sale Agreement will assign these amounts to the Corporation.

(iv) The Illinois Service Use Tax (“**Illinois Service Use Tax**”) is currently imposed on the privilege of using in the State most items of tangible personal property (other than grocery food, drugs and medical appliances) (“general taxed tangible personal property”) at the rate of 6.25 percent of the selling price of such general taxed tangible personal property and at the rate of 1.00 percent on sales of grocery food, drugs and medical appliances, in both cases transferred as an incident to the sale outside the State of a service from a service provider. Effective October 1, 2018, the State expanded the application of the Illinois Service Use Tax to apply to out-of-state service providers making sales of service to purchasers in Illinois if at the end of any calendar quarter (a) the cumulative gross receipts from such sales during the preceding twelve month period are \$100,000 or more; or (b) the service provider has entered into 200 or more separate transactions for such sales of services during the preceding twelve month period. The Illinois Service Use Tax Act requires that the Department of Revenue deposit a portion of the net receipts of this tax in the State and Local Sales Tax Reform Fund (20 percent of the tax on general taxed tangible personal property other than titled tangible personal property and 100 percent of the tax on grocery food, drugs and medical appliances). The City is allocated 20 percent of the amounts deposited in the State and Local Sales Tax Reform Fund from this tax, and pursuant to the Sale Agreement will assign these amounts to the Corporation.

Any change in the tax rates or amount of net tax receipts allocated to the City constituting Local Share Sales Tax Revenues would require the enactment of legislation by the Illinois General Assembly. See “INVESTMENT AND LEGAL CONSIDERATIONS—Adverse Change in Laws”. In the Act, the State pledges to and agrees with the City that the State will not limit or alter the basis on which the City’s share or percentage of Sales Tax Revenues is derived, or the use of the Sales Tax Revenues, so as to impair the terms of any contract, including the Sale Agreement, made by the City with the Corporation or any contract executed by the Corporation in connection with the issuance of obligations by the Corporation for the benefit of the City. See “SECURITY FOR THE SECURED OBLIGATIONS—Certain Covenants of the State and the City—Covenants of the State Contained in the Act”.

### *Collection*

The Home Rule Sales Taxes and the State Sales Taxes currently are measured on the gross receipts from the retail sale or the cost price of the tangible personal property transferred by the service provider and generally are collected by the seller from the purchaser. The Home Rule Sales Taxes are generally measured on the same basis, and are subject to the same exemptions, as the State Sales Taxes. The Home Rule Sales Taxes are collected by the Department of Revenue pursuant to the Home Rule Sales Tax Statutes and applicable sections of the Municipal Code of Chicago. Each of the State Sales Tax Statutes provides that the applicable State Sales Tax will be collected by the Department of Revenue. Taxpayers with an average monthly sales tax liability in excess of \$20,000 are required to

file returns and remit payments to the Department of Revenue four times per month. In some cases, use taxes are paid directly by the purchaser to the Department of Revenue.

### *Distribution*

Except as noted above with respect to the Illinois Service Use Tax and portions of the Illinois Use Tax, the Home Rule Sales Tax Revenues and Local Share Sales Tax Revenues are payable without annual appropriation by the Illinois General Assembly. See chart “Summary of Sales Tax Revenues” below.

Pursuant to the Home Rule Sales Tax Statutes, the Department of Revenue pays over to the State Treasurer, *ex officio*, as trustee, all taxes and penalties collected thereunder. Each of the Home Rule Sales Tax Statutes provides that on or before the 25th day of each calendar month, the Department of Revenue prepares and certifies to the State Comptroller the disbursement of amounts due to each municipality. With respect to each Home Rule Sales Tax, the amount to be paid to each municipality is the amount collected during the second preceding calendar month under the applicable Home Rule Sales Tax Statute, not including refunds made during the second preceding calendar month by the Department of Revenue on behalf of the applicable municipality, less the administrative fee described below. Each of the Home Rule Sales Tax Statutes requires that within ten days after receipt by the State Comptroller of the disbursement certification, the State Comptroller shall cause the orders to be drawn for the respective amounts in accordance with the Department of Revenue’s certification.

Pursuant to the State Sales Tax Statutes, each month the Department of Revenue pays into (i) the Local Government Tax Fund (a) a percentage of the net revenue (16 percent of the 6.25 percent tax on general merchandise and general taxed property, respectively, and 100 percent of the 1.00 percent tax on grocery food, drugs and medical appliances) realized for the preceding month from the Illinois Retailers’ Occupation Tax and the Illinois Service Occupation Tax and (b) 16 percent of the net revenue realized for the preceding month from the Illinois Use Tax of 6.25 percent on the sale of titled tangible personal property and (ii) the State and Local Sales Tax Reform Fund a percentage of the net revenue (20 percent of the 6.25 percent tax on general taxable property and general taxed tangible personal property, respectively, in each case excluding the sales of titled tangible personal property, and 100 percent of the 1.00 percent tax on grocery food, drugs and medical appliances) realized for the preceding month from the Illinois Use Tax and the Illinois Service Use Tax. “Net revenue” is the revenue collected by the State pursuant to the applicable State Sales Tax Statute, less the amount paid out during that month as refunds to taxpayers for overpayment of liability. With respect to amounts paid into the Local Government Tax Fund, the State Finance Act provides that on or before the 25th day of each calendar month, the Department of Revenue prepares and certifies to the State Comptroller the disbursement of amounts due to each municipality from amounts collected during the second preceding calendar month on deposit in the Local Government Tax Fund. The State Finance Act requires that within ten days after receipt by the State Comptroller of the disbursement certification, the State Comptroller shall cause the orders to be drawn for the respective amounts in accordance with the Department of Revenue’s certification. With respect to amounts paid into the State and Local Sales Tax Reform Fund, the State Finance Act requires that, subject to appropriation to the Department of Revenue, the City receives its allocable percentage of the money paid into the State and Local Sales Tax Reform Fund.

The Department of Revenue charges administrative fees for collection of the Home Rule Sales Taxes. Pursuant to the Home Rule Municipal Retailers’ Occupation Tax Act and the Home Rule Municipal Service Occupation Tax Act, effective June 4, 2018, the Department of Revenue retains one and one-half percent of collections of the Home Rule Municipal Retailers’ Occupation Tax and the Home Rule Service Occupation Tax. Pursuant to the Home Rule Municipal Use Tax Act, effective September 1, 2014, the Department of Revenue retains two percent of collections of the Home Rule Municipal Use Tax.

The City has irrevocably directed the State Comptroller, the State Treasurer and the Director of the Department of Revenue to distribute all Sales Tax Revenues directly to the Trustee. The offices of the State Comptroller, the State Treasurer and the Department of Revenue, through authorized officials, have acknowledged that such direction by the City is irrevocable during the term of the Sale Agreement, and have agreed to provide for the deposit of the Sales Tax Revenues with the Trustee until such time as the Trustee shall advise them of the termination of the Sale Agreement. See “SECURITY FOR THE SECURED OBLIGATIONS”.

The following chart summarizes certain aspects of the Sales Tax Revenues.

## Summary of Sales Tax Revenues

	Tax	Items Taxed	Tax Rate	% of Net Tax Collections Payable to Corporation	Subject to Annual State Appropriation
<b>Home Rule Sales Taxes</b>	Municipal Retailers' Occupation Tax	<ul style="list-style-type: none"> <li>■ Tax imposed on persons selling in the City at retail most items of nontitled tangible personal property                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the gross receipts</li> </ul> </li> </ul>	1.25%	100%	No
	Municipal Service Occupation Tax	<ul style="list-style-type: none"> <li>■ Tax imposed on persons making sales in the City of services where tangible personal property or real estate is transferred                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the selling price</li> </ul> </li> </ul>	1.25%	100%	No
	Municipal Use Tax on Titled Personal Property	<ul style="list-style-type: none"> <li>■ Tax imposed on the privilege of using within the City titled personal property that is purchased at retail from a retailer and that is titled or registered in the City                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the selling price</li> </ul> </li> <li>■ Collected on sales in Cook County and five contiguous counties</li> </ul>	1.25%	100%	No
<b>State Sales Taxes</b>	Illinois Retailers' Occupation Tax	<ul style="list-style-type: none"> <li>■ Tax imposed on persons engaged in the business of selling at retail tangible personal property (other than grocery food, drugs and medical appliances)                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the gross receipts</li> </ul> </li> </ul>	6.25%	16% <sup>1</sup>	No
		— Tax on grocery food, drugs and medical appliances	1.00%	100% <sup>1</sup>	No
	Illinois Service Occupation Tax	<ul style="list-style-type: none"> <li>■ Tax imposed on persons making sales of service where tangible personal property is transferred (other than grocery food, drugs and medical appliances)                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the selling price</li> </ul> </li> </ul>	6.25%	16% <sup>1</sup>	No
		— Tax on grocery food, drugs and medical appliances	1.00%	100% <sup>1</sup>	No
	Illinois Use Tax	<ul style="list-style-type: none"> <li>■ Tax imposed on the privilege of using in the State most items of titled tangible personal property purchased outside the State                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the selling price or fair market value</li> </ul> </li> </ul>	6.25%	16% <sup>1</sup>	No
		<ul style="list-style-type: none"> <li>■ Tax imposed on the privilege of using in the State most items of nontitled tangible personal property purchased outside the State                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the selling price or fair market value</li> </ul> </li> </ul>	6.25%	4%	Yes
		— Tax on grocery food, drugs and medical appliances purchased outside of the State	1.00%	20%	Yes
	Illinois Service Use Tax	<ul style="list-style-type: none"> <li>■ Tax imposed on the privilege of using in the State most items of tangible personal property transferred as an incident to the sale outside the State of a service from a service provider                             <ul style="list-style-type: none"> <li>— The amount of tax is based on the selling price</li> </ul> </li> </ul>	6.25%	4%	Yes
		— Tax on grocery food, drugs and medical appliances transferred as an incident to the sale outside the State of a service from a service provider	1.00%	20%	Yes

<sup>1</sup> Represents tax revenues collected on transactions occurring in the City or, with respect to the Illinois Use Tax, personal property titled in the City.

## Historical Collections of Sales Tax Revenues

### *Annual Collections*

The following table shows the historical annual Sales Tax Revenues on a cash basis from 2008 through September 30, 2018. The unaudited annual Sales Tax Revenues for 2018 are figures derived from the City's general ledger.

### Annual Sales Tax Revenues 2008-2018 (Dollars in Thousands)

Year Ended December 31,	Home Rule Sales Tax Revenues <sup>(2)</sup>	Percent Change Over Prior Year	Local Share Sales Tax Revenues	Percent Change Over Prior Year	Total Sales Tax Revenues <sup>(3)</sup>	Percent Change Over Prior Year
2008	\$240,710	-	\$280,517	-	\$521,227	-
2009	213,338	(11.4)	255,427	(8.9)	468,765	(10.1)
2010	219,295	2.8	258,666	1.3	477,961	2.0
2011	235,908	7.6	281,189	8.7	517,097	8.2
2012	251,055	6.4	295,912	5.2	546,967	5.8
2013	263,984	5.1	312,375	5.6	576,359	5.4
2014	276,193	4.6	327,379	4.8	603,572	4.7
2015	292,512	5.9	352,840	7.8	645,352	6.9
2016	295,299	1.0	363,446	3.0	658,745	2.1
2017	292,991	(0.8)	368,647	1.4	661,638	0.4
2018 <sup>(1)</sup>	221,911		286,461		508,373	

Source: City of Chicago

(1) Through September 30, 2018. Preliminary, subject to change.

(2) Shown net of all past fees and will be net of all applicable fees going forward.

(3) Totals may differ due to rounding.

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*Monthly Collections*

The following tables show the historical monthly Home Rule Sales Tax Revenues and Local Share Sales Tax Revenues on a cash basis from January 1, 2013 through September 30, 2018. The preliminary monthly Home Rule Sales Tax Revenues and Local Share Sales Tax Revenues for 2018 are figures derived from the City’s general ledger.

**Monthly Home Rule Sales Tax Revenues  
2013-2018  
(Dollars in Thousands)<sup>(2)</sup>**

<b>Month</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018<sup>(1)</sup></b>
January	\$21,471	\$22,336	\$24,223	\$25,571	\$25,379	\$24,723
February	20,847	21,837	23,170	23,447	24,036	23,926
March	24,175	25,150	26,741	27,727	27,607	27,585
April	18,325	17,842	19,616	19,930	20,064	20,774
May	18,409	19,075	20,043	21,338	20,301	20,721
June	21,801	22,934	24,079	24,345	24,033	25,433
July	21,613	23,198	23,867	23,015	23,935	23,918
August	23,423	24,739	25,413	25,242	25,163	26,888
September	24,172	25,051	26,724	27,256	26,535	27,942
October	22,778	23,985	25,915	25,831	25,205	
November	23,999	24,455	26,876	25,842	25,206	
December	22,971	25,591	25,845	25,755	25,525	
	<u>\$263,984</u>	<u>\$276,193</u>	<u>\$292,512</u>	<u>\$295,299</u>	<u>\$292,991</u>	<u>\$221,911</u>

Source: City of Chicago

<sup>(1)</sup> Through September 30, 2018. Preliminary, subject to change.

<sup>(2)</sup> Totals may differ due to rounding.

**Monthly Local Share Sales Tax Revenues  
2013- 2018  
(Dollars in Thousands)<sup>(2)</sup>**

<b>Month</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018<sup>(1)</sup></b>
January	\$25,728	\$26,638	\$29,175	\$30,726	\$31,241	\$31,621
February	24,952	25,857	27,901	22,402	29,967	31,625
March	29,540	31,452	34,018	42,040	36,939	37,515
April	22,995	22,278	23,044	25,738	26,245	27,757
May	19,487	22,637	25,642	27,057	25,812	27,258
June	29,347	27,112	29,395	30,541	30,631	32,625
July	25,572	26,927	29,269	28,769	29,353	30,141
August	26,478	28,556	29,895	30,717	30,940	33,356
September	28,415	29,386	25,409	33,223	32,517	34,564
October	26,289	27,850	24,482	30,390	30,948	
November	26,871	28,647	24,593	30,525	32,020	
December <sup>(3)</sup>	26,701	30,039	50,017	31,318	32,034	
	<u>\$312,375</u>	<u>\$327,379</u>	<u>\$352,840</u>	<u>\$363,446</u>	<u>\$368,647</u>	<u>\$286,461</u>

Source: City of Chicago

<sup>(1)</sup> Through September 30, 2018. Preliminary, subject to change.

<sup>(2)</sup> Totals may differ due to rounding.

<sup>(3)</sup> The City’s receipt of its allocable portions of the Illinois Use Tax and the Illinois Service Use Tax was delayed in September, October and November 2015, because the Illinois General Assembly did not make the appropriation required for the City to receive such revenues. The appropriation was made, and the City received the revenues which it was to have received, in December 2015. See “INVESTMENT AND LEGAL CONSIDERATIONS—Factors Affecting Sales Tax Revenues—State Actions”.

*Components of Annual Collections*

The following table shows on a cash basis the components of the Sales Tax Revenues from January 1, 2013 through September 30, 2018. Certain preliminary components of Sales Tax Revenues for 2018 are figures derived from the City's general ledger.

**Components of Sales Tax Revenues  
2013-2018  
(Dollars in Thousands)**

Tax	2013		2014		2015		2016		2017		2018 <sup>(1)</sup>	
	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total
<b>Home Rule Sales Taxes:</b>												
Retailers' and Service Occupation.....	\$234,359	40.7%	\$242,820	40.2%	\$255,134	39.5%	\$257,053	39.0%	\$256,238	38.7%	\$194,561	38.3%
Use .....	29,624	5.1	33,372	5.5	37,378	5.8	38,246	5.8	36,753	5.6	27,351	5.4
<b>State Sales Taxes:</b>												
Retailers' and Service Occupation <sup>(2)</sup> ..	252,972	43.9	261,989	43.4	278,490	43.2	283,598	43.1	283,815	42.9	217,104	42.7
Use <sup>(3)</sup> .....	59,406	10.3	65,390	10.8	74,351	11.5	79,849	12.1	84,832	12.8	69,357	13.6
<b>Total .....</b>	<b>\$576,361</b>	<b>100.0%</b>	<b>\$603,571</b>	<b>100.0%</b>	<b>\$645,353</b>	<b>100.0%</b>	<b>\$658,746</b>	<b>100.0%</b>	<b>\$661,638</b>	<b>100.0%</b>	<b>\$508,373<sup>(4)</sup></b>	<b>100.0%</b>

Source: City of Chicago

- (1) Through September 30, 2018. Preliminary, subject to change.
- (2) Includes Illinois Use Tax on titled personal property.
- (3) Excludes Illinois Use Tax on titled personal property.
- (4) Totals may differ due to rounding.

**Sales Tax Revenues Not Legally Available for Any Other Purpose**

Pursuant to the Act, the State has exercised its right to control the disposition of the Sales Tax Revenues and determined that the Sales Tax Revenues, once sold, are no longer property of the City. Once sold pursuant to the Sale Agreement, the Sales Tax Revenues are not legally available for any other purpose of the City, including payment of the City's general obligation bonds or any other indebtedness of the City.

**CITY-COLLECTED SALES TAXES NOT PLEDGED TO SECURED OBLIGATIONS**

Certain sales taxes (the "City-Collected Sales Taxes") imposed by the City are collected by the City and are not part of the Sales Tax Revenues pledged to secure the Secured Obligations. The City-Collected Sales Taxes consist of (a) the use tax on nontitled personal property authorized by the Home Rule Municipal Use Tax Act of the State, and (b) the use tax on titled personal property on sales outside the six-county area authorized by the Home Rule Municipal Use Tax Act of the State.

The City-Collected Sales Taxes are funds of the City. The City-Collected Sales Taxes are not included in the Sales Tax Revenues, are not assigned to the Corporation pursuant to the Sale Agreement and are not subject to the lien of the Indenture. The City may apply the City-Collected Sales Taxes for any purpose and may incur indebtedness secured by the City-Collected Sales Taxes. The Trustee and the holders of the Secured Obligations have no right to the City-Collected Sales Taxes under any circumstance, including a deficiency in the Sales Tax Revenues.

## THE SERIES 2018C BONDS

*The following summary describes certain terms of the Series 2018C Bonds. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture and the Series 2018C Bonds. Copies of the Indenture may be obtained upon written request to the Trustee.*

### General

The Series 2018C Bonds will be dated the date of delivery, will mature on January 1, and will bear interest from the dated date until paid or redeemed, payable semiannually on each January 1 and July 1, commencing January 1, 2019. The Series 2018C Bonds will bear interest at the rates per year and will mature in the principal amounts on January 1 in each year, as set forth on the inside cover page of this Offering Circular. Interest on the Series 2018C Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2018C Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiples thereof (each an “**Authorized Denomination**”).

Interest on the Series 2018C Bonds will be payable by check mailed to the registered owner thereof at the address thereof as it appears on the registry books of the Corporation as of the 15th day (whether or not a Business Day) of the calendar month next preceding each interest payment date (the “**Record Date**”) or, at the option of any owner of \$1,000,000 or more in aggregate principal amount of the Series 2018C Bonds, by wire transfer of immediately available funds to such bank in the continental United States as such owner requests in writing.

The Series 2018C Bonds will initially be registered through a book-entry only system operated by The Depository Trust Company, New York, New York (“**DTC**”). Beneficial interests in the Series 2018C Bonds may be held through DTC, directly as a participant or indirectly through organizations that are participants in DTC. Details of payments of the Series 2018C Bonds and the book-entry only system are described in APPENDIX A — “BOOK-ENTRY ONLY SYSTEM”. Except as described in APPENDIX A — “BOOK-ENTRY ONLY SYSTEM”, beneficial owners of the Series 2018C Bonds will not receive or have the right to receive physical delivery of the Series 2018C Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC Direct Participant or Indirect Participant (as defined in APPENDIX A — “BOOK-ENTRY ONLY SYSTEM”), the Direct or Indirect Participant who will act on behalf of such beneficial owner to receive notices and payments of principal or Redemption Price of and interest on the Series 2018C 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 Direct or Indirect Participant, to evidence its beneficial ownership of the Series 2018C Bonds. So long as DTC or its nominee is the registered owner of the Series 2018C Bonds, references herein to Bondholders or registered owners of such Series 2018C Bonds means DTC or its nominee and do not mean the beneficial owners of such Series 2018C Bonds.

### Redemption

#### *Optional Redemption*

The Series 2018C Bonds are subject to redemption prior to maturity, at the election or direction of the Corporation, in whole or in part (and, if in part, in an Authorized Denomination) on any date on or after January 1, 2029, at a Redemption Price of par plus any accrued interest thereon to the date fixed for redemption.

#### *Mandatory Redemption from Sinking Fund Installments*

The Series 2018C Bonds maturing on January 1, 2043, and January 1, 2048 are Term Bonds subject to mandatory redemption from Sinking Fund Installments at a Redemption Price equal to 100% of the principal amount being redeemed, plus accrued interest, on the dates and in the amounts set forth below:

**5.000% Series 2018C Bonds maturing on January 1, 2043**

<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
2039	\$7,510,000
2040	7,885,000
2041	8,280,000
2042	8,695,000
2043 <sup>†</sup>	9,130,000

<sup>†</sup>Stated maturity

**5.250% Series 2018C Bonds maturing on January 1, 2043**

<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
2039	\$16,475,000
2040	17,340,000
2041	18,255,000
2042	19,210,000
2043 <sup>†</sup>	20,220,000

<sup>†</sup>Stated maturity

**Series 2018C Bonds maturing on January 1, 2048**

<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
2044	\$29,530,000
2045	31,085,000
2046	32,715,000
2047	34,430,000
2048 <sup>†</sup>	36,240,000

<sup>†</sup>Stated maturity

*Selection of Series 2018C Bonds to be Redeemed*

If less than all of the Series 2018C Bonds of a single maturity and tenor are to be redeemed, the particular Series 2018C Bonds of such maturity to be redeemed shall be selected by lot by the Trustee by such method of selection as it shall deem proper in its discretion.

*Purchase of Series 2018C Bonds to be redeemed from Mandatory Sinking Funds*

The Corporation may, at any time subsequent to the first day of any Fiscal Year but in no event less than twenty (20) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with money on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Series 2018C Bonds to be redeemed from such Sinking Fund Installment. The principal amount of each Series 2018C Bond so canceled will be credited against the Sinking Fund Installment due on such date.

*Notice of Redemption*

When Series 2018C Bonds are to be redeemed, the Trustee will give notice of the redemption of the Series 2018C Bonds in the name of the Corporation which notice will specify the Series 2018C Bonds to be redeemed, the maturity dates and interest rates of the Series 2018C Bonds to be redeemed and the date such Series 2018C Bonds

were issued; the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; the redemption date; the Redemption Price, if then known; and the principal amount of each Bond to be redeemed. If the Corporation's obligation to redeem the Series 2018C Bonds is subject to conditions, the notice will include a statement to that effect and of the conditions to such redemption. Such notice shall further state that, if on such date all conditions to redemption have been satisfied, there shall become due and payable on such date upon each Series 2018C Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue.

The Trustee will give notice by mailing a copy of such notice not less than 20 days (or such shorter period if then permitted by DTC) nor more than 60 days prior to the redemption date by mail, to the registered owners of the Series 2018C Bonds which are to be redeemed, at their last known addresses appearing on the registration books not more than ten Business Days prior to the date such notice is given. The failure of any Holder of a Series 2018C Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Series 2018C Bonds.

#### *Payment of Redeemed Bonds*

Notice having been given by mail in the manner described above, the Series 2018C Bonds or portions thereof so called for redemption will become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Series 2018C Bonds, at the office or offices specified in such notice, such Series 2018C Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there is called for redemption less than all of the principal amount of a Series 2018C Bond, the Corporation will execute and the Trustee will authenticate and deliver, upon the surrender of such Series 2018C Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Series 2018C Bond so surrendered, Series 2018C Bonds of like maturity and tenor in any of the authorized denominations. If, on the redemption date, money for the redemption of all Series 2018C Bonds or portions thereof of any like maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as described above, then, from and after the redemption date, interest on the Series 2018C Bonds or portions thereof so called for redemption shall cease to accrue and such Series 2018C Bonds shall no longer be considered to be Outstanding under the Indenture. If such money is not available on the redemption date, such Series 2018C Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

## THE CORPORATION

### General

The Corporation is a special purpose, bankruptcy-remote not-for-profit corporation incorporated under the provisions of the General Not For Profit Corporation Act of 1986 of the State of Illinois (805 ILCS 105), as amended, and organized in accordance with the Ordinance. The Corporation was organized for the limited purpose of purchasing the Sales Tax Revenues and issuing bonds, notes, or other obligations for the benefit of the City. The Corporation is a non-stock corporation, has no members, and is governed by a board of directors (the "**Board**"). Except as described below with respect to a Specified Vote (as defined below), the Board has five voting directors which consist of (i) *ex officio*, the Chief Financial Officer of the City (the "**CFO**"), (ii) *ex officio*, the Budget Director of the City, (iii) *ex officio*, the Comptroller of the City, (iv) the Chair (the "**Finance Chair**") of the Committee on Finance of the City Council (the "**Finance Committee**") or, in lieu of the Finance Chair, a member of the Finance Committee (the "**Finance Committee Designee**") designated by the Finance Chair and approved by the Mayor of the City (the "**Mayor**") and (v) the Chair (the "**Budget Chair**") of the Committee on Budget and Government Operations of the City Council (the "**Budget Committee**") or, in lieu of the Budget Chair, a member of the Budget Committee designated by the Budget Chair and approved by the Mayor (the "**Budget Committee Designee**"). The size of the Board will be increased to six voting directors in the event that the Board determines to take an action that would constitute a Specified Vote (as defined below), in which case the sixth voting member of the Board (the "**Independent Director**") will be a director independent of the City who has not been, in the preceding five years: (a) a direct or indirect legal or beneficial owner in the Corporation or any person or entity that, directly or indirectly through one or

more intermediaries, has a ten percent or more voting or economic interest in the Corporation or controls, is controlled by or is under common control with the Corporation (each such person or entity, an “**Affiliate**”); (b) a creditor, supplier, employee, officer, family member, manager, or contractor of the Corporation or any of its Affiliates; or (c) a person who controls (whether directly, indirectly, or otherwise) the Corporation or any of its Affiliates.

In the Sale Agreement, the City covenants that any Independent Director will not have any of the relationships described in the next sentence (collectively, the “**Prohibited Relationships**”). The Independent Director will not (i) be a City Elected Official (as defined below), a State Elected Official (as defined below) or a member of the governing board of any Affiliated Local Government (as defined below) or of any Affiliated Corporate Entity (as defined below); (ii) have a Familial Relationship (as defined below) with any City Elected Official, any State Elected Official or any member of the governing board of any Affiliated Local Government or of any Affiliated Corporate Entity; (iii) have a Familial Relationship with any person who is an employee of the City, any Affiliated Local Government, any Affiliated Corporate Entity or the State; (iv) be an employee of the City, any Affiliated Local Government, any Affiliated Corporate Entity or the State; and will not have been such an employee within the five years preceding the date of appointment; or (v) be Doing Business (as defined below) or seeking to Do Business (as defined below) with the City, any Affiliated Local Government, any Affiliated Corporate Entity or the State and will not, within the five years preceding the date of appointment, have Done Business (as defined below) with the City, any Affiliated Local Government, any Affiliated Corporate Entity or the State. The term “**City Elected Official**” means the Mayor, the City Treasurer, the City Clerk and each Alderman of the City. The term “**State Elected Official**” means the following officials of the State: the Governor, the Lieutenant Governor, the Attorney General, the Secretary of State, the State Comptroller, the State Treasurer and each member of the General Assembly. The term “**Affiliated Local Government**” means: the Board of Education of the City of Chicago; the Chicago Transit Authority; the Chicago Park District; Community College District No. 508, County of Cook and State of Illinois; and the Chicago Housing Authority. The term “**Affiliated Corporate Entity**” means any corporation, partnership, limited liability company or other legal entity established pursuant to an ordinance adopted by the City Council of the City and whose governing body is appointed by the City. The term “**Familial Relationship**” means any person who is related as spouse or domestic partner or as any of the following, whether by blood or by adoption: parent, child, brother, sister, aunt, uncle, niece, nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother or half-sister. The terms “**Do Business**” “**Doing Business**” and “**Done Business**” mean any one or any combination of sales, purchases, leases or contracts in an amount in excess of \$10,000 in any twelve consecutive months.

The bylaws of the Corporation provide that an Independent Director must be appointed to the Board prior to any vote of the Board to: (1) cause the Corporation to file, consent to the filing of, or join in any filing of a petition for bankruptcy or commence a proceeding to liquidate, wind up or otherwise cease operations (in taking such action, the Board shall consider the interests of the creditors of the Corporation in connection with all such actions); (2) dissolve, liquidate, consolidate, combine, merge or sell substantially all of its assets (subject to the provision in the Corporation’s bylaws that while any portion of any obligation issued by the Corporation is outstanding, the Corporation may not dissolve, liquidate, consolidate, merge or sell the assets of the Corporation pledged to the payment of such obligations); (3) amend the Corporation’s bylaws or any other organizational documents of the Corporation in a manner adverse to the interests of the holders of any obligations of the Corporation then outstanding; or (4) take any other action which could be adverse to the interests of any holders of then-outstanding obligations issued by the Corporation (a “**Specified Vote**”). Any Specified Vote shall become effective only upon the affirmative vote of all members of the Board, including the Independent Director, and a Specified Vote may not be taken or become effective during any period in which there is a vacancy in any director position.

## **Directors and Officers**

The names of the Corporation’s current directors and officers, and their principal occupations, are set out below. The CFO also serves as Chair of the Board.

The current directors of the Corporation are:

<u>Name</u>	<u>Title of Principal Occupation</u>
Carole L. Brown	Chief Financial Officer of the City
Samantha Fields	Budget Director of the City
Erin Keane	Comptroller of the City
Edward M. Burke	Chair of the Committee on Finance of the City Council
Carrie M. Austin	Chair of the Committee on Budget and Government Operations of the City Council

The current officers of the Corporation are:

<u>Name</u>	<u>Office</u>	<u>Title of Principal Occupation</u>
Carole L. Brown	President	Chief Financial Officer of the City
Kelly Flannery	Secretary-Treasurer	Deputy Comptroller of the City

The Corporation has no other officers or directors.

## **Financial Discussion and Analysis**

### *Corporation Fund Structure*

The Corporation organizes its activities by two funds, the General Fund and the Debt Service Fund. The General Fund is the Corporation's general operating fund. Residual Revenues are recorded in the General Fund. The Debt Service Fund is used to account for the payment of principal and interest on the Bonds. Both funds of the Corporation are accounted for separately.

### *Selected Financial Information*

The following table sets forth revenues, expenditures and other financing sources for the Corporation on a historical basis for the period from October 17, 2017 (Date of Inception) to December 31, 2017. The financial information is based on the modified accrual basis of accounting as reported in the Corporation's audited basic financial statements for the year 2017. This table should be read in conjunction with the financial information set forth in APPENDIX E — "SALES TAX SECURITIZATION CORPORATION FINANCIAL STATEMENTS."

Neither the Corporation's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the financial information contained in this Offering Circular, nor has the Corporation requested its independent auditors or any other independent accountants to update any financial information contained herein. The Corporation has not requested that its independent auditors nor any other independent accountants agree to the use of such financial information in this Offering Circular.

**Sales Tax Securitization Corporation**  
**Historical Operating Results**  
**Governmental Funds**  
**For the period from October 17, 2017 (Date of Inception) to December 31, 2017**  
**(\$ in thousands)**

<b>REVENUES:</b>	
Local sales tax revenue	\$ 76,234
State sales tax revenue	<u>100,760</u>
Total revenues	<u>176,994</u>
<b>EXPENDITURES:</b>	
Interest and other fiscal charges	6,467
General and administrative	10
Payments to City	150,810
Amortization of deferred outflow	<u>2,052</u>
Total expenditures	<u>159,339</u>
<b>OTHER FINANCING SOURCES:</b>	
Bond proceeds	743,735
Premium on bonds	<u>33,917</u>
Total other financing sources	<u>777,652</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>795,307</b>
<b>FUND BALANCE—Beginning of period</b>	<u>                    </u>
<b>FUND BALANCE—End of period</b>	<u>\$ 795,307</u>

The "Historical Operating Results" table summarizes the Corporation's financial results for the year 2017 and represents the total of the General Fund and Debt Service Fund. The Governmental Funds are presented on the modified accrual basis of accounting. Total revenues were comprised of \$76.2 million of local sales tax revenue and \$100.8 million of state sales tax revenue (corresponding to the Home Rule Sales Tax Revenues and the Local Share Sales Tax Revenues, respectively). Expenditures primarily consisted of payments of Residual Revenues to the City of \$150.8 million. Fund balance was \$795.3 million as of December 31, 2017.



## THE RESIDUAL CERTIFICATE

The Corporation has issued the Residual Certificate. The Residual Certificate has been conveyed by the Corporation to the City pursuant to the Sale Agreement as part of the purchase price for the Sales Tax Revenues. The Residual Certificate evidences the right of the holder to be paid all Residual Revenues on deposit in the Residual Fund in any month after required payments on the Secured Obligations and other payments and deposits required under the Indenture have been made. The Trustee and the holders of the Secured Obligations have no claim to the Residual Revenues under any circumstance, including a deficiency in the Sales Tax Revenues.

## PLAN OF FINANCE

The Series 2018C Bonds are being issued to provide funds for the City to refund certain of the City's outstanding general obligation bonds (the "**Refinanced Obligations**"). In addition, proceeds of the Series 2018C Bonds will be used to pay costs of issuance of the Series 2018C Bonds. See APPENDIX D — "SUMMARY OF REFINANCED OBLIGATIONS" for a list of the Refinanced Obligations to be refunded with the net proceeds of the Series 2018C Bonds.

The portion of the proceeds of the Series 2018C Bonds to be used to refund the Refinanced Obligations will be deposited pursuant to one or more escrow deposit agreements with the respective paying agents for the Refinanced Obligations on the Closing Date. Pursuant to the escrow deposit agreements, a portion of the amounts deposited will be invested in obligations (the "**Refinanced Obligations Defeasance Obligations**") the interest on and principal of which together with any remaining amount deposited will be used to pay the redemption price of the Refinanced Obligations on the applicable redemption date, as set forth in APPENDIX D — "SUMMARY OF REFINANCED OBLIGATIONS".

## ESTIMATED SOURCES AND USES OF FUNDS

The expected application of the proceeds of the Series 2018C Bonds is set forth below.

### *Sources of Funds:*

Aggregate Principal Amount:	\$612,420,000.00
Original Issue Premium:	64,882,212.10
Funds held for the Refinanced Obligations	16,997,856.25
Total Sources	\$694,300,068.35

### *Uses of Funds:*

Refunding of Refinanced Obligations:	\$689,297,448.01
Costs of Issuance:	1,621,905.36
Underwriters' Discount:	3,380,714.98
Total Uses	\$694,300,068.35

## ANNUAL DEBT SERVICE

The following table sets forth the debt service requirements for all Outstanding Bonds, consisting of the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds.

Year Ending	Series 2018C Principal	Series 2018C Interest	Series 2018C Bonds Total	Series 2017 & 2018AB Bonds Total	Outstanding Bonds Total
01/01/19		\$ 2,391,879	\$ 2,391,879	\$54,709,618	\$ 57,101,497
01/01/20		31,891,725	31,891,725	60,550,411	92,442,136
01/01/21		31,891,725	31,891,725	60,550,411	92,442,136
01/01/22	\$14,760,000	31,891,725	46,651,725	84,287,911	130,939,636
01/01/23	14,905,000	31,153,725	46,058,725	89,884,141	135,942,866
01/01/24	15,645,000	30,408,475	46,053,475	89,886,037	135,939,512
01/01/25	16,430,000	29,626,225	46,056,225	89,886,401	135,942,626
01/01/26	17,255,000	28,804,725	46,059,725	89,886,436	135,946,161
01/01/27	18,120,000	27,941,975	46,061,975	89,881,771	135,943,746
01/01/28	19,590,000	27,035,975	46,625,975	89,882,659	136,508,634
01/01/29	20,710,000	26,056,475	46,766,475	89,879,830	136,646,305
01/01/30	21,750,000	25,020,975	46,770,975	89,879,410	136,650,385
01/01/31	26,860,000	23,842,225	50,702,225	85,446,980	136,149,205
01/01/32	28,330,000	22,364,925	50,694,925	85,448,881	136,143,806
01/01/33	29,895,000	20,806,775	50,701,775	85,447,296	136,149,071
01/01/34	22,520,000	19,237,550	41,757,550	85,447,556	127,205,106
01/01/35	23,700,000	18,055,250	41,755,250	85,446,990	127,202,240
01/01/36	24,950,000	16,811,000	41,761,000	85,447,021	127,208,021
01/01/37		15,488,750	15,488,750	85,448,965	100,937,715
01/01/38		15,488,750	15,488,750	85,448,816	100,937,566
01/01/39	23,985,000	15,488,750	39,473,750	85,717,568	125,191,318
01/01/40	25,225,000	14,248,313	39,473,313	85,728,811	125,202,123
01/01/41	26,535,000	12,943,713	39,478,713	85,467,255	124,945,967
01/01/42	27,905,000	11,571,325	39,476,325	85,474,331	124,950,656
01/01/43	29,350,000	10,128,050	39,478,050	85,481,056	124,959,106
01/01/44	29,530,000	8,610,000	38,140,000	85,493,720	123,633,720
01/01/45	31,085,000	7,059,675	38,144,675	85,547,098	123,691,773
01/01/46	32,715,000	5,427,713	38,142,713	85,599,855	123,742,568
01/01/47	34,430,000	3,710,175	38,140,175	85,662,367	123,802,542
01/01/48	36,240,000	1,902,600	38,142,600	85,719,337	123,861,937
Total	\$612,420,000	\$567,301,142	\$1,179,721,142	\$2,518,638,939	\$3,698,360,080

## INVESTMENT AND LEGAL CONSIDERATIONS

*The following discussion of investment considerations should be reviewed by prospective investors prior to purchasing the Series 2018C Bonds. Any one or more of the investment considerations discussed herein could lead to a decrease in the market value and the liquidity of the Series 2018C Bonds or, ultimately, a payment default on the Series 2018C Bonds. There can be no assurance that other factors not discussed herein will not become material in the future. In addition, the following discussion summarizes some, but not all, of the possible legal issues that could adversely affect the ability of the Corporation to pay debt service on all or a portion of the Series 2018C Bonds on a timely basis or in full, and could have an adverse effect on the liquidity and/or market value of the Series 2018C Bonds. The discussion does not address every possible legal challenge that could result in a decision that would cause the Sales Tax Revenues to be reduced or eliminated. References in the discussion to various opinions are incomplete summaries of such opinions and are qualified in their entirety by reference to the actual opinions.*

### **Factors Affecting Sales Tax Revenues**

#### ***State Appropriation***

The City's receipt of its allocable portion of the Local Share Sales Tax Revenues attributable to the Illinois Use Tax and the Illinois Service Use Tax (other than with respect to titled personal property) (approximately thirteen percent of Sales Tax Revenues received by the City in 2017) is subject to annual appropriation by the Illinois General Assembly. The Illinois General Assembly, which is composed of the Senate and the House of Representatives, meets in annual session to, among other things, consider the Governor's proposed budget and pass appropriation bills. If an appropriation bill is not passed prior to June 1, it must receive the vote of three-fifths of the members elected to each house of the Illinois General Assembly in order to be effective for the State fiscal year beginning on July 1 of the same year. After an appropriation bill is passed, it is presented to the Governor, who has 60 days to approve or return (i.e., veto) the bill; if the Governor takes no action within the 60-day period, the bill becomes law. A veto by the Governor may be overridden by a vote of three-fifths of the members elected to each house of the Illinois General Assembly. From time to time, the State budget has been enacted after the beginning of a fiscal year. The State did not enact a complete budget with appropriations for all usual spending for fiscal year 2016 or 2017. During the course of those fiscal years, the State on several occasions enacted appropriations for limited spending. The State also did not enact a budget for fiscal year 2018 prior to the start of fiscal year 2018. The fiscal year 2018 budget, which also included certain appropriations for fiscal year 2017, was enacted on July 6, 2017. The fiscal year 2019 budget was passed by the Senate and the House of Representatives on May 30, 2018, and May 31, 2018, respectively, and enacted on June 4, 2018.

The City's receipt of such portion of the Local Share Sales Tax Revenues that is subject to annual appropriation was delayed in September, October and November 2015, because the Illinois General Assembly did not make the appropriation required for the City to receive such revenues. The appropriation was made, and the City received the revenues which it was to have received, in December 2015. Transfers of Sales Tax Revenues to the City have not otherwise historically been delayed. There can be no assurance that delays in the transfer by the State of the City's allocable portion of the Local Share Sales Tax Revenues subject to annual State appropriation may not occur in the future. The State has in recent years been late in making payments of other revenues to units of local government and third party vendors. If the receipt of Local Share Sales Tax Revenues were delayed, such delay would cause a reduction in the amount of Sales Tax Revenues the Corporation receives on a timely basis in any given year, which could materially adversely affect the Corporation's ability to make required payments on Outstanding Secured Obligations, including the Series 2018C Bonds.

#### ***Changes in Economic and Demographic Conditions***

Sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recessions, when high unemployment adversely affects consumption. Demographic changes in the population of the City and the Chicago metropolitan area may adversely affect the level of Sales Tax Revenues. A decline in the City's population, or reductions in the level of commercial and industrial activity in the City, could reduce the number and value of taxable transactions and thus reduce the amount of Sales Tax Revenues. It is not possible to predict whether or to what extent

any such changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur, and what impact any such changes would have on Sales Tax Revenues.

### ***Changes to Tax Rates, Base and Exemptions***

From time to time, changes are made to the tax rates, base and exemptions of the Home Rule Sales Taxes and the State Sales Taxes. Any such changes could adversely affect the amount of Sales Tax Revenues received by the City.

### ***Competition***

Increases in sales tax rates in the City and Cook County may create incentives for certain purchases to be made in jurisdictions with lower overall sales tax rates. As a result, increasing sales tax rates may not result in a corresponding percentage increase in revenues, and may prompt certain commercial and industrial activities to relocate to jurisdictions with lower sales tax rates.

### **Additional Bonds**

The Corporation expects to issue Additional Bonds in the approximate aggregate principal amount of \$600 million in January of 2019. The net proceeds of such Additional Bonds would be transferred to the City and applied by the City to refund for savings certain outstanding general obligation bonds of the City.

### **Pension Bond Transactions**

The City is considering creating a new special-purpose, bankruptcy-remote not-for-profit corporation which may be called the “Dedicated Tax Securitization Corporation” (“DTSC”). The City would sell to the DTSC the Residual Certificate, along with the right to receive certain other State revenues received by the City. None of the other State revenues would be Sales Tax Revenues. The DTSC would sell bonds and transfer the bond proceeds (along with the right to receive residual revenues under the indenture for the DTSC bonds) to the City in return for the Residual Certificate and the right to receive such other State revenues. At the time that the DTSC bonds are issued, the City would also plan to issue bonds secured solely by the water and sewer tax imposed by the City. All of the net proceeds of both the DTSC bonds and the City bonds would be used for the benefit of the City’s pension funds.

In connection with the proposed transactions, the Corporation would enter into a supplemental indenture which would: (i) prohibit the issuance by the Corporation of any Subordinated Indebtedness under the Indenture, and (ii) provide to holders of the Residual Certificate the same rights as are currently provided under the Indenture to holders of Subordinated Indebtedness. The Corporation would not need Bondholder consent to enter into such supplemental indenture.

The proposed transactions would require approval of an authorizing ordinance by the City Council and approval of an authorizing resolution by the Board of the Corporation.

### **Adverse Change in Laws**

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the City’s and the State’s ability to raise taxes (including specifically the Home Rule Sales Taxes and the State Sales Taxes). 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 on the Corporation or the Sales Tax Revenues.

Notwithstanding the foregoing, in the Act, the State pledges to and agrees with the City and the Corporation that the State will not limit or alter the basis on which the City’s share or percentage of Sales Tax Revenues is derived, or the use of such funds, so as to impair the terms of any contract, including the Sale Agreement, made by the City with the Corporation or any contract executed by the Corporation in connection with the issuance of obligations by the Corporation for the benefit of the City. See “SECURITY FOR THE SECURED OBLIGATIONS—Certain Covenants of the State and the City—*Covenants of the State Contained in the Act*”.

## **Limited Resources of the Corporation; Series 2018C Bonds Are Not a Debt of the City or State**

The Series 2018C Bonds are limited obligations of the Corporation and are payable only from the Trust Estate. The Series 2018C Bonds are not obligations of the City or the State, neither the City nor the State is liable thereon, and no recourse may be had to either for payment of amounts owing on the Series 2018C Bonds. The Corporation does not have the power to pledge the credit, the revenues or the taxing power of the State or the City, and neither the credit, the revenues nor the taxing power of the State or the City is, or shall be deemed to be, pledged to the payment of any of the Series 2018C Bonds. The Corporation has no taxing power. See “SECURITY FOR THE SECURED OBLIGATIONS”.

## **No Right to Accelerate Secured Obligations after an Event of Default; Limited Remedies**

Under the Indenture, the occurrence of an Event of Default will not result in or permit an acceleration of any of the Secured Obligations, including the Series 2018C Bonds. This means that should an Event of Default occur, the Trustee and the holders of the Series 2018C Bonds may need to take action each month to exercise their rights and remedies with respect to each month’s payment that is due on the Series 2018C Bonds. In addition, neither the Trustee nor the holders of the Series 2018C Bonds have the right to sell or foreclose on the Sales Tax Revenues or the rights of the Corporation under the Sale Agreement. The effect of these two provisions is that the only remedy for an Event of Default may be that each month, the Trustee or the holders of the Series 2018C Bonds will need to file with an appropriate court a request for a writ of mandamus directing the City and the Corporation to turn over the Sales Tax Revenues with respect to that month. Under such circumstances, there may be delays or reductions in payments on, or other losses with respect to, the Series 2018C Bonds.

## **Bankruptcy of the City**

Municipalities cannot file for protection under Title 11 of the Bankruptcy Code 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 proceeding. Illinois state law does not currently permit the City to file a bankruptcy proceeding; however, from time to time, legislation has been introduced in the State General Assembly which, if enacted, would permit Illinois municipalities to file for bankruptcy relief, which would be under Chapter 9 of the Bankruptcy Code. No assurance can be provided as to whether the State General Assembly may adopt any legislation that would permit the City to file for bankruptcy. The law is unclear as to whether the Governor of Illinois or another member of the executive branch of the State government has the power to authorize the City to file for bankruptcy. It is also possible that Congress will enact legislation that changes the eligibility requirements for municipalities to file for bankruptcy.

Actions could be taken in a bankruptcy of the City which would adversely affect the exclusion of interest on the Series 2018C Bonds from gross income for federal income tax purposes.

There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Series 2018C Bonds or other losses to the holders of the Series 2018C Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2018C Bonds.

## **Bankruptcy Remoteness**

### *General*

The City and the Corporation intend and have structured the transfer of the Sales Tax Revenues to the Corporation in accordance with the Act and pursuant to the Sale Agreement as an absolute sale and not as the grant of a security interest in the Sales Tax Revenues to secure a borrowing of the City. Chapter 9 of the Bankruptcy Code provides that a bankruptcy court may not confirm a plan if the debtor is prohibited by law from taking any action necessary to carry out the plan. With the Act, the State has exercised its right to control the disposition of the Sales Tax Revenues under the Illinois Constitution and determined that the Sales Tax Revenues, once sold, are no longer property of the City. In the event of a City bankruptcy, a bankruptcy court could conclude that a plan of adjustment

that contradicts this right and determination of the State would require the City to take action that is prohibited by law in order to carry out the plan and thus would not be confirmable. In addition, the opinions of Co-Transaction Counsel discussed in the first paragraph below under “—*Certain Opinions*” identifies certain factors that courts have considered in determining whether a transfer of assets should be deemed a true sale or a loan and notes that: the terms of the Sale Agreement expressly memorialize and confirm the City’s transfer of the Sales Tax Revenues to the Corporation without recourse as a sale of the right, title and interest in and to the Sales Tax Revenues; the City has no right to obtain the return of the Sales Tax Revenues (although the City is entitled to the return of all Sales Tax Revenues that become Residual Revenues) and therefore Co-Transaction Counsel have concluded that any change in their market value will not be for the direct benefit of or to the detriment of the City; the interest rates on the Series 2018C Bonds will be based on the current market rates for comparably rated, tax-exempt or taxable bonds, not the rate at which the City could obtain a secured loan; both the Act and the Sale Agreement use the form and language of an absolute assignment and transfer of the Sales Tax Revenues and the City, for accounting purposes, will treat the transfer as an absolute sale; and the Sale Agreement explicitly states that the transfer of the Sales Tax Revenues from the City to the Corporation is an absolute sale rather than a secured borrowing. Notwithstanding the foregoing, no assurance can be given that a court will follow the intention of the City and the Corporation. If the City were to become a debtor in a bankruptcy case, and a party in interest (including the City itself) were to take the position that the transfer of the Sales Tax Revenues to the Corporation should be recharacterized as the grant of a security interest in the Sales Tax Revenues, delays in payments on the Series 2018C Bonds could result. If a court were to adopt such position, then delays or reductions in payments on, or other losses with respect to, the Series 2018C Bonds could result.

The City and the Corporation have taken steps to minimize the risk that in the event the City were to become the debtor in a bankruptcy case, a court would order that the assets and liabilities of the City be substantively consolidated with those of the Corporation. The Corporation is a separate, special purpose not-for-profit corporation, the organizational documents of which provide that it shall not commence a voluntary bankruptcy case without the unanimous affirmative vote of all of its directors (although this provision may not be enforceable). The opinions of Co-Transaction Counsel discussed in the second paragraph below under “—*Certain Opinions*” identifies certain factors that courts have considered in substantive consolidation cases and notes that: the City and the Corporation have a separate corporate existence under the requirements of the Act, the Corporation’s bylaws, and the Sale Agreement; the City and the Corporation are not only separate entities under State statutes, but are distinct kinds of entities under the Illinois Constitution; the Series 2018C Bonds are not the obligations or debts of the City (or the State) and therefore the holders of the Series 2018C Bonds are not creditors of the City and are not relying on the credit of the City; and efforts have been made to prevent Bondholders from being confused that the Series 2018C Bonds are City-issued or City-backed bonds, thereby eliminating a central factor that would be required for substantive consolidation of the Corporation with the City. Notwithstanding the foregoing, no assurance can be given that the risk of substantive consolidation has been eliminated. If a party in interest (including the City itself) were to take the position that the assets and liabilities of the Corporation should be substantively consolidated with those of the City, delays in payments on the Series 2018C Bonds could result. If a court were to adopt such position, then delays or reductions in payments on, or other losses with respect to, the Series 2018C Bonds could result.

#### *Certain Opinions*

Co-Transaction Counsel will render opinions to the Corporation and the Underwriters that, subject to all the assumptions, qualifications, and discussions set forth therein, under current laws, in a case under the Bankruptcy Code in which the City is a debtor, a court, exercising reasonable judgment after full consideration of all relevant factors, would not hold that the money paid or payable (including after the petition date) by the State to the City as assigned to the Corporation pursuant to the Sale Agreement and the Act is property of the City or “property of the estate” of the City and would not hold that the rights of the Corporation to such money are subject to the operation of Section 362(a) (as incorporated in Chapter 9 by the operation of Section 901(a)) or Section 922(a) of the Bankruptcy Code in a Chapter 9 case of the City. Certain of the assumptions contained in the opinions will be assumptions that certain facts or circumstances will exist or occur, and Co-Transaction Counsel will provide no assurance that such facts or circumstances will exist or occur as assumed in the opinions. The opinions will be based on an analysis of existing federal laws and court decisions, and will cover certain matters not directly addressed by such authorities. There are no court decisions directly on point, there are court decisions that could be viewed as contrary to the conclusions expressed in the opinions, and the matter is not free from doubt. Accordingly, no assurance will be given that a court would not hold that the money paid or payable (including after the petition date) by the State to the City as assigned

to the Corporation pursuant to the Sale Agreement and the Act is property of the City or “property of the estate” of the City, or is subject to the automatic stay under the Bankruptcy Code, thus resulting in delays or reductions in payments on, or other losses with respect to, the Series 2018C Bonds.

Co-Transaction Counsel will also render opinions to the Corporation and the Underwriters that, subject to all the assumptions, qualifications, and discussions set forth therein, under current laws, in a case under the Bankruptcy Code in which the City is a debtor, the court, exercising reasonable judgment after full consideration of all relevant factors, would not order the substantive consolidation of the assets and liabilities of the Corporation and those of the City. Certain of the assumptions contained in the opinions will be assumptions that certain facts or circumstances will exist or occur, and Co-Transaction Counsel can provide no assurance that such facts or circumstances will exist or occur as assumed in the opinions. The opinions will be based on an analysis of existing federal laws and court decisions and will cover certain matters not directly addressed by such authorities. There are no court decisions directly on point, there are court decisions that could be viewed as contrary to the conclusions expressed in the opinions, and the matter is not free from doubt. Accordingly, no assurance can be given that if the City were to become a debtor in a bankruptcy case, a court would not order the substantive consolidation of the assets and liabilities of the Corporation with those of the City, thus resulting in delays or reductions in payments on, or other losses with respect to, the Series 2018C Bonds.

### **Limitations on Certain Opinions**

A court’s decision regarding the matters upon which a lawyer is opining would be based on such court’s own analysis and interpretation of the factual evidence before it and of applicable legal principles. Thus, if a court reached a different result from that expressed in an opinion, it would not necessarily constitute reversible error or be inconsistent with that opinion. An opinion of counsel is not a prediction of what a particular court (including any appellate court) that reached the issue on the merits would hold, but, instead, is the opinion of such counsel as to the proper result to be reached by a court applying existing legal rules to the facts as properly found after appropriate briefing and argument and, in addition, is not a guarantee, warranty or representation, but rather reflects the informed professional judgment of such counsel as to specific questions of law. Opinions of counsel are not binding on any court or party to a court proceeding. The descriptions of the opinions set forth herein are summaries, do not purport to be complete, and are qualified in their entirety by the opinions themselves.

## **CONTINUING DISCLOSURE UNDERTAKING**

The Corporation will enter into a Continuing Disclosure Undertaking, dated the Closing Date (the “**Continuing Disclosure Undertaking**”), for the benefit of the beneficial owners of the Series 2018C Bonds, to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “**MSRB**”) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “**Rule**”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The MSRB has designated its Electronic Municipal Market Access (“**EMMA**”) system as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events of which notice will be provided on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below. Since the Corporation has not existed prior to the adoption of the Ordinance by the City on October 11, 2017, the Corporation has not issued any bonds or other obligations subject to the requirements of the Rule during the past five years other than the Series 2017 Bonds, the Series 2018A Bonds, and the Series 2018B Bonds. The Corporation entered into similar continuing disclosure undertakings in connection with issuance of the Series 2017 Bonds in December 2017 and the issuance of the Series 2018A Bonds and Series 2018B Bonds in February 2018. In compliance with its existing continuing disclosure undertakings, the Corporation filed a notice on EMMA on October 29, 2018 regarding an October 23, 2018 downgrade by S&P of its rating with respect to the Series 2017 Bonds, the Series 2018A Bonds and the Series 2018B Bonds. The Corporation has also voluntarily reported its audited financial statements for the period ended December 31, 2017.

A failure by the Corporation to comply with the Undertaking will not constitute a default under the Series 2018C Bonds or the Indenture, and beneficial owners of the Series 2018C Bonds are limited to the remedies described in the Undertaking. See “—Consequences of Failure of the Corporation to Provide Information” below. A failure by the Corporation to comply with the Undertaking must be reported in accordance with the Rule and must be considered

by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2018C Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2018C Bonds and their market price.

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

### **Annual Financial Information Disclosure**

“**Annual Financial Information**” means financial information and operating data of the type included in this Offering Circular in the tables titled “Annual Sales Tax Revenues”, “Monthly Home Rule Sales Tax Revenues”, “Monthly Local Share Sales Tax Revenues” and “Components of Sales Tax Revenues” under the caption “SALES TAX REVENUES—Historical Collections of Sales Tax Revenues”.

“**Audited Financial Statements**” means the audited basic financial statements of the Corporation prepared in accordance with generally accepted accounting principles as in effect from time to time.

Annual Financial Information and Audited Financial Statements will be provided to the MSRB not more than 210 days after the last day of the Corporation’s fiscal year, which currently is December 31. If Audited Financial Statements are not available by such date, unaudited financial statements will be provided to the MSRB, and the Audited Financial Statements will be filed within 30 days of availability to the Corporation. The Corporation covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements to the MSRB, beginning in year 2019 with respect to the Corporation’s fiscal year ending December 31, 2018. The Corporation is required to file such information so that the MSRB receives the information by the dates specified in the Undertaking.

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

The Corporation covenants that it will disseminate in a timely manner, not in excess of ten business days after occurrence, to the MSRB the disclosure of the occurrence of a Reportable Event. The “**Reportable Events**” are:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018C Bonds, or other material events affecting the tax status of the Series 2018C Bonds;
- (7) modifications to rights of holders of the Series 2018C Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2018C Bonds, if material;
- (11) rating changes;



(12) bankruptcy, insolvency, receivership or similar event of the Corporation (such a Reportable Event will be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the 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 Corporation, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation);

(13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, 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; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

### **Consequences of Failure of the Corporation to Provide Information**

The Corporation 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 Undertaking.

In the event of a failure of the Corporation to comply with any provision of the Undertaking, the beneficial owner of any Series 2018C Bond may seek mandamus or specific performance by court order to cause the Corporation to comply with its obligations under the Undertaking. The Undertaking provides that any court order must be initiated in the Circuit Court of Cook County. A default under the Undertaking shall not be deemed a default under the Series 2018C Bonds or the Indenture, and the sole remedy under the Undertaking in the event of any failure of the Corporation to comply with the Undertaking shall be an action to compel performance.

### **Amendment; Waiver**

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

(a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Corporation or type of business conducted; (ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the offering of the Series 2018C Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2018C Bonds, as determined by a party unaffiliated with the Corporation (such as the Trustee or Transaction Counsel ), or by approving vote of the beneficial owners of the Series 2018C Bonds pursuant to the terms of the Indenture at the time of the amendment; or

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

### **EMMA**

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

## **Termination of Undertaking**

The Undertaking shall be terminated if the Corporation shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2018C Bonds under the Indenture.

## **Additional Information**

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

## **Compliance with Previous Undertakings**

The Corporation has not failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in subsection (b)(5)(i) of the Rule.

## **TAX MATTERS**

### ***Federal Income Tax***

The Internal Revenue Code of 1986, as amended (the “**Code**”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2018C Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2018C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2018C Bonds. Pursuant to the Indenture and a Tax Certificate and Agreement dated the date of delivery of the Series 2018C Bonds (the “**Tax Certificate**”), the Corporation has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2018C Bonds from gross income for federal income tax purposes under Section 103 of the Code. Pursuant to the Sale Agreement and the Tax Certificate, the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2018C Bonds from gross income for federal income tax purposes under Section 103 of the Code. In addition, the Corporation and the City have made certain representations and certifications in the Tax Certificate. Co-Transaction Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Co-Transaction Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the Corporation and the City described above, interest on the Series 2018C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Transaction Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Co-Transaction Counsel notes, however, that solely for taxable years beginning before January 1, 2018, interest on the Series 2018C Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations under the Code.

### ***State Taxes***

Interest on the Series 2018C Bonds is not exempt from present Illinois income taxes. Co-Transaction Counsel expresses no opinion as to other State, City or local tax consequences arising with respect to the Series 2018C Bonds nor as to the taxability of the Series 2018C Bonds or the income therefrom under the laws of any jurisdiction other than the State.

### ***Original Issue Premium***

All maturities of the Series 2018C Bonds (each a “**Premium Bond**”, and collectively, the “**Premium Bonds**”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### ***Ancillary Tax Matters***

Ownership of the Series 2018C Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2018C Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2018C Bonds is subject to information reporting to the Internal Revenue Service (the “**IRS**”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2018C Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Transaction Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as APPENDIX B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2018C Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### ***Changes in Law and Post-Issuance Events***

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2018C Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2018C Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2018C Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Series 2018C Bonds. Prospective purchasers of the Series 2018C Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Series 2018C Bonds.

Co-Transaction Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2018C Bonds may affect the tax status of interest on the Series 2018C Bonds. Co-Transaction Counsel expresses no opinion as to any federal, state, local or foreign tax consequences with respect to the Series 2018C Bonds, or the interest thereon, if any action is taken with respect to the Series 2018C Bonds or the proceeds thereof upon the advice or approval of other counsel or otherwise.

## LITIGATION

There is no litigation pending in any court (either State or federal) to restrain or enjoin the issuance or delivery of the Series 2018C Bonds or questioning the creation, organization or existence of the Corporation, the validity or enforceability of the Indenture, the sale of the Sales Tax Revenues by the City to the Corporation, the proceedings for the authorization, execution, authentication and delivery of the Series 2018C Bonds or the validity of the Series 2018C Bonds. For a discussion of other legal matters, see “INVESTMENT AND LEGAL CONSIDERATIONS”.

## RATINGS

It is expected that, upon issuance of the Series 2018C Bonds, Fitch Ratings, Inc. (“**Fitch**”) will assign a rating of “AAA”, Kroll Bond Rating Agency, Inc. (“**KBRA**”) will assign a rating of “AAA” and S&P Global Ratings (“**S&P**”) and together with Fitch and KBRA, each a “**Rating Agency**”) will assign a rating of “AA-” for the Series 2018C Bonds.

The ratings by the Rating Agencies reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the Rating Agencies with respect thereto should be obtained from the Rating Agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004, Kroll Bond Rating Agency Inc., 845 Third Avenue, New York, New York 10022 and S&P Global Ratings, 55 Water Street, New York, New York 10041.

There is no assurance that the initial ratings assigned to the Series 2018C Bonds will continue for any given period of time or that any of such ratings will not be revised downward, suspended or withdrawn entirely by the Rating Agencies. Any such downward revision, suspension or withdrawal of the ratings by the Rating Agencies may have an adverse effect on the availability of a market for or the market price of the Series 2018C Bonds.

## FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR

The Corporation has retained Columbia Capital Management, LLC and PFM Financial Advisors LLC to act as financial advisors (the “**Co-Financial Advisors**”) in connection with the issuance and sale of the Series 2018C Bonds. The Co-Financial Advisors have provided advice on the plan of financing and structure of the Series 2018C Bonds and have reviewed certain legal documents, including this Offering Circular, with respect to financial matters. The Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification of, or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Offering Circular. Each of the Co-Financial Advisors is a “municipal advisor” as defined in Rule 15Ba1-1 of the Securities and Exchange Commission.

The Corporation has retained Martin J. Luby LLC as its independent registered municipal advisor (the “**IRMA**”) pursuant to Rule 15Ba1-1-(d)(3)(vi) of the Securities and Exchange Commission to evaluate financing proposals and recommendations in connection with the Corporation’s issuance of Secured Obligations. The IRMA’s compensation is not dependent on the offering of the Series 2018C Bonds.

## CERTAIN VERIFICATIONS

Robert Thomas, CPA, LLC, Shawnee Mission, Kansas (the “**Verifier**”), upon delivery of the Series 2018C Bonds, will deliver to the Corporation, the City, Co-Transaction Counsel and the Underwriters a report stating that the firm, at the request of the Corporation and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from the investment in Refinanced Obligations Defeasance Obligations, together with any initial cash deposit, to meet the timely payment of the applicable principal or redemption price of and interest on the Refinanced Obligations, as

described under “PLAN OF FINANCE”, and (ii) the yields on the Series 2018C Bonds and on the tax-exempt Refinanced Obligations.

The Verifier will express no opinion on the attainability of any assumptions or the tax-exempt status of the Series 2018C Bonds. The computations verified by the Verifier are intended in part to support conclusions of the Corporation and Co-Transaction Counsel concerning the federal income tax status of the Series 2018C Bonds.

## **UNDERWRITING**

The Series 2018C Bonds are being purchased by the underwriters listed on the cover page hereof (the “**Underwriters**”), for whom Loop Capital Markets LLC is acting as lead manager.

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase all, but not less than all, of the Series 2018C Bonds from the Corporation at an aggregate underwriters’ discount of \$3,380,714.98, which underwriters’ discount includes reimbursement for expenses of counsel and other expenses.

Academy Securities, Inc., a Co-Manager of the Series 2018C Bonds, has entered into Third-Party Distribution Agreements with TD Ameritrade Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Ross, Sinclair & Associates, Inc., Intercoastal Capital Markets, Inc., Janney Montgomery Scott LLC, The GMS Group LLC, and 280 Securities for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these Third-Party Distribution Agreements (if applicable to the offering of the Series 2018C Bonds), Academy Securities may share a portion of its underwriting compensation with these firms.

The initial public offering prices of the Series 2018C Bonds may be changed from time to time by the Underwriters. The Series 2018C Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2018C Bonds into investment trusts) at prices lower than such public offering prices.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and 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 Corporation and to persons and entities with relationships with the Corporation, for which they received or will receive customary fees and expenses. The City intends to use the net proceeds from this offering, conveyed to the City by the Corporation pursuant to the Sale Agreement, to refund the Refinanced Obligations.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Corporation and of the City, including the Refinanced Obligations (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Corporation. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## LEGAL MATTERS

Nixon Peabody LLP, Chicago, Illinois, and Hardwick Law Firm, LLC, Chicago, Illinois, as Co-Transaction Counsel ("**Co-Transaction Counsel**"), will each render an opinion with respect to the validity of the Series 2018C Bonds in substantially the form set forth in APPENDIX B —“PROPOSED FORM OF OPINION OF CO-TRANSACTION COUNSEL” hereto. Certain legal matters with respect to the Corporation will be passed upon by (i) Co-Transaction Counsel, (ii) Mayer Brown LLP, as Counsel to the Corporation, and (iii) Reyes Kurson, Ltd., as Special Disclosure Counsel to the Corporation. Certain legal matters with respect to the City will be passed upon by (i) its Corporation Counsel and (ii) Chapman and Cutler LLP, as Special Counsel to the City. Certain legal matters will be passed upon for the Underwriters by Barnes & Thornburg LLP, as Underwriters’ Counsel.

## APPENDIX A

### BOOK-ENTRY ONLY SYSTEM

#### Introduction

The information in this section concerning The Depository Trust Company, New York, New York (“**DTC**”), and DTC’s book-entry-only system has been provided by DTC for use in disclosure documents such as this Offering Circular. Neither the Corporation nor the Underwriters of the Series 2018C Bonds make any representation as to its accuracy or completeness.

DTC will act as the initial securities depository for the Series 2018C Bonds.

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 Corporation expressly disclaims any responsibility to update this Offering Circular to reflect any such changes. The information herein concerning DTC has been obtained from sources that the Corporation believes to be reliable, but neither the Corporation nor the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. Investors wishing to use the facilities of DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. The Corporation 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 Series 2018C Bonds held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### DTC

##### *DTC Book-Entry Only System*

The Depository Trust Company, New York, New York (“**DTC**”) will act as securities depository for the Series 2018C Bonds. The Series 2018C 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 Series 2018C Bonds bearing interest at a specific interest rate, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2018C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018C Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018C Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018C Bonds, except in the event that use of the book-entry system for the Series 2018C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018C 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 the Series 2018C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2018C Bonds may wish to ascertain that the nominee holding the Series 2018C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018C Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018C 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 Trustee 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 Series 2018C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of redemption proceeds and principal and interest on the Series 2018C 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 Corporation or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018C Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2018C Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2018C Bond certificates will be printed and delivered to DTC.



THE CORPORATION AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2018C BONDS: (1) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2018C BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2018C BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2018C BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFERING CIRCULAR.

THE CORPORATION AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2018C BONDS; (3) THE DELIVERY BY DTC, ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE SERIES 2018C BONDS.

Transfers between participants will occur in accordance with DTC rules.

The Corporation will not impose any fees in respect of holding the Series 2018C Bonds; however, holders of book-entry interests in the Series 2018C Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC.

#### *Initial Settlement*

Interests in the Series 2018C Bonds will be in uncertified book-entry form. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2018C Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2018C Bonds following confirmation of receipt of payment to the Corporation on the date of delivery of the Series 2018C Bonds.

#### *Secondary Market Trading*

Secondary market trades in the Series 2018C Bonds will be settled by transfer of title to book-entry interests in DTC. Title to such book-entry interests will pass by registration of the transfer within the records of DTC in accordance with DTC's procedures. Book-entry interests in the Series 2018C Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC.

#### **General**

DTC is not under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Corporation nor any of its agents will have any responsibility for the performance by DTC or its respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

The information herein concerning DTC has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but the Corporation and the Underwriters take no responsibility for the accuracy thereof.

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## APPENDIX B

### PROPOSED FORM OF OPINION OF CO-TRANSACTION COUNSEL

[Date of Delivery]

Sales Tax Securitization Corporation  
55 E. Monroe St.  
Chicago, Illinois 60603

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$612,420,000 aggregate principal amount of Sales Tax Securitization Bonds, Series 2018C (the “Series 2018C Bonds”) by the Sales Tax Securitization Corporation (the “Corporation”), a not-for-profit corporation organized under the General Not For Profit Corporation Act of 1986, 805 ILCS 105, as amended, and an instrumentality of the City of Chicago (the “City”). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2018C Bonds are issued under and pursuant to a Master Trust Indenture, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), dated as of December 1, 2017 (the “Master Indenture”), as supplemented by a Fourth Supplemental Trust Indenture, dated as of December 1, 2018, by and between the Corporation and the Trustee, authorizing the issuance of the Series 2018C Bonds (the “Fourth Supplemental Trust Indenture, which, together with the Master Indenture are collectively referred to herein as the “Indentures”). Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Indentures.

The Series 2018C Bonds are part of an issue of bonds of the Corporation (the “Bonds”), which the Corporation has established and created under the terms of the Master Indenture and is authorized to issue from time to time for the purposes authorized by the Master Indenture, as then in effect, and without limitation as to amount, except as provided in the Master Indenture or as may be limited by law. The Series 2018C Bonds are being issued for the purposes set forth in the Indentures.

The Corporation is authorized to issue Bonds, in addition to the Series 2018C Bonds, only upon the terms and conditions set forth in the Master Indenture and such Bonds, when issued, will with all other Bonds which have been or may be issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Master Indenture.

The Series 2018C Bonds are dated and bear interest from their date of delivery and mature on January 1 and bear interest, payable beginning on January 1, 2019, and semiannually thereafter on January 1 and July 1, in each of the years and at the respective principal amounts and rates per annum set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022	\$14,760,000	5.00%	2032	\$28,330,000	5.50%
2023	14,905,000	5.00	2033	15,000,000	5.00
2024	15,645,000	5.00	2033	14,895,000	5.50
2025	16,430,000	5.00	2034	22,520,000	5.25
2026	17,255,000	5.00	2035	23,700,000	5.25
2027	18,120,000	5.00	2036	10,000,000	5.00
2028	19,590,000	5.00	2036	14,950,000	5.50
2029	20,710,000	5.00	2043	41,500,000	5.00
2030	3,500,000	5.00	2043	91,500,000	5.25
2030	18,250,000	5.50	2048	164,000,000	5.25
2031	26,860,000	5.50			

The Series 2018C Bonds are issuable in the form of fully registered Bonds in denominations of \$5,000 or integral multiples thereof. The Series 2018C Bonds are numbered consecutively from one upward in order of issuance.

The Series 2018C Bonds are subject to redemption prior to maturity as provided in the Fourth Supplemental Trust Indenture.

The Series 2018C Bonds are being issued to (i) provide funds for the Corporation to purchase all of the City's right, title and interest in and to the Sales Tax Revenues (as defined below) from the City pursuant to the Sale Agreement (as defined below), and (ii) pay the costs associated with the issuance of the Series 2018C Bonds. The City, the Corporation and the Trustee have entered into an Assignment, Purchase and Sale Agreement, dated as of December 14, 2017 (the "Sale Agreement"), pursuant to which the City assigned its rights in and to certain payments payable upon the order of the State Comptroller of the State of Illinois (the "State") to or upon the order of the City or the Corporation as transferee resulting from certain taxes (i) imposed by the City pursuant to its home rule powers as currently authorized by the Municipal Code of Chicago (the "Home Rule Sales Tax Revenues"), and (ii) imposed by the State pursuant to State law (the "Local Share Sales Tax Revenues," and together with the Home Rule Sales Tax Revenues, the "Sales Tax Revenues"). The Corporation, in consideration for such assignment, has agreed to issue its Bonds and apply the net proceeds for the purposes permitted by the Master Indenture. We assume the parties will perform their respective covenants in the Master Indenture and the Sale Agreement in all material respects.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2018C Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2018C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2018C Bonds. The Corporation has covenanted in the Master Indenture, the City has covenanted in the Sale Agreement, and the Corporation and the City have each covenanted in the Tax Certificate and Agreement dated the date hereof (the "Tax Certificate") to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2018C Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the City have made certain representations and certifications in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

We have examined an executed Series 2018C Bond and, in our opinion, the forms of said bond and its execution are regular and proper.

We are of the opinion that:

1. The Corporation has been duly formed and is validly existing as a not-for-profit corporation under the General Not For Profit Corporation Act of 1986, 805 ILCS 105, as amended, with the right and lawful authority and power to enter into the Indentures and to issue the Bonds thereunder, including the Series 2018C Bonds.

2. The Indentures have been duly authorized, executed and delivered by the Corporation and are legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their terms.

3. The Series 2018C Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, and in accordance with the Indentures. The Series 2018C Bonds are legal, valid and binding special obligations of the Corporation payable as provided in the Indentures, are enforceable in accordance with their terms and the terms of the Indentures and are entitled to the equal benefits of the Master Indenture.

4. The Corporation has the right and lawful authority and power to enter into the Sale Agreement and the Sale Agreement has been duly authorized, executed and delivered by the Corporation and is a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms.

5. Under existing law, and assuming compliance with the tax covenants described above and the accuracy of the aforementioned representations and certifications of the Corporation and the City, interest on the Series 2018C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. We note, however, that solely for taxable years beginning before January 1, 2018, interest on the Series 2018C Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations under the Code.

6. Interest on the Series 2018C Bonds is not exempt from present State of Illinois income taxes.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Indentures, the Series 2018C Bonds, and the Sale Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization, receivership, arrangements, fraudulent conveyances or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any other federal, state, local or foreign tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2018C Bonds. Furthermore, we express no opinion as to any federal, state, local or foreign tax consequences with respect to the Series 2018C Bonds, or the interest thereon, if any action is taken with respect to the Series 2018C Bonds or the proceeds thereof upon the advice or approval of other counsel.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of any document or agreement by any party other than the Corporation. We have assumed the due authorization, execution and delivery of the Indentures and the Sale Agreement by each of the other parties thereto.

Very truly yours,

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## APPENDIX C

### CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

#### Definition of Certain Terms

**“Accreted Value”** means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Indenture authorizing such Capital Appreciation Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the immediately preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

**“Act”** means Public Act 100-0023, approved and effective July 6, 2017, adding Division 13 to Article 8 of the Illinois Municipal Code.

**“Additional Bonds”** means Bonds issued subsequent to issuance of the Initial Bonds.

**“Appreciated Value”** means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Indenture authorizing such Deferred Income Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the immediately preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

**“Arbitrage Rebate Fund”** means the fund so designated, created and established pursuant to the section of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

**“Authorized Officer”** means (i) in the case of the Corporation, the Chair, the President and the Secretary-Treasurer, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Corporation to perform such act or execute such document, (ii) in the case of the City, the Chief Financial Officer or, should the position of the Chief Financial Officer be terminated, vacated or cease to exist for any reason, the City Comptroller, and when used with reference to any act or document also means any other person authorized by a resolution to perform such act or execute such document, and (iii) in the case of the Trustee, a Vice President, or an Assistant Vice President or any other corporate trust officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

**“Bond”** means any bond of the Corporation authorized and issued pursuant to the Indenture and to a Supplemental Indenture.

**“Bondholder”, “Holder of Bonds” or “Holder”** or any similar term, when used with reference to a Bond or Bonds, means the registered owner thereof.

**“Book Entry Bond”** means a Bond issued to and registered in the name of a Depository for the participants in such Depository.

**“Business Day”** means any day other than (i) a Saturday or a Sunday or a legal holiday or (ii) a day on which banking institutions in Chicago, Illinois or New York, New York, are required or authorized by law, regulation or executive order to be closed.

**“Capital Appreciation Bond”** means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

**“Capitalized Interest”** means interest on Bonds payable from money on deposit in the Capitalized Interest Account.

**“Capitalized Interest Account”** means the account within the Proceeds Fund so designated, created and established pursuant to the section of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

**“Chicago Municipal Code”** means the Municipal Code of Chicago, as the same may be amended from time to time.

**“City”** means the City of Chicago, a home rule municipality under Section 6 of Article VII of the Illinois Constitution of 1970.

**“City Proceeds Account”** means the account within the Proceeds Fund so designated, created and established pursuant to the section of the Indenture described herein under “Establishment of Funds and Accounts”.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

**“Corporation”** means the Sales Tax Securitization Corporation, an Illinois not-for-profit corporation, and its successors and assigns.

**“Corporation Expenses”** means all costs, fees and expenses of the Corporation of any kind arising out of or incurred in connection with carrying out and administering its corporate purposes, powers and duties, including, without limitation: salaries; insurance premiums; fees, charges, expenses, regularly scheduled payments, indemnities and other similar charges payable to or for (i) Providers, (ii) auditing, legal, financial and investment advisory and other professional and consulting services, (iii) fiduciaries, paying agents, transfer agents and other agents, (iv) printing, advertisements and publication or other distribution of notices; and (v) any and all other fees, charges and expenses required or permitted to be incurred by the Corporation or required to be paid by the Corporation that are not payable from amounts on deposit in any fund or account established pursuant to the Indenture.

**“Costs of Issuance”** means the items of expense incurred prior to, upon and during a reasonable period of time after issuance of the Secured Obligations of a Series, in each case in connection with the organization and initial operation of the Corporation, and authorization, sale and issuance of the Secured Obligations, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of the Secured Obligations, premiums, fees and charges for insurance on the Secured Obligations, commitment fees or similar charges relating to a Reserve Fund Facility, and other costs, charges and fees in connection with the foregoing.

**“Costs of Issuance Account”** means the account within the Proceeds Fund so designated, created and established pursuant to the section of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

**“Debt Retirement Fund”** means the fund so designated, created and established pursuant to the section of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

**“Debt Service Fund”** means the fund so designated, created and established pursuant to the section of the Indenture described herein under the heading “Establishment of Funds and Accounts”.



**“Debt Service Reserve Deposit Requirement”** means (i) for each required withdrawal from the Debt Service Reserve Fund pursuant to the second paragraph of the section of the Indenture described herein under the heading “Debt Service Fund”, the amount required to cause the amount on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement assuming twelve (12) equal monthly deposits and (ii) for any required deposits to the Debt Service Reserve Fund in connection with the issuance of Additional Bonds, the amounts required to be deposited therein by the Supplemental Indenture authorizing the issuance of such Series of Bonds.

**“Debt Service Reserve Fund”** means the fund so designated, created and established pursuant to the section of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

**“Debt Service Reserve Fund Requirement”** means, with respect to the Initial Bonds, \$0, and with respect to any additional Series of Bonds, the amount of money, if any, required to be deposited in the Debt Service Reserve Fund as provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

**“Defeasance Security”** means:

(i) a Government Obligation (including the interest component of REFCORP bonds for which the separation of principal and interest is made by request of the Federal Reserve Bank of New York in book-entry form), that is not subject to redemption prior to maturity other than at the option of the holder thereof or that has been irrevocably called for redemption on a stated future date; provided that at the time an investment therein is made such Government Obligation is rated in the highest rating category by at least two Rating Services without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation or is rated at least as high as the rating of the US government; and

(ii) a Municipal Obligation (a) that is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Municipal Obligation by the obligor thereof to give due notice of redemption and to call such Municipal Obligation for redemption on the date or dates specified in such instructions and such Municipal Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) the timely payment of the principal or redemption price thereof and interest thereon is fully secured by a fund consisting only of cash or obligations described in clause (i) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Municipal Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (a) above, and (c) that at the time an investment therein is made is rated in the highest rating category by at least two Rating Services without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation.

**“Deferred Income Bond”** means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable as provided in the Supplemental Indenture authorizing issuance of such Bonds.

**“Department of Revenue”** means the Department of Revenue of the State.

**“Depository”** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, or its nominee, or any other person, firm, association or corporation designated in the Supplemental Indenture authorizing a Series of Bonds to serve as securities depository for Bonds of such Series.

**“Determination of Taxability”** means, when used with respect to a Tax Exempt Bond, a final determination by any court of competent jurisdiction or a final determination by the Internal Revenue Service to which the Corporation shall consent or from which no timely appeal shall have been taken, in each case to the effect that interest on such Bond is includable in the gross income of the Holder thereof for purposes of federal income taxation.

**“Direction Letter”** means one or more letters from the City to the Corporation directing the Corporation or the Trustee with respect to the payment of the money in the City Proceeds Account.

**“Electronic Means”** means facsimile transmission, email transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture.

**“Eligible Investments”** means any of the following obligations or securities permitted under the laws of the State and the Chicago Municipal Code:

- (i) Defeasance Securities;
- (ii) interest-bearing general obligations of the United States of America;
- (iii) United States treasury bills and other non-interest bearing general obligations of the United States of America when offered for sale in the open market at a price below the face value of same, so as to afford the Corporation a return on such investment in lieu of interest;
- (iv) short-term discount Government Obligations;
- (v) certificates of deposit of national banks or banks located within the City which are (i) fully collateralized at least 110 percent by marketable Government Obligations marked to market at least monthly, (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State 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 or (iii) insured by the Federal Deposit Insurance Corporation;
- (vi) banker’s acceptances of banks and commercial paper of banks whose senior obligations are rated in the top two short-term rating categories by at least two national rating agencies and maintaining such rating during the term of such investment;
- (vii) tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the Corporation’s tax-exempt debt obligations; and
- (viii) domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission, including any such fund for which the Trustee or any of its affiliates provides any service including any service for which a fee may be paid.

**“Fiscal Year”** means a period of twelve (12) consecutive months beginning January 1 of a calendar year and ending on December 31 of such calendar year.

**“Fitch”** means Fitch Ratings, Inc. and its successors and assigns; *provided, however*, that references in the Indenture to Fitch shall be effective so long as Fitch is a Rating Service.

**“Government Obligation”** means (i) a direct obligation of, or an obligation the timely payment of the principal of and interest on which is guaranteed by, the United States of America, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, Federal Home Loan Banks, the Government National Mortgage Association, the Student Loan Marketing Association, or the Federal Farm Credit System and (ii) an obligation of the United States of America which has been stripped by the United States Department of the Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS” unless the Corporation obtains Rating Confirmation with respect thereto).

**“Home Rule Sales Tax Revenues”** means all amounts payable upon the order of the State Comptroller to or upon the order of the City or the Corporation as transferee resulting from the collection of those taxes imposed by the City pursuant to its home rule powers as currently authorized by the Home Rule Municipal Retailers’ Occupation

Tax Act (65 ILCS 5/8-11-1), the Home Rule Municipal Service Occupation Tax Act (65 ILCS 5/8-11-5), and the Home Rule Municipal Use Tax Act (65 ILCS 5/8-11-6), each as supplemented and amended, or any successor or substitute law, ordinance or other legislation subsequently enacted (which taxes are currently imposed by the City pursuant to Sections 3-40-010, 3-40-430 and 3-28-030, respectively, of the Chicago Municipal Code, as amended), or successor or substitute taxes therefor as provided by law in the future.

“**Indenture**” means the Master Trust Indenture, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms and provisions thereof.

“**Initial Bonds**” means (i) the Sales Tax Securitization Corporation Sales Tax Securitization Bonds, Series 2017A and the Sales Tax Securitization Corporation Sales Tax Securitization Bonds, Taxable Series 2017B, authorized to be issued by a First Supplemental Trust Indenture, dated as of December 1, 2017, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, and (ii) the Sales Tax Securitization Corporation Sales Tax Securitization Bonds, Taxable Series 2017C, authorized to be issued by a Second Supplemental Trust Indenture, dated as of December 1, 2017, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee.

“**Interest Commencement Date**” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Supplemental Indenture authorizing such Bond, after which interest accruing on such Bond shall be payable on the dates succeeding such Interest Commencement Date as specified in the Supplemental Indenture authorizing such Deferred Income Bond.

“**Interest Funding Requirement**” means as of any date 100 % of the interest accrued on all Outstanding Bonds as of the first day of the next succeeding calendar month, calculated based on a 360-day year consisting of twelve (12) 30-day months.

“**Interest Payment Date**” means each January 1 and July 1.

“**KBRA**” means Kroll Bond Rating Agency, Inc. and its successors and assigns; *provided, however*, that references herein to KBRA shall be effective so long as KBRA is a Rating Service.

“**Local Share Sales Tax Revenues**” means all amounts payable upon the order of the State Comptroller to or upon the order of the City or the Corporation as transferee resulting from the collection of those taxes imposed by the State pursuant to the Use Tax Act (35 ILCS 105), the Service Use Tax Act (35 ILCS 110), the Service Occupation Tax Act (35 ILCS 115) and the Retailers’ Occupation Tax Act (35 ILCS 120), each as supplemented and amended, or successor or substitute taxes therefor as provided by law in the future.

“**Maximum Annual Debt Service**” means, as of any particular date of computation, an amount equal to the greatest amount required in the then current or any future Fiscal Year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds payable during such Fiscal Year; *provided, however*, that for purposes of this definition:

(i) the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of interest and principal payable only during the calendar year in which such Capital Appreciation Bond or Deferred Income Bond matures or in which such Sinking Fund Installment is due; and

(ii) Capitalized Interest payable during a Fiscal Year shall be excluded from such calculation.

“**Municipal Obligation**” means a full faith and credit obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision.

**“Operating Cap”** means two hundred fifty thousand dollars (\$250,000).

**“Operating Fund”** means the fund so designated, created and established pursuant to the section of the Indenture described herein under “Establishment of Funds and Accounts”.

**“Outstanding”**, when used in reference to Secured Obligations, means, as of a particular date, all such Secured Obligations authenticated and delivered under the Indenture and under any applicable Supplemental Indenture except:

(i) any Secured Obligations canceled by the Trustee at or before such date;

(ii) any Bonds deemed to have been paid in accordance with the provisions of the Indenture described herein under the heading “Defeasance”;

(iii) any Bond paid pursuant to the Indenture or any Bond in lieu of or in substitution for which another Bond, as applicable, shall have been authenticated and delivered pursuant to the Indenture;

(iv) any Subordinated Indebtedness paid or deemed to have been paid in accordance with the Supplemental Indenture pursuant to which such Subordinated Indebtedness was issued; and

(v) any Subordinated Indebtedness in lieu of or in substitution for which another Subordinated Indebtedness shall have been authenticated and delivered in accordance with the provisions of the Supplemental Indenture pursuant to which such Subordinated Indebtedness was issued.

**“Paying Agent”** means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Indenture or of a Supplemental Indenture.

**“Principal Funding Requirement”** means, as of any date, an amount equal to the sum of the principal and Sinking Fund Installments due on all Outstanding Bonds on the next succeeding Principal Payment Date assuming that such amount was payable in twelve (12) equal monthly installments on the first day of each calendar month ending on such Principal Payment Date.

**“Principal Payment Date”** means each January 1.

**“Proceeds Fund”** means the fund so designated, created and established pursuant to the section of the Indenture described herein under “Establishment of Funds and Accounts”.

**“Provider”** means the provider or issuer of a Reserve Fund Facility.

**“Provider Payments”** means the amount, certified by a Provider to the Trustee, payable to such Provider on account of amounts advanced by it under a Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto.

**“Rating Confirmation”** means the written confirmation of each Rating Service to the effect that the rating assigned, without regard to any insurance or other credit enhancement, to each of the Bonds rated by such Rating Service will remain unchanged and will not be withdrawn, suspended or reduced as a consequence of some act or occurrence.

**“Rating Service”** means as of any particular date of determination each of Fitch, KBRA and S&P, or their respective successors, that then has a rating on Outstanding Bonds assigned at the request of the Corporation, or any nationally recognized statistical rating organization identified as such by the Securities and Exchange Commission that then has a rating on Outstanding Bonds assigned at the request of the Corporation.

**“Record Date”** means, when used in relation to the Bonds of a Series, the date specified as the record date for such Bonds in the Supplemental Indenture authorizing such Bonds.

**“Redemption Price”** when used with respect to a Bond means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Indenture or to the applicable Supplemental Indenture.

**“Refunding Bonds”** shall mean any of the Bonds authorized by the provisions of the Indenture described herein under the heading “Refunding Bonds”;

**“Reserve Fund Facility”** means a surety bond, insurance policy or letter of credit delivered in accordance with the provisions of the Indenture described under the heading “Debt Service Reserve Fund” to meet all or any part of the Debt Service Reserve Fund Requirement, if any, if the same is on the date of delivery issued:

(i) in the case of a surety bond or insurance policy, by an insurance company or association duly authorized to do business in the State and either (A) the claims-paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category by at least two Rating Services; or

(ii) in the case of a letter of credit, by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long-term debt obligations of which, or long-term obligations secured or supported by a letter of credit issued by such person, are rated by at least two Rating Services at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, at least as high as the rating on any unenhanced Outstanding Bond.

**“Residual Certificate”** means an instrument which evidences the right of the holder to be paid any Residual Revenues on deposit in the Residual Fund.

**“Residual Fund”** means the fund so designated, created and established pursuant to the provisions of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

**“Residual Revenues”** means all amounts deposited in the Residual Fund.

**“Responsible Officer”** means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the Trustee within the corporate trust office specified in the Indenture (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the corporate trust office specified in the Indenture because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

**“Sale Agreement”** means the Assignment, Purchase and Sale Agreement, dated as of the date of issuance of the Initial Bonds, by and among the City, the Corporation and the Trustee.

**“Sales Tax Revenues”** means, collectively, the Home Rule Sales Tax Revenues and the Local Share Sales Tax Revenues payable to the Corporation pursuant to the Sale Agreement.

“**S&P**” means S&P Global Ratings and its successors and assigns; *provided, however*, that references in the Indenture to S&P shall be effective so long as S&P is a Rating Service.

“**Secured Obligations**” means collectively, all Bonds and Subordinated Indebtedness.

“**Securitized Sales Tax Revenue Fund**” means the fund so designated, created and established pursuant to the provisions of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

“**Serial Bonds**” means the Bonds so designated in a Supplemental Indenture.

“**Series**” means (i) with respect to Bonds, all of the Bonds authenticated and delivered on original issuance and pursuant to the Indenture and to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions and (ii) with respect to Subordinated Indebtedness, all of the Subordinated Indebtedness authenticated and delivered on original issuance and pursuant to the Indenture and to the Supplemental Indenture authorizing such Subordinated Indebtedness as a separate Series of Subordinated Indebtedness, and any Subordinated Indebtedness thereafter authenticated and delivered in lieu of or in substitution for such Subordinated Indebtedness pursuant to the Supplemental Indenture authorizing such Subordinated Indebtedness, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

“**Sinking Fund Installment**” means, as of any date of computation, the amount of money required to be paid on a single future January 1 for the retirement of any Bonds which mature after said future January 1, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

“**State**” means the State of Illinois.

“**State Entity**” means the State Comptroller, the State Treasurer, or the Department of Revenue.

“**Subordinated Indebtedness**” means any indebtedness of the Corporation whether or not evidenced by any note, bond, debenture or other evidence of indebtedness incurred by the Corporation pursuant to a Supplemental Indenture in furtherance of its corporate purposes, which Subordinated Indebtedness shall be secured by a lien of the Trust Estate that is subject to and subordinate to the first priority lien on the Trust Estate granted to the Holders of Outstanding Bonds and payable from amounts on deposit in the Subordinated Indebtedness Fund.

“**Subordinated Indebtedness Fund**” means the fund so designated, created and established pursuant to the section of the Indenture described herein under the heading “Establishment of Funds and Accounts”.

“**Supplemental Indenture**” means any indenture of the Corporation amending or supplementing the Indenture or any prior Supplemental Indenture executed and becoming effective in accordance with the terms and provisions of Article IX of the Indenture.

“**Tax Exempt Bond**” means any Bond as to which Transaction Counsel has rendered an opinion to the effect that interest on it is excluded from gross income for purposes of federal income taxation.

“**Term Bond**” means a Bond so designated in a Supplemental Indenture and payable from Sinking Fund Installments.

“**Transaction Counsel**” means a nationally recognized bond counsel as may be selected by the Corporation for a specific purpose under the Indenture.

“**Trust Estate**” has the meaning given to such term in the granting clause of the Indenture.

**“Trustee”** means the bank or trust company appointed as Trustee for the Bonds pursuant to the Indenture and having the duties, responsibilities and rights provided for in the Indenture, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Indenture.

**“Valuation Date”** means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Supplemental Indenture authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Supplemental Indenture authorizing such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond.

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## **Summary of Certain Provisions of the Indenture**

The following is a summary of certain provisions of the Indenture. Such summary does not purport to be complete and reference is made to the Indenture for full and complete statements of such and all provisions.

### **Liability under the Series 2018C Bonds**

The Series 2018C Bonds are special obligations of the Corporation payable solely from the Trust Estate, as provided in the Indenture. The Series 2018C Bonds shall not constitute an indebtedness or an obligation of the City, the State or any subdivision thereof within the purview of any constitutional or statutory limitation or provision or a charge against the general credit or taxing powers, if any, of any of them but shall be payable solely from the Sales Tax Revenues deposited with the Trustee.

### **(Indenture Section 2.01)**

#### **Issuance of Bonds**

The issuance of the Initial Bonds and each Series of Additional Bonds shall be authorized by a Supplemental Indenture or Supplemental Indentures, executed by the Corporation and delivered to the Trustee. The Corporation shall, in addition to other requirements of the Indenture deliver to the Trustee: (a) a copy of the Indenture and the Supplemental Indenture authorizing such Bonds, certified by an Authorized Officer of the Corporation; (b) a copy of the Sale Agreement, certified by an Authorized Officer of the Corporation; (c) a copy of the direction of the City to the Director of the Department of Revenue, the State Comptroller and the State Treasurer to pay all Sales Tax Revenues to the Trustee on behalf of the Corporation, which direction shall be irrevocable for so long as any Bonds or Subordinated Indebtedness remains Outstanding; (d) a certificate of an Authorized Officer of the City approving the issuance of the Bonds, including a copy of the ordinance of the City Council of the City authorizing the issuance of such Bonds and approving the amount and terms of such Bonds and the purposes for which the proceeds of such Bonds will be used; (e) if a Reserve Fund Facility is to be provided in connection with the issuance of the Bonds of such Series, such Reserve Fund Facility and the opinion of counsel to the Provider as required by the Indenture; (f) a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Corporation, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds; (g) a certificate of an Authorized Officer of the Corporation stating the amount, if any, required to be in the Debt Service Reserve Fund after issuance of the Bonds then to be issued, and that after deposit in the Debt Service Reserve Fund of the amount, if any, to be deposited therein in connection with the issuance of such Bonds, the amount on deposit in such fund will not be less than the amount then required to be therein; (h) a certificate of an Authorized Officer of the Corporation stating that the Corporation is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture or stating that after the issuance of the Bonds the Corporation will no longer be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture; (i) a certificate of an Authorized Officer of the Corporation setting forth (1) (A) Maximum Annual Debt Service after giving effect to the issuance of the Bonds of such Series (exclusive of Capitalized Interest and Bonds for which provision for the payment thereof has been made in accordance with the Indenture on or prior to the date of issuance of the Bonds then to be issued, including as a result of the issuance of the Bonds then to be issued) and (B) the Operating Cap applicable for each such Fiscal Year and (2) Sales Tax Revenues for the most recently completed Fiscal Year; provided, however, that the Initial Bonds may be issued without satisfying this clause (i); and provided, further, that in connection with the issuance of any Additional Bonds prior to the end of the first full Fiscal Year of the Corporation, Sales Tax Revenues will equal the Home Rule Sales Tax Revenues and the Local Share Sales Tax Revenue that were paid to the City in the most recently completed fiscal year of the City; (j) a certificate of an Authorized Officer which demonstrates that the Sales Tax Revenues set forth in clause (i)(2) above are at least 400% of Maximum Annual Debt Service calculated as set forth in clause (i)(1)(A) above; provided, however, that the Initial Bonds may be issued without satisfying this clause (j); and (k) an opinion of Transaction Counsel to the effect that the Indenture and the applicable Supplemental Indenture authorizing the Series of Bonds have been duly and lawfully authorized, executed and delivered by the Corporation; that the Indenture and the applicable Supplemental Indenture are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms; that the Indenture creates the valid pledge and the valid lien upon the Sales Tax Revenues which it purports to create, subject only to the provisions of the Indenture permitting the withdrawal, payment, setting apart or



appropriation thereof for the purposes and on the terms and conditions set forth in the Indenture and each applicable Supplemental Indenture; and that the Corporation is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Corporation entitled to the benefits of the Indenture.

**(Indenture Section 2.02)**

**Refunding Bonds**

Subject to the provisions of the Indenture, Bonds may be issued by the Corporation for the purpose of refunding any Outstanding Bonds without satisfying the provisions of clauses (i) and (j) of the heading "Issuance of Bonds" above, provided that the Corporation delivers a certificate of an Authorized Officer of the Corporation to the effect that the Corporation projects that the amount payable in any Fiscal Year for the principal and Sinking Fund Installments of and interest on all Outstanding Bonds after giving effect to the issuance of the Refunding Bonds will not be greater than the amount payable during such Fiscal Year for the principal and Sinking Fund Installments of and interest on all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

**(Indenture Section 2.04)**

**Subordinated Indebtedness**

The Corporation reserves the right to incur Subordinated Indebtedness pursuant to a Supplemental Indenture provided that such Subordinated Indebtedness is authorized by an ordinance of the City, which ordinance approves the amount and the terms of such Subordinated Indebtedness and the purposes for which the proceeds of such Subordinated Indebtedness will be used. Subordinated Indebtedness shall be secured by a lien on the Trust Estate that is subject to and subordinate to the first priority lien on the Trust Estate granted to Holders of Outstanding Bonds.

**(Indenture Section 2.05)**

**Residual Certificate**

Subject to the provisions of the Indenture, all amounts in the Residual Fund shall be paid to or on the order of the holder of the Residual Certificate free and clear of the lien of the Indenture. At delivery of the Initial Bonds, the Residual Certificate shall be delivered to, and registered on the books of the Corporation kept by the Trustee in the name of the City.

**(Indenture Section 2.06)**

**Authorization of Redemption**

Bonds subject to redemption prior to maturity pursuant to the Indenture or to a Supplemental Indenture shall be redeemable, in accordance with the Indenture, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Indenture or in the Supplemental Indenture authorizing such Series.

**(Indenture Section 4.01)**

## **Redemption at the Election of the Corporation**

The Series, maturities and principal amounts thereof to be so redeemed shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto contained in the Indenture or in the Supplemental Indenture authorizing such Series. The Corporation shall pay to the Trustee on or prior to the redemption date an amount which, in addition to other amounts available therefor held by the Trustee, is sufficient to redeem on the redemption date at the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, all of the Bonds to be so redeemed.

### **(Indenture Section 4.02)**

## **Redemption Other Than at Corporation's Election**

Whenever by the terms of the Indenture the Trustee is required to redeem Bonds through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of the Series and maturities to be redeemed in the manner provided in the Indenture, give the notice of redemption and pay out of money available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Indenture.

### **(Indenture Section 4.03)**

## **Selection of Bonds to be Redeemed**

Unless otherwise provided in the Supplemental Indenture authorizing the issuance of Bonds of a Series, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in this paragraph) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; *provided, however,* that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

### **(Indenture Section 4.04)**

## **Notice of Redemption**

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Corporation. Such notice shall be given by mailing a copy of such notice not less than twenty (20) days (or, if the Bonds are held by the Depository, in accordance with the rules of the Depository) nor more than sixty (60) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Corporation that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Indenture. Such certificate shall be conclusive evidence

that such notice was given in the manner required by the Indenture. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds.

The Trustee shall, if any of the Bonds to be redeemed are Book Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book Entry Bonds not less than twenty (20) days prior to the redemption at the most recent address therefor, or to any successor thereof (or, if the Bonds are held by the Depository, in accordance with the procedures of the Depository). Such copy shall be sent by first class mail, but mailing such copy shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copy was mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds.

**(Indenture Section 4.05)**

**Pledge of Trust Estate**

The Corporation to secure the payment of the principal and Redemption Price of and interest on the Bonds and Subordinated Indebtedness and performance and observance of all of the covenants and conditions contained in the Indenture or any Supplemental Indentures, has conveyed, granted, assigned, transferred, pledged, set over and confirmed and granted a security interest in and does convey, grant, assign, transfer, pledge, set over and confirm and grant a security interest in, unto the Trustee its successor or successors and its or their assigns forever, with power of sale, the Trust Estate. The Bonds shall be special obligations of the Corporation payable solely from and secured by a pledge of the Trust Estate, which pledge shall constitute a first lien thereon.

The pledge is an agreement between the Corporation and Holders of Bonds and Subordinated Indebtedness to provide security for the Bonds and Subordinated Indebtedness, and is in addition to any statutory lien that may exist.

**(Indenture Section 5.01)**

**Establishment of Funds and Accounts**

The following funds and separate accounts within funds are established by the Indenture and shall be held, in trust, and maintained by the Trustee:

- Proceeds Fund, consisting of:
  - Costs of Issuance Account;
  - Securitized Sales Tax Revenue Fund;
- Debt Service Fund, consisting of:
  - Capitalized Interest Account;
  - Interest Account; and
  - Principal Account;
- Debt Service Reserve Fund;
- Arbitrage Rebate Fund;
- Subordinated Indebtedness Fund; and
- Debt Retirement Fund.

The City Proceeds Account within the Proceeds Fund is established and created by the Indenture and shall be held by the Trustee for the benefit of the City.

The Operating Fund is established and created by the Indenture and shall be held by the Trustee for the benefit of the Corporation.

The Residual Fund is established and created by the Indenture and shall be held by the Trustee for the benefit of the holder of the Residual Certificate.

For purposes of internal accounting, each such fund may contain one or more accounts or subaccounts, as the Corporation may deem proper. All money at any time deposited in any fund, account or subaccount created and pledged by the Indenture or by any Supplemental Indenture or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Indenture.

**(Indenture Section 5.02)**

**Application of Money in the Proceeds Fund**

As soon as practicable after the delivery of each Series of Bonds, there shall be deposited into each account within the Proceeds Fund, the Debt Service Fund and the Debt Service Reserve Fund the amount required to be deposited therein pursuant to the Supplemental Indenture authorizing such Series. The income or interest earned on investments held for the credit of the Proceeds Fund shall be withdrawn by the Trustee, as received, and deposited in the Interest Account of the Debt Service Fund unless otherwise expressly directed by an Authorized Officer of the Corporation.

Money in the City Proceeds Account of the Proceeds Fund shall be paid to or upon the direction of the City in accordance with a Direction Letter. Except as otherwise provided in the Indenture and in any applicable Supplemental Indenture money in the Costs of Issuance Account of the Proceeds Fund shall be used only to pay the Costs of Issuance of the Bonds. Such payments shall be made by the Trustee upon the written direction of an Authorized Officer of the Corporation.

The money remaining in the Proceeds Fund after paying or making provision in accordance with the direction of an Authorized Officer of the Corporation for the payments required to be made pursuant to the previous paragraph of this section, including any Costs of Issuance then unpaid, shall be applied as follows and in the following order of priority:

First: To the Arbitrage Rebate Fund, the amount determined by the Corporation to be required to be deposited therein;

Second: To the Debt Service Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement, if any; and

Third: Any balance remaining, upon the written direction of the City.

**(Indenture Section 5.04)**

**Deposit of Sales Tax Revenues in the Securitized Sales Tax Revenue Fund**

Effective on the date of issuance of the Initial Bonds, the City shall direct the Director of the Department of Revenue, the State Comptroller and the State Treasurer to pay all Sales Tax Revenues to the Trustee on behalf of the Corporation. All Sales Tax Revenues received by the Trustee shall be deposited on a daily basis, if practicable, but in no event more than two (2) Business Days after receipt thereof by the Trustee, into the Securitized Sales Tax Revenue Fund and such amounts shall be applied by the Trustee to fund the deposits set forth in the Indenture.

Any Sales Tax Revenues received by the Corporation shall be promptly (and no event later than two Business Days after receipt) transferred to the Trustee for deposit in the Securitized Sales Tax Revenue Fund.

**Debt Service Fund**

The Trustee shall pay out of the Debt Service Fund the principal and Sinking Fund Installments of and interest on all Outstanding Bonds as the same is due and payable. Amounts paid to a Paying Agent for payments pursuant to this section shall be irrevocably pledged to and applied to such payments.

In the event that on the second Business Day or on any subsequent date preceding any date on which the principal or Sinking Fund Installment of or interest on Outstanding Bonds is due the amount in the Debt Service Fund is less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Bonds due on said date, the Trustee shall withdraw, first, from the Debt Retirement Fund, and then, from the Debt Service Reserve Fund, and deposit to the Debt Service Fund, such amount as will increase the amount therein to an amount sufficient to make such payments; *provided, however*, no amount shall be withdrawn from the Debt Retirement Fund if and to the extent such amount is required to pay the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased.

Notwithstanding the provisions of this section, the Corporation may, at any time subsequent to the first day of any Fiscal Year but in no event less than twenty (20) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with money on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased or otherwise purchased and delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Corporation. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date.

Money in the Debt Service Fund on the last day of each Fiscal Year in excess of the amount required to pay principal or Sinking Fund Installments of or interest on Outstanding Bonds on the next succeeding Principal Payment Date, including the income or interest earned on investment of money in the Debt Service Fund, shall be withdrawn and transferred first, to the Debt Service Reserve Fund in such amount, if any, as may be necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement, second, to the Subordinated Indebtedness Fund, in such amount, if any, as is necessary to make the amount on deposit therein equal to the principal of and interest due and payable on the Subordinated Indebtedness on the next Principal Payment Date and third, any excess remaining may at the direction of the Corporation either be retained therein or transferred to any other fund or account established pursuant to the Indenture; *provided, however*, that if no direction has been given by the Corporation, the excess on the last day of each Fiscal Year shall be transferred by the Trustee to the Residual Fund.

#### **(Indenture Section 5.07)**

#### **Debt Service Reserve Fund**

The Trustee shall deposit to the credit of the Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as shall be prescribed in the Supplemental Indenture authorizing the issuance of such Series of Bonds. If at any time the amount in the Debt Service Reserve Fund is not at least equal to the Debt Service Reserve Fund Requirement, the Corporation shall have no obligation to maintain or restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement other than as expressly provided in the Indenture.

In lieu of or in substitution for money or another Reserve Fund Facility, the Corporation may deliver or cause to be delivered to the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Debt Service Reserve Requirement, if any; *provided, however*, as a condition to delivery thereof (other than upon initial issuance of the Initial Bonds) the Trustee shall also receive (i) a Rating Confirmation, (ii) an opinion of counsel to the Provider acceptable to the Trustee to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Provider thereof and is valid, binding and enforceable in accordance with its terms, (iii) in the event such Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to each Provider and (iv) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute voidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Corporation.

Each such Reserve Fund Facility shall be payable (upon the giving of such notice as may be required thereby) on any date on which money is required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of this section and the provisions of the Indenture described herein under the heading “Transfer of Investments”, in computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

Money held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of the second paragraph of “Debt Service Fund” herein; *provided, however*, that no payment under a Reserve Fund Facility shall be sought unless and until money is not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund pursuant to this paragraph cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; *provided, further*, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time money is to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, *pro rata*, based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of money on the date for which such money is required.

The income or interest earned on investments held for the credit of the Debt Service Reserve Fund shall, at the written direction of the Corporation, be withdrawn by the Trustee and be deposited in the Arbitrage Rebate Fund, the Debt Service Fund, the Subordinated Indebtedness Fund, the Debt Retirement Fund or the Residual Fund in accordance with such direction, *provided, however*, that such amounts shall not be directly deposited to the Residual Fund unless in the opinion of Transaction Counsel such application will not adversely affect the exclusion of interest on any Tax Exempt Bond from gross income for federal income tax purposes. If on June 30 of a Fiscal Year the value of the money, investments and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, if any, such excess shall be withdrawn by the Trustee upon direction of the Corporation and deposited in the Arbitrage Rebate Fund, the Debt Service Fund, the Subordinated Indebtedness Fund, the Debt Retirement Fund or the Residual Fund, in accordance with such direction; *provided, however*, that if no direction has been given by the Corporation, the excess on the last day of each Fiscal Year shall be transferred by the Trustee to the Debt Service Fund; *provided, further*, that such amounts shall not be directly deposited to the Residual Fund unless in the opinion of Transaction Counsel such application will not adversely affect the exclusion of interest on any Tax Exempt Bond from gross income for federal income tax purposes; and *provided, further*, that if such amount results from the substitution of a Reserve Fund Facility for money or investments in the Debt Service Reserve Fund, such amount shall not be so applied unless in the opinion of Transaction Counsel such application will not adversely affect the exclusion of interest on any Tax Exempt Bond from gross income for federal income tax purposes.

Notwithstanding the provisions of the Indenture, if, upon a Bond having been deemed to have been paid in accordance with the provisions of the Indenture described herein under the heading “Defeasance”, the amount held for the credit of the Debt Service Reserve Fund will exceed the Debt Service Reserve Fund Requirement, if any, then the Trustee shall, in accordance with the written direction of an Authorized Officer of the Corporation, withdraw all or any portion of such excess from the Debt Service Reserve Fund and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Corporation or to fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for the payment of such Bond or (ii) pay such amount to, or upon the order of, the Corporation if, in the opinion of Transaction Counsel, such payment will not adversely affect the exclusion of interest on any Tax Exempt Bond from gross income for federal income tax purposes; *provided, however*, that no such withdrawal shall be made if the amount remaining in the Debt Service Reserve Fund following such withdrawal would be less than the Debt Service Reserve Fund Requirement, if any.

**(Indenture Section 5.08)**

## **Arbitrage Rebate Fund**

The Trustee shall deposit to the Arbitrage Rebate Fund any money delivered to it by the Corporation for deposit therein and, notwithstanding any other provisions of the Indenture, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Corporation, money on deposit in any other funds or accounts held by the Trustee under the Indenture at such times and in such amounts as shall be set forth in such directions.

Money on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Corporation to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Corporation shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Money which an Authorized Officer of the Corporation determines to be in excess of the amount required to be so rebated shall be withdrawn and transferred to the Debt Service Reserve Fund in such amount, if any, as may be necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement, if any, and any excess remaining may at the direction of the Corporation either be retained therein or transferred to any other fund or account established pursuant to the Indenture.

If and to the extent required by the Code, the Corporation shall periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to Tax Exempt Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held under the Indenture and deposit to the Arbitrage Rebate Fund, such amount as the Corporation shall have determined to be necessary in order to enable it to comply with its obligation to rebate money to the Department of the Treasury of the United States of America with respect to Tax Exempt Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

### **(Indenture Section 5.09)**

## **Subordinated Indebtedness Fund**

Subject to the Indenture, the Corporation shall deposit in the Subordinated Indebtedness Fund all Sales Tax Revenues paid to the Corporation and all other money not otherwise required by the Indenture to be applied to a purpose other than those of the Subordinated Indebtedness Fund as may be required for payment of Subordinated Indebtedness. The Trustee shall pay out of the Subordinated Indebtedness Fund all amounts required for such payments in accordance with the Supplemental Indenture authorizing the issuance of such Subordinated Indebtedness. Money in the Subordinated Indebtedness Fund that on the last day of each Fiscal Year is in excess of the amount then required by the Indenture to be therein may at the direction of the Corporation either be retained therein or transferred to any other fund or account established pursuant to the Indenture; provided, however, that if no direction has been given by the Corporation, the excess on the last day of each Fiscal Year shall be transferred by the Trustee to the Residual Fund.

### **(Indenture Section 5.10)**

## **Debt Retirement Fund**

Money deposited in the Debt Retirement Fund during any Fiscal Year may during any subsequent Fiscal Year be applied at the direction of an Authorized Officer of the Corporation to the purchase or redemption of Outstanding Bonds or to pay or make provision for payment of Outstanding Bonds in accordance with the Indenture. In no event, however, may the Corporation call for redemption, contract to purchase or make provision for payment of Outstanding Bonds in accordance with the Indenture if at such time the amount on deposit in the Debt Service Fund is less than the amount then required to be on deposit therein. Notwithstanding the foregoing, money in the Debt Retirement Fund not required to pay the Redemption Price or purchase price of Bonds theretofore called for redemption or contracted to be purchased shall, at the direction of an Authorized Officer of the Corporation, be

withdrawn from the Debt Retirement Fund and transferred to the Debt Service Fund or the Arbitrage Rebate Fund at any time money is required for the purposes of such funds.

**(Indenture Section 5.11)**

**Residual Fund**

Amounts deposited in the Residual Fund shall be free and clear of the lien of the Indenture and shall promptly be paid to the holder of the Residual Certificate.

**(Indenture Section 5.12)**

**Application of Moneys in Certain Funds for Retirement of Bonds**

Notwithstanding any other provisions of the Indenture, if at any time the amounts held in the Debt Service Fund, the Debt Service Reserve Fund and the Debt Retirement Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the provisions of the Indenture described in the second paragraph under the heading herein entitled "Defeasance" for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Corporation may (i) direct the Trustee to redeem all such Outstanding Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Indenture and by each Supplemental Indenture as provided in the Indenture, or (ii) give the Trustee irrevocable instructions in accordance with the provisions of the Indenture described in the second paragraph under the heading herein entitled "Defeasance" and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance with the Indenture.

**(Indenture Section 5.13)**

**Transfer of Investments**

Whenever money in any fund or account established under the Indenture is to be paid in accordance with the Indenture to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the money, if any, to be transferred, is at least equal to the amount of the payment then to be made; *provided, however*, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

**(Indenture Section 5.14)**

**Computation of Assets of Certain Funds**

The Trustee shall compute the value of the assets in each fund and account established by the Indenture on the last day of each calendar month (or if such day is not a Business Day, on the immediately preceding Business Day). In addition, the Trustee shall compute the value of the assets of the Debt Service Reserve Fund immediately prior to any withdrawal from the Debt Service Reserve Fund and on the date on which money may be required to be deposited in the Debt Service Reserve Fund pursuant to the Indenture. The Trustee shall promptly notify the Corporation of the results of such computation and the amount by which the amount in the Debt Service Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement, if any.

**(Indenture Section 5.15)**

**Investment of Funds and Accounts Held by the Trustee**

Subject to the limitations set forth in this paragraph, money held under the Indenture, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee in any Eligible Investments in accordance with the



direction of an Authorized Officer of the Corporation given in writing. Money in the Debt Service Fund shall only be invested in Eligible Investments of the type described in clause (i), (ii), (iii) or (iv) of the definition of the term "Eligible Investments" set forth under "Definition of Certain Terms" and such investments shall mature no later than the date on which such moneys are required to be used to pay principal or Sinking Fund Installments of and interest on Bonds when due. Money in the Capitalized Interest Account shall only be invested in Eligible Investments of the type described in clause (i), (ii), (iii) and (iv) of the definition of the term "Eligible Investments" set forth under "Definition of Certain Terms" and such investments shall mature no later than the date on which such moneys are required to be used to pay interest on Bonds when due. No investment of money in the Debt Service Reserve Fund shall mature more than five years after the date such investment is purchased or made unless the Corporation shall direct the Trustee to put or tender such investment not later than one Business Day prior to each December 15 and June 15 prior to the investment's stated maturity date for (x) purchase at a price not less than one hundred percent (100%) of the stated principal amount of such investment by the issuer or an entity whose senior unenhanced long-term debt obligations are rated by at least two Rating Services at least as high as the rating assigned by such Rating Services on the Corporation's Outstanding unenhanced Bonds without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation or (y) redemption by the issuer at a price not less than one hundred percent (100%) of the stated principal amount thereof.

#### **(Indenture Section 6.01)**

##### **Payment of Principal and Interest**

The Corporation shall pay or cause to be paid every Bond, including interest thereon, on the dates and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

#### **(Indenture Section 7.01)**

##### **Corporate Existence**

The Corporation shall maintain its existence as an Illinois not-for-profit corporation and shall not amend its articles of incorporation in any manner that would have the effect of expanding its corporate purposes or restricting the corporate action for which the affirmative vote of an independent director is required.

#### **(Indenture Section 7.05)**

##### **Accounts and Audits**

The Corporation shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Corporation by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Corporation, shall be subject to the inspection of the City, the Trustee, each Provider or of any Holder of a Bond or a representative of any of the foregoing duly authorized in writing. The Corporation shall cause such books and accounts to be audited annually after the end of its fiscal year by an independent certified public accounting firm selected by the Corporation. Annually within thirty (30) days after receipt by the Corporation of the report of such audit, a signed copy of such report shall be furnished to the Trustee and to the City.

#### **(Indenture Section 7.06)**

## **Creation of Liens**

Except as permitted by the Indenture, the Corporation shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the Trust Estate; *provided, however*, that nothing contained in the Indenture, shall prevent the Corporation from incurring Subordinated Indebtedness that is secured by a lien or charge on the Subordinated Indebtedness Fund that is subject and subordinate to the lien or charge thereon created by the Indenture.

### **(Indenture Section 7.07)**

## **Offices for Payment and Registration of Bonds**

The Corporation shall at all times maintain an office or agency in the State where Bonds may be presented for payment, which office or agency may be at or through the designated corporate trust office of the Trustee. The Corporation may, pursuant to a Supplemental Indenture, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Corporation shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this section are subject to the provisions of the Indenture.

### **(Indenture Section 7.09)**

## **Amendments, Waivers, Etc.**

Except as otherwise provided in the Indenture, the Sale Agreement may not be amended, changed, modified or terminated, or any provision thereof waived, without the consent of the Holders of Outstanding Bonds as provided in the Indenture, if such amendment, change, modification, termination or waiver (i) reduces the amount payable to the Corporation thereunder or delays the date on which amounts are payable, (ii) waives or surrenders any right of the Corporation or (iii) modifies, diminishes, limits or conditions the rights of the Corporation thereunder, or the remedies which upon the occurrence of a default may be exercised by the Corporation thereunder.

No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of the Series so affected and then Outstanding; *provided, however*, that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section.

The Sale Agreement may be amended, changed or modified or any provision thereof waived in any other respect without the consent of the Holders of Outstanding Bonds if the same does not adversely affect the Holders of Bonds in any material respect, except that no amendment, change, modification or alteration thereof to cure any ambiguity or defect or inconsistent provision therein or to insert such provisions clarifying matters or questions arising thereunder as are necessary shall be made unless such amendment, change, modification or waiver is not contrary to or inconsistent with the provisions thereof as theretofore in effect and unless consented to by the Trustee.

No amendment, change, modification or termination of the Sale Agreement or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties thereto. No such amendment, change, modification or waiver shall become effective unless there has been delivered to the Trustee an opinion of Transaction Counsel to the effect that the same is not inconsistent with the Indenture and will not adversely affect the exclusion of interest on any Tax Exempt Bond from gross income for purposes of federal income taxation. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee.

For the purposes of this section, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Corporation, may consent to an amendment, change,

modification, termination or waiver permitted by this section with the same effect as a consent given by the Holder of such Bonds.

For the purposes of this section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee shall be entitled conclusively to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee and the Corporation, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

**(Indenture Section 7.10)**

**Budget of Corporation Expenses**

Annually, the Corporation shall present a budget of Corporation Expenses made or to be made for such Fiscal Year. The budget of the Corporation Expenses may be amended by the Corporation from time to time. Each such budget of the Corporation Expenses or amendment thereto shall be filed by the Corporation with the Trustee and the City and shall be accompanied by a certificate signed by an Authorized Officer of the Corporation stating that such budget has been prepared and is filed in accordance with the provisions of this section.

**(Indenture Section 7.11)**

**Payment of Lawful Charges**

The Corporation shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon the Trust Estate, when the same shall become due. Except as otherwise expressly permitted by the Indenture, the Corporation shall not create or suffer to be created any lien or charge upon the Trust Estate, except the pledge and lien created or permitted by the Indenture.

**(Indenture Section 7.12)**

**Enforcement of Rights**

The Corporation shall diligently commence and pursue any and all actions (i) to enforce its rights under the Sale Agreement and (ii) to enforce the City's obligations under the Sale Agreement. If the Corporation fails to enforce its rights and the City's obligations under the Sale Agreement, pursuant to the provisions of the Indenture described below under the heading "Enforcement of Remedies", the Trustee shall have the right to enforce such rights and obligations, including the City's non-impairment covenant pursuant to Section 6.01 of the Sale Agreement.

**(Indenture Section 7.13)**

**Transfer of Residual Certificate**

The Corporation will include a restriction on the transfer of the Residual Certificate to the effect that the Residual Certificate may not be transferred by the holder thereof to another person unless the Corporation and the City have received an opinion of Transaction Counsel that such transfer will not adversely affect the exclusion of interest on any Tax Exempt Bond from gross income of the Holder thereof for purposes of federal income taxation.

**(Indenture Section 7.14)**

## **Tax Covenant**

The Corporation covenants that it shall not take any action, or fail to take any action, that would cause the Corporation to either lose its status as an “on behalf of” issuer of municipal obligations for federal income tax purposes or cause interest on the Tax Exempt Bonds to become includable in gross income for federal income tax purposes.

### **(Indenture Section 7.16)**

#### **Agreement of the City**

Pursuant to the Sale Agreement, the Corporation has included in the Indenture, for the benefit of the Bondholders, that the City shall take no action that would in any way materially adversely (A) impair the Corporation’s right to receive the Sales Tax Revenues, (B) limit or alter the rights vested in the Corporation to fulfill the terms of its agreements with the Bondholders, or (C) impair the rights and remedies of the Bondholders or the security for the Bonds until the Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of the Bondholders, are fully paid and discharged.

The Corporation acknowledges that the City’s pledge and agreement is an important security provision of the Indenture and the Bonds, and, to the fullest extent permitted by applicable federal or State law, the Corporation waives any right to assert any claim to the contrary and agrees that it will neither, directly or indirectly, assert nor support any assertion or claim made by or on behalf of the City, or by any other person, to the contrary.

### **(Indenture Section 7.17)**

#### **Agreement of the State**

In the Act, the State pledges to and agrees with the City and the Corporation that the State will not limit or alter the rights and powers vested in any State Entity by the Act with respect to the disposition of the Sales Tax Revenues so as to impair the terms of the Sale Agreement or the Indenture until all requirements with respect to the deposit by such State Entity of Sales Tax Revenues have been fully paid and discharged. In addition, in the Act the State pledges to and agrees with the City and the Corporation that the State will not limit or alter the basis on which the Sales Tax Revenues are derived, or the use of the Sales Tax Revenues, so as to impair the terms of the Sale Agreement or the Indenture.

The Corporation acknowledges that the State’s pledge and agreement is an important security provision of the Indenture and the Bonds, and, to the fullest extent permitted by applicable federal or State law, the Corporation waives any right to assert any claim to the contrary and agrees that it will neither, directly or indirectly, assert nor support any assertion or claim made by or on behalf of the State, or by any other person, to the contrary.

### **(Indenture Section 7.18)**

#### **Modification and Amendment without Consent**

The Corporation may execute and deliver at any time or from time to time Supplemental Indentures: (a) to provide for the issuance of a Series of Bonds pursuant to the provisions of the Indenture and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed; (b) to provide for the issuance of Subordinated Indebtedness and to prescribe the terms and conditions pursuant to which such Subordinated Indebtedness may be issued, paid or redeemed, the creation of any additional funds and accounts required for the payment or security thereof, and the provision of any additional rights and remedies applicable thereto; provided, however, that in no event shall the provisions of such Supplemental Indenture provide for any additional rights or remedies that are inconsistent with the provisions of the Indenture relating to the first priority security interest granted to the Holders of Bonds and the rights and remedies applicable thereto for so long as any such Bonds remain Outstanding; (c) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Secured Obligations, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Indenture; (d) to prescribe further

limitations and restrictions upon the issuance of Secured Obligations and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (e) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Indenture; (f) to confirm, as further assurance, any pledge under the Indenture, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Indenture, of the Sales Tax Revenues, or any pledge of any other money, investments thereof or funds; (g) to modify any of the provisions of the Indenture or any previously adopted Supplemental Indenture to accommodate the issuance of Subordinated Indebtedness provided that such modifications do not materially and adversely affect the rights of any of the Holders of Bonds; (h) to modify any of the provisions of the Indenture or of any previously adopted Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Secured Obligations of any Series of Secured Obligations Outstanding as of the effective date of such Supplemental Indenture shall cease to be Outstanding, and all Secured Obligations issued under such Supplemental Indentures shall contain a specific reference to the modifications contained in such subsequent Supplemental Indenture; (i) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Indenture or to insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Indenture as theretofore in effect, or to modify any of the provisions of the Indenture or of any previous Supplemental Indenture in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders or holders of Subordinated Indebtedness in any material respect; or (j) to modify any of the provisions of the Indenture or of any previously adopted Supplemental Indenture in any other respects, provided that such modifications shall not be effective unless there has been delivered to the Trustee (i) a Rating Confirmation and (ii) an opinion of Transaction Counsel to the effect that the same is not inconsistent with the Indenture and will not adversely affect the exclusion of interest on any Tax Exempt Bond from gross income for purposes of federal income taxation.

#### **(Indenture Section 9.01)**

##### **Supplemental Indentures Effective with Consent of Bondholders**

The provisions of the Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture, subject to the consent of the Bondholders in accordance with and subject to the provisions of the Indenture, such Supplemental Indenture to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation.

#### **(Indenture Section 9.02)**

##### **General Provisions Relating to Supplemental Indentures**

The Indenture shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Indenture. Nothing contained in the general provisions relating to the Supplemental Indentures shall affect or limit the rights or obligations of the Corporation to make, do, execute or deliver any Supplemental Indenture, act or other instrument pursuant to the provisions of the Indenture or the right or obligation of the Corporation to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Indenture provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Supplemental Indenture, when filed with the Trustee, shall be accompanied by an opinion of Transaction Counsel stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and is valid and binding upon the Corporation and enforceable in accordance with its terms.

The Trustee is authorized by the Indenture to accept delivery of a certified copy of any Supplemental Indenture permitted or authorized pursuant to the provisions of the Indenture and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Transaction Counsel that such Supplemental Indenture is authorized or permitted by the provisions thereof.

No Supplemental Indenture changing, amending or modifying any of the rights or obligations of the Trustee shall become effective without the written consent of the Trustee.

The Corporation, as soon as practicable after a Supplemental Indenture changing, amending or modifying any provisions of the Indenture has become effective, shall give written notice thereof to each Rating Service.

### **(Indenture Section 9.03)**

#### **Powers of Amendment**

Except as provided by the provisions of the Indenture described above under the heading “Modification and Amendment without Consent”, any modification or amendment of the Indenture and of the rights and obligations of the Corporation and of the Holders of the Bonds under the Indenture, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the provisions of the Indenture described herein under the heading “Consent of Bondholders”, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the amount or date of any Sinking Fund Installment, the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this section, a Series 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 Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Transaction Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment.

### **(Indenture Section 10.01)**

#### **Consent of Bondholders**

The Corporation may at any time execute and deliver a Supplemental Indenture making a modification or amendment permitted by the provisions of the Indenture described herein under the heading “Powers of Amendment” to take effect when and as provided in this section. Upon the adoption of such Supplemental Indenture, a copy thereof, certified by an Authorized Officer; shall be filed with the Trustee for the inspection of the Holders of Bonds. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved in writing by the Trustee) together with a request to Holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed or distributed by Electronic Means by the Corporation to each affected Holder of Bonds. Such Supplemental Indenture shall not become effective until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the provisions of the Indenture described herein under the heading “Powers of Amendment” and (b) an opinion of Transaction Counsel stating that such Supplemental Indenture has been duly and lawfully executed, delivered and filed by the Corporation in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this section provided. Any such consent shall be binding upon the Holder of the Bonds giving such consent and on any subsequent Holder of such Bonds (whether or not such subsequent Holder has notice thereof). At any time after the Holders of the required percentages of Bonds shall have filed their consent to the Supplemental Indenture, notice, stating in substance that the Supplemental Indenture has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to the Bondholders by mailing such notice to Bondholders. The

Corporation shall file with the Trustee proof of giving such notice. Such Supplemental Indenture shall be deemed conclusively binding upon the Corporation and the Holders of all Bonds at the expiration of sixty (60) days after the filing with the Trustee of the proof of the mailing of such notice, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in legal action or equitable proceeding commenced for such purpose within such sixty day period; provided, however, that the Corporation during such sixty day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as it may deem expedient.

**(Indenture Section 10.02)**

**Modifications by Unanimous Consent**

The terms and provisions of the Indenture and the rights and obligations of the Corporation and of the Holders of the Bonds may be modified or amended in any respect upon the execution, delivery and filing with the Trustee by the Corporation of a copy of a Supplemental Indenture certified by an Authorized Officer of the Corporation and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Indenture.

**(Indenture Section 10.03)**

**Events of Default**

An event of default under the Indenture and under each Supplemental Indenture (herein called "event of default") shall include: (a) payment of the principal or Redemption Price of any Bond shall not be made by the Corporation when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or (b) payment of an installment of interest on any Bond shall not be made by the Corporation when the same shall become due and payable; or (c) the Corporation shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Indenture or in the Bonds or in any Supplemental Indenture on the part of the Corporation to be performed and such default shall continue for ninety (90) days after written notice specifying such default and requiring same to be remedied shall have been given to the Corporation by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is capable of being cured but is not capable of being cured within ninety (90) days, the Corporation has commenced to cure such default within said ninety (90) days and diligently prosecutes the cure thereof; or (d) the Corporation shall (1) generally not be paying its debts as they become due, (2) commence a voluntary case or other proceeding seeking liquidation, reorganization, dissolution, rehabilitation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, (3) make a general assignment for the benefit of its creditors, (4) declare a moratorium or, (5) take any corporate action to authorize any of the foregoing; or (e) a trustee in bankruptcy, custodian or receiver for the Corporation or any substantial part of its property shall have been appointed and the same has not been discharged within ninety (90) days after such appointment.

**(Indenture Section 11.01)**

**No Acceleration With Respect to the Secured Obligations**

There shall be no right of acceleration with respect to the Secured Obligations.

**(Indenture Section 11.02)**

## **Enforcement of Remedies**

Upon the happening and continuance of any event of default specified in the Indenture, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds, shall proceed (subject to the provisions of the Indenture), to protect and enforce its rights and the rights of the Bondholders thereunder or under any Supplemental Indenture or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained thereunder or under any Supplemental Indenture or in aid or execution of any power therein granted, or for an accounting against the Corporation as if the Corporation were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the enforcement of its rights and remedies, as assignee, under any agreement assigned to it under the Indenture, including but not limited to the Sale Agreement, and of its rights and obligations under the Act.

In the enforcement of any remedy under the Indenture and under each Supplemental Indenture the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Corporation for principal or interest or otherwise under any of the provisions of the Indenture or of any Supplemental Indenture or of the Bonds, with interest on overdue payments of the principal or of interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under any Supplemental Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Corporation but solely as provided in the Indenture, in any Supplemental Indenture and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the money adjudged or decreed to be payable.

Anything in the Indenture to the contrary notwithstanding, neither the Trustee nor any Bondholder shall have any right in or to any proceeds derived from the issuance of Bonds held in the City Proceeds Account or otherwise paid to the City and no action or proceeding shall be maintained to enforce any claim to any such proceeds. Each Bondholder by purchase of its Bonds waives any right in or to any proceeds derived from the issuance of Bonds held in the City Proceeds Account or otherwise paid to the City or at the direction of the City pursuant to a Direction Letter and the right to maintain any action or proceeding to enforce any claim to any such proceeds.

### **(Indenture Section 11.03)**

#### **Limitation of Rights of Individual Bondholders**

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture, or for any other remedy under the Indenture unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than a majority in principal amount of the Outstanding Bonds, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their 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.

### **(Indenture Section 11.07)**

#### **Agreement to Subordinate**

All Subordinated Indebtedness shall be subordinated, to the extent and in the manner provided in the Indenture, to the prior payment of the principal of and interest on the Bonds then due and payable. No Holder of Bonds shall be prejudiced in his right to enforce subordination of the Subordinated Indebtedness by any act or failure to act on the part of the Trustee. All rights and remedies of Subordinated Indebtedness holders not contained in the



Indenture will be set forth in the Supplemental Indenture authorizing such Subordinated Indebtedness and shall be subject to the provisions and limitations set forth in the Indenture.

### **(Indenture Section 11.12)**

#### **Defeasance**

If the Corporation shall pay or cause to be paid to the Holders of Bonds of a Series the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Indenture, and in the applicable Supplemental Indenture, then the pledge of the Trust Estate and all other rights granted by the Indenture to such Bonds shall be discharged and satisfied.

Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee (through deposit of money for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the previous paragraph if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Indenture notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient in the judgment of a nationally recognized verification agent to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which money is to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds and (iv) in the event of a defeasance of a Tax Exempt Bond, the Corporation shall have delivered to the Trustee an opinion of Transaction Counsel to the effect that said Bond having been deemed to have been paid as provided in the Indenture would not (A) cause said Bond to be considered to have been "reissued" for purposes of Section 1001 of the Code and (B) adversely affect the exclusion of interest on such Tax Exempt Bond from gross income for purposes of federal income taxation. The Corporation shall give written notice to the Trustee of its selection of the Series and maturity payment of which shall be made in accordance with this section. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with this section in the manner provided in the section of the Indenture described herein under the heading "Selection of Bonds to be Redeemed". Neither the Defeasance Securities nor money deposited with the Trustee pursuant to this section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; *provided, however*, that any money received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such money so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: First, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Corporation; second, to each Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to

each Provider; and, then, the balance thereof to the Corporation. The money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Indenture.

**(Indenture Section 12.01)**

**No Recourse under Indenture or on the Bonds**

All covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Corporation and not of any member, officer or employee of the Corporation, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claims based thereon, on the Indenture or on the Supplemental Indenture against any member, officer or employee of the Corporation or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds.

**(Indenture Section 14.04)**

**Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds**

For the purposes of receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, the then current Accreted Value of such Bond shall be deemed to be its principal amount. In computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Corporation, the City or the Trustee any notice, consent, request, or demand pursuant to the Indenture for any purpose whatsoever, the Accreted Value of such Bond as at the immediately preceding Valuation Date shall be deemed to be its principal amount. Notwithstanding any other provision of the Indenture, the amount payable at any time with respect to the principal of and interest on any Capital Appreciation Bond shall not exceed the Accreted Value thereof at such time. For purposes of receiving payment of the Redemption Price or principal of a Capital Appreciation Bond called for redemption prior to maturity, the difference between the Accreted Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds of the Series of which it is a part were first issued shall be deemed not to be accrued and unpaid interest thereon.

For the purposes of receiving payment of the Redemption Price if a Deferred Income Bond is redeemed, the then current Appreciated Value of such Bond shall be deemed to be its principal amount. In computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Corporation or the Trustee any notice, consent, request, or demand pursuant to the Indenture for any purpose whatsoever, the Appreciated Value of such Bond as at the immediately preceding Valuation Date shall be deemed to be its principal amount. Notwithstanding any other provision of the Indenture, the amount payable at any time prior to the Interest Commencement Date with respect to the principal of and interest on any Deferred Income Bond shall not exceed the Appreciated Value thereof at such time. For purposes of receiving payment prior to the Interest Commencement Date of the Redemption Price, the difference between the Appreciated Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds were first issued shall be deemed not to be accrued and unpaid interest thereon.

**(Indenture Section 14.07)**

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## APPENDIX D

### SUMMARY OF REFINANCED OBLIGATIONS

The following is a list of the general obligation bonds issued by the City of Chicago that will be refunded with a portion of the proceeds of the Series 2018C Bonds. The following is subject to change and subject to delivery of the required redemption notices. The CUSIP numbers are provided for convenience and no representation is made with respect to the accuracy of such CUSIP number. All of the bonds listed below are the Refinanced Obligations described in "PLAN OF FINANCE".

Series	CUSIP Number	Maturity Date	Interest Rate (%)	Outstanding Principal (\$)	Principal Refunded (\$)	Redemption Date	Redemption Price
NA21-2003	167485-3P4	01/01/33 <sup>(1)</sup>	5.000	8,250,000	8,250,000	12/20/18	100.000
2005B	167486-YT0	01/01/26	5.000	5,095,000	5,095,000	12/20/18	100.000
2005B	167485-HU8	01/01/27	5.000	25,320,000	25,320,000	12/20/18	100.000
2005B	167485-HV6	01/01/28	5.000	26,385,000	26,385,000	12/20/18	100.000
2005B	167485-HW4	01/01/29	5.000	20,320,000	20,320,000	12/20/18	100.000
2005B	167485-HX2	01/01/30	5.000	16,010,000	16,010,000	12/20/18	100.000
2006A	167485-RF0	01/01/27	5.000	11,640,000	11,640,000	12/20/18	100.000
2006A	167485-RG8	01/01/28	5.000	10,005,000	10,005,000	12/20/18	100.000
2007A	167485-C74	01/01/23	5.000	18,320,000	18,320,000	12/20/18	100.000
2007A	167485-D73	01/01/33	4.500	2,480,000	2,480,000	12/20/18	100.000
2007A	167485-D81	01/01/33 <sup>(1)</sup>	5.000	38,955,000	29,520,000	12/20/18	100.000
2007A	167485-D65	01/01/32 <sup>(1)</sup>	5.000	76,415,000	60,735,000	12/20/18	100.000
2007C	167485-R78	01/01/26	5.000	22,970,000	22,970,000	12/20/18	100.000
2008A	167485-5Q0	01/01/27	5.250	12,700,000	12,700,000	12/20/18	100.000
2008A	167485-5R8	01/01/28	5.250	13,370,000	13,370,000	12/20/18	100.000
2008A	167485-5T4	01/01/33 <sup>(1)</sup>	5.250	54,980,000	54,980,000	12/20/18	100.000
2008A	167485-5U1	01/01/37 <sup>(1)</sup>	5.250	49,695,000	49,695,000	12/20/18	100.000
2008C	167486-DA4	01/01/23	5.000	9,780,000	9,540,000	01/01/19	100.000
2008C	167486-DC0	01/01/24	5.000	19,185,000	18,710,000	01/01/19	100.000
2008C	167486-DG1	01/01/26	5.000	14,610,000	14,245,000	01/01/19	100.000
2008C	167486-DJ5	01/01/27	5.000	15,830,000	15,435,000	01/01/19	100.000
2008C	167486-DL0	01/01/28	5.000	11,285,000	11,005,000	01/01/19	100.000
2008C	167486-DM8	01/01/29	5.000	18,925,000	18,455,000	01/01/19	100.000
2008C	167486-DS5	01/01/34 <sup>(1)</sup>	5.000	121,115,000	92,045,000	01/01/19	100.000
2008C	167486-DT3	01/01/40 <sup>(1)</sup>	5.000	109,105,000	106,395,000	01/01/19	100.000
Total Refunded Par					673,625,000		

Note <sup>(1)</sup> Maturity Date shown is the final mandatory redemption date of a Term Bond

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**APPENDIX E**

**SALES TAX SECURITIZATION CORPORATION  
FINANCIAL STATEMENTS**

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# Sales Tax Securitization Corporation

(A Component Unit of the City of Chicago, Illinois)

Basic Financial Statements as of December 31,  
2017 and for the period from October 17, 2017  
(Date of Inception) to December 31, 2017, and  
Independent Auditors' Report

**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors of the  
Sales Tax Securitization Corporation  
City of Chicago, Illinois:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sales Tax Securitization Corporation (the "Corporation"), a component unit of the City of Chicago, Illinois (the "City"), as of December 31, 2017 and for the period from October 17, 2017 (Date of Inception) to December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corporation, as of December 31, 2017, and the respective changes in financial position thereof for the period from October 17, 2017 (Date of Inception) to December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

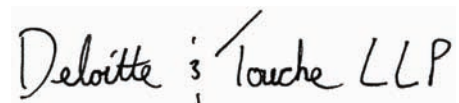
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The image shows a handwritten signature in black ink that reads "Deloitte Touche LLP". The signature is written in a cursive, flowing style. The word "Deloitte" is on the left, followed by a vertical line, then "Touche" and "LLP" on the right.

June 29, 2018

**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF DECEMBER 31, 2017 AND FOR THE PERIOD FROM OCTOBER 17, 2017**  
**TO DECEMBER 31, 2017**  
**(Amounts in thousands, except as otherwise noted)**

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The following is a narrative overview and analysis of the financial activities of the Sales Tax Securitization Corporation (the "STSC" or the "Corporation") as of December 31, 2017 and for the period from October 17, 2017 (Date of Inception) to December 31, 2017. It should be read in conjunction with the STSC's government-wide financial statements, governmental funds financial statements and the notes to the basic financial statements. This report is made up of three sections: (1) management's discussion and analysis (this section); (2) basic financial statements; and (3) the statistical section. The basic financial statements consist of three parts: (1) the government-wide financial statements; (2) the governmental funds financial statements; and (3) the notes to the basic financial statements.

The government-wide financial statements, which include the statement of net position and the statement of activities, are presented to display information about the Corporation as a whole, in accordance with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). This is to provide the reader with a broad overview of the STSC's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The STSC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which are recognized when due.

The reconciliations of the governmental funds balance sheet to the statement of net position and the reconciliations of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

**Financial Highlights and Overall Analysis—Government-Wide Financial Statements**

On December 14, 2017, the STSC issued \$743.7 million of bonds (the "2017 Bonds") to provide funds for the Corporation to use, along with the proceeds of any additional bonds issued by the STSC, to purchase from the City of Chicago (the "City") all of the City's right, title and interest in and to certain sales tax revenue collected by the State of Illinois (the "State") pursuant to a sale agreement authorized by Division 13 of Article 8 of the Illinois Municipal Code (the "Sales Tax Revenues"). The Sales Tax Revenues consist of (a) revenues resulting from collection of three separate taxes (collectively, the "Home Rule Sales Tax Revenues") imposed by the City pursuant to its home rule powers and authority granted by State statute and (b) revenues resulting from the collection of four separate taxes (collectively, the "Local Share Sales Tax

Revenues”) imposed by the State. The proceeds from the 2017 Bonds were applied by the City to refund all of the outstanding City of Chicago Sales Tax Revenue Bonds and refund certain of the City’s outstanding general obligation bonds.

The following summarizes the activities of the STSC for the period from October 17, 2017 (Date of Inception) to December 31, 2017:

Revenues—	
Sales Tax revenue	<u>\$176,994</u>
 Total Revenues	 <u>176,994</u>
Expenses:	
Payment to the City of Chicago	150,810
Amortization of Deferred Outflows	2,052
Interest and Other Fiscal Charges	2,747
Other	<u>10</u>
 Total Expenses	 <u>155,619</u>
 Change in net position	 21,375
Net position — Beginning of period	<u>-</u>
 Net position — End of period	 <u>\$ 21,375</u>

The STSC’s revenues for fiscal year 2017 were comprised of Sales Tax Revenues earned from October 17, 2017 to December 31, 2017. Expenses were primarily comprised of payments of residual Sales Tax Revenues to the City.

The following summarizes the STSC’s assets, liabilities, and net position as of December 31, 2017:

Assets—	
Non-capital	<u>\$ 177,419</u>
Total Assets	<u>177,419</u>
Deferred outflows	<u>769,064</u>
Total Assets and Deferred Outflows	<u>946,483</u>
Liabilities:	
Current liabilities	151,176
Long-term liabilities	<u>773,932</u>
Total Liabilities	<u>925,108</u>
Net Position—	
Restricted for debt service	21,135
Unrestricted	<u>240</u>
Total net position	<u>\$ 21,375</u>

As of December 31, 2017, the STSC’s assets consisted primarily of Sales Tax Revenues receivable from the State.

The STSC’s liabilities are almost entirely composed of residual Sales Tax Revenues payable to the City, 2017 Bonds payable, and unamortized original issue premium. Information on STSC’s long-term liabilities can be found in Note 3 of this report.

The deferred outflows of resources reported in fiscal year 2017 represent the unamortized portion of the 2017 Bonds proceeds sold by the Corporation to the City in exchange for the Sales Tax Revenue. The deferred outflows will be amortized over the life of the 2017 Bonds.

**Financial Highlights and Overall Analysis—Governmental Funds Financial Statements**

The STSC reports governmental activity using two funds: (1) a general fund (“GF”) and (2) a debt service fund (“DSF”).

The following summarizes the changes in the GF fund balances for the period from October 17, 2017 (Date of Inception) to December 31, 2017:

General Fund	
Revenues:	
Sales tax revenue	<u>\$151,060</u>
Total revenues	<u>151,060</u>
Expenditures:	
General and administrative	10
Payments to City	<u>150,810</u>
Total expenditures	<u>150,820</u>
Net change in fund balances	240
Fund balances—Beginning of period	<u>-</u>
Fund balances—End of period	<u>\$ 240</u>

GF revenues were entirely composed of Sales Tax Revenues. Amounts not withheld for operations will be returned to the City ("Payments to City").

The following summarizes the changes in the fund balances of the STSC's DSF for the period from October 17, 2017 (Date of Inception) to December 31, 2017:

Revenues:	
Sales Tax Revenue	<u>\$ 25,934</u>
Total Revenues	25,934
Expenditures:	
Interest and other fiscal charges	6,467
Amortization of deferred outflows	<u>2,052</u>
Total Expenditures	<u>8,519</u>
Other financing sources	
Bond proceeds	743,735
Premium on bonds	<u>33,917</u>
Total other financing sources	<u>777,652</u>
Net change in fund balances	795,067
Fund balances—Beginning of period	<u>-</u>
Fund balances—End of period	<u>\$795,067</u>

DSF revenues were entirely composed of Sales Tax Revenues. Expenditures were composed of interest and other fiscal charges and amortization of the deferred outflows related to the issuance of the 2017 Bonds.

The following summarizes the GF assets, liabilities and fund balances as of December 31, 2017:

Assets:	
Sales tax receivable	<u>\$151,060</u>
Total assets	<u>151,060</u>
Liabilities:	
Accounts payable	<u>150,820</u>
Total liabilities	<u>150,820</u>
Fund balances:	
Unassigned	<u>240</u>
Total fund balances	<u>240</u>
Total liabilities and fund balances	<u>\$151,060</u>

The GF assets at December 31, 2017 totaled approximately \$151.1 million. They were composed entirely of Sales Tax Revenues receivable from the State. Liabilities were composed primarily of residual Sales Tax Revenues not needed for operations or debt service and payable to the City.

The following summarizes the STSC's DSF assets, liabilities, and fund balances as of December 31, 2017:

Assets:	
Cash	\$ 325
Sales Tax Receivable and Other Assets	<u>26,034</u>
Total assets	26,359
Deferred outflows	<u>769,064</u>
Total assets and deferred outflows	<u>795,423</u>
Liabilities:	
Accounts payable	<u>356</u>
Total liabilities	<u>356</u>
Fund balances:	
Restricted for debt service	26,004
Nonspendable	<u>769,063</u>
Total fund balances	<u>795,067</u>
Total liabilities and fund balances	<u>\$795,423</u>

At December 31, 2017, the STSC's DSF assets consisted of cash equivalents restricted for payment of cost of issuance related to the 2017 Bonds and Sales Tax Revenues receivable restricted for debt service payments. The Sales Tax Revenues receivable restricted for debt service at year-end reflects the amount of bond interest due on July 1 of the following fiscal year. The deferred outflows of resources represent the unamortized portion of the 2017 Bonds proceeds sold by the Corporation to the City in exchange for the Sales Tax Revenue. The deferred outflows will be amortized over the life of the 2017 Bonds.

At December 31, 2017, the STSC had credit ratings for its Sales Tax Securitization Bonds with three of the major rating agencies as follows:

<b>Fitch</b>	<b>Kroll</b>	<b>Standard &amp; Poor's</b>
AAA	AAA	AA

This financial report is designed to provide a general overview of the STSC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to the Sales Tax Securitization Corporation, 55 E Monroe Street, Suite 3800, Chicago, Illinois 60603.



**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017**  
**(Amounts in thousand)**

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ASSETS:

Unrestricted cash	\$ 325
Sales tax receivable	176,994
Accounts receivable	<u>100</u>

Total assets 177,419

Deferred outflows 769,064

Total assets and deferred outflows 946,483

LIABILITIES:

Accounts payable	366
Sales tax residual payable to the City	150,810
Bonds payable:	
Portion due after one year	<u>773,932</u>

Total liabilities 925,108

NET POSITION:

Restricted for debt service	21,135
Unrestricted	<u>240</u>

TOTAL NET POSITION \$ 21,375

See accompanying notes to basic financial statements.

**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**STATEMENT OF ACTIVITIES**  
**FOR THE PERIOD FROM OCTOBER 17, 2017 (DATE OF INCEPTION)**  
**TO DECEMBER 31, 2017**  
**(Amounts in thousand)**

---

REVENUES:	
Local sales tax revenue	\$ 76,234
State Sales tax revenue	<u>100,760</u>
Total revenues	<u>176,994</u>
EXPENSES:	
Payment to city	150,810
Amortization of deferred outflow	2,052
Interest and other fiscal charges	2,747
General and administrative	<u>10</u>
Total expenses	<u>155,619</u>
CHANGE IN NET POSITION	21,375
NET POSITION—Beginning of period	<u>-</u>
NET POSITION—End of period	<u>\$ 21,375</u>

See accompanying notes to basic financial statements.

**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AS OF DECEMBER 31, 2017**  
**(Amounts in thousand)**

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	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Unrestricted cash	\$ -	\$ 325	\$ 325
Sales tax receivable	151,060	25,934	176,994
Accounts receivable	<u>-</u>	<u>100</u>	<u>100</u>
Total assets	151,060	26,359	177,419
Deferred outflows	<u>-</u>	<u>769,064</u>	<u>769,064</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>\$ 151,060</u></b>	<b><u>\$ 795,423</u></b>	<b><u>\$ 946,483</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 10	\$ 356	\$ 366
Sales tax residual payable to City	<u>150,810</u>	<u>-</u>	<u>150,810</u>
Total liabilities	<u>150,820</u>	<u>356</u>	<u>151,176</u>
<b>FUND BALANCE:</b>			
Restricted for debt service	-	26,004	26,004
Nonspendable		769,063	769,063
Unassigned	<u>240</u>	<u>-</u>	<u>240</u>
Total fund balance	<u>240</u>	<u>795,067</u>	<u>795,307</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 151,060</u></b>	<b><u>\$ 795,423</u></b>	<b><u>\$ 946,483</u></b>

See accompanying notes to basic financial statements.

**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2017  
(Amounts in thousand)**

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Total fund balances—governmental funds	\$795,307
Amounts reported in the statement of net position are different because:	
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statement of net position, bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(30,197)
Some liabilities are not due and payable from currently available financial resources at year end and are therefore not reported in the governmental fund financial statements, but are reported in the statement of net position. Those liabilities consist of bonds payable.	<u>(743,735)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 21,375</u>

See accompanying notes to basic financial statements.

**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE PERIOD FROM OCTOBER 17, 2017 (DATE OF INCEPTION)  
TO DECEMBER 31, 2017  
(Amounts in thousand)**

---

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Fund</b>
REVENUES:			
Local sales tax revenue	\$ 65,013	\$ 11,221	\$ 76,234
State sales tax revenue	<u>86,047</u>	<u>14,713</u>	<u>100,760</u>
Total revenues	<u>151,060</u>	<u>25,934</u>	<u>176,994</u>
EXPENDITURES:			
Interest and other fiscal charges	-	6,467	6,467
General and administrative	10	-	10
Payments to City	150,810	-	150,810
Amortization of deferred outflow	<u>-</u>	<u>2,052</u>	<u>2,052</u>
Total expenditures	<u>150,820</u>	<u>8,519</u>	<u>159,339</u>
OTHER FINANCING SOURCES:			
Bond proceeds	-	743,735	743,735
Premium on bonds	<u>-</u>	<u>33,917</u>	<u>33,917</u>
Total other financing sources	<u>-</u>	<u>777,652</u>	<u>777,652</u>
NET CHANGE IN FUND BALANCE	240	795,067	795,307
FUND BALANCE—Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE—End of period	<u>\$ 240</u>	<u>\$795,067</u>	<u>\$795,307</u>

See accompanying notes to the basic financial statements.

**SALES TAX SECURITIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM OCTOBER 17, 2017 (DATE OF INCEPTION)  
TO DECEMBER 31, 2017  
(Amounts in thousand)**

---

Net change in fund balances—total governmental funds	\$ 795,307
Amounts reported in the statement of activities are different because: Bond proceeds provide current financial resources to governmental funds, but bonds issued increase long-term liabilities in the statement of net position.	(743,735)
Governmental funds report bond premiums as other financing sources. However, in the statement of activities, premiums are amortized over the life of the debt.	<u>(30,197)</u>
CHANGE IN NET POSITION—GOVERNMENTAL ACTIVITIES	<u>\$ 21,375</u>

See accompanying notes to the basic financial statements.

**SALES TAX SECURIZATION CORPORATION**  
**(A Component Unit of the City of Chicago, Illinois)**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017, AND FOR THE PERIOD FROM OCTOBER 17, 2017 (DATE OF**  
**INCEPTION) TO DECEMBER 31, 2017**  
**(Amounts in thousands, except as noted)**

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**1. ORGANIZATION**

The Corporation is a special purpose, not-for-profit corporation incorporated under the provisions of the General Not For Profit Corporation Act of 1986 of the State of Illinois (805 ILCS 105), as amended, and organized in accordance with an ordinance adopted by the City Council (the "City Council") of the City of Chicago (the "City") on October 11, 2017. The Corporation was organized for the limited purpose of purchasing the Sales Tax Revenue from the City and issuing bonds, notes, or other obligations for the benefit of the City. The Corporation is a non-stock corporation, has no members, and is governed by a board of directors (the "Board"). Except as described in the following sentence, the Board has five voting directors, all of whom are officials of the City. The Corporation's Bylaws require the vote of an additional "independent director" as a condition to taking certain actions. The independent director would be appointed by the Mayor of the City prior to any such actions.

The names of the Corporation's current directors and officers, and their principal occupations, are set out below. The Chief Financial Officer of the City also serves as Chair of the Board.

The current directors of the Corporation are:

<b>Name</b>	<b>Title of Principal Occupation</b>
Carole L. Brown	Chief Financial Officer of the City
Samantha Fields	Budget Director of the City
Erin Keane	Comptroller of the City
Edward M. Burke	Chair of the Committee on Finance of the City Council
Carrie M. Austin	Chair of the Committee on Budget and Government Operations of the City Council

The current officers of the Corporation are:

<b>Name</b>	<b>Office</b>	<b>Title of Principal Occupation</b>
Carole L. Brown	President	Chief Financial Officer of the City
Kelly Flannery	Secretary-Treasurer	Deputy Comptroller of the City

The Corporation has no other officers and has no employees. The Corporation and the City have entered into a services agreement pursuant to which the City provides administrative and support services to the Corporation for a fee. The STSC provides benefits exclusively to the City, and as a result, is presented as a blended component unit of the City.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Government-Wide and Fund Financial Statements**—The government-wide financial statements of STSC, which include the statement of net position and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GAAP as prescribed by the GASB. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The STSC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which is recognized when due.

The STSC uses two governmental funds for reporting its activities: a debt service fund ("DSF"), and a general fund ("GF"). The DSF is used to account for the accumulation of resources for payment of principal and interest on debt and the GF is used to account for all financial resources and activities not accounted for in the DSF, which are STSC's administrative and operating expenditures. Revenues are recognized within the DSF for payment of principal and interest on debt due in the following fiscal year and the residual is then recognized within the GF.

Fund balances of the governmental funds are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned. Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with STSC's Master Trust Indenture, dated December 1, 2017, as supplemented (the "Indenture") are classified as restricted on the statement of net position and the governmental funds balance sheet.

The Board constitutes the STSC's highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose; unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the STSC who is duly authorized under the Indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose unless and until a subsequent authorized action by the same, or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. Resources that are not constrained are reported as unassigned in the governmental funds balance sheets and unrestricted in the statement of net position.

When both restricted and unrestricted resources are available for use for a specific purpose, it is the STSC's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is the STSC's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.



**Long-Term Obligations**—Bond premiums are capitalized and amortized over the life of the related debt using the effective interest method in the government-wide financial statements. The amounts of unamortized bond premium at December 31, 2017 were \$30.2 million, which were net of accumulated amortization of \$3.7 million.

Bond issuance costs are recognized as an expense/expenditure in the period incurred on both government-wide and governmental funds financial statements.

The governmental funds financial statements recognize bond premiums and discounts during the period of the related bond issuance. The face amount of debt issued is reported as another financing source, as is the premium on debt issued. Principal payments are reported as expenditures in the period made.

Interest expense is recognized as it is incurred on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when due in the governmental funds financial statements.

**Sale Agreement**—Pursuant to a sale agreement authorized by Division 13 of Article 8 of the Illinois Municipal Code, in 2017 the STSC entered into an Assignment, Purchase and Sale Agreement ("Sale Agreement") with the City under which the City sold to the STSC its right, title and interest in and to certain sales tax revenues collected by the State of Illinois (the "Sales Tax Revenues"). The Sales Tax Revenues consist of (a) revenues resulting from collection of three separate taxes (collectively, the "Home Rule Sales Tax Revenues") imposed by the City pursuant to its home rule powers and authority granted by State of Illinois statute; and (b) revenues resulting from the collection of four separate taxes (collectively, the "Local Share Sales Tax Revenues") imposed by the State of Illinois. In exchange for selling its right, title and interest in the Sales Tax Revenues, the City received a residual certificate which represents the City's ownership interest in excess Sales Tax Revenues to be received by the STSC to pay debt service requirements of any outstanding obligations and administrative costs during the term of the Sale Agreement. The City received the payment of proceeds from the Sales Tax Revenue bonds in the amount of \$771.1 million which was recorded as a deferred outflow of resources. The Sale Agreement is effective until there are no secured obligations outstanding for the STSC.

**Deferred outflow**—Represents bond proceeds paid to the City for the right, title and interest in the Sales Tax Revenues. The deferred outflow is amortized on a straight-line basis over the life of the related bond issuance.

**Use of Estimates**—The preparation of the basic financial statements in accordance with GAAP requires the STSC's management to make estimates and assumptions in determining the reported amounts of assets, deferred inflows of resources, liabilities, and deferred outflows of resources as of the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **3. BONDS PAYABLE**

In connection with the City's sale of the Sales Tax Revenue to the STSC, the STSC issued the 2017 Bonds on December 14, 2017. The bonds have interest rates ranging from 2.596% to 5.0% and maturity dates from January 1, 2020 to January 1, 2043. The bonds are secured by a pledge of the Sales Tax Revenues.

The net proceeds of \$777.7 million were used to advance refund all of the City's outstanding Sales Tax Revenue Bonds (\$614.9 million) and to refund all or a portion of certain outstanding General Obligation bonds (\$170.3 million).

A summary of changes in outstanding bonds during the period ended December 31, 2017 is as follows:

	<b>Period Ended December 31, 2017</b>			
	<b>Balance October 17, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2017</b>
Series 2017A	\$ -	\$172,065	\$ -	\$ 172,065
Series 2017B		400,630		400,630
Series 2017C	<u>-</u>	<u>171,040</u>	<u>-</u>	<u>171,040</u>
Total before premium	<u>-</u>	<u>743,735</u>	<u>-</u>	<u>743,735</u>
Premium	<u>-</u>	<u>33,917</u>	<u>3,720</u>	<u>30,197</u>
Total bonds payable and premium	<u>\$ -</u>	<u>\$777,652</u>	<u>\$3,720</u>	<u>\$ 773,932</u>
Due within one year				<u>\$ -</u>

Debt service requirements, including principal and interest, at December 31, 2017, are as follows:

<b>Year Ended December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ -	\$ 29,451	\$ 29,451
2019	3,000	28,123	31,123
2020	3,150	27,973	31,123
2021	27,045	27,816	54,861
2022	33,705	26,752	60,457
2023 to 2027	189,305	112,984	302,289
2028 to 2032	163,925	74,278	238,203
2033 to 2037	147,630	47,819	195,449
2038 to 2042	<u>175,975</u>	<u>19,380</u>	<u>195,355</u>
Totals	<u>\$743,735</u>	<u>\$394,576</u>	<u>\$ 1,138,311</u>

#### 4. SUBSEQUENT EVENTS

In February 2018, the STSC issued its \$680.3 million Sales Tax Securitization Bonds, consisting of \$376.3 million Series 2018A (the "Series 2018A Bonds") and \$303.9 million Taxable Series 2018B Bonds (the "Taxable Series 2018B Bonds"). The Series 2018A bonds were issued at interest rates between 4.00% and 5.00% and mandatory sinking funds or maturity dates between January 1, 2031 and January 1, 2048. The Taxable Series 2018B bonds were issued at an interest rate of 3.82% and with a maturity date of January 1,

2048. Proceeds will be used to provide funds for the City to refund certain of the City's outstanding general obligation bonds and to pay costs of issuance.

\* \* \* \* \*

**STATISTICAL SECTION (UNAUDITED)**

**TABLE 1****Annual Sales Tax Revenues (Unaudited)**

The following table shows the historical annual Sales Tax Revenues on a cash basis from 2008 through 2017.

**Annual Sales Tax Revenues 2008-2017  
(Dollars in Thousands)**

<b>Year Ended December 31,</b>	<b>Home Rule Sales Tax Revenues<sup>(2)</sup></b>	<b>Percent Change Over Prior Year</b>	<b>Local Share Sales Tax Revenues</b>	<b>Percent Change Over Prior Year</b>	<b>Total Sales Tax Revenues</b>	<b>Percent Change Over Prior Year</b>
2008	\$ 240,710	-	\$ 280,517	- .0	\$ 521,227	-
2009	213,338	(11.4)	255,427	(8.9)	468,765	(10.1)
2010	219,295	2.8	258,666	1.3	477,961	2.0
2011	235,908	7.6	281,189	8.7	517,097	8.2
2012	251,055	6.4	295,912	5.2	546,967	5.8
2013	263,984	5.1	312,378	5.6	576,361	5.4
2014	276,192	4.6	327,379	4.8	603,571	4.7
2015	292,512	5.9	352,841	7.8	645,353	6.9
2016	295,299	1.0	363,448	3.0	658,746	2.1
2017	292,991	(0.8)	368,647	1.4	661,638	0.4

Source: City of Chicago

Shown net of all past fees and will be net of all applicable fees going forward.

**TABLE 2****Monthly Home Rule Sales Tax Revenues (Unaudited)**

The following table shows the historical monthly Home Rule Sales Tax Revenues on a cash basis from 2013 through 2017.

**Monthly Home Rule Sales Tax Revenues 2013-2017  
(Dollars in Thousands)**

<b>Month</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
January	\$ 21,471	\$ 22,336	\$ 24,223	\$ 25,571	\$ 25,379
February	20,847	21,837	23,170	23,447	24,036
March	24,175	25,150	26,741	27,727	27,607
April	18,325	17,842	19,616	19,930	20,064
May	18,409	19,075	20,043	21,338	20,301
June	21,801	22,934	24,079	24,345	24,033
July	21,613	23,198	23,867	23,015	23,935
August	23,423	24,739	25,413	25,242	25,163
September	24,172	25,051	26,724	27,256	26,535
October	22,778	23,985	25,915	25,831	25,205
November	23,999	24,455	26,876	25,842	25,206
December	<u>22,971</u>	<u>25,591</u>	<u>25,845</u>	<u>25,755</u>	<u>25,525</u>
	<u>\$263,984</u>	<u>\$276,192</u>	<u>\$292,512</u>	<u>\$295,299</u>	<u>\$292,991</u>

Source: City of Chicago

**TABLE 3****Monthly Local Share Sales Tax Revenues (Unaudited)**

The following table shows the historical monthly Local Share Sales Tax Revenues on a cash basis from 2013 through 2017.

**Monthly Local Share Sales Tax Revenues 2013- 2017  
(Dollars in Thousands)**

<b>Month</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
January	\$ 25,728	\$ 26,638	\$ 29,175	\$ 30,726	\$ 31,241
February	24,952	25,857	27,901	22,402	29,967
March	29,540	31,452	34,018	42,040	36,939
April	22,995	22,278	23,044	25,738	26,245
May	19,487	22,637	25,642	27,057	25,812
June	29,347	27,112	29,395	30,541	30,631
July	25,572	26,927	29,269	28,769	29,353
August	26,478	28,556	29,895	30,717	30,940
September	28,415	29,386	25,409	33,223	32,517
October	26,289	27,850	24,482	30,390	30,948
November	26,871	28,647	24,593	30,525	32,020
December <sup>(1)</sup>	<u>26,701</u>	<u>30,039</u>	<u>50,017</u>	<u>31,318</u>	<u>32,034</u>
	<u>\$312,375</u>	<u>\$327,379</u>	<u>\$352,841</u>	<u>\$363,448</u>	<u>\$368,647</u>

Source: City of Chicago

<sup>(1)</sup> The City's receipt of its allocable portions of the Illinois Use Tax and the Illinois Service Use Tax was delayed in September, October and November 2015, because the Illinois General Assembly did not make the appropriation required for the City to receive such revenues. The appropriation was made, and the City received the revenues which it was to have received, in December 2015.

**TABLE 4****Components of Sales Tax Revenues (Unaudited)**

The following table shows on a cash basis the components of the Sales Tax Revenues from January 1, 2013 through December 31, 2017.

**Components of Sales Tax Revenues 2013-2017  
(Dollars in Thousands)**

Tax	2013		2014		2015		2016		2017	
	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total	Amount Collected	% of Total
Home rule sales tax revenues:										
Retailers' and service occupation Use	\$ 234,359	40.7 %	\$ 242,820	40.2 %	\$ 255,134	39.5 %	\$ 257,053	39.0 %	\$ 256,238	38.7 %
	29,624	5	33,372	6	37,378	6	38,246	6	36,753	6
Local share sales tax revenues:										
Retailers' and service Occupation <sup>(1)</sup>	252,972	44	261,989	43	278,490	43	283,598	43	283,815	43
Use <sup>(2)</sup>	59,406	10	65,390	11	74,351	12	79,849	12	84,832	13
Total	\$ 576,361	100.0 %	\$ 603,571	100.0 %	\$ 645,353	100.0 %	\$ 658,746	100.0 %	\$ 661,638	100.0 %

Source: City of Chicago

(1) Includes Illinois Use Tax on titled personal property.

(2) Excludes Illinois Use Tax on titled personal property.



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