

In the opinion of Nixon Peabody LLP and Sanchez Daniels & Hoffman LLP (“Co-Transaction Counsel”), under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Corporation and the City described herein, interest on the Second Lien Series 2020A Bonds (as defined herein) 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 such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Under existing law, interest on the Second Lien Series 2020B Bonds (as defined herein) is included in gross income for federal income tax purposes. Interest on the Second Lien Series 2020AB Bonds (as defined herein) is not exempt from present Illinois income taxes. See “TAX MATTERS” herein regarding certain other tax considerations.



**\$521,105,000**  
**SALES TAX SECURITIZATION**  
**CORPORATION**  
**SECOND LIEN SALES TAX**  
**SECURITIZATION BONDS,**  
**SERIES 2020A**

**\$495,810,000**  
**SALES TAX SECURITIZATION**  
**CORPORATION**  
**SECOND LIEN SALES TAX**  
**SECURITIZATION BONDS,**  
**TAXABLE SERIES 2020B**

**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”).

This Offering Circular contains information relating to the Corporation’s (i) Second Lien Sales Tax Securitization Bonds, Series 2020A (the “**Second Lien Series 2020A Bonds**”) and (ii) Second Lien Sales Tax Securitization Bonds, Taxable Series 2020B (the “**Second Lien Series 2020B Bonds**”) and, together with the Second Lien Series 2020A Bonds, the “**Second Lien Series 2020AB Bonds**”). The Second Lien Series 2020AB Bonds will be secured by a lien or charge on the Trust Estate (as defined herein) that is subject to and subordinate to the first priority lien on the Trust Estate securing Senior Lien Bonds (as defined herein) issued by the Corporation.

The Second Lien Series 2020AB Bonds are being issued pursuant to a Master Trust Indenture, dated as of December 1, 2017 (the “**Master Indenture**”), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as heretofore supplemented and as supplemented by a Second Lien Supplemental Trust Indenture, dated as of January 1, 2020 (the “**Second Lien Supplemental Indenture**”), by and between the Corporation and the Trustee, as supplemented by the First Supplement to the Second Lien Supplemental Trust Indenture, dated as of January 1, 2020 (the “**First Supplement to Second Lien Supplemental Indenture**”), by and between the Corporation and the Trustee. The Master Indenture, the Second Lien Supplemental Indenture and the First Supplement to Second Lien Supplemental Indenture shall hereinafter be referred to collectively as the “**Indenture**”.

The scheduled payment of principal of and interest on the (i) Second Lien Series 2020A Bonds maturing on January 1, 2037 (CUSIP’ No. 79467BCX1) and January 1, 2040 (CUSIP’ No. 79467BDA0) and (ii) Second Lien Series 2020B Bonds maturing on January 1, 2043 (CUSIP’ No. 79467BDK8) (collectively, the “**Insured Bonds**”), when due will be guaranteed under a municipal bond insurance policy (the “**Policy**”) to be issued concurrently with the delivery of the Insured Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. Purchasers of the Second Lien Series 2020AB Bonds will not receive certificates representing their interests in the Second Lien Series 2020AB Bonds purchased. The Second Lien Series 2020AB Bonds will be issued in authorized denominations of \$5,000 or an integral multiple thereof. Interest on the Second Lien Series 2020AB Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2020. Principal and Redemption Price (as defined herein) of and interest on the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds are subject to optional and mandatory redemption, as described herein.

The Corporation has purchased the Sales Tax Revenues (as defined herein) from the City pursuant to the Sale Agreement (as defined herein). The net proceeds of the Second Lien Series 2020AB Bonds will be conveyed by the Corporation to the City pursuant to the Sale Agreement and used by the City to (i) refund certain outstanding general obligation bonds (the “**Refunded GO Bonds**”), repurchase and cancel certain outstanding general obligation bonds by means of a tender offer (the “**GO Tendered Bonds**”), refund certain outstanding motor fuel tax revenue bonds of the City (the “**MFT Bonds**”) and provide for the refunding of certain outstanding notes issued by the Chicago Infrastructure Trust (“**CIT**”), an Illinois not-for-profit corporation and instrumentality of the City (the “**CIT Notes**”) (collectively, the “**Refunding Plan**”); (ii) fund capitalized interest on the Second Lien Series 2020AB Bonds; (iii) pay the Costs of Issuance of the Second Lien Series 2020AB Bonds; and (iv) pay costs of the premium on the Policy for the Insured Bonds.

The Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds will be issued as Subordinated Indebtedness (as defined herein) secured by a lien or charge on the Subordinated Indebtedness Fund (as defined herein) that is subject to and subordinate to the first priority lien on the Trust Estate granted to holders of Senior Lien Bonds outstanding or hereafter issued in accordance with the priority set forth in the Indenture. The Corporation has no financial assets available for the payment of Senior Lien Bonds or Subordinated Indebtedness other than the Sales Tax Revenues and the other collateral pledged under the Indenture.

See the inside cover for Maturity Dates, Interest Rates, Yields and CUSIP numbers.

**The Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. The Corporation has no taxing power.**

*The Second Lien Series 2020AB 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) Ice Miller LLP and Zuber Lawler & Del Duca LLP, as Special Co-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 McGuireWoods LLP, as Underwriters’ Counsel. It is expected that the Second Lien Series 2020AB Bonds will be available for delivery in book-entry form only through The Depository Trust Company in New York, New York, on or about January 30, 2020.*

**Goldman Sachs & Co. LLC   Cabrera Capital Markets LLC   J.P. Morgan   Siebert William Shank & Co., LLC**  
**RBC Capital Markets   Stifel**  
**BofA Securities   Estrada Hinojosa**  
**Loop Capital Markets   Melvin Securities, LLC   Harvestons Securities, Inc.**  
**Rice Financial Products Company**

**MATURITY DATES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

**\$521,105,000**  
**Sales Tax Securitization Corporation**  
**Second Lien Sales Tax Securitization Bonds, Series 2020A**

<b><u>Maturity</u></b> <b><u>(January 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP†</u></b> <b><u>(Base 79467B)</u></b>
2025	\$ 26,480,000	5.00%	1.40%	CQ6
2026	56,055,000	5.00	1.50	CR4
2027	58,860,000	5.00	1.66	CS2
2028	61,800,000	5.00	1.76	CT0
2029	64,890,000	5.00	1.84	CU7
2030	68,135,000	5.00	1.91	CV5
2036	41,330,000	5.00	2.21*	CW3
2037	40,785,000	5.00	2.15*	CX1
2038	43,445,000	4.00	2.46*	CY9
2039	25,935,000	4.00	2.49*	CZ6
2040	33,390,000	4.00	2.40*	DA0

\*Priced to call January 1, 2030.

**\$495,810,000**  
**Sales Tax Securitization Corporation**  
**Second Lien Sales Tax Securitization Bonds,**  
**Taxable Series 2020B**

<b><u>Maturity</u></b> <b><u>(January 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP†</u></b> <b><u>(Base 79467B)</u></b>
2023	\$ 24,405,000	2.128%	2.128%	DB8
2024	52,910,000	2.225	2.225	DC6
2025	27,610,000	2.325	2.325	DD4
2031	69,315,000	2.857	2.857	DE2
2032	44,235,000	2.957	2.957	DF9
2033	41,360,000	3.007	3.007	DG7
2034	51,930,000	3.057	3.057	DH5
2035	47,385,000	3.107	3.107	DJ1

\$136,660,000, 3.411% Series 2020B Term Bonds Due January 1, 2043, Yield 3.411%,  
 Price 100.000, CUSIP† No. 79467BDK8

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† 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 on the cover, this inside cover, under the heading “BOND INSURANCE FOR INSURED BONDS” and in APPENDIX D are being provided solely for the convenience of holders of the Second Lien Series 2020AB Bonds only at the time of issuance of the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds.

*Certain capitalized terms used but not defined in the following paragraphs are defined in this Offering Circular.*

**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”.

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 and may be obtained upon written request to 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 SECOND LIEN SERIES 2020AB 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.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Second Lien Series 2020AB Bonds or the advisability of investing in the Second Lien Series 2020AB Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or

completeness of this Offering Circular or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “**BOND INSURANCE FOR INSURED BONDS**” and **APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY**.

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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 (i) Second Lien Sales Tax Securitization Bonds, Series 2020A in the aggregate principal amount of \$521,105,000 (the “**Second Lien Series 2020A Bonds**”) and (ii) Second Lien Sales Tax Securitization Bonds, Taxable Series 2020B in the aggregate principal amount of \$495,810,000 (the “**Second Lien Series 2020B Bonds**”) and, together with the Second Lien Series 2020A Bonds, the “**Second Lien Series 2020AB 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 (the “**NFP Corporation Act**”). 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 “**STSC Establishment Ordinance**”). The Corporation is an instrumentality of, but separate and apart from, the City.

The Second Lien Series 2020AB Bonds will be issued by the Corporation pursuant to (i) an ordinance duly adopted by the City Council on November 26, 2019 (the “**2019 City Authorizing Ordinance**”), authorizing the Corporation to issue Secured Obligations (as defined herein) and the City to issue its general obligation bonds (“**City GO Bonds**”), the combined aggregate principal amount of which shall not exceed \$1,500,000,000, (ii) a resolution adopted by the Corporation’s Board of Directors on November 21, 2019 (the “**Initial Second Lien Bonds Authorizing Resolution**”) authorizing the Corporation to issue Second Lien Bonds in a combined aggregate principal amount together with the City GO Bonds issued by the City pursuant to the 2019 City Authorizing Ordinance which shall not exceed \$1,500,000,000 (the “**Authorized Second Lien Bonds**”); and (iii) a Master Trust Indenture, dated as of December 1, 2017 (the “**Master Indenture**”), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as heretofore supplemented and as supplemented by a Second Lien Supplemental Trust Indenture, dated as of January 1, 2020 (the “**Second Lien Supplemental Indenture**”), by and between the Corporation and the Trustee, as supplemented by the First Supplement to the Second Lien Supplemental Trust Indenture, dated as of January 1, 2020 (the “**First Supplement to Second Lien Supplemental Indenture**” and, together with the Master Indenture and the Second Lien Supplemental Indenture, the “**Indenture**”), by and between the Corporation and the Trustee.

The 2019 City Authorizing Ordinance provides that the aggregate principal amount of Secured Obligations and City GO Bonds issued pursuant to the 2019 City Authorizing Ordinance may not exceed \$1,500,000,000, and the Initial Second Lien Bonds Authorizing Resolution provides that the sum of the aggregate principal amount of Authorized Second Lien Bonds issued pursuant to the Initial Second Lien Bonds Authorizing Resolution and City GO Bonds issued pursuant to the 2019 City Authorizing Ordinance may not exceed \$1,500,000,000. Pursuant to this authority, (i) the Corporation is issuing its Second Lien Series 2020AB Bonds in the combined aggregate principal amount of \$1,016,915,000, and (ii) the City is issuing its General Obligation Bonds, Refunding Series 2020A (the “**Series 2020 City GO Bonds**”) as City GO Bonds in the aggregate principal amount of \$466,495,000. Following the issuance of the Second Lien Series 2020AB Bonds and the Series 2020 City GO Bonds, the remaining principal amount authorized to be issued pursuant to the 2019 City Authorizing Ordinance as Secured Obligations or as City GO Bonds and the amount authorized to be issued pursuant to the Initial Second Lien Bonds Authorizing Resolution as Second Lien Bonds will be \$16,590,000 (the “**Remaining 2019 Authorization**”).

The Initial Second Lien Bonds Authorizing Resolution provides that the proceeds of the Authorized Second Lien Bonds may be used to (i) provide funding for any lawful purpose of the City, including but not limited to, funding for capital and infrastructure requirements of the City, refunding any outstanding obligations of the City and refunding outstanding obligations of the Corporation, and (ii) make payments to the City in consideration for the City’s assignment of the Sales Tax Revenues. See “PLAN OF FINANCE” herein.

The net proceeds of the Second Lien Series 2020AB Bonds will be conveyed by the Corporation to the City pursuant to the Sale Agreement (as defined herein) and such proceeds will be used by the City to (i) finance the Refunding Plan with respect to the Refunded GO Bonds, the GO Tendered Bonds, the MFT Bonds and the CIT Notes identified in Appendix D hereto (collectively, the “**Series 2020AB Refinanced Obligations**”); (ii) fund capitalized interest on the Second Lien Series 2020AB Bonds; (iii) pay the Costs of Issuance of the Second Lien Series 2020AB Bonds; and (iv) pay costs of the premium on the Policy for the Insured Bonds. See “PLAN OF FINANCE”.

The Second Lien Series 2020AB Bonds are limited obligations of the Corporation and are payable solely from the Sales Tax Revenues (as defined herein) and the other collateral pledged under the Indenture.

THE SECOND LIEN SERIES 2020AB 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 THE SECOND LIEN SERIES 2020AB BONDS. THE CORPORATION HAS NO TAXING POWER.

### **Second Lien Series 2020AB Bonds as Secured Obligations**

Subject to the satisfaction of certain conditions set forth in the Master Indenture and any related Supplemental Indenture, the Master Indenture permits the issuance by the Corporation of (i) bonds secured on a parity basis by a first priority lien on the Trust Estate ("**Senior Lien Bonds**"), and (ii) Subordinated Indebtedness. The Senior Lien Bonds and Subordinated Indebtedness are defined collectively in the Master Indenture as "**Secured Obligations**". The Authorized Second Lien Bonds constitute Subordinated Indebtedness under the Indenture.

### **Senior Lien Bonds**

The Corporation has previously authorized the issuance of Senior Lien Bonds in an aggregate amount not to exceed \$3,000,000,000 (the "**2017 Senior Lien Bonds Authorization**") pursuant to a resolution adopted by the Corporation on November 2, 2017 (the "**2017 Senior Lien Bonds Authorizing Resolution**"), the STSC Establishment Ordinance and the Master Trust Indenture. In connection therewith, the Corporation has previously issued (i) pursuant to the First Supplemental Trust Indenture, dated as of December 1, 2017, between the Corporation and the Trustee, its \$172,065,000 aggregate principal amount of Sales Tax Securitization Bonds, Series 2017A and \$400,630,000 aggregate principal amount of Sales Tax Securitization Bonds, Taxable Series 2017B (collectively, the "**Senior Lien Series 2017A and B Bonds**"), (ii) pursuant to the Second Supplemental Trust Indenture, dated as of December 1, 2017, between the Corporation and the Trustee, its \$171,040,000 aggregate principal amount of Sales Tax Securitization Bonds, Taxable Series 2017C (the "**Senior Lien Series 2017C Bonds**") and, together with the Senior Lien Series 2017A and B Bonds, the "**Senior Lien Series 2017 Bonds**"), (iii) pursuant to the Third Supplemental Trust Indenture, dated as of February 1, 2018, between the Corporation and the Trustee, its \$376,305,000 aggregate principal amount of Sales Tax Securitization Bonds, Series 2018A and \$303,975,000 aggregate principal amount of Sales Tax Securitization Bonds, Taxable Series 2018B (collectively, the "**Senior Lien Series 2018A and B Bonds**"), (iv) pursuant to the Fourth Supplemental Trust Indenture, dated as of December 1, 2018, between the Corporation and the Trustee, its \$612,420,000 aggregate principal amount of Sales Tax Securitization Bonds, Series 2018C (the "**Senior Lien Series 2018C Bonds**") and, together with the Senior Lien Series 2018A and B Bonds, the "**Senior Lien Series 2018 Bonds**"), and (v) pursuant to the Fifth Supplemental Trust Indenture, dated as of January 1, 2019, between the Corporation and the Trustee, its \$605,430,000 aggregate principal amount of Sales Tax Securitization Bonds, Taxable Series 2019A (the "**Senior Lien Series 2019A Bonds**") and, together with the Senior Lien Series 2017 Bonds and the Senior Lien Series 2018 Bonds, the "**Prior Issued Senior Lien Bonds**"). The aggregate principal amount of the Prior Issued Senior Lien Bonds issued as of the date hereof, the same being the only Senior Lien Bonds issued by the Corporation to date, is \$2,641,865,000. The Prior Issued Senior Lien Bonds were each issued pursuant to the 2017 Senior Lien Bonds Authorizing Resolution and the STSC Establishment Ordinance. The Corporation currently has remaining 2017 Senior Lien Bonds Authorization under the 2017 Senior Lien Bonds Authorizing Resolution and the STSC Establishment Ordinance to issue Additional Senior Lien Bonds in an aggregate principal amount not to exceed \$358,135,000 (the "**Remaining 2017 Senior Lien Bonds Authorization**"), provided, however, that additional requirements for the issuance of Additional Senior Lien Bonds (as hereinafter defined) must be satisfied under the Indenture to allow for the issuance of Additional Senior Lien Bonds pursuant to the Remaining 2017 Senior Lien Bonds Authorization. The Corporation may issue Additional Senior Lien Bonds in a principal amount in excess of the 2017 Senior Lien Bonds Authorization upon (i) the adoption by the City of an authorizing ordinance and the adoption by the Corporation of an authorizing resolution, each approving the amount and terms of such debt and the purposes for which the proceeds of such debt will be used, and (ii) compliance with the requirements of the Indenture for the issuance of Additional Senior Lien Bonds. See "**SECURITY FOR THE SECOND LIEN BONDS—Outstanding Senior Lien Bonds, Additional Senior Lien Bonds and Subordinated Indebtedness—Additional Senior Lien Bonds**" herein.

### **Second Lien Bonds and Subordinated Indebtedness**

The Master Indenture contains provisions with respect to the Corporation's issuance of Subordinated Indebtedness. The Second Lien Supplemental Indenture establishes provisions for the issuance of the Second Lien Bonds as Subordinated Indebtedness pursuant to such provisions of the Master Indenture. The Corporation has authorized the issuance of the Second Lien Series 2020AB Bonds pursuant to the Initial Second Lien Bonds Authorizing Resolution, the Master Indenture, the Second Lien Supplemental Indenture and the First Supplement to Second Lien Supplemental Indenture. The City has authorized the issuance of the Second Lien Series 2020AB Bonds pursuant to the 2019 City Authorizing Ordinance. The Corporation is authorized to issue Second Lien Bonds in addition to the Second Lien Series 2020AB Bonds (the "**Additional Second Lien Bonds**") upon (i) the adoption by the City of an authorizing ordinance and the adoption by the Corporation of an authorizing resolution, each approving the amount and terms of such debt and the purposes for which the proceeds of such debt will be used and (ii) compliance with the requirements of the Indenture for the issuance of Additional Second Lien Bonds, *provided, however*, that the authorization of the City and the Corporation described in this sentence have been obtained with respect to any Additional Second Lien Bonds issued pursuant to the Remaining 2019 Authorization. See "**SECURITY FOR THE SECOND**



**LIEN BONDS—Outstanding Senior Lien Bonds, Additional Senior Lien Bonds and Subordinated Indebtedness—Additional Senior Lien Bonds**” herein.

The Master Indenture also provides for the issuance of Subordinated Indebtedness that may be secured by a lien or charge on the Subordinated Indebtedness Fund that is subject to and subordinate to the lien on the Trust Estate securing the Second Lien Bonds, as set forth in any Supplemental Indenture related thereto (“**Additional Subordinated Indebtedness**”), provided that any such Additional Subordinated Indebtedness is authorized by an ordinance of the City that approves the amount and the terms of such debt and the purposes for which the proceeds of such debt will be used and an authorizing resolution of the Corporation.

**Conveyance of Certain Sales Tax Revenues**

The Corporation has purchased all of the City’s right, title and interest in and to the Sales Tax Revenues from the City pursuant to the Sale Agreement. The Corporation has no financial assets available for payment of Senior Lien Bonds or Subordinated Indebtedness (which Subordinated Indebtedness includes Second Lien Bonds), other than the Sales Tax Revenues and the other collateral pledged under the Indenture.

Division 13 of Article 8 of the Illinois Municipal Code (65 ILCS 5/8-13-5), 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, as amended (the “**Sale Agreement**”) contemporaneously with the Corporation's initial issuance of the Senior Lien 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 the net proceeds of any Senior Lien Bonds (other than Senior Lien Bonds issued as Refunding Bonds, as defined in the Master Indenture), any Subordinated Indebtedness (other than Subordinated Indebtedness issued to refund outstanding Subordinated Indebtedness) and an instrument (the “**Residual Certificate**”) which was initially issued to the City, and is currently held by the City, which entitles the holder thereof to receive all funds that are on deposit in the Residual Fund (“**Residual Revenues**”) each month after the required payments on such Secured Obligations and other payments and deposits required under the Indenture have been made.

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 SECOND LIEN BONDS**”.

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 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 such obligations are issued without further action or authorization by the Corporation or any other entity. See “**SECURITY FOR THE SECOND LIEN BONDS—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 all Secured Obligations, including the Second Lien Series 2020AB Bonds. See “**SECURITY FOR THE SECOND LIEN BONDS**”.

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 Holders of Secured Obligations have no claim on the Residual Revenues. See “SECURITY FOR THE SECOND LIEN BONDS—Flow of Funds” and “—Residual Revenues Not Pledged to the Secured Obligations” and “THE RESIDUAL CERTIFICATE”.

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”.

## 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 Senior Lien Series 2017 Bonds received by the Corporation upon the issuance of the Senior Lien 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 Senior Lien Series 2018A Bonds and the Senior Lien Series 2018B Bonds received by the Corporation upon the issuance of the Senior Lien Series 2018A Bonds and the Senior Lien Series 2018B Bonds, (iii) on December 4, 2018, paid, without recourse, to the City the net proceeds of the Senior Lien Series 2018C Bonds received by the Corporation upon the issuance of the Senior Lien Series 2018C Bonds, (iv) on January 30, 2019, paid, without recourse, to the City the net proceeds of the Senior Lien Series 2019A Bonds received by the Corporation upon the issuance of the Senior Lien Series 2019A Bonds, and (v) has promised to pay and otherwise convey to or upon the order of the City, (a) on the date of issuance of the Second Lien Series 2020AB Bonds (the “**Second Lien Series 2020AB Bonds Closing Date**”), the net proceeds of the Second Lien Series 2020AB Bonds, and (b) on their respective date of issuance, the net proceeds of any other Senior Lien Bonds (other than Refunding Bonds) and any other Subordinated Indebtedness (other than Refunding Second Lien Bonds). “**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 SECOND LIEN BONDS—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 are paid to the holder of the Residual Certificate promptly upon the application of the Sales Tax Revenues each month pursuant to the Indenture.

In conjunction with the issuance of the Second Lien Series 2020AB Bonds, the City, the Corporation and the Trustee will enter into a First Amendment to Assignment, Purchase and Sale Agreement (the “**First Amendment**”) which will amend certain restrictions on transfer of the Residual Certificate and provide for the issuance of a new Residual Certificate to be initially held by the City. Prior to the execution of the First Amendment, the holder of the Residual Certificate was not permitted to transfer the Residual Certificate without the receipt by the Corporation and the City of an opinion of Transaction Counsel that such transfer would 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. The First Amendment provides that the term Tax-Exempt Bond, when used in connection with this restriction, includes any Secured Obligation issued under the Indenture or any Supplemental Indenture 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. Pursuant to the First Amendment, on the Second Lien Series 2020AB Bonds Closing Date, the original Residual Certificate will be delivered by the City to the Corporation for cancellation, and the Corporation will issue a new Residual Certificate to the City bearing the additional restriction language described in the previous sentence.

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 Transaction Counsel in connection with the issuance of such tax-exempt Secured Obligations.

(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 (as defined herein); 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 NFP Corporation Act, (vii) timely and fully perform and comply with all obligations under the Sale Agreement, the Indenture, the bond purchase agreements relating to the Secured Obligations by and between the Corporation and the respective underwriters for a series of the Secured Obligations being issued, 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. As provided under the Sale Agreement, the Corporation, the City and the Trustee shall enter into the First Amendment, as described under “THE SALE AGREEMENT - Residual Revenues; Modification of Indenture” herein.

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 SECOND LIEN BONDS

### Pledge of Trust Estate

Pursuant to the Second Lien Supplemental Indenture, the Second Lien Bonds, including the Second Lien Series 2020AB 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 proceedings 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 Second Lien Series 2020AB Bonds 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 Second Lien Bonds, including the Second Lien Series 2020AB Bonds.

All Subordinated Indebtedness, including the Second Lien Series 2020AB Bonds, will be secured by a lien on the Trust Estate that is subordinated, to the extent and in the manner provided in the Indenture, to the prior payment of the principal of and interest then due and payable on the Prior Issued Senior Lien Bonds and any Additional Senior Lien Bonds upon issuance. Any such Senior Lien Bonds are secured by a first priority lien on the Trust Estate.

The Trust Estate does not include the proceeds of any Second Lien Bonds held in the Second Lien City Proceeds Account or any other proceeds of the Second Lien Bonds paid to or at the direction of the City (but does include the proceeds of the Second Lien Bonds held in the Second Lien Capitalized Interest Account). None of the proceeds of the Second Lien Bonds held in the Second Lien 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 Second Lien Bonds or be part of the Trust Estate. Each registered owner of Second Lien Bonds (each a "**Bondholder**" or "**Holder**") by purchase of its Second Lien Bonds, waives any right in or to any proceeds derived from the issuance of Second Lien Bonds held in the Second Lien 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 Second Lien Bonds under the 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. The Master Indenture

and the Second Lien Supplemental Indenture provide for the flow of Sales Tax Revenues from the Securitized Sales Tax Revenue Fund for Senior Lien Bonds and Subordinated Indebtedness as follows:

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 as follows and in the following order of priority:

(i) To the Operating Fund in each Fiscal Year (i) the lesser of (a) the Operating Cap and (b) the budgeted Corporation Expenses for such Fiscal Year less (ii) the amount on deposit in the Operating Fund as of the first day of such Fiscal Year available for the Corporation's 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 Senior Lien Bonds, plus (b) 150% of the Interest Funding Requirement (as defined below) until the amount on deposit therein is equal to 100% of the interest due on all Outstanding Senior Lien Bonds on the next succeeding 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;

(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 Senior Lien Bonds, plus (b) 150% of the Principal Funding Requirement (as defined below) until such amount on deposit therein is equal to 100% of the principal and Sinking Fund Installments due on all Outstanding Senior Lien Bonds on the next succeeding Principal Payment Date;

(iv) To reimburse, pro rata, each Provider for 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.

Promptly following the deposit of Sales Tax Revenues into the Subordinated Indebtedness Fund, the Trustee shall, pursuant to the Second Lien Supplemental Indenture, withdraw from the Subordinated Indebtedness Fund and transfer and apply such amounts as follows on a parity basis among each series of Second Lien Bonds and in the following order of priority:

(i) to the Interest Account of the Second Lien Subordinate Debt Service Account, an amount equal to (a) any interest then due and unpaid on Outstanding Second Lien Bonds, plus (b) 120% of the Interest Funding Requirement (as defined below) until the amount on deposit therein is equal to 100% of the interest due on all Outstanding Second Lien 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 Second Lien Subordinate Debt Service Account from the Capitalized Interest Account of the Second Lien Subordinate Debt Service Account pursuant to the Indenture;

(ii) to the Principal Account of the Second Lien Subordinate Debt Service Account, an amount equal to (a) any principal and Sinking Fund Installments then due and unpaid on Outstanding Second Lien Bonds, plus (b) 120% of the Principal Funding Requirement (as defined below) until the amount on deposit therein is equal to 100% of the principal and credits to the Sinking Fund Installments due on all Outstanding Second Lien Bonds on the next succeeding January 1 (each, a “**Principal Payment Date**”);

(iii) upon the direction of an Authorized Officer of the Corporation, to the Second Lien Subordinate Arbitrage Rebate Account, the amount set forth in such direction;

(iv) to the Second Lien Subordinate Debt Service Reserve Account, the Second Lien Subordinate Debt Service Reserve Deposit Requirement, if any;

(v) upon the direction of the Corporation, to the Second Lien Subordinate Debt Retirement Account, the amount set forth in such direction; and

(vi) to the Residual Fund, any remaining balance.

**“Interest Funding Requirement”** means, as of any date, 100% of the interest accrued on all Outstanding Senior Lien Bonds or Outstanding Second Lien Bonds, as applicable, 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 Senior Lien Bonds or Outstanding Second Lien Bonds, as applicable, 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 Second Lien Subordinate Debt Service Account the principal and Sinking Fund Installments of and interest on all Outstanding Second Lien 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 Second Lien Bonds is due, the amount in the Second Lien Subordinate Debt Service Account is less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Second Lien Bonds due on said date, the Trustee will withdraw, first, from the Second Lien Subordinate Debt Retirement Account, and then from the Second Lien Subordinate Debt Service Reserve Account, and deposit to the Second Lien Subordinate Debt Service Account, such amount as will increase the amount therein to an amount sufficient to make such payments. No amount will be withdrawn from the Second Lien Subordinate Debt Retirement Account if and to the extent such amount is required to pay the Redemption Price or purchase price of Outstanding Second Lien Bonds theretofore called for redemption or contracted to be purchased.

There is no Debt Service Reserve Fund Requirement for the Prior Issued Senior Lien Bonds. There is no Second Lien Subordinate Debt Service Reserve Account Requirement for the Second Lien Series 2020AB Bonds.

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

Money deposited in the Second Lien Subordinate Debt Retirement Account 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 Second Lien Bonds or to pay or make provision for payment of Outstanding Second Lien 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 Second Lien Bonds in accordance with the Indenture if at such time the amount on deposit in the Second Lien Subordinate Debt Service Account is less than the amount then required to be on deposit therein. Notwithstanding the foregoing, money in the Second Lien Subordinate Debt Retirement Account not required to pay the Redemption Price or purchase price of Second Lien 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 Second Lien Subordinate Debt Retirement Account and transferred to the Second Lien Subordinate Debt Service Account or the Second Lien Subordinate Arbitrage Rebate Account at any time money is required for the purposes of such accounts.

See APPENDIX C—CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.

## **Residual Revenues Not Pledged to the Second Lien Bonds**

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 Second Lien Bonds 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 Second Lien Supplemental Indenture means any one of the following events:

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

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

(c) the Corporation defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Indenture related to Second Lien Bonds or the Second Lien Supplemental Indenture or in the Second Lien Bonds or any Supplemental Indenture relating to Additional Second Lien Bonds 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 Second Lien 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; 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 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 Second Lien Bonds, shall protect and enforce its rights and the rights of the Holders of the Second Lien Bonds under the Second Lien Supplemental Indenture or under any Supplemental Indenture thereto 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 Second Lien Supplemental Indenture or any Supplemental Indenture thereto or in aid or execution of any power granted in the Second Lien Supplemental Indenture or any Supplemental Indenture thereto, 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 Second Lien Supplemental Indenture, including but not limited to the Sale Agreement, and of its rights and obligations under the Act.

(ii) In the enforcement of any remedy under the Second Lien Supplemental Indenture and any Supplemental Indenture thereto, 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 Second Lien Supplemental Indenture, any Supplemental Indenture thereto or of the Second Lien Bonds, with interest on overdue payments of the principal of or interest on the Second Lien Bonds at the rate or rates of interest specified in such Second Lien Bonds, together with any and all costs and expenses of collection and of all proceedings under the Second Lien Supplemental Indenture, any Supplemental Indenture thereto, and under such Second Lien Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Second Lien Bonds, and to recover and enforce judgment or decree against the Corporation but solely as provided in the Second Lien Supplemental Indenture, any Supplemental Indenture thereto and in such Second Lien 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.

(iii) 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 the Second Lien 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; provided, however, that, except in the case of default in the payment of the principal or Redemption Price of or interest on any of the Second Lien Bonds, the Trustee shall be protected in withholding notice thereof to the Holders of the Second Lien 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 Second Lien Bonds. In the case of the Holders of the Second Lien Bonds, each such notice of event of default shall be given by the Trustee by mailing written notice thereof to all registered Holders of the Second Lien Bonds, as the names and addresses of such Holders appear on the books for registration and transfer of Second Lien Bonds as kept by the Trustee.

Neither the Trustee nor any holder of Second Lien Bonds shall have any right in or to any proceeds derived from the issuance of Senior Lien Bonds held in the City Proceeds Account within the Proceeds Fund under the Master Indenture or derived from the issuance of any Second Lien Bonds held in the Second Lien 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 Holder of Second Lien Bonds by purchase of its Second Lien Bonds waives any right in or to any proceeds derived from the issuance of Senior Lien Bonds held in the City Proceeds Account within the Proceeds Fund under the Master Indenture or derived from the issuance of any Second Lien Bonds held in the Second Lien 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.

An Event of Default will not result in acceleration of the Second Lien Bonds, including the Second Lien Series 2020AB Bonds.

#### *Priority of Payments after Default*

If at any time the money held by the Trustee under the Second Lien Supplemental Indenture and each Supplemental Indenture thereto is not sufficient to pay the principal of and interest on the Second Lien 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 Second Lien Supplemental Indenture or otherwise, shall be applied (after payment of all amounts owing to the Trustee under the Second Lien Supplemental 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 Second Lien 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 Senior Lien Bonds, Additional Senior Lien Bonds and Subordinated Indebtedness**

#### *Outstanding Senior Lien Bonds*

The Corporation has \$2,641,865,000 of Senior Lien Bonds Outstanding which are secured by a first lien on the Trust Estate on a parity basis. See "ANNUAL DEBT SERVICE" for a table showing the aggregate debt service requirements of the Outstanding Senior Lien Bonds and the Second Lien Series 2020AB Bonds.

### *Additional Senior Lien Bonds*

The Master Indenture authorizes the Corporation to issue Additional Senior Lien Bonds, provided any such Additional Senior Lien Bonds must be authorized by a resolution of the Corporation and an ordinance of the City which approves the amount and the terms of such Additional Senior Lien Bonds and the purposes for which the proceeds of such Additional Senior Lien Bonds will be used (the “**Senior Lien Corporation and City Authorization Requirement**”). Additional Senior Lien Bonds will be authenticated and delivered by the Trustee only upon receipt by it (in addition to other requirements of the Indenture) of:

(a)(i) 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 Additional Senior Lien Bonds of such Series (exclusive of Capitalized Interest on Senior Lien Bonds and defeased Senior Lien Bonds on or prior to the date of issuance of the Additional Senior Lien Bonds then to be issued, including as a result of the issuance of the Additional Senior Lien Bonds then to be issued); or

(ii) if the Additional Senior Lien 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 Senior Lien 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 Senior Lien Bonds immediately prior to the issuance of such Refunding Bonds; and

(b) for as long as any Second Lien Bonds are Outstanding, a certificate of the Corporation stating that the Sales Tax Revenues for the most recently completed Fiscal Year were at least 175% of Aggregate Maximum Annual Debt Service on Senior Lien Bonds and Second Lien Bonds (exclusive of (i) defeased Senior Lien Bonds on or prior to the date of issuance of the Additional Senior Lien Bonds then to be issued, including as a result of the issuance of the Additional Senior Lien Bonds then to be issued and (ii) defeased Second Lien Bonds on or prior to the date of issuance of the Additional Senior Lien Bonds then to be issued, including as a result of the issuance of the Additional Senior Lien Bonds then to be issued).

The Senior Lien Corporation and City Authorization Requirement has been met with respect to Additional Senior Lien Bonds issued pursuant to, and in an aggregate principal amount not exceeding, the Remaining 2017 Senior Lien Bonds Authorization. The City has also authorized the issuance of Additional Senior Lien Bonds under the 2019 City Authorizing Ordinance, *provided, however*, that any such issuance pursuant to the 2019 City Authorizing Ordinance would (i) require the adoption of an authorizing resolution by the Corporation and compliance with the other requirements for the issuance of Additional Senior Lien Bonds as described in this section and (ii) be limited to the amount of the Remaining 2019 Authorization.

### *Second Lien Bonds*

The Second Lien Supplemental Indenture authorizes the Corporation to issue Additional Second Lien Bonds, provided any such Additional Second Lien Bonds must be authorized by a resolution of the Corporation and an ordinance of the City which approves the amount and the terms of such Additional Second Lien Bonds and the purposes for which the proceeds of such Additional Second Lien Bonds will be used (the “**Second Lien Corporation and City Authorization Requirement**”). Additional Second Lien 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 an Authorized Officer of the Corporation demonstrating that the Sales Tax Revenues for the most recently completed Fiscal Year are at least 175% of Aggregate Maximum Annual Debt Service on Senior Lien Bonds and Second Lien Bonds after giving effect to the issuance of the Additional Second Lien Bonds of such Series (exclusive of (i) defeased Senior Lien Bonds on or prior to the date of issuance of the Additional Second Lien Bonds then to be issued, including as a result of the issuance of the Additional Second Lien Bonds then to be issued and (ii) defeased Second Lien Bonds on or prior to the date of issuance of the Additional Second Lien Bonds then to be issued, including as a result of the issuance of the Additional Second Lien Bonds then to be issued), or

(b) if the Additional Second Lien Bonds to be issued are Refunding Subordinated Indebtedness, 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 Senior Lien Bonds and Outstanding Second Lien Bonds after giving effect to the issuance of the Refunding Subordinated Indebtedness 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 Senior Lien Bonds and Outstanding Second Lien Bonds immediately prior to the issuance of such Refunding Subordinated Indebtedness.

The Second Lien Corporation and City Authorization Requirement has been met with respect to Additional Second Lien Bonds issued pursuant to, and in an aggregate principal amount not exceeding, the Remaining 2019 Authorization.

*Additional Subordinated Indebtedness*

The Corporation reserves the right to incur Subordinated Indebtedness pursuant to a Supplemental Indenture in furtherance of its corporate purposes that is secured by a lien or charge on the Subordinated Indebtedness Fund that is subject to and subordinate to the lien or charge of the Second Lien Bonds.

For more information concerning the provisions of the Indenture applicable to the issuance of Subordinated Indebtedness, 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*

(a) *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.

(b) *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.

(c) *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.

(d) *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.

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Second Lien Series 2020A Bonds, the Corporation shall comply with the provisions of the Code applicable to the such bonds necessary to maintain such exclusion, including without limitation the provisions of the Code which prescribe yield and other limits within which proceeds of the such bonds are to be invested, and which, in certain circumstances, require the rebate of certain earnings on such amounts to the Department of the Treasury of the United States of America in accordance with Section 148(f) of the Code. In furtherance of the foregoing, the Corporation shall comply with the tax certificate relating to the Second Lien Series 2020A Bonds.

### **Statutory Lien**

The Act provides that obligations issued by the Corporation 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 Second Lien Series 2020AB 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 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 by the Department of Revenue 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 non-titled 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 real estate or most items of tangible personal property are transferred, at a rate of 1.25 percent of the selling price of the tangible personal property transferred (either in the form of such items 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, subject to certain exemptions. 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 maximum 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, subject to certain exemptions, on persons engaged in the business of selling at retail most items of 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 portion of these tax amounts deposited in the Local Government Tax Fund from this tax resulting from sales that occurred in the City is allocated to the City, and pursuant to the Sale Agreement, the City has assigned these amounts to the Corporation.

(ii) The Illinois Service Occupation Tax (“**Illinois Service Occupation Tax**”) is currently imposed, subject to certain exemptions, 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 most items 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 portion of these tax amounts deposited in the Local Government Tax Fund from this tax resulting from sales that occurred in the City is allocated to the City, and pursuant to the Sale Agreement the City has assigned these amounts to the Corporation.

(iii) The Illinois Use Tax (“**Illinois Use Tax**”) is currently imposed, subject to certain exemptions, 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) purchased outside the State. 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 (after certain deductions) from this tax are allocated to the City, and pursuant to the Sale Agreement the City has assigned these amounts to the Corporation.

(iv) The Illinois Service Use Tax (“**Illinois Service Use Tax**”) is currently imposed, subject to certain exemptions, 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 (after certain deductions) from this tax, and pursuant to the Sale Agreement has assigned 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 SECOND LIEN BONDS—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.

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 (1.5%) 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 (2.0%) of collections of the Home Rule Municipal Use Tax.

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 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 SECOND LIEN BONDS”.

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

**SUMMARY OF SALES TAX REVENUES**

<b>Tax</b>	<b>Items Taxed</b>	<b>Tax Rate</b>	<b>% of Net Tax Collections Payable to Corporation</b>	<b>Subject to Annual State Appropriation</b>	
<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 December 19, 2019.

### Annual Sales Tax Revenues 2008 – December 19, 2019 (Dollars in Thousands)

<b>Year Ended December 31,</b>	<b>Home Rule Sales Tax Revenues<sup>(1)</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<sup>(2)</sup></b>	<b>Percent Change Over Prior Year</b>
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	301,275	2.8	386,152	4.7	687,427	3.9
2019 <sup>(3)</sup>	307,056	1.9	406,764	5.3	713,820	3.8

Source: City of Chicago and Sales Tax Securitization Corporation

<sup>(1)</sup> Shown net of all past fees and will be net of all applicable fees going forward.

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

<sup>(3)</sup> Through December 19, 2019. "Percent Change Over Prior Year" reflects the change over the same period of the prior year.

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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 2014 through December 19, 2019. The preliminary monthly Home Rule Sales Tax Revenues and Local Share Sales Tax Revenues are figures derived from the Corporation's Quarterly Sales Tax Report (Unaudited).

**Monthly Home Rule Sales Tax Revenues  
2014 - December 19, 2019  
(Dollars in Thousands)<sup>(1)</sup>**

<b>Month</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019<sup>(2)</sup></b>
January	\$22,336	\$24,223	\$25,571	\$25,379	\$24,723	\$26,520
February	21,837	23,170	23,447	24,036	23,926	24,795
March	25,150	26,741	27,727	27,607	27,585	28,139
April	17,842	19,616	19,930	20,064	20,774	19,720
May	19,075	20,043	21,338	20,301	20,721	20,592
June	22,934	24,079	24,345	24,033	25,433	25,751
July	23,198	23,867	23,015	23,935	23,918	25,011
August	24,739	25,413	25,242	25,163	26,888	27,206
September	25,051	26,724	27,256	26,535	27,942	28,124
October	23,985	25,915	25,831	25,205	25,902	26,972
November	24,455	26,876	25,842	25,206	27,205	27,536
December	25,591	25,845	25,755	25,525	26,256	26,690
	<u>\$276,193</u>	<u>\$292,512</u>	<u>\$295,299</u>	<u>\$292,991</u>	<u>\$301,275</u>	<u>\$307,056</u>

Source: City of Chicago and Sales Tax Securitization Corporation

- (1) Totals may differ due to rounding.
- (2) Through December 19, 2019.

**Monthly Local Share Sales Tax Revenues  
2014 - December 19, 2019  
(Dollars in Thousands)<sup>(1)</sup>**

<b>Month</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019<sup>(2)</sup></b>
January	\$26,638	\$29,175	\$30,726	\$31,241	\$31,621	\$34,696
February	25,857	27,901	22,402	29,967	31,625	33,781
March	31,452	34,018	42,040	36,939	37,515	38,976
April	22,278	23,044	25,738	26,245	27,757	27,484
May	22,637	25,642	27,057	25,812	27,258	28,806
June	27,112	29,395	30,541	30,631	32,625	33,906
July	26,927	29,269	28,769	29,353	30,141	33,057
August	28,556	29,895	30,717	30,940	33,356	34,948
September	29,386	25,409	33,223	32,517	34,564	35,693
October	27,850	24,482	30,390	30,948	32,705	35,177
November	28,647	24,593	30,525	32,020	33,351	34,862
December <sup>(3)</sup>	30,039	50,017	31,318	32,034	33,634	35,379
	<u>\$327,379</u>	<u>\$352,840</u>	<u>\$363,446</u>	<u>\$368,647</u>	<u>\$386,152</u>	<u>\$406,764</u>

Source: City of Chicago and Sales Tax Securitization Corporation

- (1) Totals may differ due to rounding.
- (2) Through December 19, 2019.
- (3) 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 2015 through December 19, 2019. Certain preliminary components of Sales Tax Revenues for 2019 are figures derived from the Corporation’s general ledger.

**Components of Sales Tax Revenues  
2015 – December 19, 2019  
(Dollars in Thousands)**

Tax	2015		2016		2017		2018		2019 <sup>(4)</sup>	
	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 Use	\$255,134	39.5%	\$257,053	39.0%	\$256,238	38.7%	\$263,974	38.4%	\$269,012	37.7%
	37,378	5.8	38,246	5.8	36,753	5.6	37,301	5.4	38,044	5.3
<b>State Sales Taxes:</b>										
Retailers’ and Service Occupation <sup>(1)</sup>	278,490	43.2	283,598	43.1	283,815	42.9	293,204	42.7	299,963	42.0
Use <sup>(2)</sup>	74,351	11.5	79,849	12.1	84,832	12.8	92,948	13.5	106,801	15.0
Total <sup>(3)</sup> .....	<u>\$645,353</u>	<u>100.0%</u>	<u>\$658,746</u>	<u>100.0%</u>	<u>\$661,638</u>	<u>100.0%</u>	<u>\$687,427</u>	<u>100.0%</u>	<u>\$713,820</u>	<u>100.0%</u>

Source: City of Chicago and Sales Tax Securitization Corporation

- (1) Includes Illinois Use Tax on titled personal property.
- (2) Excludes Illinois Use Tax on titled personal property.
- (3) Totals may differ due to rounding.
- (4) Through December 19, 2019.

**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, including the Second Lien Series 2020AB Bonds. 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.

## BOND INSURANCE FOR INSURED BONDS

### Bond Insurance Policy

Concurrently with the issuance of the Second Lien Series 2020AB Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the (i) Second Lien Series 2020A Bonds maturing on January 1, 2037 (CUSIP† No. 79467BCX1) and January 1, 2040 (CUSIP† No. 79467BDA0) and (ii) Second Lien Series 2020B Bonds maturing on January 1, 2043 (CUSIP† No. 79467BDK8) (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as APPENDIX F hereto.

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

### Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

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

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

#### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

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

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

BAM makes no representation regarding the Second Lien Series 2020AB Bonds or the advisability of investing in the Second Lien Series 2020AB Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Offering Circular or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under this heading “BOND INSURANCE FOR INSURED BONDS”.

### *Additional Information Available from BAM*

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

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

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Second Lien Series 2020AB Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Second Lien Series 2020AB Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Second Lien Series 2020AB Bonds, whether at the initial offering or otherwise.

## **THE SECOND LIEN SERIES 2020AB BONDS**

*The following summary describes certain terms of the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. Copies of the Indenture may be obtained upon written request to the Trustee.*

### **General**

The Second Lien Series 2020AB Bonds will be dated their date of delivery and will bear interest from their dated date until paid or redeemed, payable semiannually on each January 1 and July 1, commencing July 1, 2020. The Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds, by wire transfer of immediately available funds to such bank in the continental United States as such owner requests in writing.

The Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds may be held through DTC, directly as a participant or indirectly through organizations that are participants in DTC. Details of payments of the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds will not receive or have the right to receive physical delivery of the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. So long as DTC or its nominee is the registered owner of the Second Lien Series 2020AB Bonds, references herein to Bondholders or registered owners of such Second Lien Series 2020AB Bonds means DTC or its nominee and do not mean the beneficial owners of such Second Lien Series 2020AB Bonds.

### **Redemption of Second Lien Series 2020A Bonds**

#### *Optional Redemption*

The Second Lien Series 2020A Bonds maturing on or after January 1, 2036 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, 2030 at a Redemption price of par plus any accrued interest on such Second Lien Series 2020A Bonds being redeemed to the date fixed for redemption.

#### *Selection of Second Lien Series 2020A Bonds to be Redeemed*

If less than all of the Second Lien Series 2020A Bonds of maturity and tenor are to be redeemed, the particular Second Lien Series 2020A Bonds of such maturity to be redeemed will be selected by lot by the Trustee by such method of selection as it shall deem proper in its discretion.

### **Redemption of Second Lien Series 2020B Bonds**

#### *Make Whole Optional Redemption*

The Second Lien Series 2020B Bonds are subject to redemption prior to maturity, at the election or direction of the Corporation, on any date, in whole or in part, and if in part from such maturities and interest rates as shall be determined by the Corporation on any Business Day (as defined below) at a redemption price (the "**Make Whole Optional Redemption Price**") equal to the greater of: (A) the principal amount of such Second Lien Series 2020B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Second Lien Series 2020B Bonds to be redeemed (not including any portion of those payments of interest accrued and unpaid as of the date such Second Lien Series 2020B Bonds are to be redeemed), discounted to the date of redemption of such Second Lien Series 2020B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus (i) with respect to the Second Lien Series 2020B Bonds maturing on January 1, 2023 and January 1, 2024, 10 basis points, (ii) with respect to the Second Lien Series 2020B Bonds maturing on January 1, 2025, 15 basis points, and (iii) with respect to the Second Lien Series 2020B Bonds maturing on and after January 1, 2031, 20 basis points, plus, in each case, accrued interest on such Second Lien Series 2020B Bonds being redeemed to the date fixed for redemption.

The Make Whole Optional Redemption Price of any Second Lien Series 2020B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "**Calculation Agent**") retained by the Corporation at the Corporation's expense. The Trustee and the Corporation may rely on the Calculation Agent's determination of the Make Whole Optional Redemption Price and will not be liable for such reliance. The Corporation shall confirm and transmit the Make Whole Redemption Price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "**Treasury Rate**" is, as of any redemption date for a Second Lien Series 2020B Bond, the time-weighted interpolated average yield for a term equal to the Make Whole Period of the yields of the two U.S. Treasury nominal securities at "constant maturity" (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that is publicly available not less than two (2) Business Days (as defined below) nor more than 30 calendar days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) maturing immediately preceding and succeeding the Make Whole Period. The Treasury Rate will be determined by the Calculation Agent or an independent accounting firm, investment banking firm, or financial advisor retained and compensated by the Corporation as a Corporation Expense.

"**Make Whole Period**" means the number of years, including any fractional portion thereof, calculated on the basis of a 360-day year consisting of twelve 30-day months, between the redemption date and the remaining weighted average life of each Second Lien Series 2020B Bond to be redeemed.

"**Business Day**" means for purposes of this section "*— Make Whole Optional Redemption*" any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Trustee maintains its designated office are required or authorized to close.

*Mandatory Redemption from Sinking Fund Installments*

The Second Lien Series 2020B Bonds maturing on January 1, 2043 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:

**\$136,660,000 Second Lien Series 2020B Bonds maturing on January 1, 2043**

<u>Year</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>
2040	\$23,000,000
2041	58,510,000
2042	27,115,000
2043†	28,035,000

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†Stated maturity

*Purchase of Second Lien Series 2020B 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 Second Lien Subordinate Debt Service Account, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Second Lien Series 2020B Bonds to be redeemed from such Sinking Fund Installment. The principal amount of each Second Lien Series 2020B Bond so canceled will be credited against the Sinking Fund Installment due on such date.

*Selection of Second Lien Series 2020B Bonds to be Redeemed*

If less than all of the Second Lien Series 2020B Bonds of a single Series and maturity are to be redeemed, the particular Second Lien Series 2020B Bonds or portions thereof to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC procedures, provided that the selection for redemption of such Second Lien Series 2020B Bonds will be made in accordance with the operational arrangements of DTC then in effect.

It is the Corporation's intent that redemption allocations made by DTC be made on a pro-rata pass-through distribution of principal basis as described above. However, none of the Corporation, the Underwriters or the Trustee can provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of Second Lien Series 2020B Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Second Lien Series 2020B Bonds on a pro-rata pass-through distribution of principal basis as discussed above, then the Second Lien Series 2020B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

**Additional Redemption Provisions**

*Notice of Redemption*

When Second Lien Series 2020AB Bonds are to be redeemed, the Trustee will give notice of the redemption of the Second Lien Series 2020AB Bonds in the name of the Corporation which notice will specify the Second Lien Series 2020AB Bonds to be redeemed, the maturity dates and interest rates of the Second Lien Series 2020AB Bonds to be redeemed and the date such Second Lien Series 2020AB Bonds were issued; the numbers and other distinguishing marks of the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bond to be

redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Second Lien Series 2020AB Bonds.

#### *Payment of Redeemed Second Lien Series 2020AB Bonds*

Notice having been given by mail in the manner described above, the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds, at the office or offices specified in such notice, such Second Lien Series 2020AB 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 Second Lien Series 2020AB Bond, the Corporation will execute and the Trustee will authenticate and deliver, upon the surrender of such Second Lien Series 2020AB Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Second Lien Series 2020AB Bond so surrendered, Second Lien Series 2020AB Bonds of like Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, money for the redemption of all Second Lien Series 2020AB Bonds or portions thereof of any like Series, 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 Second Lien Series 2020AB Bonds or portions thereof so called for redemption shall cease to accrue and such Second Lien Series 2020AB Bonds shall no longer be considered to be Outstanding under the Indenture. If such money is not available on the redemption date, such Second Lien Series 2020AB 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 NFP Corporation Act and organized in accordance with the STSC Establishment 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 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>
Jennie Huang Bennett	Chief Financial Officer of the City
Susie Park	Budget Director of the City
Reshma Soni	Comptroller of the City
Scott Waguespack	Chair of the Committee on Finance of the City Council
Pat Dowell	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>
Jennie Huang Bennett	President	Chief Financial Officer of the City
Jack Brofman	Secretary-Treasurer	Deputy Chief Financial Officer 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 and from January 1, 2018 to December 31, 2018. The financial information is based on the modified accrual basis of accounting as reported in the Corporation’s audited

basic financial statements for the years 2017 and 2018. This table should be read in conjunction with the financial information set forth in APPENDIX E — “SALES TAX SECURITIZATION CORPORATION FINANCIAL STATEMENTS.”

The information contained in this section relies in part on information produced by the Corporation, their independent accountants and their independent actuaries (the “*Source Information*”). The Corporation’s independent auditors have not independently verified the Source Information and make no representations nor express any opinion as to the accuracy of the Source Information.

**Sales Tax Securitization Corporation  
Historical Operating Results  
Governmental Funds  
(\$ in thousands)**

	<b><u>October 17, 2017 to December 31, 2017</u></b>	<b><u>January 1, 2018 to December 31, 2018</u></b>
<b>REVENUES:</b>		
Local and State sales tax revenues	\$ 176,994	\$ 697,340
<b>EXPENDITURES:</b>		
Interest and other fiscal charges	6,467	67,161
General and administrative	10	256
Payments to City	150,810	608,221
Amortization of deferred outflow	<u>2,052</u>	<u>70,809</u>
Total expenditures	<u>159,339</u>	<u>746,447</u>
<b>OTHER FINANCING SOURCES:</b>		
Bond proceeds	743,735	1,292,700
Premium on bonds	<u>33,917</u>	<u>110,063</u>
Total other financing sources	<u>777,652</u>	<u>1,402,763</u>
<b>NET CHANGE IN FUND BALANCE</b>	795,307	1,353,656
<b>FUND BALANCE—Beginning of period</b>	<u>-</u>	<u>795,307</u>
<b>FUND BALANCE—End of period</b>	<u>\$ 795,307</u>	<u>\$ 2,148,963</u>

The “Historical Operating Results” table summarizes the Corporation’s financial results for the years 2017 and 2018 and represents the total of the General Fund and Debt Service Fund. The Governmental Funds are presented on the modified accrual basis of accounting.

**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.

As described under “THE SALE AGREEMENT—Residual Revenues; Modification of Indenture” herein, the Residual Certificate is being canceled, and a new Residual Certificate is being issued to the City, as a result of the execution of the First Amendment in conjunction with the issuance of the Second Lien Series 2020AB Bonds.

**PLAN OF FINANCE**

The Second Lien Series 2020AB Bonds are being issued to provide funds for the City to finance the Refunding Plan with respect to the Series 2020AB Refinanced Obligations; (ii) fund capitalized interest on the Second Lien Series 2020AB Bonds; (iii) pay the Costs of Issuance of the Second Lien Series 2020AB Bonds; and (iv) pay costs of the premium on the Policy

for the Insured Bonds. See APPENDIX D — “SUMMARY OF SERIES 2020AB REFINANCED OBLIGATIONS” for a list of the Series 2020AB Refinanced Obligations.

The portion of the proceeds of the Second Lien Series 2020AB Bonds to be used to finance the Refunding Plan will be used as follows: (i) a portion of such proceeds will be paid to the holder of the CIT Notes (in return for cancellation of the CIT Notes) on the Second Lien Series 2020AB Bonds Closing Date, and (ii) except as described in the next paragraph, the remaining portion of such proceeds will be deposited pursuant to one or more escrow deposit agreements with the respective paying agents for the Series 2020AB Refinanced Obligations other than the GO Tendered Bonds (as defined below) upon issuance of the Second Lien Series 2020AB Bonds. Pursuant to the escrow deposit agreements, a portion of the amounts deposited will be invested in obligations (the “**Series 2020 Defeasance Obligations**”), the interest on and principal of which together with any remaining amount deposited will be used to pay the redemption price of such Series 2020AB Refinanced Obligations on the applicable redemption date, as set forth in APPENDIX D — “SUMMARY OF SERIES 2020AB REFINANCED OBLIGATIONS”.

In connection with the Refunding Plan, on December 23, 2019, the City issued an Invitation to Tender Bonds (the “**Invitation to Tender Bonds**”) to the beneficial owners of certain taxable general obligation bonds of the City. In connection with the Invitation to Tender bonds, the City has determined to purchase the taxable general obligation bonds of the City identified in Appendix D under the caption “GO Tendered Bonds” (the “**GO Tendered Bonds**”) with a portion of the proceeds of the Second Lien Series 2020AB Bonds.

The Corporation expects that the City will issue the Series 2020 City GO Bonds contemporaneously with the Corporation’s issuance of the Second Lien Series 2020AB Bonds (as described in the Official Statement of the City related to the issuance and sale of the Series 2020 City GO Bonds) and to use a portion of the proceeds of the Series 2020 City GO Bonds to refund certain outstanding general obligation bonds of the City.

#### SOURCES AND USES OF FUNDS

The expected application of the proceeds of the Second Lien Series 2020AB Bonds is set forth below.

<i>Sources of Funds:</i>	<b>Second Lien Series 2020A Bonds</b>	<b>Second Lien Series 2020B Bonds</b>	<b>Aggregate Second Lien Series 2020AB Bonds</b>
Principal Amount of Second Lien Series 2020AB Bonds	\$521,105,000.00	\$495,810,000.00	\$1,016,915,000.00
Original Issue Premium	113,386,640.00	0.00	113,386,640.00
<i>Total Sources</i>	<u>\$634,491,640.00</u>	<u>\$495,810,000.00</u>	<u>\$1,130,301,640.00</u>
 <i>Uses of Funds:</i>			
Refunding Plan	\$582,399,170.61	\$462,220,904.81	\$1,044,620,075.42
Deposit to Second Lien Capitalized Interest Account(s)	47,142,254.59	27,485,599.02	74,627,853.61
Costs of Issuance <sup>1</sup>	1,708,981.40	2,082,868.03	3,791,849.43
Underwriters’ Discount	3,241,233.40	4,020,628.14	7,261,861.54
<i>Total Uses</i>	<u>\$634,491,640.00</u>	<u>\$495,810,000.00</u>	<u>\$1,130,301,640.00</u>

<sup>1</sup> Includes Bond Insurance Premium for the Insured Bonds.

**ANNUAL DEBT SERVICE AND EXPECTED DEBT SERVICE COVERAGE**

The following table sets forth the debt service requirements for all Prior Issued Senior Lien Bonds and the Second Lien Series 2020AB Bonds:

<i>Year ending January 1</i>	<i>Second Lien Series 2020AB Principal</i>	<i>Second Lien Series 2020AB Interest</i>	<i>Second Lien Series 2020AB Capitalized Interest</i>	<i>Second Lien Series 2020AB Bonds Total</i>	<i>Senior Lien Bonds Debt Service Principal</i>	<i>Senior Lien Bonds Debt Service Interest</i>	<i>Senior Lien Bonds Debt Service Total</i>	<i>Second Lien Series 2020AB Bonds and Senior Lien Bonds Total</i>
2021		\$ 36,427,788	\$(36,427,788)		\$ 3,150,000	\$ 117,820,035	\$ 120,970,035	\$ 120,970,035
2022		39,619,347	(39,619,347)		47,685,000	117,662,535	165,347,535	165,347,535
2023	\$ 24,405,000	39,619,347		\$ 64,024,347	54,760,000	115,588,109	170,348,109	234,372,456
2024	52,910,000	39,100,008		92,010,008	57,075,000	113,274,580	170,349,580	262,359,588
2025	54,090,000	37,922,761		92,012,761	59,510,000	110,839,071	170,349,071	262,361,832
2026	56,055,000	35,956,828		92,011,828	62,080,000	108,270,304	170,350,304	262,362,132
2027	58,860,000	33,154,078		92,014,078	64,785,000	105,561,213	170,346,213	262,360,291
2028	61,800,000	30,211,078		92,011,078	67,635,000	102,714,354	170,349,354	262,360,432
2029	64,890,000	27,121,078		92,011,078	70,620,000	99,725,480	170,345,480	262,356,558
2030	68,135,000	23,876,578		92,011,578	73,760,000	96,589,204	170,349,204	262,360,782
2031	69,315,000	20,469,828		89,784,828	77,140,000	93,206,902	170,346,902	260,131,731
2032	44,235,000	18,489,499		62,724,499	80,695,000	89,650,735	170,345,735	233,070,234
2033	41,360,000	17,181,470		58,541,470	84,435,000	85,911,684	170,346,684	228,888,154
2034	51,930,000	15,937,775		67,867,775	88,325,000	82,024,392	170,349,392	238,217,166
2035	47,385,000	14,350,275		61,735,275	92,340,000	78,008,247	170,348,247	232,083,522
2036	41,330,000	12,878,023		54,208,023	96,545,000	73,805,408	170,350,408	224,558,431
2037	40,785,000	10,811,523		51,596,523	100,955,000	69,394,517	170,349,517	221,946,039
2038	43,445,000	8,772,273		52,217,273	105,395,000	64,951,591	170,346,591	222,563,864
2039	25,935,000	7,034,473		32,969,473	110,040,000	60,310,090	170,350,090	203,319,562
2040	56,390,000	5,997,073		62,387,073	115,265,000	55,422,766	170,687,766	233,074,839
2041	58,510,000	3,876,943		62,386,943	120,390,000	50,298,131	170,688,131	233,075,074
2042	27,115,000	1,881,167		28,996,167	125,685,000	45,001,883	170,686,883	199,683,049
2043	28,035,000	956,274		28,991,274	131,220,000	39,468,068	170,688,068	199,679,342
2044					137,000,000	33,685,742	170,685,742	170,685,742
2045					143,150,000	27,534,919	170,684,919	170,684,919
2046					149,585,000	21,104,262	170,689,262	170,689,262
2047					156,305,000	14,380,662	170,685,662	170,685,662
2048					163,335,000	7,351,008	170,686,008	170,686,008
	<b>\$1,016,915,000</b>	<b>\$481,645,485</b>	<b>\$(76,047,135)</b>	<b>\$1,422,513,350</b>	<b>\$2,638,865,000</b>	<b>\$2,079,555,890</b>	<b>\$4,718,420,890</b>	<b>\$6,140,934,240</b>

Source: City of Chicago

Note: Table shown as of the delivery of the Second Lien Series 2020AB Bonds.

Note: Totals may differ due to rounding.

Based on Fiscal Year 2019 Sales Tax Revenues, coverage of aggregate maximum annual debt service is expected to be 2.72x following the issuance of the Second Lien Series 2020AB Bonds.

## INVESTMENT AND LEGAL CONSIDERATIONS

*The following discussion of investment considerations should be reviewed by prospective investors prior to purchasing the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds or, ultimately, a payment default on the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds on a timely basis or in full, and could have an adverse effect on the liquidity and/or market value of the Second Lien Series 2020AB 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 fifteen percent of Sales Tax Revenues received by the City in 2019) 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 fiscal year 2020 budget was presented to the Senate and the House of Representatives in a package of several separate bills for consideration. The last bill to be considered as a part of the package was passed by the Senate and the House of Representatives on May 29, 2019, and June 1, 2019, respectively, and enacted on June 5, 2019.

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 Second Lien Series 2020AB 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 Second Lien Bonds**

The Corporation may issue Additional Senior Lien Bonds, Additional Second Lien Bonds and Additional Subordinated Indebtedness other than the Second Lien Series 2020AB Bonds. See “SECURITY FOR THE SECOND LIEN BONDS - Outstanding Senior Lien Bonds, Additional Senior Lien Bonds and Subordinated Indebtedness”.

### **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 SECOND LIEN BONDS—Certain Covenants of the State and the City—*Covenants of the State Contained in the Act*”.

### **Limited Resources of the Corporation; Second Lien Bonds Are Not a Debt of the City or State**

The Second Lien Series 2020AB Bonds are limited obligations of the Corporation and are payable only from the Trust Estate. The Second Lien Series 2020AB 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 the City or the State for payment of amounts owing on the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. The Corporation has no taxing power. See “SECURITY FOR THE SECOND LIEN BONDS”.

### **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 Second Lien Series 2020AB Bonds. This means that should an Event of Default occur, the Trustee and the Holders of the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. In addition, neither the Trustee nor the Holders of the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds.

### **Bankruptcy of the City**

Municipalities cannot file for protection under 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 relief. 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 a Chapter 9 case. It is also possible that Congress will enact legislation that changes the eligibility requirements for municipalities to file for relief under Chapter 9.

There may be possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Second Lien Series 2020AB Bonds or other losses to the Holders of the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds are not the obligations or debts of the City (or the State) and therefore the Holders of the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds Closing Date (the “**Continuing Disclosure Undertaking**”), for the benefit of the beneficial owners of the Second Lien Series 2020AB 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 Continuing Disclosure Undertaking, including termination, amendment and remedies, are set forth below. Since the Corporation has not existed prior to the adoption of the STSC Establishment 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 Prior Issued Senior Lien Bonds. The Corporation entered into similar continuing disclosure undertakings in connection with the issuance of the Prior Issued Senior Lien Bonds which includes the issuance of the Senior Lien Series 2017 Bonds in December 2017, the issuance of the Senior Lien Series 2018A Bonds and Senior Lien Series 2018B Bonds in February 2018, the issuance of the Senior Lien Series 2018C Bonds in December 2018 and the issuance of the Senior Lien Series 2019A Bonds in January 2019. 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 Senior Lien Series 2017 Bonds, the Senior Lien Series 2018A Bonds and the Senior Lien Series 2018B Bonds. The Corporation has also voluntarily reported its audited financial statements for the period ended December 31, 2018.

A failure by the Corporation to comply with the Continuing Disclosure Undertaking will not constitute a default under the Second Lien Series 2020AB Bonds or the Indenture, and beneficial owners of the Second Lien Series 2020AB Bonds are limited to the remedies described in the Continuing Disclosure Undertaking. See “—Consequences of Failure of the Corporation to Provide Information” below. A failure by the Corporation to comply with the Continuing Disclosure 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 Second Lien Series 2020AB Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Second Lien Series 2020AB Bonds and their market price.

The following is a brief summary of certain provisions of the Continuing Disclosure Undertaking and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Continuing Disclosure 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 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 2020 with respect to the Corporation’s fiscal year ending December 31, 2019. The Corporation is required to file such information so that the MSRB receives the information by the dates specified in the Continuing Disclosure Undertaking.

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

The Corporation covenants that it will disseminate in a timely manner, not in excess of ten (10) 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 Second Lien Series 2020AB Bonds, or other material events affecting the tax status of the Second Lien Series 2020AB Bonds;
- (7) Modifications to rights of Holders of the Second Lien Series 2020AB Bonds, if material;
- (8) Second Lien Series 2020AB Bond calls, if material, and tender offers;
- (9) Defeasances;

(10) Release, substitution or sale of property securing repayment of the Second Lien Series 2020AB Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the Corporation; such an event will be considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the Board of Directors and the Corporation's 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;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a financial obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Corporation, any of which affect Holders of the Second Lien Series 2020AB Bonds, if material; and

(16) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

For the purposes of the Reportable Events identified in subparagraphs (15) and (16), above, the term "financial obligation" means: (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii) above. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

### **Consequences of Failure of the 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 Continuing Disclosure Undertaking.

In the event of a failure of the Corporation to comply with any provision of the Continuing Disclosure Undertaking, the beneficial owner of any Second Lien Series 2020AB Bond may seek mandamus or specific performance by court order to cause the Corporation to comply with its obligations under the Continuing Disclosure Undertaking. The Continuing Disclosure Undertaking provides that any court order must be initiated in the Circuit Court of Cook County. A default under the Continuing Disclosure Undertaking shall not be deemed a default under the Second Lien Series 2020AB Bonds or the Indenture, and the sole remedy under the Continuing Disclosure Undertaking in the event of any failure of the Corporation to comply with the Continuing Disclosure Undertaking shall be an action to compel performance.

### **Amendment; Waiver**

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the Corporation may amend the Continuing Disclosure Undertaking, and any provision of the Continuing Disclosure 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 Continuing Disclosure 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Continuing Disclosure 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 Continuing Disclosure Undertaking**

The Continuing Disclosure Undertaking shall be terminated if the Corporation shall no longer have any legal liability for any obligation on or relating to repayment of the Second Lien Series 2020AB Bonds under the Indenture.

## **Additional Information**

Nothing in the Continuing Disclosure Undertaking will be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure 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 Continuing Disclosure 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 Continuing Disclosure Undertaking, the Corporation shall have no obligation under the Continuing Disclosure 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 Continuing Disclosure Undertakings**

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

## **TAX MATTERS**

### **Second Lien Series 2020A Bonds**

#### *Federal Income Taxes*

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 Second Lien Series 2020A 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 Second Lien Series 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Second Lien Series 2020A Bonds. Pursuant to the Indenture and a Tax Certificate and Agreement dated the date of delivery of the Second Lien Series 2020A 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 Second Lien Series 2020A 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 Second Lien Series 2020A 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 Nixon Peabody LLP and Sanchez Daniels & Hoffman LLP, 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 Second Lien Series 2020A 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.

### *State Taxes*

Interest on the Second Lien Series 2020A 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 Second Lien Series 2020A Bonds nor as to the taxability of the Second Lien Series 2020A Bonds or the income therefrom under the laws of any jurisdiction other than the State.

### *Original Issue Premium*

Second Lien Series 2020A Bonds sold at prices in excess of their principal amounts are “**Premium Bonds**”. 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 the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### *Ancillary Tax Matters*

Ownership of the Second Lien Series 2020A 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 to carry the Second Lien Series 2020A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Second Lien Series 2020A 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 Second Lien Series 2020A 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 with respect to the Second Lien Series 2020A Bonds other than those described in the opinion attached as Appendix B hereto. 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 Second Lien Series 2020A 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 Second Lien Series 2020A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Second Lien Series 2020A 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 Second Lien Series 2020A Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Second Lien Series 2020A Bonds may occur. Prospective purchasers of the Second Lien Series 2020A Bonds should consult their own tax advisors regarding the impact of any change in law on the Second Lien Series 2020A Bonds.

Co-Transaction Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Second Lien Series 2020A Bonds may affect the tax status of interest on the Second Lien Series 2020A Bonds. Co-Transaction Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Second Lien Series 2020A Bonds, or the interest thereon, if any action is taken with respect to the Second Lien Series 2020A Bonds or the proceeds thereof upon the advice or approval of other counsel.

## Second Lien Series 2020B Bonds

### *Federal Income Taxes*

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Second Lien Series 2020B Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Second Lien Series 2020B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Second Lien Series 2020B Bonds as a hedge against currency risks or as a position in a “straddle,” “hedge,” “constructive sale transaction” or “conversion transaction” for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Second Lien Series 2020B Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Second Lien Series 2020B Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Second Lien Series 2020B Bonds.

The Corporation has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

### *U.S. Holders*

As used herein, the term “**U.S. Holder**” means a beneficial owner of Second Lien Series 2020B Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Second Lien Series 2020B Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Second Lien Series 2020B Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Second Lien Series 2020B Bonds.

### *Taxation of Interest Generally*

Interest on the Second Lien Series 2020B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Second Lien Series 2020B Bonds. In general, interest paid on the Second Lien Series 2020B Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder’s adjusted tax basis in the Second Lien Series 2020B Bonds and capital gain to the extent of any excess received over such basis.

### *Recognition of Income Generally*

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, the IRS issued proposed regulations which provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Second Lien Series 2020B Bonds should consult their own tax advisors regarding the potential applicability of these rules and their impact on the timing of the recognition of income related to the Second Lien Series 2020B Bonds under the Code.

### *Original Issue Discount*

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Second Lien Series 2020B Bonds issued with original issue discount (“**Discount Bonds**”). A Second Lien Series 2020B Bond will be treated as having been issued with an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Second Lien Series 2020B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Second Lien Series 2020B Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Second Lien Series 2020B Bond’s “stated redemption price at maturity” is the total of all payments provided by the Second Lien Series 2020B Bond that are not payments of “qualified stated interest.” Generally, the term “qualified stated interest” includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Bond is the sum of the “daily portions” of original issue discount with respect to such Discount Bond for each day during the taxable year in which such holder held such Discount Bond. The daily portion of original issue discount on any Discount Bond is determined by allocating to each day in any “accrual period” a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Second Lien Series 2020B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “*Recognition of Income Generally*” above. Prospective purchasers of the Second Lien Series 2020B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Second Lien Series 2020B Bonds under the Code.

### *Market Discount*

A holder who purchases a Second Lien Series 2020B Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Second Lien Series 2020B Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Second Lien Series 2020B Bond who acquires such Second Lien Series 2020B Bond at a market discount also may be required to defer, until the maturity date of such Second Lien Series 2020B Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on

indebtedness incurred or maintained to purchase or carry a Second Lien Series 2020B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Second Lien Series 2020B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Second Lien Series 2020B Bond for the days during the taxable year on which the holder held the Second Lien Series 2020B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Second Lien Series 2020B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "*Recognition of Income Generally*" above. Prospective purchasers of the Second Lien Series 2020B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Second Lien Series 2020B Bonds under the Code.

#### *Bond Premium*

A holder of a Second Lien Series 2020B Bond who purchases such Second Lien Series 2020B Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Second Lien Series 2020B Bonds held by the holder on the first day of the taxable year to which the election applies and to all Second Lien Series 2020B Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Second Lien Series 2020B Bonds who acquire such Second Lien Series 2020B Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Second Lien Series 2020B Bonds.

#### *Surtax on Unearned Income*

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

#### *Sale or Redemption of Bonds*

A bondholder's adjusted tax basis for a Second Lien Series 2020B Bond is the price such holder pays for the Second Lien Series 2020B Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Second Lien Series 2020B Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Second Lien Series 2020B Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Second Lien Series 2020B Bond is held as a capital asset (except in the case of Second Lien Series 2020B Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Second Lien Series 2020B Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued", or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Second Lien Series 2020B Bond under the defeasance provisions of the Indenture could result in a deemed sale or exchange of such Second Lien Series 2020B Bond.

EACH POTENTIAL HOLDER OF SECOND LIEN SERIES 2020B BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE SECOND LIEN SERIES 2020B BONDS, AND (2) THE CIRCUMSTANCES IN WHICH SECOND LIEN SERIES 2020B BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

### *Non-U.S. Holders*

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Second Lien Series 2020B Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a “**Non-U.S. Holder**”).

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act (“**FATCA**”), payments of principal by the Corporation or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10 percent or more of the voting equity interests of the Corporation, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Corporation (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Corporation, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business and that also holds the Second Lien Series 2020B Bonds must certify to the Corporation or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Corporation or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Second Lien Series 2020B Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Second Lien Series 2020B Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Second Lien Series 2020B Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Second Lien Series 2020B Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Second Lien Series 2020B Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Second Lien Series 2020B Bonds shall have no recourse against the Corporation, nor will the Corporation be obligated to pay any additional amounts to “gross up” payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Second Lien Series 2020B Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of “withholdable payment” for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Second Lien Series 2020B Bonds.



### *Information Reporting and Backup Withholding*

For each calendar year in which the Second Lien Series 2020B Bonds are outstanding, the Corporation, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder's name, address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Corporation, its agents or paying agents or a broker may be required to make "backup" withholding of tax on each payment of interest or principal on the Second Lien Series 2020B Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder's federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Corporation, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under "Non-U.S. Holders" above), or has otherwise established an exemption (provided that neither the Corporation nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Second Lien Series 2020B Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following: (i) a U.S. person; (ii) a controlled foreign corporation for U.S. tax purposes; (iii) a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or (iv) a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Second Lien Series 2020B Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Second Lien Series 2020B Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

### *State Taxes*

Interest on the Second Lien Series 2020B 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 Second Lien Series 2020B Bonds nor as to the taxability of the Second Lien Series 2020B Bonds or the income therefrom under the laws of any jurisdiction other than the State.

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

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Second Lien Series 2020B Bonds for federal or state income tax purposes, and thus on the value or marketability of the Second Lien Series 2020B 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), 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 Second Lien Series 2020B Bonds. Prospective purchasers of the Second Lien Series 2020B Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Second Lien Series 2020B Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SECOND LIEN SERIES 2020B BONDS.

## CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA (“**ERISA Plans**”). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein (“**Qualified Retirement Plans**”), and on Individual Retirement Accounts (“**IRAs**”) described in Section 408(b) of the Code (collectively, “**Tax-Favored Plans**”). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) (“**Governmental Plans**”), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) (“**Church Plans**”), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law (“**Similar Laws**”) which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Second Lien Series 2020AB Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “**Benefit Plans**”) and persons who have certain specified relationships to the Benefit Plans (“**Parties In Interest**” or “**Disqualified Persons**”), unless a statutory or administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Second Lien Series 2020AB Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Corporation were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the “**Plan Assets Regulation**”), the assets of the Corporation would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an “equity interest” in the Corporation and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Second Lien Series 2020AB Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Second Lien Series 2020AB Bonds, including the reasonable expectation of purchasers of Second Lien Series 2020AB Bonds that the Second Lien Series 2020AB Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Second Lien Series 2020AB Bonds for ERISA purposes could change subsequent to issuance of the Second Lien Series 2020AB Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the Second Lien Series 2020AB Bonds or a characterization of the Second Lien Series 2020AB Bonds as other than indebtedness under applicable local law, the subsequent purchase of the Second Lien Series 2020AB Bonds or any interest therein by a Benefit Plan is prohibited.

However, without regard to whether the Second Lien Series 2020AB Bonds are treated as an equity interest for such purposes, the acquisition or holding of Second Lien Series 2020AB Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Corporation, the Trustee or paying agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Second Lien Series 2020AB Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Second Lien Series 2020AB Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (“**PTCE**”) 96-23, regarding transactions effected by certain “in-house asset managers”; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts”; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for

transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Second Lien Series 2020AB Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Second Lien Series 2020AB Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to (a) represent and warrant that either (i) it is not acquiring the Second Lien Series 2020AB Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the Second Lien Series 2020AB Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws, and (b) acknowledge and agree that a Benefit Plan may not purchase the Second Lien Series 2020AB Bonds (or any interest therein) at any time that the ratings on the Second Lien Series 2020AB Bonds are withdrawn or downgraded to below investment grade or the Second Lien Series 2020AB Bonds have been characterized as other than indebtedness for applicable local law purposes. A purchaser or transferee who acquires Second Lien Series 2020AB Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

In addition, each purchaser and each transferee (and if the purchaser or transferee is a Benefit Plan, its fiduciary) of a Second Lien Series 2020AB Bond that is a Benefit Plan is deemed to represent and warrant that: (a) the decision to acquire the Second Lien Series 2020AB Bonds was made by the plan fiduciary; (b) the plan fiduciary is independent of the Corporation, the Trustee and the Underwriters; (c) the plan fiduciary meets the requirements of 29 C.F.R. § 2510.3 21(c)(1) and specifically is either a bank as defined in Section 202 of the Investment Advisers Act of 1940 or similar institution that is regulated and supervised and subject to periodic examination by a U.S. state or U.S. federal agency; an insurance carrier which is qualified under the laws of more than one U.S. state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan; an investment adviser registered under the Investment Advisers Act of 1940 or, if not registered as an investment adviser under the Investment Advisers Act by reason of paragraph (1) of Section 203A of the Investment Advisers Act, is registered as an investment adviser under the laws of the U.S. state in which it maintains its principal office and place of business; a broker dealer registered under the Exchange Act; or holds, or has under its management or control, total assets of at least \$50 million (provided that this clause shall not be satisfied if the plan fiduciary is an individual directing his or her own individual plan account or is a relative of such individual); (d) the plan fiduciary is capable of evaluating investment risks independently, both in general and with regard to particular transactions, and investment strategies, including the purchase or transfer of the Second Lien Series 2020AB Bonds; (e) the plan fiduciary is a “fiduciary” with respect to the plan within the meaning of Section (21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the acquisition, transfer or holding of the Second Lien Series 2020AB Bonds; (f) none of the Corporation, the Trustee or the Underwriters has exercised any authority to cause the Benefit Plan to invest in the Second Lien Series 2020AB Bonds or to negotiate the terms of the Benefit Plan’s investment in the Second Lien Series 2020AB Bonds; and (g) the plan fiduciary has been informed: (1) that none of the Corporation, the Trustee or the Underwriters are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the plan’s acquisition or transfer of the Second Lien Series 2020AB Bonds and (2) of the existence and nature of the Corporation’s, the Trustee’s or the Underwriters’ financial interests in the Benefit Plan’s acquisition or transfer of the Second Lien Series 2020AB Bonds.

None of the Corporation, the Trustee or the Underwriters is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the acquisition or transfer of the Second Lien Series 2020AB Bonds by any Benefit Plan.

Because the Corporation, the Trustee, the Underwriters or any of their respective affiliates may receive certain benefits in connection with the sale of the Second Lien Series 2020AB Bonds, the purchase of the Second Lien Series 2020AB Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Second Lien Series 2020AB Bonds using plan assets of a Benefit Plan should consult with its counsel if the Corporation, the Trustee or the Underwriters or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Second Lien Series 2020AB Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

## LITIGATION

There is no litigation pending in any court (either State or federal) to restrain or enjoin the issuance or delivery of the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds or the validity of the Second Lien Series 2020AB Bonds. For a discussion of other legal matters, see “INVESTMENT AND LEGAL CONSIDERATIONS”.

## RATINGS

It is expected that, upon issuance of the Second Lien Series 2020AB Bonds, Fitch Ratings will assign a rating of “AA-, stable”, Kroll Bond Rating Agency, Inc. will assign a rating of “AA+, stable” and S&P Global Ratings will assign a rating of “AA-, stable” for the Second Lien Series 2020AB Bonds. In addition, it is expected that S&P Global Ratings will assign a rating of “AA, stable” for the Insured Bonds with the understanding that the Policy will be issued by BAM upon issuance of the Insured Bonds as described on the cover page of this Offering Circular.

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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds.

## FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR

The Corporation has retained Columbia Capital Management, LLC, PFM Financial Advisors LLC, Swap Financial Group, LLC and Public Alternative Advisors, LLC to act as financial advisors (the “**Co-Financial Advisors**”) in connection with the issuance and sale of the Second Lien Series 2020AB Bonds. The Co-Financial Advisors have provided advice on the plan of financing and structure of the Second Lien Series 2020AB 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 seven firms (Acacia Financial Group, Martin J. Luby LLC, PFM Financial Advisors LLC, Public Alternative Advisors, LLC, RSI Group, LLC, Sycamore Advisors, LLC, and Swap Financial Group, LLC) to serve as a pool of registered municipal advisors (the “**IRMAs**”) pursuant to Rule 15Ba1-1-(d)(3)(vi) of the Commission to evaluate financing proposals and recommendations in connection with the Corporation’s various bond issuance programs and other financing ideas being considered by the Corporation; however, the IRMAs will not advise on the investment of Corporation funds. The IRMA’s compensation is not dependent on the offering of the Second Lien Series 2020AB Bonds.

## CERTAIN VERIFICATIONS

Samuel Klein and Company, Certified Public Accountants (the “**Verifier**”), upon the delivery of the Second Lien Series 2020AB 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 Series 2020 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 Series 2020AB Refinanced Obligations other than the Tendered GO Bonds, as described under “PLAN OF FINANCE”, and (ii) the yields on the Second Lien Series 2020A Bonds and on the Series 2020 Defeasance Obligations related to the tax-exempt Series 2020AB Refinanced Obligations.

The Verifier will express no opinion on the attainability of any assumptions or the federal income tax status of the Second Lien Series 2020AB Bonds.

## UNDERWRITING

The Second Lien Series 2020AB Bonds are being purchased by the underwriters listed on the cover page hereof (the “**Underwriters**”), for whom Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Cabrera Capital Markets, LLC and Siebert Williams Shank & Co., LLC are acting as co-lead managers. Goldman Sachs & Co. LLC, as representative on behalf of itself and the other Underwriters, has agreed, subject to certain conditions, to purchase the (i) Second Lien Series 2020A Bonds at a price equal to \$631,250,406.60 (which represents the aggregate principal amount of the Second Lien Series 2020A Bonds, less an Underwriters’ discount of \$3,241,233.40, and plus an original issue premium of \$113,386,640.00) and (ii) Second Lien Series 2020B Bonds at a price equal to \$491,789,371.86 (which represents the aggregate principal amount of the Second Lien Series 2020B, less an Underwriters’ discount of \$4,020,628.14).

The initial public offering prices of the Second Lien Series 2020AB Bonds may be changed from time to time by the Underwriters. The Second Lien Series 2020AB Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Second Lien Series 2020AB 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 finance the Refunding Plan.

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 Series 2020AB 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.

BofA Securities, Inc., an underwriter of the Second Lien Series 2020AB Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“**MLPF&S**”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Second Lien Series 2020AB Bonds.

In addition, Banc of America Public Capital Corp, an affiliate of BofA Securities, Inc., has entered into a contract with CIT and currently holds notes issued by CIT in the principal amount of \$9,589,359 which will be repaid in full with a portion of the net proceeds of the Second Lien Series 2020AB Bonds.

J.P. Morgan Securities LLC (“**JPMS**”), an underwriter of the Second Lien Series 2020AB Bonds, has entered into negotiated dealer agreements (each, a “**Dealer Agreement**”) with each of Charles Schwab & Co., Inc. (“**CS&Co.**”) and LPL Financial LLC (“**LPL**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Second Lien Series 2020AB Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Second Lien Series 2020AB Bonds that such firm sells.

Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC acted as dealer managers in connection with the Invitation to Tender Bonds and will receive customary compensation in connection therewith. In addition, certain of the Underwriters and/or their respective affiliates may hold a portion of the GO Tendered Bonds for their own account and/or for the accounts of their customers and, therefore, may receive a portion of the sale proceeds from the Second Lien Series 2020AB Bonds.

## LEGAL MATTERS

Nixon Peabody LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, as Co-Transaction Counsel (“**Co-Transaction Counsel**”), will each render an opinion with respect to the validity of the Second Lien Series 2020AB Bonds in substantially the form set forth in APPENDIX B —“PROPOSED FORM OF OPINION OF 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) Ice Miller LLP and Zuber Lawler & Del Duca LLP, as Special Co-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 McGuireWoods 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 Second Lien Series 2020AB Bonds make any representation as to its accuracy or completeness.

DTC will act as the initial securities depository for the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds. The Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Second Lien Series 2020AB Bonds on DTC’s records. The ownership interest of each actual purchaser of each Second Lien 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds, except in the event that use of the book-entry system for the Second Lien Series 2020AB Bonds is discontinued.

To facilitate subsequent transfers, all Second Lien 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Second Lien 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 Second Lien Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Second Lien Series 2020AB Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Second Lien Bonds may wish to ascertain that the nominee holding the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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 Second Lien Series 2020AB 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, Second Lien 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, Second Lien 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 SECOND LIEN SERIES 2020AB BONDS: (1) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SECOND LIEN SERIES 2020AB BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECOND LIEN SERIES 2020AB BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECOND LIEN SERIES 2020AB 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 SECOND LIEN SERIES 2020AB 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 SECOND LIEN SERIES 2020AB BONDS.

Transfers between participants will occur in accordance with DTC rules.

The Corporation will not impose any fees in respect of holding the Second Lien Series 2020AB Bonds; however, holders of book-entry interests in the Second Lien Series 2020AB Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC.

#### *Initial Settlement*

Interests in the Second Lien Series 2020AB Bonds will be in uncertified book-entry form. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Second Lien Series 2020AB 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 Second Lien Series 2020AB Bonds following confirmation of receipt of payment to the Corporation on the date of delivery of the Second Lien Series 2020AB Bonds.

#### *Secondary Market Trading*

Secondary market trades in the Second Lien Series 2020AB 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 Second Lien Series 2020AB 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**  
**FORM OF OPINION OF**  
**CO-TRANSACTION COUNSEL**

[Date of Issuance]

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 \$521,105,000 aggregate principal amount of Second Lien Sales Tax Securitization Bonds, Series 2020A (the “Series 2020A Bonds”) and \$495,810,000 aggregate principal amount of Second Lien Sales Tax Securitization Bonds, Taxable Series 2020B (the “Series 2020B Bonds”, and together with the Series 2020A Bonds, the “Series 2020 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 2020 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 Second Lien Supplemental Trust Indenture, dated as of January 1, 2020, by and between the Corporation and the Trustee (the “Second Lien Supplemental Indenture”, and together with the Master Indenture, the “Second Lien Indenture”), authorizing the issuance of the Second Lien Bonds (as defined below) as Subordinated Indebtedness under the Master Indenture, and a First Supplement to the Second Lien Supplemental Trust Indenture, dated as of January 1, 2020, by and between the Corporation and the Trustee, authorizing the issuance of the Series 2020 Bonds (the “First Supplemental Trust Indenture”, which, together with the Second Lien 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 2020 Bonds are part of an issue of bonds of the Corporation (the “Second Lien Bonds”), which the Corporation has established and created under the terms of the Second Lien Indenture and is authorized to issue from time to time for the purposes authorized by the Second Lien Indenture, as then in effect, and without limitation as to amount, except as provided in the Second Lien Indenture or as may be limited by law. The Series 2020 Bonds are being issued for the purposes set forth in the Indentures.

The Corporation is authorized to issue Second Lien Bonds, in addition to the Series 2020 Bonds, only upon the terms and conditions set forth in the Second Lien Indenture and such Second Lien Bonds, when issued, will with all other Second Lien 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 Second Lien Indenture.

The Series 2020A Bonds are dated and bear interest from their date of delivery and mature on January 1 and bear interest, payable beginning on July 1, 2020, 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>
2025	\$26,480,000	5.00%	2036	\$41,330,000	5.00%
2026	56,055,000	5.00	2037	40,785,000	5.00
2027	58,860,000	5.00	2038	43,445,000	4.00
2028	61,800,000	5.00	2039	25,935,000	4.00
2029	64,890,000	5.00	2040	33,390,000	4.00
2030	68,135,000	5.00			

The Series 2020B Bonds are dated and bear interest from their date of delivery and mature on January 1, and bear interest, payable beginning on July 1, 2020, 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>
2023	\$ 24,405,000	2.128%	2033	\$ 41,360,000	3.007%
2024	52,910,000	2.225	2034	51,930,000	3.057
2025	27,610,000	2.325	2035	47,385,000	3.107
2031	69,315,000	2.857	2043	136,660,000	3.411
2032	44,235,000	2.957			

The Series 2020 Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or integral multiples thereof. The Series 2020A Bonds and the Series 2020B Bonds are each numbered consecutively from one upward in order of issuance.

The Series 2020 Bonds are subject to redemption prior to maturity as provided in the First Supplemental Trust Indenture.

The Series 2020 Bonds are being issued (i) to refund certain outstanding general obligation bonds of the City, repurchase and cancel certain outstanding general obligation bonds of the City by means of a tender offer, refund certain motor fuel tax revenue bonds of the City, and provide for the refunding of certain outstanding Notes issued by the Chicago Infrastructure Trust, an Illinois not-for-profit corporation and an instrumentality of the City; (ii) to pay capitalized interest on the Series 2020 Bonds, (iii) to pay the cost of the premium for the purchase of a municipal bond insurance policy with respect to the Series 2020 Bonds, and (iv) to pay costs of issuance, including underwriters discount. The City, the Corporation and the Trustee have entered into an Assignment, Purchase and Sale Agreement, dated as of December 14, 2017, as amended by the First Amendment to Assignment, Purchase and Sale Agreement, dated the date hereof (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 Second Lien Bonds and apply the net proceeds for the purposes permitted by the Second Lien Indenture. We assume the parties will perform their respective covenants in the Second Lien 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 2020A 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 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2020A Bonds. The Corporation has covenanted in the Indentures, 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 2020A 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 2020A Bond and an executed Series 2020B Bond and, in our opinion, the forms of said bonds and their 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 Second Lien Bonds thereunder, including the Series 2020 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 2020 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 2020 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 Second Lien 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 2020A 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.

6. Interest on the Series 2020B Bonds is includible in gross income for federal income tax purposes.

7. Interest on the Series 2020 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 2020 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, 6 and 7 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 2020 Bonds. Furthermore, we express no opinion as to any federal, state, local or foreign tax consequences with respect to the Series 2020 Bonds, or the interest thereon, if any action is taken with respect to Series 2020 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

#### Definitions of Certain Terms

“**Accreted Value**” means with respect to any Second Lien Bond or Senior Lien Bond that is a 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 Second Lien Bonds**” means any Second Lien Bonds issued subsequent to the issuance of the Second Lien Series 2020AB Bonds.

“**Aggregate Maximum Annual Debt Service on Senior Lien Bonds and Second Lien Bonds**” 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 Senior Lien Bonds and Outstanding Second Lien 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 any Senior Lien Bond that is a Capital Appreciation Bond and the Appreciated Value of any Senior Lien Bond that is a Deferred Income Bond becoming due at maturity or by virtue of any Sinking Fund Installment shall be included in the calculations of interest and principal payable only during the calendar year in which such Senior Lien Bond that is a Capital Appreciation Bond or a Senior Lien Bond that is a Deferred Income Bond matures or in which such Sinking Fund Installment is due (as such terms are defined in the Master Indenture); (ii) the principal and interest portions of the Accreted Value of any Second Lien Bond that is a Capital Appreciation Bond and the Appreciated Value of any Second Lien Bond that is a Deferred Income Bond becoming due at maturity or by virtue of any Sinking Fund Installment shall be included in the calculations of interest and principal payable only during the calendar year in which such Second Lien Bond that is a Capital Appreciation Bond or a Second Lien Bond that is a Deferred Income Bond matures or in which such Sinking Fund Installment is due (as such terms are defined in the Second Lien Supplemental Indenture); and (iii) Capitalized Interest (as such term is defined in the Master Indenture) payable on any Outstanding Senior Lien Bonds or Capitalized Interest (as such term is defined in the Second Lien Supplemental Indenture) payable on any Second Lien Bonds during a Fiscal Year shall be excluded from such calculation.

“**Appreciated Value**” means with respect to any Senior Lien Bond that is a Deferred Income Bond or Second Lien Bond that is a Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Indenture authorizing such Senior Lien Bond that is a Deferred Income Bond or Second Lien Bond that is a 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.

“**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.

**“Book Entry Bond”** means a Second Lien 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 Second Lien Bond or Senior Lien 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 (i) with respect to Second Lien Bonds, interest on Second Lien Bonds payable from money on deposit in the Second Lien Capitalized Interest Account; and (ii) with respect to Senior Lien Bonds, interest on Senior Lien Bonds payable from money on deposit in the Capitalized Interest Account as provided in the Master Indenture.

**“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 Master Indenture.

**“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 Master 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 (as defined in this Appendix C) 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.

**“Debt Retirement Fund”** means the fund so designated, created and established pursuant to the Master Indenture.

**“Debt Service Reserve Deposit Requirement”** means with respect to any Series of Senior Lien Bonds, for each required withdrawal from the Debt Service Reserve Fund pursuant to the Master Indenture, the amount required to cause the amount on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement under the Master Indenture or the amounts required to be deposited therein by any Supplemental Indenture.

**“Debt Service Reserve Fund”** means the fund so designated, created and established pursuant to the Master Indenture.

**“Debt Service Reserve Fund Requirement”** means, with respect to any Series of the Senior Lien Bonds, the amount of money, if any, required to be deposited in the Debt Service Reserve Fund under the Master Indenture.

**“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 Second Lien Bond or Senior Lien Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Second Lien Bond or Senior Lien Bond, respectively, 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 Second Lien Bonds or Senior Lien 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 to the Second Lien Supplemental Indenture authorizing a Series of Second Lien Bonds to serve as securities depository for Second Lien 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 Second Lien 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 Second Lien 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 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").

**"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 Indenture as from time to time amended or supplemented by Supplemental Indentures to the Master Indenture, including the Second Lien Supplemental Indenture, and any supplements to the Second Lien Supplemental Indenture in accordance with the terms and provisions of the Master Indenture and the Second Lien Supplemental Indenture.

**"Interest Commencement Date"** means, with respect to any particular Second Lien Bond that is a Deferred Income Bond, the date prior to the maturity date thereof specified in the Supplemental Indenture to the Second Lien Supplemental Indenture authorizing such Second Lien Bond, after which interest accruing on such Deferred Income Bond shall be payable on the dates succeeding such Interest Commencement Date as specified in the Supplemental Indenture authorizing such Deferred Income Bond, and with respect to any particular Senior Lien Bond that is a Deferred Income Bond, the date prior to the maturity date thereof specified in the Master Indenture or Supplement thereof authorizing such Senior Lien Bond, after which interest accruing on such Deferred Income Bond shall be payable on the dates succeeding such Interest Commencement Date as specified at the Master Indenture or Supplemental thereof authorizing such Deferred Income Bond.

**"Interest Funding Requirement"** means, as of any date, 100% of the interest accrued on all Outstanding Senior Lien Bonds or Outstanding Second Lien Bonds, as applicable, 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 and in the Second Lien Supplemental Indenture 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.

**“Master Indenture”** means the Master Indenture of Trust dated as of December 1, 2017 by and between the Corporation and the Trustee.

**“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 Senior Lien Bonds then Outstanding 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).

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

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

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

(iii) any Senior Lien Bond paid pursuant to the Master Indenture or any Senior Lien Bond in lieu of or in substitution for which another Senior Lien Bond, as applicable, shall have been authenticated and delivered pursuant to the Master 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 Second Lien 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 Second Lien Supplemental Indenture or of a Supplemental Indenture thereto.

**“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 Senior Lien Bonds or Outstanding Second Lien Bonds, as applicable, 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 Master Indenture.

**“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 any Rating Service to the effect that the rating assigned, without regard to any insurance or other credit enhancement, to any of the Second Lien 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 Second Lien 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 Second Lien Bonds assigned at the request of the Corporation.

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

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

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

**“Reserve Fund Facility”** means a surety bond, insurance policy or letter of credit delivered in accordance with the provisions of the Second Lien Supplemental Indenture described under the heading “Second Lien Debt Service Reserve Account” to meet all or any part of the Second Lien Subordinate Debt Service Reserve Account Requirement, as provided in the Supplemental Indenture to the Second Lien Supplemental Indenture setting forth the applicable Second Lien Subordinate Debt Service Reserve Account Requirement, if any.

**“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 Master Indenture described herein under the heading “Establishment of Fund and Accounts under the Master Indenture.”

**“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 Master 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 Master Indenture because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Master Indenture.

**“Sale Agreement”** means the Assignment, Purchase and Sale Agreement, dated as of December 14, 2017, by and among the City, the Corporation and the Trustee, as amended by the First Amendment to the Assignment, Purchase and Sale Agreement dated as of January 30, 2020 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 Master Indenture to S&P shall be effective so long as S&P is a Rating Service.

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

**“Second Lien Bonds”** means all Subordinated Indebtedness issued under the Second Lien Supplemental Trust Indenture and any Supplemental Indenture thereto, 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 Senior Lien Bonds and payable from amounts on deposit in the Subordinated Indebtedness Fund.

**“Second Lien Capitalized Interest Account”** means the account within the Second Lien Subordinate Debt Service Account so designated, created and established pursuant to the section of the Second Lien Supplemental Trust Indenture described herein under the heading “Establishment of Funds and Accounts under the Second Lien Supplemental Trust Indenture.”

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

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

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

**“Second Lien Series 2020AB Bonds”** means collectively, the Corporation’s Second Lien Sales Tax Securitization Bonds, Series 2020A and the Corporation’s Second Lien Sales Tax Securitization Bonds, Taxable Series 2020B, authorized to be issued by a First Supplement to the Second Lien Supplemental Trust Indenture, dated as of January 1, 2020, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee.

**“Second Lien Subordinate Arbitrage Rebate Account”** means the fund so designated, created and established pursuant to the section of the Second Lien Supplemental Trust Indenture described herein under the heading “Establishment of Funds and Accounts under the Second Lien Supplemental Trust Indenture.”

**“Second Lien Subordinate Debt Retirement Account”** means the fund so designated, created and established pursuant to the section of the Second Lien Supplemental Trust Indenture described herein under the heading “Establishment of Funds and Accounts under the Second Lien Supplemental Trust Indenture.”

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

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

**“Second Lien Subordinate Debt Service Reserve Account Requirement”** means, with respect to any Series of Second Lien Bonds, the amount of money, if any, required to be deposited in the Second Lien Subordinate Debt Service Reserve Account as provided in the Supplemental Indenture to the Second Lien Supplemental Indenture authorizing such Series of Second Lien Bonds.

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

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

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

**“Senior Lien Bond”** means any bond of the Corporation authorized and issued pursuant to the Master Indenture and to a Supplemental Indenture thereto secured by a first priority lien on the Trust Estate.

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

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

“**Series**” means (i) with respect to Senior Lien Bonds, all of the Senior Lien Bonds authenticated and delivered on original issuance and pursuant to the Master Indenture and to the Supplemental Indenture authorizing such Senior Lien Bonds as a separate Series of Senior Lien Bonds, and any Senior Lien Bonds thereafter authenticated and delivered in lieu of or in substitution for such Senior Lien Bonds pursuant to the Master 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 Master 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 Second Lien Bond which matures after said future January 1, but does not include any amount payable by the Corporation by reason only of the maturity of a Second Lien 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 Senior Lien Bonds and payable from amounts on deposit in the Subordinated Indebtedness Fund. The Second Lien Bonds are Subordinated Indebtedness of the Corporation.

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

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

“**Tax Exempt Bond**” means any Second Lien 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 Second Lien 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 pursuant to the Indenture and having the duties, responsibilities and rights provided for therein, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant thereto.

“**Valuation Date**” means (a) with respect to any Second Lien Bond that is a Capital Appreciation Bond, the date or dates set forth in the Supplemental Indenture to the Second Lien Supplemental Indenture authorizing such Second Lien Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and with respect to any Second Lien Bond that is a Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Supplemental Indenture to the Second Lien Supplemental Indenture authorizing such Second Lien Bond on which specific Appreciated Values are assigned to such Second Lien Bond that is a Deferred Income Bond, and (b) with respect to any Senior Lien Bond that is a Capital Appreciation Bond, the date or dates set forth in the Master Indenture and any Supplement thereof authorizing such Senior Lien Bond on which specific Accreted Values are assigned to such Senior Lien Bond that is a Capital Appreciation Bond, and with respect to any Senior Lien Bond that is a Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Master Indenture and any Supplement thereof authorizing such Senior Lien Bond on which specific Appreciated Values are assigned to such Senior Lien Bond that is a Deferred Income Bond.

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

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

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

#### **Pledge of Trust Estate**

The Corporation to secure the payment of the principal and Redemption Price of and interest on the Senior Lien Bonds and Subordinated Indebtedness and performance and observance of all of the covenants and conditions contained in the Master 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 Senior Lien 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 Senior Lien Bonds and Subordinated Indebtedness, including the Second Lien Bonds, to provide security for the Senior Lien Bonds and Subordinated Indebtedness, including the Second Lien Bonds, and is in addition to any statutory lien that may exist.

#### **(Master Indenture Section 5.01)**

#### **Establishment of Funds and Accounts under the Master Indenture**

The following funds and accounts were established under the Master Indenture to be held in trust as provided therein:

- Proceeds Fund
- Securitized Sales Tax Revenue Fund
- Debt Service Fund
  - Capitalized Interest Account
  - Interest Account
  - Principal Account
- Debt Service Reserve Fund
- Arbitrage Rebate Fund
- Subordinated Indebtedness Fund; and
- Debt Retirement Fund

The Master Indenture also established the Operating Fund to be held by the Trustee for the benefit of the Corporation and the Residual Fund to be held by the Trustee for the benefit of the holder of the Residual Certificate.

#### **(Master Indenture Section 5.02)**

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

The City has directed 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 Master 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.

#### **(Master Indenture Section 5.05)**

## **Application of Sales Tax Revenues**

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 as follows and in the following order of priority:

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 as follows and in the following order of priority: (1) to the Operating Fund in each Fiscal Year (i) the lesser of (a) the Operating Cap and (b) the budgeted Corporation Expenses for such Fiscal Year less (ii) the amount on deposit in the Operating Fund as of the first day of such Fiscal Year available for the Corporation's Expenses for such Fiscal Year; (2) to the Interest Account of the Debt Service Fund, an amount equal to (a) any interest then due and unpaid on Outstanding Senior Lien Bonds, plus (b) 150% of the Interest Funding Requirement until the amount on deposit therein is equal to 100% of the interest due on all Outstanding Senior Lien Bonds on the next succeeding 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; (3) 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 Senior Lien Bonds, plus (b) 150% of the Principal Funding Requirement until such amount on deposit therein is equal to 100% of the principal and Sinking Fund Installments due on all Outstanding Senior Lien Bonds on the next succeeding Principal Payment Date; (4) to reimburse, pro rata, each Provider of a Reserve Facility as defined in the Master Indenture for the benefit of any Senior Lien Bonds for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Provider of such a Reserve Facility for Senior Lien Bonds; (5) upon the direction of an Authorized Officer of the Corporation, to the Arbitrage Rebate Fund the amount set forth in such direction; (6) to the Debt Service Reserve Fund, the Debt Service Reserve Deposit Requirement, if any; (7) to the Subordinated Indebtedness Fund, the amount required to be deposited therein as set forth in a Supplemental Indenture; (8) 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; (9) upon the direction of the Corporation, to the Debt Retirement Fund, the amount set forth in such direction; and (10) to the Residual Fund, any remaining balance.

### **(Master Indenture Section 5.06)**

#### **Subordinated Indebtedness Fund**

Subject to the provisions for the application of Sales Tax Revenues under the Master Indenture and described herein under the headings "Application of Sales Tax Revenues," 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.

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

#### **Residual Fund**

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

### **(Master Indenture Section 5.12)**

#### **Agreement to Subordinate**

All Subordinated Indebtedness shall be subordinated, to the extent and in the manner provided in the Master Indenture, to the prior payment of the principal of and interest on the Senior Lien Bonds then due and payable. No Holder of Senior Lien 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 Master 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 Master Indenture.



**(Master Indenture Section 11.12)**

**Summary of Certain Provisions of the Second Lien Supplemental Indenture**

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

**Authorization of the Second Lien Bonds**

The Second Lien Bonds are Subordinated Indebtedness of the Corporation payable solely from Sales Tax Revenues deposited into the Subordinate Indebtedness Fund that is subject and subordinated to the lien and charge on the Trust Estate for securing Outstanding Second Lien Bonds. The Second Lien Bonds are special obligation of the Corporation payable solely from the Trust Estate from amounts deposited in the Subordinated Indebtedness Fund. The Second Lien 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.

**(Second Lien Supplemental Indenture Section 2.01)**

**Issuance of Second Lien Bonds**

The issuance of the Second Lien Series 2020AB Bonds and each Series of Additional Second Lien 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 Second Lien Supplemental Indenture deliver to the Trustee: (a) a copy of the Master Indenture, the Second Lien Supplemental Indenture and the Supplemental Indenture authorizing such Second Lien 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) 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 Secured Obligations remain Outstanding; (d) a certificate of an Authorized Officer of the City approving the issuance of the Second Lien Bonds, which certificate shall include a copy of the ordinance of the City Council of the City authorizing the issuance of such Second Lien Bonds and approving the amount and terms of such Second Lien Bonds and the purposes for which the proceeds of such Second Lien Bonds will be used; (e) if a Reserve Fund Facility is to be provided in connection with the issuance of the Second Lien Bonds of such Series, such Reserve Fund Facility and the opinion of counsel to the Provider as required by the Second Lien Supplemental Indenture; (f) a written order as to the delivery of such Second Lien Bonds, signed by an Authorized Officer of the Corporation, describing the Second Lien Bonds to be delivered, designating the purchaser or purchasers to whom such Second Lien Bonds are to be delivered and stating the consideration for such Second Lien Bonds; (g) a certificate of an Authorized Officer of the Corporation stating the amount, if any, required to be in the Second Lien Subordinate Debt Service Reserve Account after issuance of the Second Lien Bonds then to be issued, and that after deposit in the Second Lien Subordinate Debt Service Reserve Account of the amount, if any, to be deposited therein in connection with the issuance of such Second Lien Bonds, the amount on deposit in such fund will not be less than the Second Lien Subordinate Debt Service Reserve Account Requirement; (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 Second Lien Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained therein, or stating that after the issuance thereof the Corporation shall no longer be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Second Lien Supplemental Indenture; (i) a certificate of an Authorized Officer of the Corporation setting forth (1)(A) Aggregate Maximum Annual Debt Service on Senior Lien Bonds and Second Lien Bonds (exclusive of Senior Lien Bonds for which provision for the payment thereof has been made in accordance with the provisions of the Master Indenture on or prior to the date of issuance of the Second Lien Bonds then to be issued, and Second Lien Bonds for which provision for the payment thereof has been made in accordance with the provisions of the Second Lien Supplemental Indenture on or prior to the date of issuance of the Second Lien Bonds then to be issued, including as a result of the issuance of the Second Lien Bonds then to be issued), and (B) the Operating Cap applicable for such Fiscal Year, and (2) Sales Tax Revenues for the most recently completed Fiscal Year; (j) a certificate of an Authorized Officer which demonstrates that the Sales Tax Revenues set forth in clause (i)(2) above are at least 175% of Aggregate Maximum Annual Debt Service on Senior Lien Bonds and Second Lien Bonds calculated as set forth in clause (i)(1)(A) above; and (k) an opinion of Transaction Counsel to the effect that the Master Indenture, the Second Lien Supplemental Indenture and the applicable Supplemental Indenture thereto authorizing the Series of Second Lien Bonds have each been duly and lawfully authorized, executed and delivered by the Corporation; that the Master Indenture, the Second Lien Supplemental Indenture and the applicable Supplemental Indenture thereto are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms; that the Master 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 Second Lien Supplemental Indenture permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the

terms and conditions set forth in the Master Indenture, the Second Lien Supplemental Indenture and each applicable Supplemental Indenture thereto; and that the Corporation is duly authorized and entitled to issue such Series of Second Lien Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Second Lien Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Corporation entitled to the benefits of the Second Lien Supplemental Indenture subject to the first lien priority of the Holders of the Senior Lien Bonds; *provided, however,* that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

#### **(Second Lien Supplemental Indenture Section 2.02)**

##### **Refunding Second Lien Bonds**

Subject to the provisions of the Second Lien Supplemental Indenture, Second Lien Bonds may be issued by the Corporation for the purpose of refunding any Outstanding Second Lien Bonds or Senior Lien Bonds Outstanding ("Refunding Second Lien Bonds") without satisfying the provisions of clauses (i) and (j) of the heading "Issuance of Second Lien 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 Second Lien Bonds and Senior Lien Bonds Outstanding after giving effect to the issuance of the Refunding Second Lien 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 Second Lien Bonds and Senior Lien Bonds Outstanding immediately prior to the issuance of such Refunding Second Lien Bonds.

#### **(Second Lien Supplemental Indenture Section 2.04)**

##### **Authorization of Redemption**

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

#### **(Second Lien Supplemental 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 Second Lien Supplemental 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 Second Lien Bonds to be so redeemed.

#### **(Second Lien Supplemental Indenture Section 4.02)**

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

Whenever by the terms of the Second Lien Supplemental Indenture the Trustee is required to redeem Second Lien Bonds through the application of mandatory Sinking Fund Installments, the Trustee shall select the Second Lien Bonds of the Series and maturities to be redeemed in the manner provided in the Second Lien Supplemental 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 Second Lien Supplemental Indenture.

#### **(Second Lien Supplemental Indenture Section 4.03)**

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

Unless otherwise provided in the Supplemental Indenture thereto authorizing the issuance of Second Lien Bonds of a Series, in the event of redemption of less than all of the Outstanding Second Lien Bonds of like Series, maturity and tenor, the

Trustee shall assign to each Outstanding Second Lien Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Second Lien Bond equal to the lowest denomination in which the Second Lien Bonds of such Series is 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 Second Lien Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Second Lien Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Second Lien Bonds to be redeemed. In making such selections the Trustee may draw the Second Lien 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 Second Lien Bonds of a denomination of more than the lowest denomination in which the Second Lien Bonds of such Series are authorized to be issued, by the numbers assigned thereto) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Second Lien 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 Second Lien Bonds and select part of any Second Lien Bond for redemption. The Second Lien Bonds to be redeemed shall be the Second Lien Bonds to which were assigned numbers so selected; *provided, however*, that only so much of the principal amount of each such Second Lien Bond of a denomination of more than the lowest denomination in which the Second Lien Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Second Lien Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

#### **(Second Lien Supplemental Indenture Section 4.04)**

##### **Notice of Redemption**

Whenever Second Lien Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Second Lien Bonds in the name of the Corporation in accordance with the redemption provisions of the Second Lien Supplemental Indenture. Such notice shall be given by mailing a copy of such notice not less than twenty (20) days (or, if the Second Lien 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 Second Lien 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 Second Lien Bonds to be redeemed in the manner provided in the Second Lien Supplemental Indenture. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Second Lien Supplemental Indenture. The failure of any Holder of a Second Lien Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Second Lien Bonds.

The Trustee shall, if any of the Second Lien 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 Second Lien Bonds are held by the Depository, such notice shall be given 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 Second Lien Bonds.

#### **(Second Lien Supplemental Indenture Section 4.05)**

##### **Establishment of Funds and Accounts under the Second Lien Supplemental Indenture**

The following separate accounts within the Second Lien Proceeds Fund were established under the Second Lien Supplemental Indenture to be held in trust as provided therein:

Second Lien Costs of Issuance Account  
Second Lien City Proceeds Account

The following separate accounts within the Subordinated Indebtedness Fund were established under the Second Lien Supplemental Indenture to be held in trust as provided therein:

Second Lien Subordinate Debt Service Account  
Capitalized Interest Account;  
Interest Account; and  
Principal Account  
Second Lien Subordinate Debt Service Reserve Account  
Second Lien Subordinate Arbitrage Rebate Account  
Second Lien Subordinated Debt Retirement Account

The Second Lien City Proceeds Account within the Second Lien Proceeds Fund was established and created by the Second Lien Supplemental Indenture to be held in trust for the benefit of the City.

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 Second Lien Supplemental Indenture or by any Supplemental Indenture or required thereby to be created shall be held in trust for the benefit of the Holders of Second Lien Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Second Lien Supplemental Indenture.

**(Second Lien Supplemental Indenture Section 5.01)**

**Application of Money in the Second Lien Proceeds Fund**

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

Money in the Second Lien City Proceeds Account of the Second Lien 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 provisions of the Second Lien Supplemental Indenture, and in any applicable Supplemental Indenture thereto, money in the Second Lien Costs of Issuance Account of the Second Lien Proceeds Fund deposited pursuant to the provisions of the Second Lien Supplemental Indenture shall be used only to pay the Costs of Issuance of the Second Lien 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 Second Lien 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 Second Lien Subordinate Arbitrage Rebate Account, the amount determined by the Corporation to be required to be deposited therein;

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

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

**(Second Lien Supplemental Indenture Section 5.03)**

**Second Lien Subordinate Debt Service Account**

The Trustee shall pay out of the Second Lien Subordinate Debt Service Account the principal and Sinking Fund Installments of and interest on all Outstanding Second Lien 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 Second Lien Bonds is due the amount in the Second Lien Subordinate Debt Service Account is less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Second Lien Bonds due on said date, the Trustee shall withdraw first, from the Second Lien Subordinate Debt Retirement Account, and then from the Second Lien Subordinate Debt Service Reserve Account, and deposit to the Second Lien Subordinate Debt Service Account, 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 Second Lien Subordinate Debt Retirement Account if and to the extent such amount is required to pay the Redemption Price or purchase price of Outstanding Second Lien 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 Second Lien Subordinate Debt Service

Account, 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 Second Lien Subordinate Debt Service Account 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 Second Lien Bonds on the next succeeding Principal Payment Date, including the income or interest earned on investment of money in the Second Lien Subordinate Debt Service Account, shall be withdrawn and transferred first, if required under the Second Lien Supplemental Indenture, to the Second Lien Subordinate Debt Service Reserve Account in such amount, if any, as may be necessary to make the amount on deposit in such fund equal to the Second Lien Subordinate Debt Service Reserve Account Requirement, and second, any excess remaining may at the direction of the Corporation either be retained therein or transferred to any other fund or account established pursuant thereto; *provided, however*, that if no direction has been given by an Authorized Officer of the Corporation, the excess on the last day of each Fiscal Year shall be transferred by the Trustee to the Residual Fund.

#### **(Second Lien Supplemental Indenture Section 5.05)**

#### **Second Lien Subordinate Debt Service Reserve Account**

The Trustee shall deposit to the credit of the Second Lien Subordinate Debt Service Reserve Account such proceeds of the sale of Second Lien Bonds, if any, as shall be prescribed in the Supplemental Indenture to the Second Lien Supplemental Indenture authorizing the issuance of such Series of Second Lien Bonds. If at any time the amount in the Second Lien Subordinate Debt Service Reserve Account is not at least equal to the Second Lien Subordinate Debt Service Reserve Account Requirement, the Corporation shall have no obligation to maintain or restore the Second Lien Subordinate Debt Service Reserve Account to the Second Lien Subordinate Debt Service Reserve Account Requirement other than as expressly provided in the Second Lien Supplemental 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 Second Lien Bonds for all or any part of the Second Lien Subordinate Debt Service Reserve Account Requirement, if any; *provided, however*, as a condition to delivery thereof (other than upon initial issuance of the Second Lien Bonds authorized and issued pursuant to the Second Lien Supplemental Indenture) the Trustee shall also receive (i) 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, (ii) 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 (iii) 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 Second Lien Subordinate Debt Service Reserve Account and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Second Lien Supplemental Indenture and the provisions of the Master Indenture requiring that the Trustee compute the value of the assets in each fund and account established under the Master Indenture, in computing any amount on deposit in the Second Lien Subordinate Debt Service Reserve Account, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

Any money held for the credit of the Second Lien Subordinate Debt Service Reserve Account shall be withdrawn by the Trustee and deposited to the credit of the Second Lien Subordinate Debt Service Account at the times and in the amounts required to comply with the second paragraph of Second Lien Subordinate Debt Service Account under the Second Lien Supplemental Indenture described above herein; *provided, however*, that no payment under a Reserve Fund Facility shall be sought unless and until money is not available in the Second Lien Subordinate Debt Service Reserve Account and the amount required to be withdrawn from the Second Lien Subordinate Debt Service Reserve Account 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 Second Lien Subordinate Debt Service Reserve Account 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 Second Lien Subordinate Debt Service Reserve Account shall, at the written direction of the Corporation, be withdrawn by the Trustee and be deposited in the Second Lien Subordinate Arbitrage Rebate Account, the Second Lien Subordinate Debt Service Account, the Second Lien Subordinate Debt Retirement Account 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 Second Lien Subordinate Debt Service Reserve Account exceeds the Second Lien Subordinate Debt Service Reserve Account Requirement, if any, such excess shall be withdrawn by the trustee upon direction of the Corporation and deposited in the Second Lien Subordinate Arbitrage Rebate Account, the Second Lien Subordinate Debt Service Account, the Second Lien Subordinate Debt Retirement Account 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 Second Lien Subordinate Debt Service Account; *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 Second Lien Subordinate Debt Service Reserve Account, 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 Second Lien Supplemental Indenture, if, upon a Second Lien Bond having been deemed to have been paid in accordance with the Second Lien Bond defeasance provisions of the Second Lien Supplemental Indenture and described herein under the heading "Defeasance," the amount held for the credit of the Second Lien Subordinate Debt Service Reserve Account will exceed the Second Lien Subordinate Debt Service Reserve Account 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 Second Lien Subordinate Debt Service Reserve Account and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Second Lien 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 Second Lien 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 Second Lien Subordinate Debt Service Reserve Account following such withdrawal would be less than the Second Lien Subordinate Debt Service Reserve Account Requirement, if any.

#### **(Second Lien Supplemental Indenture Section 5.06)**

#### **Second Lien Subordinate Arbitrage Rebate Account**

The Trustee shall deposit to the Second Lien Subordinate Arbitrage Rebate Account any money delivered to it by the Corporation for deposit therein and, notwithstanding any provisions under the Second Lien Supplemental Indenture, shall transfer to the Second Lien Subordinate Arbitrage Rebate Account, 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 Second Lien Supplemental Indenture at such times and in such amounts as shall be set forth in such directions.

Money on deposit in the Second Lien Subordinate Arbitrage Rebate Account 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 Second Lien Subordinate Debt Service Reserve Account in such amount, if any, as may be necessary to make the amount on deposit in such fund equal to the Second Lien Subordinate Debt Service Reserve Account 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 thereto.

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 Second Lien Supplemental Indenture and deposit to the Second Lien Subordinate Arbitrage Rebate Account, 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 Second Lien Subordinate Arbitrage Rebate Account to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

**(Second Lien Supplemental Indenture Section 5.07)**

**Second Lien Subordinate Debt Retirement Account**

Money deposited in the Second Lien Subordinate Debt Retirement Account 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 Second Lien Bonds or to pay or make provision for payment of Outstanding Second Lien Bonds in accordance with the Second Lien Bond defeasance provisions of the Second Lien Supplemental Indenture. In no event, however, may the Corporation call for redemption, contract to purchase or make provision for payment of Outstanding Second Lien Bonds in accordance with the Second Lien Bonds defeasance provisions of the Second Lien Subordinate Indenture if at such time the amount on deposit in the Second Lien Subordinate Debt Service Account is less than the amount then required to be on deposit therein. Notwithstanding the foregoing, money in the Second Lien Subordinate Debt Retirement Account not required to pay the Redemption Price or purchase price of Second Lien 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 Second Lien Subordinate Debt Retirement Account and transferred to the Second Lien Subordinate Debt Service Account or the Second Lien Subordinate Arbitrage Rebate Account at any time money is required for the purposes of such funds.

**(Second Lien Supplemental Indenture Section 5.08)**

**Application of Money in Certain Funds for Retirement of Second Lien Bonds**

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

**(Second Lien Supplemental Indenture Section 5.09)**

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

Subject to the limitations set forth in this paragraph, money held under the Second Lien Supplemental 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 Second Lien Subordinate Debt Service Account 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" as defined herein and set forth in the Master Indenture 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 Second Lien Bonds when due. Money in the Capitalized Interest Account of the Second Lien Subordinate Debt Service 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" as defined herein and set forth in the Master Indenture and such investments shall mature no later than the date on which such moneys are required to be used to pay interest on Second Lien Bonds when due. No investment of money in the Second Lien Subordinate Debt Service Reserve Account 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 one of the Rating Services at least as high as the rating assigned by such Rating Services on the Corporation's Outstanding unenhanced Second Lien 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.

**(Second Lien Supplemental Indenture Section 6.01)**

## **Payment of Principal and Interest**

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

### **(Second Lien Supplemental Indenture Section 7.01)**

## **Powers as to Second Lien Bonds and Pledge**

The Corporation is duly authorized to create and issue the Second Lien Bonds, to execute the Master Indenture and each Supplemental Indenture thereto, including the Second Lien Supplemental Indenture and any Supplemental Indenture thereto, and to pledge and assign the Trust Estate in the manner and to the extent provided therein. The Corporation further covenants that the Trust Estate is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created by the Second Lien Supplemental Indenture. The Corporation further covenants that all corporate action on the part of the Corporation to that end has been duly and validly taken. The Corporation further covenants that the Second Lien Bonds and the provisions of the Second Lien Supplemental Indenture and of the Master Indenture and each Supplemental Indenture thereto are and shall be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of the Second Lien Supplemental Indenture and of each Supplemental Indenture thereto. The Corporation further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate and all of the rights of the Holders of Second Lien Bonds under the Master Indenture, the Second Lien Supplemental Indenture and each Supplemental Indenture thereto against all claims and demands of all persons whomsoever.

### **(Second Lien Supplemental Indenture Section 7.03)**

## **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.

The Corporation shall not engage in any dissolution, liquidation, consolidation, merger or asset sale (other than the transactions contemplated in the Second Lien Supplemental Indenture), without prior written notice to the Rating Services.

### **(Second Lien Supplemental 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 Senior Lien Bonds and Second Lien 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 Second Lien 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, to each Provider and to the City.

### **(Second Lien Supplemental Indenture Section 7.06)**

## **Creation of Liens**

Except as permitted in the Second Lien Supplemental Indenture and in the Master Indenture, the Corporation shall not create or cause to be created any lien or charge prior or equal to that of the Second Lien Bonds on the Trust Estate; *provided, however,* that nothing contained in the Second Lien Supplemental 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 the Second Lien Supplemental Indenture.

### **(Second Lien Supplemental Indenture Section 7.07)**



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

The Corporation shall at all times maintain an office or agency in the State where Second Lien 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 to the Second Lien Supplemental Indenture, designate an additional Paying Agent or Paying Agents where Second Lien 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 Second Lien Bonds may be presented for registration, transfer or exchange and the Trustee is thereby appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Second Lien Bonds. The provisions of this section shall be subject to the provisions of the Second Lien Supplemental Indenture.

### **(Second Lien Supplemental Indenture Section 7.09)**

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

Except as otherwise provided in the Second Lien Supplemental 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 Second Lien Bonds as provided in the Second Lien Supplemental 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 Second Lien Bonds then Outstanding, or (b) in case less than all of the several Series of Second Lien 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 Second Lien 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 Second Lien Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Second Lien Bonds shall not be required and such Second Lien Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Second Lien Bonds under the Second Lien Supplemental Indenture.

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 Second Lien Bonds if the same does not adversely affect the Holders of Second Lien 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 Second Lien Supplemental 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.

The purchasers of the Second Lien 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 Second Lien Bonds.

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 Second Lien 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 Second Lien Bonds then Outstanding in any material respect.

### **(Second Lien Supplemental 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 the Second Lien Supplemental Indenture.

#### **(Second Lien Supplemental 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 Second Lien Supplemental 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 the Second Lien Supplemental Indenture.

#### **(Second Lien Supplemental 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 the provisions for enforcement of remedies in the Second Lien Supplemental Indenture, 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.

#### **(Second Lien Supplemental Indenture Section 7.13)**

### **Transfer of Residual Certificate**

The Corporation shall 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.

#### **(Second Lien Supplemental 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 any Tax Exempt Bond to become includable in gross income for federal income tax purposes.

#### **(Second Lien Supplemental Indenture Section 7.16)**

### **Agreement of the City**

Pursuant to the Sale Agreement, the Corporation has included in the Second Lien Supplemental Indenture, for the benefit of the Holders of the Second Lien Bonds, 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 Holders of the Second Lien Bonds, or (C) impair the rights and remedies of the Holders of the Second Lien Bonds or the security for the Second Lien Bonds until the Second Lien Bonds, 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 Second Lien Bonds, are fully paid and discharged.

The Corporation acknowledges that the City's pledge and agreement is an important security provision of the Master Indenture and the Second Lien Bonds, and, to the fullest extent permitted by applicable federal or State law, the Corporation

thereby 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.

**(Second Lien Supplemental 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 Second Lien Supplemental 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 Second Lien Supplemental Indenture.

The Corporation thereby acknowledges that the State's pledge and agreement is an important security provision of the Indenture and the Second Lien Bonds, and, to the fullest extent permitted by applicable federal or State law, the Corporation thereby 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.

**(Second Lien Supplemental Indenture Section 7.18)**

**Additional Senior Lien Bonds Covenant**

The Corporation covenants that, for so long as any Second Lien Bonds are Outstanding under the Second Lien Supplemental Indenture, in order to issue Senior Lien Bonds pursuant to the provision of the Master Indenture which authorizes the issuance of the Senior Lien Bonds, it shall deliver to the Trustee, in addition to the certificate setting forth the Maximum Annual Debt Service after giving effect to the issuance of the Senior Lien Bonds of such Series, and a certificate demonstrating that the Sales Tax Revenues are at least 400% of Maximum Annual Debt Service as required by the provisions of the Master Indenture, a certificate stating that the Sales Tax Revenues for the most recently completed Fiscal Year were at least 175% of Aggregate Maximum Annual Debt Service on Senior Lien Bonds and Second Lien Bonds (exclusive of (i) Senior Lien Bonds for which provision for the payment thereof has been made in accordance with the Senior Lien Bond defeasance provisions of the Master Indenture on or prior to the date of issuance of such Senior Lien Bonds then to be issued, including as a result of the issuance of such Senior Lien Bonds then to be issued, and (ii) Second Lien Bonds for which provision for the payment thereof has been made in accordance with Senior Lien Bond defeasance provisions under the Second Lien Supplemental Indenture described herein under the heading "Defeasance" on or prior to the date of issuance of such Senior Lien Bonds then to be issued.

**(Second Lien Supplemental Indenture Section 7.19)**

**Modification and Amendment without Consent**

The Corporation may execute and deliver at any time or from time to time Supplemental Indentures to the Second Lien Supplemental Indenture for any one or more of the following purposes, and any such Supplemental Indentures thereto shall become effective in accordance with its terms: (a) to provide for the issuance of a Series of Second Lien Bonds pursuant to the provisions of the Second Lien Supplemental Indenture and to prescribe the terms and conditions pursuant to which such Second Lien Bonds may be issued, paid or redeemed; (b) to provide for the issuance of Subordinated Indebtedness secured by a lien subject to that of the Senior Lien Bonds and the Second Lien Bonds, 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 thereto provide for any additional rights or remedies that are inconsistent with the provisions of the Second Lien Supplemental Indenture relating to the first priority security interest granted to the Holders of Senior Lien Bonds and the second lien security interest granted to the Holders of Second Lien Bonds and the rights and remedies applicable thereto for so long as any such Senior Lien Bonds or Second Lien Bonds remain Outstanding; (c) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Second Lien Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Second Lien Supplemental Indenture or in the Master Indenture; (d) to prescribe further limitations and restrictions upon the issuance of Second Lien Bonds 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 thereof, 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 Second Lien Supplemental Indenture or in the Master Indenture; (f) to confirm, as further assurance, any pledge under the

Second Lien Supplemental Indenture, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Second Lien Supplemental Indenture, of the Sales Tax Revenues, or any pledge of any other money, investments thereof or funds so long as it does not conflict with the Master Indenture; (g) to modify any of the provisions of the Second Lien Supplemental Indenture or any previously adopted Supplemental Indenture thereto to accommodate the issuance of Subordinated Indebtedness provided that such modifications do not materially and adversely affect the rights of any of the Senior Lien Bondholders or the Holders of Second Lien Bonds; (h) to modify any of the provisions of the Second Lien Supplemental Indenture or of any previously adopted Supplemental Indenture thereto in any other respects, provided that such modifications shall not be effective until after all Second Lien Bonds of any Series of Second Lien Bonds Outstanding as of the effective date of such Supplemental Indenture shall cease to be Outstanding, and all Second Lien Bonds issued under such Supplemental Indenture to the Second Lien Supplemental Indenture shall contain a specific reference to the modifications contained in such subsequent Supplemental Indenture thereto; (i) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Second Lien Supplemental 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 therewith as theretofore in effect, or to modify any of the provisions of the Second Lien Supplemental Indenture or of any previous Supplemental Indenture thereto in any other respect, provided that such modification shall not adversely affect the interests of the Senior Lien Bondholders or Holders of Second Lien Bonds in any material respect; or (j) to modify any of the provisions of the Second Lien Supplemental Indenture or of any previously adopted Supplemental Indenture thereto in any other respects, provided that such modifications shall not be effective unless there has been delivered to the Trustee (i) a Rating Confirmation (as defined in the Master Indenture) with respect to the Senior Lien Bonds and a Rating Confirmation (as defined in the Second Lien Supplemental Indenture) with respect to the Second Lien Bonds, and (ii) an opinion of Transaction Counsel to the effect that the same is not inconsistent therewith and will not adversely affect the exclusion of interest on any Tax Exempt Bond issued under the Second Lien Supplemental Indenture or under the Master Indenture from gross income for purposes of federal income taxation.

In no event shall the provisions of any Supplemental Indenture supplementing the Second Lien Supplemental Indenture provide for any additional rights or remedies that are inconsistent with the provisions of the Master Indenture relating to the first priority security interest granted to the Holders of the Senior Lien Bonds and the rights and remedies applicable thereto for so long as any such Senior Lien Bonds remain Outstanding.

#### **(Second Lien Supplemental Indenture Section 9.01)**

#### **Supplemental Indentures Effective with Consent of Holders of Second Lien Bonds**

The provisions of the Second Lien Supplemental Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture thereto, subject to the consent of the Holders of Second Lien Bonds in accordance with and subject to the provisions of Article X of the Second Lien Supplemental Indenture as described herein under the headings “Powers of Amendment,” “Consent of Holders of Second Lien Bonds” and “Modifications by Unanimous Consent,” such Supplemental Indenture to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation.

#### **(Second Lien Supplemental Indenture Section 9.02)**

#### **General Provisions Relating to Supplemental Indentures to the Second Lien Supplemental Indenture**

The Second Lien Supplemental Indenture shall not be modified or amended in any respect except in accordance with and subject to the provisions of Article IX of the Second Lien Supplemental Indenture as described herein under the headings “Modification and Amendment without Consent” and “Supplemental Indentures Effective with Consent of Holders of Second Lien Bonds” and Article X of the Second Lien Supplemental Indenture as described herein under the headings “Powers of Amendment,” “Consent of Holders of Second Lien Bonds” and “Modifications by Unanimous Consent.” Nothing contained in Article IX or Article X of the Second Lien Supplemental Indenture shall affect or limit the rights or obligations of the Corporation to make, do, execute or deliver any Supplemental Indenture thereto, act or other instrument pursuant to the provisions of the Second Lien Supplemental Indenture or the right or obligation of the Corporation to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere therein 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 Second Lien Supplemental Indenture, is authorized or permitted thereby and is valid and binding upon the Corporation and enforceable in accordance with its terms.

The Trustee is authorized under the Second Lien Supplemental Indenture to accept delivery of a certified copy of any Supplemental Indenture permitted or authorized pursuant to the provisions the Second Lien Supplemental 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 of the Second Lien Supplemental Indenture.

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 Second Lien Supplemental Indenture has become effective, shall give written notice thereof to each Rating Service.

### **(Second Lien Supplemental Indenture Section 9.03)**

#### **Powers of Amendment**

Except as provided in the provisions of the Second Lien Supplemental Indenture as described below under the heading “Modifications by Unanimous Consent,” any modification or amendment of the Second Lien Supplemental Indenture and of the rights and obligations of the Corporation and of the Holders of the Second Lien Bonds under the Second Lien Supplemental Indenture, in any particular, may be made by a Supplemental Indenture thereto, with the written consent given as provided in the provisions of the Second Lien Supplemental Indenture described under the heading “Consent of Holders of Second Lien Bonds,” (i) of the Holders of at least a majority in principal amount of the Second Lien Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Second Lien Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Second Lien 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 Second Lien Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Second Lien Bonds shall not be required and such Second Lien Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Second Lien Bonds under the Second Lien Supplemental Indenture. 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 Second Lien 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 Second Lien Bond, or shall reduce the percentages or otherwise affect the classes of Second Lien 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 thereof if the same adversely affects or diminishes the rights of the Holders of Second Lien Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the provisions of the Second Lien Supplemental Indenture, the Second Lien Bonds of any particular Series or maturity would be affected by any modification or amendment thereof and any such determination shall be binding and conclusive on the Corporation and all Holders of Second Lien Bonds. The Trustee may receive an opinion of counsel, including an opinion of Transaction Counsel, as conclusive evidence as to whether the Second Lien Bonds of any particular Series or maturity would be so affected by any such modification or amendment thereof.

### **(Second Lien Supplemental Indenture Section 10.01)**

#### **Consent of Holders of Second Lien Bonds**

The Corporation may at any time execute and deliver a Supplemental Indenture making a modification or amendment permitted by the provisions of the Second Lien Supplemental Indenture described under the heading “Powers of Amendment” to take effect when and as described 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 Second Lien 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 Second Lien 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 Second Lien 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 Second Lien Bonds specified in the provisions of the Second Lien Supplemental Indenture described under the heading herein “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 Second Lien Supplemental Indenture, is authorized or permitted thereby, and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as is hereinafter in this section provided. Any such consent shall be binding upon the Holder of the Second Lien Bonds giving such consent and on any subsequent Holder of such Second Lien Bonds (whether or not such subsequent Holder has notice thereof). At any time after the Holders of the required percentages of Second Lien Bonds shall have filed their consent to the Supplemental Indenture to the Second Lien

Supplemental Indenture, notice, stating in substance that the Supplemental Indenture has been consented to by the Holders of the required percentages of Second Lien Bonds and will be effective as provided in this section, may be given to the Holders of Second Lien Bonds by mailing such notice to Holders of Second Lien Bonds. The Corporation shall file with the Trustee proof of giving such notice. Such Supplemental Indenture to the Second Lien Supplemental Indenture shall be deemed conclusively binding upon the Corporation and the Holders of all Second Lien 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.

#### **(Second Lien Supplemental Indenture Section 10.02)**

##### **Modifications by Unanimous Consent**

The terms and provisions of the Second Lien Supplemental Indenture and the rights **and** obligations of the Corporation and of the Holders of the Second Lien 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 thereto certified by an Authorized Officer of the Corporation and the consent of the Holders of all of the Second Lien Bonds then Outstanding, such consent to be given as provided in the Second Lien Supplemental Indenture.

#### **(Second Lien Supplemental Indenture Section 10.03)**

##### **Events of Default**

An event of default shall exist under the Second Lien Supplemental Indenture and under each Supplemental Indenture thereto authorizing Second Lien Bonds (therein called an “event of default”) if: (a) payment of the principal or Redemption Price of any Second Lien 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 Second Lien 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 Master Indenture related to Second Lien Bonds or in the Second Lien Supplemental Indenture or in the Second Lien Bonds or in any Supplemental Indenture thereto 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 Second Lien 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) 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.

#### **(Second Lien Supplemental Indenture Section 11.01)**

##### **No Acceleration With Respect to the Second Lien Bonds**

There shall be no right of acceleration with respect to the Second Lien Bonds.

#### **(Second Lien Supplemental Indenture Section 11.02)**

##### **Enforcement of Remedies; Limitations**

Upon the happening and continuance of any event of default specified in the Second Lien Supplemental 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 Second Lien Bonds, shall proceed (subject to the provisions related to permitted acts under

the Second Lien Supplemental Indenture), to protect and enforce its rights and the rights of the Holders of Second Lien Bonds under the Second Lien Supplemental Indenture or under any Supplemental Indenture thereto 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 under the Second Lien Supplemental Indenture or under any Supplemental Indenture thereto or in aid or execution of any power herein or 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 Second Lien Supplemental 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 Second Lien Supplemental Indenture and under each Supplemental Indenture thereto 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 Second Lien Supplemental Indenture or of any Supplemental Indenture thereto or of the Second Lien Bonds, with interest on overdue payments of the principal of or interest on the Second Lien Bonds at the rate or rates of interest specified in such Second Lien Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under any Supplemental Indenture thereto and under such Second Lien Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Second Lien Bonds, and to recover and enforce judgment or decree against the Corporation but solely as provided in the Second Lien Supplement Indenture, in any Supplemental Indenture thereto and in such Second Lien 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 Second Lien Supplemental Indenture to the contrary notwithstanding, neither the Trustee nor any Second Lien Bondholder shall have any right in or to any proceeds derived from the issuance of Second Lien Bonds held in the City Proceeds Account within the Proceeds Fund under the Master Indenture or derived from the issuance of any Second Lien Bonds held in the Second Lien 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 Second Lien Bondholder by purchase of its Second Lien Bonds waives any right in or to any proceeds derived from the issuance of Senior Lien Bonds held in the City Proceeds Account within the Proceeds Fund under the Master Indenture or derived from the issuance of Second Lien Bonds held in the Second Lien 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.

#### **(Second Lien Supplemental Indenture Section 11.03)**

#### **Limitation of Rights of Individual Holders of Second Lien Bonds**

No Holder of any of the Second Lien 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 Second Lien Supplemental Indenture, or for any other remedy thereunder 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 Second Lien 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 thereby 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.

#### **(Second Lien Supplemental Indenture Section 11.07)**

#### **Defeasance**

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

Second Lien 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 first paragraph under this section. All Outstanding Second Lien 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 first paragraph of this section if: (i) in case any of said Second Lien 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 provisions for the redemption of Second Lien Bonds under the Second Lien Supplemental Indenture notice of redemption on said date of such Second Lien 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 Second Lien Bonds on and prior to the redemption date or maturity date thereof, as the case may be; (iii) in the event said Second Lien 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 Second Lien Bonds at their last known addresses appearing on the registration books, a notice to the Holders of such Second Lien Bonds that the deposit required by (ii) above has been made with the Trustee and that said Second Lien Bonds are deemed to have been paid in accordance with this section 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 Second Lien 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 any Second Lien Bonds having been deemed to have been paid as provided in this section would not (A) cause said Second Lien Bonds 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 Second Lien Bonds of like Series and maturity payment of which shall be made in accordance with this section in the manner provided in the provisions for selection of Second Lien Bonds to be redeemed under the Second Lien Supplemental Indenture. 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 Second Lien 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 Second Lien Bonds on and prior to such redemption date or maturity date hereof, 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 hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Second Lien Bonds, as realized, be paid by the Trustee as follows: First, to the Second Lien Subordinate Arbitrage Rebate Account, 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 the Second Lien Supplemental Indenture.

#### **(Second Lien Supplemental Indenture Section 12.01)**

##### **No Recourse under Indenture or on the Second Lien Bonds**

All covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Master Indenture and in the Second Lien Supplemental Indenture or in any Supplemental Indenture thereto 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 Second Lien Bonds or for any claims based thereon, hereon, on the Master Indenture or on the Supplemental Indenture thereto against any member, officer or employee of the Corporation or any person executing the Second Lien Bonds, all such liability, if any, being expressly waived and released by every Holder of Second Lien Bonds by the acceptance of the Second Lien Bonds.

#### **(Second Lien Supplemental 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 Second Lien Bond shall be deemed to be its principal amount. In computing the principal amount of Second Lien 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 Second Lien Supplemental Indenture for any purpose whatsoever, the Accreted Value of such Second Lien Bond as at the immediately preceding Valuation Date shall be deemed to be its principal amount. Notwithstanding any other provision of the Second Lien Supplemental 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 Second Lien Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Second Lien Bond on the date the Second Lien 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 Second Lien Bond shall be deemed to be its principal amount. In computing the principal amount of Second Lien 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 Second Lien Supplemental Indenture for any purpose whatsoever, the Appreciated Value of such Second Lien Bond as at the immediately preceding Valuation Date shall be deemed to be its principal amount. Notwithstanding any other provision the Second Lien Supplemental 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 Second Lien Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Second Lien Bond on the date the Second Lien Bonds were first issued shall be deemed not to be accrued and unpaid interest thereon.

**(Second Lien Supplemental Indenture Section 14.07)**

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**APPENDIX D**

**SUMMARY OF SERIES 2020AB REFINANCED OBLIGATIONS**

*All of the obligations listed below are the Series 2020AB Refinanced Obligations described in "PLAN OF FINANCE". The CUSIP numbers are provided for convenience and no representation is made with respect to the accuracy of such CUSIP number.*

Series	CUSIP <sup>†</sup> Number	Maturity Date	Interest Rate (%)	Outstanding Principal (\$)	Principal Refinanced (\$)	Redemption Date	Redemption / Purchase Price
<b>General Obligation Bonds</b>							
2005-1A	167485-KG5	01/01/25	4.150%	\$ 2,395,000	\$ 2,395,000	02/20/20	100.000
2005-1A	167485-KZ3	01/01/30	4.300	4,749,000	4,749,000	02/20/20	100.000
2005-1B	167485-KR1	01/01/29	4.400	4,435,000	4,435,000	02/20/20	100.000
2005-1B	167485-MU2	01/01/30	4.500	4,135,000	4,135,000	02/20/20	100.000
2005-2A	167485-KH3	01/01/28	4.500	4,190,000	4,190,000	02/20/20	100.000
2005-2B	167485-NJ6	01/01/25	4.400	1,630,000	1,630,000	02/20/20	100.000
2005-2B	167485-NA5	01/01/29	4.500	3,213,000	3,213,000	02/20/20	100.000
2005-3A	167485-NR8	01/01/27	4.500	1,865,000	1,865,000	02/20/20	100.000
2005-3A	167485-NK3	01/01/28	4.500	4,440,000	4,440,000	02/20/20	100.000
2005-3A	167485-NN7	01/01/29	4.500	1,430,000	1,430,000	02/20/20	100.000
2005-3B	167485-NT4	01/01/27	4.500	3,410,000	3,410,000	02/20/20	100.000
2005-3C	167485-NM9	01/01/25	4.450	3,900,000	3,900,000	02/20/20	100.000
2005-3C	167485-KQ3	01/01/26	4.500	2,752,000	2,752,000	02/20/20	100.000
2005-3C	167485-NY3	01/01/27	4.500	3,270,000	3,270,000	02/20/20	100.000
2005-3D	167485-PJ4	01/01/26	4.500	3,010,000	3,010,000	02/20/20	100.000
2006A*	167485-RH6	01/01/30	4.750	21,510,000	21,510,000	02/20/20	100.000
2006A	167485-RJ2	01/01/31	4.625	11,525,000	11,525,000	02/20/20	100.000
2006A*	167485-RK9	01/01/36	4.750	22,480,000	22,480,000	02/20/20	100.000
2006A*	167485-RL7	01/01/38	4.750	12,270,000	12,270,000	02/20/20	100.000
2007*	167485-ZX2	01/01/29	5.000	10,900,000	10,900,000	02/20/20	100.000
2007*	167485-ZY0	01/01/39	5.000	19,285,000	19,285,000	02/20/20	100.000
2007C	167485-R60	01/01/25	5.000	22,780,000	22,780,000	02/20/20	100.000
2007C	167485-R86	01/01/27	5.000	17,235,000	17,235,000	02/20/20	100.000
2007C	167485-R94	01/01/28	5.000	18,915,000	18,915,000	02/20/20	100.000
2007C	167485-S28	01/01/29	5.000	24,035,000	24,035,000	02/20/20	100.000
2007C	167485-S36	01/01/30	5.000	24,290,000	24,290,000	02/20/20	100.000
2007C	167485-S44	01/01/31	5.000	25,120,000	25,120,000	02/20/20	100.000
2008C	167486-DE6	01/01/25	4.600	13,040,000	13,040,000	02/20/20	100.000
2008C*	167486-DS5	01/01/34	5.000	26,050,000	26,050,000	02/20/20	100.000
2008D	167486-EG0	01/01/21	3.875	110,000	110,000	02/20/20	100.000
2008D	167486-EH8	01/01/21	5.000	1,570,000	1,570,000	02/20/20	100.000
2008D	167486-EJ4	01/01/22	4.000	1,455,000	1,455,000	02/20/20	100.000
2008D	167486-EK1	01/01/22	5.000	310,000	310,000	02/20/20	100.000
2008D	167486-EL9	01/01/23	4.200	85,000	85,000	02/20/20	100.000
2008D	167486-EM7	01/01/23	5.000	1,750,000	1,750,000	02/20/20	100.000
2008D	167486-EN5	01/01/24	4.300	1,925,000	1,925,000	02/20/20	100.000
2008D	167486-EP0	01/01/25	4.450	635,000	635,000	02/20/20	100.000
2008D	167486-EQ8	01/01/25	5.000	1,375,000	1,375,000	02/20/20	100.000

2008D	167486-ER6	01/01/26	5.000	2,105,000	2,105,000	02/20/20	100.000
2008D	167486-ES4	01/01/27	4.650	50,000	50,000	02/20/20	100.000
2008D	167486-ET2	01/01/27	5.000	2,160,000	2,160,000	02/20/20	100.000
2008D	167486-EU9	01/01/28	4.750	510,000	510,000	02/20/20	100.000
2008D	167486-EV7	01/01/28	5.000	1,815,000	1,815,000	02/20/20	100.000
2008D	167486-EW5	01/01/29	4.800	470,000	470,000	02/20/20	100.000
2008D	167486-EX3	01/01/29	5.000	1,965,000	1,965,000	02/20/20	100.000
2008D*	167486-EY1	01/01/34	5.000	14,135,000	14,135,000	02/20/20	100.000
2008D*	167486-EZ8	01/01/39	5.000	18,045,000	18,045,000	02/20/20	100.000

2009A	167486-GY9	01/01/29	5.000	67,775,000	53,525,000	02/20/20	100.000
2009A	167486-GZ6	01/01/30	4.375	2,295,000	2,295,000	02/20/20	100.000
2009A	167486-HJ1	01/01/30	5.000	11,765,000	11,765,000	02/20/20	100.000

2015C	167486-WU9	01/01/22	5.000	79,930,000	53,000,000	To Maturity	
2015C	167486-WV7	01/01/23	5.000	78,965,000	24,085,000	To Maturity	

**Sub-Total** **\$609,459,000** **\$513,399,000**

***Motor Fuel Tax Revenue Bonds***

2008A	16756K-CY1	01/01/21	4.250%	\$ 315,000	\$ 315,000	03/02/20	100.000
2008A	16756K-CZ8	01/01/22	4.375	330,000	330,000	03/02/20	100.000
2008A	16756K-DA2	01/01/23	4.500	355,000	355,000	03/02/20	100.000
2008A	16756K-DB0	01/01/24	4.600	370,000	370,000	03/02/20	100.000
2008A	16756K-DC8	01/01/25	4.700	395,000	395,000	03/02/20	100.000
2008A	16756K-DD6	01/01/26	4.750	425,000	425,000	03/02/20	100.000
2008A	16756K-DE4	01/01/27	4.800	465,000	465,000	03/02/20	100.000
2008A	16756K-DF1	01/01/28	5.000	495,000	495,000	03/02/20	100.000
2008A	16756K-DG9	01/01/38	5.000	58,190,000	58,190,000	03/02/20	100.000

**Sub-Total** **\$61,340,000** **\$61,340,000**

***Chicago Infrastructure Trust Notes***

		04/30/29	4.950%	\$9,589,359	\$9,589,359	01/30/20	101.500
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***GO Tendered Bonds***

2009B	167486-HL6	01/01/32	6.207%	\$159,855,000	\$22,470,000	01/30/20	115.685
2010C1	167486-MM8	01/01/35	7.781	299,340,000	11,400,000	01/30/20	129.157
2011B	167486-NN5	01/01/42	6.034	205,705,000	16,845,000	01/30/20	115.646
2012B	167486-PG8	01/01/42	5.432	307,975,000	96,420,000	01/30/20	111.108
2014B	167486-SD2	01/01/44	6.314	450,790,000	113,730,000	01/30/20	122.153
2015B	167486-VV8	01/01/33	7.375	321,695,000	112,922,000	01/30/20	126.317
2015B	167486-D22	01/01/42	7.750	66,845,000	185,000	01/30/20	114.666

**Sub-Total** **\$1,812,205,000** **\$373,972,000**

Total Refinanced Par **\$958,300,359**

\*Term Bond

**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 and for the  
Year Ended December 31, 2018, 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 and for the year ended December 31, 2018, 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, 2018, and the respective changes in financial position thereof for the year ended December 31, 2018 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.

*Deloitte & Touche LLP*

June 25, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(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 and for the year ended December 31, 2018. 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**

In February 2018, the STSC issued \$680.3 million of Sales Tax Securitization Bonds, consisting of \$376.3 million Series 2018A (the "Series 2018A Bonds") and \$304.0 million Taxable Series 2018B Bonds (the "Taxable Series 2018B Bonds"). In December 2018, the STSC issued \$612.4 million of bonds (the "Series 2018C Bonds" and, together with the Series 2018A Bonds and the Taxable Series 2018B Bonds, collectively, the "2018 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 2018 Bonds were applied by the City to refund certain of the City's outstanding general obligation bonds.

The following summarizes the activities of the STSC for the year ended December 31, 2018 and for the period from October 17, 2017 (inception date) to December 31, 2017:

	<b>Year Ended December 31, 2018</b>	<b>Period from October 17, 2017 to December 31, 2017</b>
Revenues—		
Sales tax revenue	<u>\$ 697,340</u>	<u>\$ 176,994</u>
 Total revenues	 697,340	 176,994
Expenses:		
Payment to the City of Chicago	608,221	150,810
Amortization of deferred outflows	70,809	2,052
Interest and other fiscal charges	57,902	2,747
Other	<u>255</u>	<u>10</u>
 Total expenses	 <u>737,187</u>	 <u>155,619</u>
 Change in net position	 (39,847)	 21,375
Net position — Beginning of period	<u>21,375</u>	<u>-</u>
 Net position — End of period	 <u>\$ (18,472)</u>	 <u>\$ 21,375</u>

The STSC's revenues for fiscal year 2018 were comprised of Sales Tax Revenues earned from January 1, 2018 to December 31, 2018. Expenses were primarily comprised of payments of residual Sales Tax Revenues to the City, amortization of deferred outflows and interest and other fiscal charges. Revenues and expenses increased from the period from October 17, 2017, to December 31, 2017 as compared to the year ended December 31, 2018 as a result of difference in the length of the periods of being compared.

The following summarizes the STSC’s assets, liabilities, and net position as of December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Assets—		
Non-capital	\$ <u>218,663</u>	\$ <u>177,419</u>
Total Assets	218,663	177,419
Deferred outflows	<u>2,090,687</u>	<u>769,064</u>
Total Assets and Deferred Outflows	<u>2,309,350</u>	<u>946,483</u>
Liabilities—		
Current liabilities	160,387	151,176
Long-term liabilities	<u>2,167,435</u>	<u>773,932</u>
Total Liabilities	<u>2,327,822</u>	<u>925,108</u>
Net Position—		
Restricted for debt service		21,135
Unrestricted	<u>(18,472)</u>	<u>240</u>
Total net position	<u>\$ (18,472)</u>	<u>\$ 21,375</u>

As of December 31, 2018, the STSC’s assets consisted primarily of Sales Tax Receivable from the State and deferred outflows. Assets increased by \$41.2 million (23.2%) due primarily to an increase in cash restricted for debt service.

The deferred outflows of resources represent the unamortized portion of bond 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 bonds. The deferred outflows increase by \$1.3 billion (171.8%) due to the sale of additional bond proceeds during 2018.

The STSC’s liabilities are almost entirely composed of residual Sales Tax Revenues Payable to the City, bonds payable, and unamortized original issue premium. Liabilities increased by \$1.4 billion (151.6%) due to the issuance of the 2018 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 year ended December 31, 2018 (as the STSC's inception date was October 17, 2017, there is no annual prior period to compare to the year ended December 31, 2018):

General Fund	
Revenues:	
Sales tax revenue	\$ <u>608,469</u>
Total revenues	<u>608,469</u>
Expenditures:	
General and administrative	256
Payments to City	<u>608,221</u>
Total expenditures	<u>608,477</u>
Net change in fund balances	(8)
Fund balances—Beginning of period	<u>240</u>
Fund balances—End of period	<u>\$ 232</u>

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

The following summarizes the changes in the fund balances of the STSC's DSF for the year ended December 31, 2018 (as the STSC's inception date was October 17, 2017, there is no annual prior period to compare to the year ended December 31, 2018):

Revenues:	
Sales Tax Revenue	\$ <u>88,871</u>
Total Revenues	88,871
Expenditures:	
Interest and other fiscal charges	67,161
Amortization of deferred outflows	<u>70,809</u>
Total Expenditures	<u>137,970</u>
Other financing sources	
Bond proceeds	1,292,700
Premium on bonds	<u>110,063</u>
Total other financing sources	<u>1,402,763</u>
Net change in fund balances	1,353,664
Fund balances—Beginning of year	<u>795,067</u>
Fund balances—End of year	<u>\$ 2,148,731</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 bonds.

The following summarizes the GF assets, liabilities and fund balances as of December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Assets:		
Cash equivalents and investments	\$ 7	\$ -
Sales tax receivable	<u>129,203</u>	<u>151,060</u>
Total assets	<u>129,210</u>	<u>151,060</u>
Liabilities:		
Accounts payable	<u>128,978</u>	<u>150,820</u>
Total liabilities	<u>128,978</u>	<u>150,820</u>
Fund balances:		
Unassigned	<u>232</u>	<u>240</u>
Total fund balances	<u>232</u>	<u>240</u>
Total liabilities and fund balances	<u>\$ 129,210</u>	<u>\$ 151,060</u>

GF assets were composed primarily of Sales Tax Revenues receivable from the State. The GF assets at December 31, 2018 totaled approximately \$129.2 million which is a decrease of \$21.9 million (14.5%) as compared to December 31, 2017 caused by increase in Sales Tax Receivables being allocated to the DSF to fund debt service. Liabilities were composed primarily of residual Sales Tax Revenues not needed for operations or debt service and payable to the City. Liabilities decreased by \$21.8 million (14.5%) caused by an increase in Sales Tax Revenues needed for debt service.

The following summarizes the STSC's DSF assets, liabilities, and fund balances as of December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Assets:		
Restricted cash	\$ 31,749	\$ 325
Sales Tax Receivable and Other Assets	<u>57,704</u>	<u>26,034</u>
Total assets	89,453	26,359
Deferred outflows	<u>2,090,687</u>	<u>769,064</u>
Total assets and deferred outflows	<u>2,180,140</u>	<u>795,423</u>
Liabilities:		
Accounts payable	242	356
Accrued interest	<u>31,167</u>	<u>-</u>
Total liabilities	<u>31,409</u>	<u>356</u>
Fund balances:		
Nonspendable	2,090,687	769,063
Restricted for debt service	<u>58,044</u>	<u>26,004</u>
Total fund balances	<u>2,148,731</u>	<u>795,067</u>
Total liabilities and fund balances	<u>\$ 2,180,140</u>	<u>\$ 795,423</u>

At December 31, 2018, the STSC's DSF assets consisted of cash equivalents restricted for payment of cost of issuance related to the 2018 Bonds and Sales Tax Revenues receivable restricted for debt service payments. The Sales Tax Receivable restricted for debt service reflects the amount of bond interest due on July 1 of the following fiscal year. DSF assets increased by \$63.1 million (239.4%) due to an increase in Sales Tax Receivables being allocated to the DSF to fund debt service. The deferred outflows of resources represent the unamortized portion of bond proceeds sold by the Corporation to the City in exchange for the Sales Tax Revenues. The deferred outflows will be amortized over the life of the bonds. The deferred outflows increase by \$1.3 billion (171.8%) due to the sale of additional bond proceeds during 2018.

At December 31, 2018, 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-

In October 2018, S&P downgraded the ratings of the STSC Sales Tax Securitization Bonds from AA to AA-, with a stable outlook.

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, 2018**  
**(Amounts in thousands)**

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ASSETS:	
Unrestricted cash	\$ 7
Restricted cash	31,749
Sales tax receivable	<u>186,907</u>
Total assets	218,663
Deferred outflows	<u>2,090,687</u>
Total assets and deferred outflows	<u>2,309,350</u>
LIABILITIES:	
Accounts payable	264
Sales tax residual payable to the City	128,956
Accrued interest	31,167
Bonds payable:	
Portion due after one year	<u>2,167,435</u>
Total liabilities	<u>2,327,822</u>
NET DEFICIT:	
Unrestricted	<u>(18,472)</u>
TOTAL NET DEFICIT	<u>\$ (18,472)</u>

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 YEAR ENDED DECEMBER 31, 2018**  
**(Amounts in thousands)**

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REVENUES—Sales tax revenue	<u>\$697,340</u>
Total revenues	<u>697,340</u>
EXPENSES:	
Payment to City	608,221
Amortization of deferred outflow	70,809
Interest and other fiscal charges	57,902
General and administrative	<u>255</u>
Total expenses	<u>737,187</u>
CHANGE IN NET POSITION/(DEFICIT)	(39,847)
NET POSITION—Beginning of period	<u>21,375</u>
NET DEFICIT—End of period	<u>\$ (18,472)</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, 2018**  
**(Amounts in thousands)**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Unrestricted cash equivalents	\$ 7	\$ -	\$ 7
Restricted cash equivalents	-	31,749	31,749
Sales tax receivable	<u>129,203</u>	<u>57,704</u>	<u>186,907</u>
Total assets	129,210	89,453	218,663
Deferred outflows	<u>-</u>	<u>2,090,687</u>	<u>2,090,687</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>\$129,210</u></b>	<b><u>\$ 2,180,140</u></b>	<b><u>\$ 2,309,350</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 22	\$ 242	\$ 264
Sales tax residual payable to City	128,956	-	128,956
Accrued interest	<u>-</u>	<u>31,167</u>	<u>31,167</u>
Total liabilities	<u>128,978</u>	<u>31,409</u>	<u>160,387</u>
<b>FUND BALANCE:</b>			
Nonspendable	-	2,090,687	2,090,687
Restricted for debt service		58,044	-
Unassigned	<u>232</u>	<u>-</u>	<u>232</u>
Total fund balance	<u>232</u>	<u>2,148,731</u>	<u>2,090,919</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$129,210</u></b>	<b><u>\$ 2,180,140</u></b>	<b><u>\$ 2,251,306</u></b>

See accompanying notes to basic financial statements.

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2018**  
**(Amounts in thousands)**

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Total fund balances—governmental funds	\$ 2,148,963
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.	(131,000)
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>(2,036,435)</u>
NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ (18,472)</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 YEAR ENDED DECEMBER 31, 2018  
 (Amounts in thousands)**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Fund</b>
REVENUES—Sales tax revenue	<u>\$608,469</u>	<u>\$ 88,871</u>	<u>\$ 697,340</u>
Total revenues	<u>608,469</u>	<u>88,871</u>	<u>697,340</u>
EXPENDITURES:			
Interest and other fiscal charges	-	67,161	67,161
General and administrative	256	-	256
Payments to City	608,221	-	608,221
Amortization of deferred outflow	<u>-</u>	<u>70,809</u>	<u>70,809</u>
Total expenditures	<u>608,477</u>	<u>137,970</u>	<u>746,447</u>
OTHER FINANCING SOURCES:			
Bond proceeds	-	1,292,700	1,292,700
Premium on bonds	<u>-</u>	<u>110,063</u>	<u>110,063</u>
Total other financing sources	<u>-</u>	<u>1,402,763</u>	<u>1,402,763</u>
NET CHANGE IN FUND BALANCE	(8)	1,353,664	1,353,656
FUND BALANCE—Beginning of period	<u>240</u>	<u>795,067</u>	<u>795,307</u>
FUND BALANCE—End of period	<u>\$ 232</u>	<u>\$2,148,731</u>	<u>\$2,148,963</u>

See accompanying notes to the basic financial statements.

## **SALES TAX SECURITIZATION CORPORATION**

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

### **RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018 (Amounts in thousands)**

---

Net change in fund balances—total governmental funds	\$ 1,353,656
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.	(1,292,700)
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>(100,804)</u>
<b>CHANGE IN NET POSITION/(DEFICIT)—GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (39,848)</u></b>

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 AND FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(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").

The Corporation 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. 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, 2018 were \$131 million, which were net of accumulated amortization of \$13 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 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 2018AB Bonds at a premium on February 22, 2018. The bonds have interest rates ranging from 3.82% to 5.0% and maturity dates from January 1, 2031 to January 1, 2048. The bonds are secured by a pledge of the Sales Tax Revenues. Net proceeds of \$720.1 million were used to provide funds for the City to refund certain of the City’s outstanding general obligation bonds and to pay costs of issuance.

The STSC issued the 2018C bonds at a premium on December 4, 2018. The bonds have interest rates ranging from 5.0% to 5.5% and maturity dates from January 1, 2022 to January 1, 2048. The bonds are secured by a pledge of the Sales Tax Revenues. Net proceeds of \$689.3 million were used to provide funds for the City to refund certain of the City’s outstanding general obligation bonds and to pay costs of issuance.

A summary of changes in outstanding bonds during the year ended December 31, 2018 is as follows:

	<b>Year Ended December 31, 2018</b>			
	<b>Balance December 31, 2017</b>	<b>Additions</b>	<b>Reductions</b>	
Series 2017A	\$ 172,065	\$ -	\$ -	\$ 172,065
Series 2017B	400,630	-	-	400,630
Series 2017C	171,040	-	-	171,040
Series 2018A	-	376,305	-	376,305
Series 2018B	-	303,975	-	303,975
Series 2018C	<u>-</u>	<u>612,420</u>	<u>-</u>	<u>612,420</u>
Total before premium	743,735	1,292,700	-	2,036,435
Premium	<u>30,197</u>	<u>110,062</u>	<u>9,260</u>	<u>130,999</u>
Total bonds payable and premium	<u>\$ 773,932</u>	<u>\$ 1,402,762</u>	<u>\$ 9,260</u>	<u>\$ 2,167,434</u>
Due within one year				<u>\$ -</u>

Debt service requirements listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2019 have been excluded because funds for their payment have been provided for. Debt service requirements, including principal and interest, at December 31, 2018, are as follows:

<b>Year Ended December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 3,000	\$ 89,442	\$ 92,442
2020	3,150	89,292	92,442
2021	41,805	89,135	130,940
2022	48,610	87,333	135,943
2023	50,635	85,305	135,940
2024 to 2028	288,990	391,997	680,987
2029 to 2033	351,135	321,163	672,298
2034 to 2038	339,535	241,942	581,477
2039 to 2043	464,385	159,306	623,691
2044 to 2047	<u>445,190</u>	<u>49,909</u>	<u>495,099</u>
Totals	<u>\$ 2,036,435</u>	<u>\$ 1,604,824</u>	<u>\$ 3,641,259</u>

#### **4. SUBSEQUENT EVENTS**

In January 2019, the STSC issued its \$605.4 million Sales Tax Securitization Bonds, Taxable Series 2019A (the "2019 Bonds"). The 2019 Bonds were issued at interest rates between 4.64% and 4.79% with mandatory sinking funds or maturity dates between January 1, 2022 and 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 2009 through 2018.

**Annual Sales Tax Revenues 2009-2018  
(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>
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
2018	301,275	2.8	386,152	4.7	687,427	3.9

Source: City of Chicago

<sup>(2)</sup> 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 2014 through 2018.

**Monthly Home Rule Sales Tax Revenues 2014-2018  
(Dollars in thousands)**

<b>Month</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
January	\$ 22,336	\$ 24,223	\$ 25,571	\$ 25,379	\$ 24,723
February	21,837	23,170	23,447	24,036	23,926
March	25,150	26,741	27,727	27,607	27,585
April	17,842	19,616	19,930	20,064	20,774
May	19,075	20,043	21,338	20,301	20,721
June	22,934	24,079	24,345	24,033	25,433
July	23,198	23,867	23,015	23,935	23,918
August	24,739	25,413	25,242	25,163	26,888
September	25,051	26,724	27,256	26,535	27,942
October	23,985	25,915	25,831	25,205	25,902
November	24,455	26,876	25,842	25,206	27,205
December	<u>25,591</u>	<u>25,845</u>	<u>25,755</u>	<u>25,525</u>	<u>26,257</u>
	<u>\$276,192</u>	<u>\$292,512</u>	<u>\$295,299</u>	<u>\$292,991</u>	<u>\$301,275</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 2014 through 2018.

**Monthly Local Share Sales Tax Revenues 2014–2018  
(Dollars in thousands)**

<b>Month</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
January	\$ 26,638	\$ 29,175	\$ 30,726	\$ 31,241	\$ 31,621
February	25,857	27,901	22,402	29,967	31,625
March	31,452	34,018	42,040	36,939	37,515
April	22,278	23,044	25,738	26,245	27,757
May	22,637	25,642	27,057	25,812	27,258
June	27,112	29,395	30,541	30,631	32,625
July	26,927	29,269	28,769	29,353	30,141
August	28,556	29,895	30,717	30,940	33,356
September	29,386	25,409	33,223	32,517	34,564
October	27,850	24,482	30,390	30,948	32,705
November	28,647	24,593	30,525	32,020	33,351
December <sup>(1)</sup>	<u>30,039</u>	<u>50,017</u>	<u>31,318</u>	<u>32,034</u>	<u>33,634</u>
	<u>\$327,379</u>	<u>\$352,841</u>	<u>\$363,448</u>	<u>\$368,647</u>	<u>\$386,152</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, 2014 through December 31, 2018.

**Components of Sales Tax Revenues 2014-2018  
(Dollars in Thousands)**

Tax	2014		2015		2016		2017		2018	
	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	\$ 242,820	40.2 %	\$ 255,134	39.5 %	\$ 257,053	39.0 %	\$ 256,238	38.7 %	\$ 263,974	38.4 %
	33,372	6	37,378	6	38,246	6	36,753	6	37,301	5
Local share sales tax revenues:										
Retailers' and service Occupation <sup>(1)</sup>	261,989	43	278,490	43	283,598	43	283,815	43	293,204	43
Use <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-
	<u>65,390</u>	<u>11</u>	<u>74,351</u>	<u>12</u>	<u>79,849</u>	<u>12</u>	<u>84,832</u>	<u>13</u>	<u>92,948</u>	<u>14</u>
Total	<u>\$ 603,571</u>	<u>100.0 %</u>	<u>\$ 645,353</u>	<u>100.0 %</u>	<u>\$ 658,746</u>	<u>100.0 %</u>	<u>\$ 661,638</u>	<u>100.0 %</u>	<u>\$ 687,427</u>	<u>100.0 %</u>

Source: City of Chicago

<sup>(1)</sup> Includes Illinois Use Tax on titled personal property.

<sup>(2)</sup> Excludes Illinois Use Tax on titled personal property.

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**APPENDIX F**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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