In a year when our nation and the airline industry continued to face uncertainty, we knew one thing to be certain – the strength of Chicago's airports. In 2002, O'Hare International Airport was the busiest in the world for the second year in a row. Midway International Airport experienced a 9 percent increase in operations and served close to 17 million passengers.

In 2002, we prudently but aggressively forged ahead with plans to modernize O'Hare International Airport. As the result of a well-crafted and implemented action plan, the O'Hare Modernization Program reached several important milestones. We completed and submitted to the Federal Aviation Administration (FAA) a draft Airport Layout Plan – the blueprint for O'Hare's future airfield – and the FAA began its extensive environmental review process.
More than a decade ago, we set in motion our vision to modernize and expand Midway. That foresight paid off. Through the Midway Airport Terminal Development Program, travelers are now enjoying a modern, state-of-the-art facility. Midway remains one of the fastest growing airports in the nation.

Through our strategic alliance with the Chicago/Gary Regional Airport Authority, we continue to promote the growth of Gary/Chicago Airport. The airport provides a wealth of opportunities for commercial, cargo and general aviation operators with its convenient access to downtown Chicago and competitive operational costs. The decision by the Boeing Company to house its corporate fleet at the Gary/Chicago Airport is evidence of the important role the airport plays in our regional aviation system.

Our approach for the future is clear – build upon the existing strengths of the Chicago Airport System to increase economic opportunities in the region while providing for the safety and security of our passengers. We’re committed to maintaining Chicago as our nation’s premier transportation center.
The Chicago Airport System is comprised of O'Hare and Midway International Airports. Together, the airports generate approximately $45 billion in economic activity for the region and 540,000 jobs.

In 2002, O'Hare was recognized as a vital component of the national and international aviation systems, regaining “World’s Busiest Airport” status for the second consecutive year. More than 922,000 takeoffs and landings were recorded, and nearly 66 million travelers passed through O'Hare. However, O'Hare also continued to experience delays due to its airfield configuration, which underscored the need to move ahead with its modernization program.

The O'Hare Modernization Program made significant strides in twelve months with the announcement of the O'Hare Land Acquisition Program, the submittal of a draft Airport Layout Plan to the Federal Aviation Administration and the beginning of the project’s environmental review process.
On June 11th, the Department of Aviation announced the O'Hare Land Acquisition Program. The modernization of O'Hare would require the acquisition of 433 acres in four communities. One month later, the Chicago City Council reaffirmed its commitment to the project and approved an ordinance outlining O'Hare's new boundaries and authorizing a relocation program. Land acquisition is common for airport development projects, and the Department of Aviation understood the impact it would have on residents and businesses surrounding O'Hare. The Department of Aviation held public workshops and opened the O'Hare Land Acquisition Program office to provide information on the federal and state guidelines that govern the land acquisition and relocation processes.

Under federal law, property owners are guaranteed fair market value based on two independent appraisals and relocation benefits, including compensation for all moving expenses. In some cases, residential property owners may be eligible for an amount up to $22,500 to offset the cost of a replacement home.

By December, the Department successfully negotiated the acquisition of 30 percent of the land needed for the new northern runway.
An essential element of airport development projects is assessing the impact on the environment. Soon after the City launched its land acquisition program, the Federal Aviation Administration (FAA) announced it would prepare an Environmental Impact Statement for the O’Hare Modernization Program, the most comprehensive level of review for airport development projects.

The agency kicked off the environmental review process in August, holding a series of scoping meetings to solicit input from agency officials and the public on the environmental matters of the project. Four scoping workshops were held – two for agencies and two for the general public.

On December 23rd, Chicago Mayor Richard M. Daley announced the submittal of the draft Airport Layout Plan for the O’Hare Modernization Program to the FAA for review. After 18 months of detailed planning and refinements from the time the concept was first announced in June 2001, the submittal of the draft Airport Layout Plan was a major milestone. The series of drawings that graphically depict existing and proposed conditions at O’Hare was a sign that Chicago was one step closer to turning its vision for aviation travel into reality.
The airfield presented in the draft Airport Layout Plan would reduce bad weather delays by 95 percent and overall delays by 79 percent by adding an additional runway on the north, relocating three existing runways and lengthening two existing runways. When the project is complete, the airport will be left with eight runways, six of them in an east to west parallel configuration. The airfield provides for adequate capacity well into the airport’s future based on the significant growth in demand projected by the FAA.

The draft Airport Layout Plan includes a new western terminal and parking facilities, an automated people mover system connecting the western terminal to the existing terminal core and regional roadway projects including a western entrance into the airport.
Planning for growth in aviation travel has always been a priority in Chicago. Perhaps the best example of the benefits reaped by investing in infrastructure is Midway International Airport.

More than a decade ago, after its most lucrative airline carrier ceased operations, the future of the Southwest side airport was in question. But, a commitment by the City and Southwest Airlines to revitalize Midway proved to be one of the greatest aviation success stories. That commitment resulted in the Midway Airport Terminal Development Program, a plan that would bring the airport’s landside capacity in line with its airside capacity. Throughout the Program, Midway has experienced record-breaking growth, served millions of passengers, and created jobs while fueling the local economy.

The Terminal Development Program has brought a spacious new terminal building, a covered parking garage, expanded ticketing and baggage claim areas and an award-winning food, beverage and retail program. In 2002, the progress continued. In February, Midway celebrated the opening of new Concourses A & C, bringing spacious new airline gates and passenger waiting areas.
One month later, Midway welcomed the return of direct international service after over 40 years with the opening of the new Federal Inspection Service facility. The opening of the 25,000 square foot facility created nearly 100 new jobs with several federal agencies. Employees with Customs, the Immigration and Naturalization Service, the Fish and Wildlife Service, the Department of Agriculture and Public Health staff the facility at Midway.

Midway International Airport experienced overall growth while many other airports of its kind struggled to restore service. The airport saw a 9 percent increase in operations and served nearly 17 million passengers, up 8.5 percent from the year before.
Midway’s success can be attributed to airlines that are committed to growing along with the airport. In 2002, Southwest Airlines added nonstop service to Seattle, Oakland, Los Angeles and San Diego, while ATA added service to Guadalajara, Cancun and Puerto Vallarta, Mexico; Aruba and Grand Cayman; Montego Bay, Jamaica; San Jose; Flint, Michigan and Charlotte, North Carolina. Mexicana Airlines added nonstop service to Guadalajara, Morelia and Zacatecas, Mexico and American Airlines added nonstop service between Midway and New York’s LaGuardia Airport.

In November, ATA, the nation’s 10th largest airline, reconfirmed its commitment to Chicago by announcing plans to build two additional gates at Midway, creating approximately 600 new jobs and new service for Chicago area travelers.
Like all other airports around the nation, the Chicago Airport System faced the challenge of working with the newly formed federal Transportation Security Administration (TSA) to implement new and enhanced safety and security measures at its airports.

The TSA had an aggressive agenda for 2002, first to hire, train and deploy federal security screeners to all airports by November 19th. The second task was to implement tougher luggage-screening rules, which required all checked and carry-on baggage to be screened for explosives and passengers on every flight to be matched to their baggage by January 1, 2003.

Despite the implementation of some changes during the busy holiday season, Chicago’s airports met each deadline with no disruption in service or inconvenience to the traveling public.
Chicago’s Airport System continued its commitment to being a good neighbor by moving forward with the most comprehensive airport noise remediation program in the nation. In 2002, the Department of Aviation, along with the Midway Airport Noise Compatibility Commission, announced the 2002-2004 Phased Midway Residential Sound Insulation Program. For the first time, owner-occupied units in buildings with four or fewer units were eligible for sound remediation. Approximately 500 homes will receive noise remediation each year during the Phased Residential Sound Insulation Program. Through 2002, 1,586 homes in the communities surrounding Midway International Airport received noise remediation at a cost of nearly $38 million. In addition, 24 area schools received sound insulation at a cost of approximately $42 million.

The O’Hare Noise Compatibility Commission welcomed two new members in 2002: the City of Bartlett and School District #89, which represents three communities near O’Hare. Through 2002, more than 4,750 homes near O’Hare received sound insulation at a total cost of $157 million. The O’Hare Noise Commission also oversees the nation’s largest School Sound Insulation Program. Through 2002, 80 schools received sound insulation at a cost of $198.1 million. An additional 23 schools are in the construction or design phase. Noise remediation funds are generated from various sources, including Passenger Facility Charges and federal Airport Improvement Program grants. No state or local tax dollars are used for noise remediation.
Passenger Airlines
Aer Lingus
AeroMexico
Air 2000
Air Canada
Air France
Air India
Air Jamaica
Alaska Airlines
Alitalia
Allegro
American Airlines
American Eagle/Simmons Airlines
American Trans Air (ATA)
America West
Chautauqua Airlines
bmi British Midland
British Airways
Casino Express
Comair
Continental
Continental Express
Delta
El Al
Great Lakes
Iberia
Japan Airlines
KLM
Korean Air
Kuwait Airways
LOT Polish
Lufthansa
Mesa Airlines
Mexicana
Miami Air International
National Airlines
North American Airlines
Northwest
Royal Jordanian
Ryan International
Scandinavian (SAS)
Singapore Airlines
Spirit Airlines
SWISS
Turkish
United Airlines
United Express/Air Wisconsin
United Express/Atlantic Coast
USA 3000
U.S. Airways

All Cargo Airlines
Aeromexico
Air China
Airborne Express
Asiana Airlines
Atlas Air
CAL Cargo
Cathay Pacific
China Airlines
China Eastern
China Southern
DHL
Emery/ACF
EVA Airways
Evergreen
Federal Express
Gemini Air
Kalitta
Lufthansa Cargo
MartinAir
Nippon
Polar Air Cargo
Singapore Cargo Airlines
Southern Air Cargo
UPS

All Cargo Airlines
AirTran
American Airlines
American Trans Air (ATA)
Chicago Express
Comair
Continental
Continental Express
Delta
Frontier Airlines
Mexicana
National Airlines
Northwest
Southwest
U.S. Airways
Vanguard Airlines

Passenger Airlines
AirTran
American Airlines
American Trans Air (ATA)
Chicago Express
Comair
Continental
Continental Express
Delta
Frontier Airlines
Mexicana
National Airlines
Northwest
Southwest
U.S. Airways
Vanguard Airlines

All Cargo Airlines
Airborne Express
In 2002, Chicago's airports continued to exhibit strength in numbers. Midway International Airport remained one of the fastest growing airports in the nation, serving close to 17 million passengers, an 8.5 percent increase from the previous year, and a 9.2 percent increase in aircraft operations. Midway's continuing success will be achievable because of the Midway Airport Terminal Development Program which would not have been possible without the commitment of Southwest and ATA to the City of Chicago.

That commitment was echoed by United and American Airlines at O'Hare International Airport. As the airlines continued to reorganize and rebuild, their focus remained on Chicago. O'Hare experienced a 1.2 percent increase in operations, keeping it the busiest airport in the world two years in a row.
FINANCIAL RESULTS

CHICAGO AIRPORT SYSTEM 2002 ANNUAL REPORT
Operating Results

Operating revenues consist primarily of landing fees, terminal rental and use charges, fueling system fees, parking fees and concession fees. Total operating revenues at O'Hare decreased 3.2 percent from $465.8 million in 2001 to $451.0 million in 2002. Landing fees and terminal area use charges are assessed to the airlines each year to yield collections adequate to cover expenses, required debt service and fund deposits per the Airport Use Agreement. The decrease in revenues in 2002 is the result of lower debt service and fund deposit requirements.

Parking revenue decreased 3.7 percent, from $84.7 million in 2001 to $81.6 million in 2002. However, restaurant revenues increased 19.5 percent, from $16.9 million in 2001 to $20.2 million in 2002. This is the result of continually enhanced concession offerings at the airport with local and national favorites well represented. Over the last five years, overall concession revenue has increased 7 percent, in spite of activity fluctuations.

Operating expenses consist primarily of salaries and wages, repairs and maintenance, materials and supplies, and professional, contractual and engineering services. Operating expenses before depreciation and amortization during 2002 were $325.4 million, an actual decrease of $23,000 from 2001. This flat growth in expenses is the result of management's objective to hold operating expenses consistent with the prior year.

Capital Development

The centerpiece of capital development at the airport is the O'Hare Modernization Program (OMP). The OMP preserves and enhances the capacity of the airport and the national air transportation system, while it also reduces delays, mitigates noise impacts, provides sufficient terminal, landside, and support facilities to accommodate existing and future passenger and cargo demand; provides efficient surface access for existing and future airport users; and provides opportunities for enhanced competition among air carriers.

This program consists of the development of one new runway, the relocation of three existing runways, the extension of two existing runways, addition of a western access road and a new western terminal facility at an estimated cost of $6.6 billion unescalated. These improvements are designed to reduce weather delays by 95 percent, reduce overall delays by 79 percent and meet projected aviation demand beyond 2030. The first phase of the OMP, which includes the construction of the new runway, the relocation of one existing runway and the extension of another, is estimated to cost approximately $2.9 billion escalated.
The City is also implementing an ongoing five-year Capital Improvement Plan (CIP) for the airport in the approximate amount of $1.55 billion. The CIP is comprised of an ongoing capital program and project formulation associated with the World Gateway Program (WGP).

The ongoing capital program includes the following types of projects: airfield improvements, concession and terminal area improvements, noise mitigation projects, parking and roadway improvements, heating and refrigeration plant improvements, safety and security improvements, and planning initiatives.

The WGP was designed particularly to address growth in the international market and to provide more efficient landside and terminal facilities. In September 2002, in light of changed conditions in the industry and the economy, the City and the carriers agreed to suspend work on the WGP. Design had been completed through the conceptual phase on a new terminal building and planning had been undertaken on several ancillary facilities.

The City expects that all capital programs will be funded from the following sources: proceeds of airport revenue bonds, Passenger Facility Charge (PFC) revenues on a pay-as-you-go basis, PFC-backed bonds, federal grants and other available airport funds. The following graph presents the annual growth in PFC revenue over the past five years, with O'Hare initiating a PFC of $4.50 per enplaned passenger on April 1, 2001.

The City is monitoring activity levels and financial conditions to determine the appropriate timing for the restart of the WGP.

### Historical Operating Results - O’Hare

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$446,870</td>
<td>$469,856</td>
<td>$455,351</td>
<td>$465,759</td>
<td>$451,046</td>
</tr>
<tr>
<td>Operating and Maintenance Expenses</td>
<td>270,815</td>
<td>305,118</td>
<td>317,807</td>
<td>325,393</td>
<td>325,370</td>
</tr>
<tr>
<td>Net Operating Income before Depreciation and Amortization</td>
<td>$176,055</td>
<td>$164,738</td>
<td>$137,544</td>
<td>$140,366</td>
<td>$125,676</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio (1)</td>
<td>1.55</td>
<td>1.10</td>
<td>1.10</td>
<td>1.10</td>
<td>1.12</td>
</tr>
</tbody>
</table>

(1) For 1998 through 2001 the 1983 General Airport Revenue Bond Ordinance requires that revenues in each fiscal year in which bonds are outstanding shall equal amount at least sufficient to produce net revenues for calculation of coverage, as defined, of not less than aggregate amount equal to 1.10x the aggregate first and second lien debt service for the bond year commencing during such fiscal year. For 2002, the Master Indenture of Trust securing the Third Lien Obligations requires that Revenues in each fiscal year, together with Other Available Moneys and cash balance held in the Revenue Fund on the first day of such fiscal year will be at least sufficient to provide for Operation and Maintenance Expenses for the fiscal year and to provide for 1.10x Aggregate First, Second and Third Debt Service for the bond year commencing during the fiscal year.
**Operating Results**

Operating revenues consist primarily of landing fees, terminal area use charges, rent, parking fees and concession fees. Operating revenues during 2002 were $89.8 million, an increase of $12.4 million (16.0 percent) from 2001. This is largely the result of increased terminal use charges and concession revenues. In fact, revenue from restaurant and news/gifts categories increased $2.6 million (52.5 percent), from $4.9 million in 2001 to $7.5 million in 2002. This can be attributed to the primary terminal concession space being on-line for the full year. This is only a continuation of the successes in concessions as depicted in the following chart showing sales per enplanement over the past five years.

![Midway Concessions Program](image)

Operating expenses consist primarily of salaries and wages, repairs and maintenance, materials and supplies and professional, contractual and engineering services. Total operating expenses before depreciation and amortization during 2002 were $77.6 million, an increase of $9.8 million (14.5 percent) from 2001. The primary contributing factor for this increase was due to the contracted maintenance of the new terminal and concourse space being on-line for the full year.

**Capital Development**

The City is currently implementing a terminal development program and an ongoing capital improvement program at Midway. The terminal development component consists of the construction of a replacement terminal and concourse complex of approximately 954,000 square feet and 43 aircraft gates. The terminal program also includes additional concession opportunities and other passenger amenities. Completed components to date include a dual-level roadway improving vehicular access to the terminal building; a new parking structure providing 3,000 parking spaces on six levels; the new terminal building, providing ticket counters, passenger processing and baggage claim facilities; a new concessions triangle and 23 new aircraft gate facilities. The remaining concourse areas and 20 gates will open in phases through completion in mid-2004.

The ongoing capital program includes development of a parking garage in the economy lot to address the continually increasing demand at Midway Airport. The capital program also includes noise mitigation projects, airfield rehabilitations and completion of a fuel farm for airline use.
The City is financing both capital programs through bond proceeds, federal grants, passenger facility charge revenues and other available airport funds. The City is leveraging its collection of approximately $22.9 million in annual PFC revenue through a commitment to Midway carriers to pay debt service associated with the extensive capital program. This approach will maintain the cost-effectiveness of operating at Midway even after the state-of-the-art terminal facility is in place. The strength of this revenue source can be seen in the following graph, showing results over the past five years.

The City has also received a $90 million “Letter of Intent” from the federal government to assist in the financing of the program. This commitment, as well as that of the signatory carriers, displays the underlying support for the objectives of the program and Midway’s continued viability.

### Historical Operating Results - Midway

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$43,282</td>
<td>$50,878</td>
<td>$67,580</td>
<td>$77,468</td>
<td>$89,858</td>
</tr>
<tr>
<td>Operating and Maintenance Expenses</td>
<td>41,932</td>
<td>49,961</td>
<td>55,902</td>
<td>67,720</td>
<td>77,555</td>
</tr>
<tr>
<td>Net Operating Income before Depreciation and Amortization</td>
<td>$1,350</td>
<td>$917</td>
<td>$11,678</td>
<td>$9,748</td>
<td>$12,303</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio (1)</td>
<td>1.26</td>
<td>1.29</td>
<td>1.30</td>
<td>1.27</td>
<td>1.19</td>
</tr>
</tbody>
</table>

(1) The Master Indenture of Trust securing the Midway Airport Revenue Bonds requires that revenues, together with other available moneys with the trustee and any cash balance held in the Revenue Fund on the first day of the calendar year will be at least sufficient to provide for the payment of Operation and Maintenance Expenses for the fiscal year and an amount not less than 1.25x aggregate debt service for the bond year commencing such fiscal.
O’Hare and Midway International Airports are included in the City’s financial reporting entity as enterprise funds. The condensed statements present a summary of the O’Hare and Midway funds as of December 31, 2002. The following disclosure, which is substantially less than that contained in the audited financial statements, summarizes information contained in each airport’s annual audited financial statements and Comprehensive Annual Financial Reports, which are separately available.

Airport funds (O’Hare and Midway) are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. This measurement focus emphasizes the determination of net income. Revenues are recognized when earned and expenses are recognized when incurred.

### 2002 Condensed Statements of Operations (000 Omitted)

<table>
<thead>
<tr>
<th></th>
<th>O’HARE</th>
<th>MIDWAY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landing Fees and Terminal Area Use Charges</td>
<td>$269,811</td>
<td>$40,006</td>
</tr>
<tr>
<td>Rent, Concessions and Other</td>
<td>$181,235</td>
<td>49,852</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$451,046</td>
<td>$89,858</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>$148,830</td>
<td>$34,036</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>124,568</td>
<td>17,388</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>66,310</td>
<td>24,562</td>
</tr>
<tr>
<td>Professional and Engineering Services</td>
<td>33,494</td>
<td>9,536</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>76,736</td>
<td>9,421</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$449,938</td>
<td>$94,943</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>$1,108</td>
<td>($5,085)</td>
</tr>
</tbody>
</table>
Financial Results

Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments were as follows for the year ended December 31, 2002 (000 omitted):

<table>
<thead>
<tr>
<th></th>
<th>O'HARE</th>
<th>MIDWAY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$82,286</td>
<td>$30,172</td>
</tr>
<tr>
<td>Investments</td>
<td>353</td>
<td></td>
</tr>
<tr>
<td><strong>Restricted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>516,888</td>
<td>340,679</td>
</tr>
<tr>
<td>Investments</td>
<td>533,389</td>
<td>262,514</td>
</tr>
<tr>
<td><strong>Total Cash, Cash Equivalents and Investments</strong></td>
<td>$1,132,545</td>
<td>$633,718</td>
</tr>
</tbody>
</table>

Property and Facilities

Properties and Facilities were as follows for the year ended December 31, 2002 (000 omitted):

<table>
<thead>
<tr>
<th></th>
<th>O'HARE</th>
<th>MIDWAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$102,251</td>
<td>$96,662</td>
</tr>
<tr>
<td>Buildings and Other Facilities</td>
<td>3,808,937</td>
<td>531,632</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>308,303</td>
<td>357,698</td>
</tr>
<tr>
<td><strong>Total Property and Facilities</strong></td>
<td>$4,219,491</td>
<td>$985,992</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(1,285,294)</td>
<td>(80,001)</td>
</tr>
<tr>
<td><strong>Property and Facilities (Net of Depreciation)</strong></td>
<td>$2,934,197</td>
<td>$905,991</td>
</tr>
</tbody>
</table>

Long-Term Debt at O'Hare

On March 31, 1983, the City Council adopted the General Airport Revenue Bond Ordinance, authorizing the issuance and sale of Chicago O'Hare International Airport General Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the airport and to redeem outstanding bond obligations of the airport. Net revenues of the airport, as defined, are pledged for first lien bond principal and interest payments. The Ordinance further permits the issuance of second lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the Ordinance.

On March 26, 1996, the City Council adopted the Passenger Facility Charge Revenue Bond Ordinance, authorizing the issuance and sale of Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds for the purpose of financing improvements at and in the vicinity of the airport. Bonds in the principal amount of $250 million were issued under this ordinance and the Master Trust Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds.

First Lien, Second Lien and International Terminal Special Revenue Bonds have been issued under the Ordinance, Master Indenture Securing Second Lien Obligations and Master Indenture Securing International Terminal Special Revenue Bonds, respectively.
In 2000, the City initiated a commercial paper program to provide for financing all carrier-approved capital project cash flow requirements on an interim basis, prior to establishing a long term financing plan. As of December 31, 2002, $74.5 million in Commercial Paper Notes were outstanding.

In March 2002, the City sold $490,515,000 of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2002A, at a discount. Certain net proceeds of the bonds together with certain other funds will be used to refund certain previously issued bonds, extend their maturity to January 2032 and to pay all of the outstanding Commercial Paper Notes.
On April 1, 1994, the City Council adopted an ordinance that established the Master Indenture of Trust Securing Chicago Midway Airport Revenue Bonds (Indenture). The Indenture governs the issuance and sale of bonds secured solely by revenues generated at the airport and contemplates the issuance of both senior lien bonds and subordinated bonds. The Indenture also establishes the debt service requirements for those bonds and requires the City to generate sufficient revenues at the airport to meet certain coverage levels and make certain fund deposits. Some of the fund deposit requirements have since been modified in connection with airline support of the Midway Terminal Development Program.

In February 2002, the City sold $22.0 million of Chicago Midway Airport Second Lien Revenue Bonds, Taxable Series 2002A. These bonds have a variable interest rate of 1.9 percent at March 1, 2002. These bonds are not subject to mandatory sinking fund redemption prior to their maturity, in entirety, in January 2021.

### Financial Results

#### Long-Term Debt at Midway

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$5,750</td>
<td>$50,452</td>
<td>$56,202</td>
</tr>
<tr>
<td>2004</td>
<td>6,610</td>
<td>50,137</td>
<td>56,747</td>
</tr>
<tr>
<td>2005</td>
<td>7,425</td>
<td>49,759</td>
<td>57,184</td>
</tr>
<tr>
<td>2006</td>
<td>7,850</td>
<td>49,331</td>
<td>57,181</td>
</tr>
<tr>
<td>2007</td>
<td>14,165</td>
<td>48,727</td>
<td>62,892</td>
</tr>
<tr>
<td>2008-2012</td>
<td>83,830</td>
<td>231,014</td>
<td>314,844</td>
</tr>
<tr>
<td>2013-2017</td>
<td>109,280</td>
<td>204,810</td>
<td>314,090</td>
</tr>
<tr>
<td>2018-2022</td>
<td>142,950</td>
<td>170,238</td>
<td>313,188</td>
</tr>
<tr>
<td>2023-2027</td>
<td>185,615</td>
<td>126,401</td>
<td>312,016</td>
</tr>
<tr>
<td>2028-2032</td>
<td>251,560</td>
<td>69,314</td>
<td>320,874</td>
</tr>
<tr>
<td>2033-2035</td>
<td>143,150</td>
<td>11,157</td>
<td>154,307</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$958,185</strong></td>
<td><strong>$1,061,340</strong></td>
<td><strong>$3,019,525</strong></td>
</tr>
</tbody>
</table>

#### Debt Service Requirements to Maturity of First Lien Bonds

*For issues with variable rates, interest is imputed at the percent rate effective at December 31, 2002*

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$3,664</td>
<td>$3,664</td>
<td>$7,328</td>
</tr>
<tr>
<td>2004</td>
<td>3,200</td>
<td>3,633</td>
<td>6,833</td>
</tr>
<tr>
<td>2005</td>
<td>3,400</td>
<td>3,569</td>
<td>6,969</td>
</tr>
<tr>
<td>2006</td>
<td>3,600</td>
<td>3,501</td>
<td>7,101</td>
</tr>
<tr>
<td>2007</td>
<td>3,800</td>
<td>3,429</td>
<td>7,229</td>
</tr>
<tr>
<td>2008-2012</td>
<td>30,000</td>
<td>15,624</td>
<td>45,624</td>
</tr>
<tr>
<td>2013-2017</td>
<td>36,200</td>
<td>12,596</td>
<td>48,796</td>
</tr>
<tr>
<td>2018-2022</td>
<td>42,600</td>
<td>8,875</td>
<td>51,475</td>
</tr>
<tr>
<td>2023-2027</td>
<td>47,600</td>
<td>4,621</td>
<td>52,221</td>
</tr>
<tr>
<td>2028-2032</td>
<td>22,600</td>
<td>447</td>
<td>23,047</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$193,000</strong></td>
<td><strong>$59,959</strong></td>
<td><strong>$252,959</strong></td>
</tr>
</tbody>
</table>

#### Pension Plans and Deferred Compensation Plan

Eligible City employees participate in one of two single-employer defined benefit plans. The vast majority of full-time airport employees become members of either the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds. The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. No amounts have been recorded in the accompanying financial statements for the net pension assets of the pension plans or the assets of the deferred compensation plan.

#### Vacation and Sick Leave

Employee vacation leave that vests is recorded when earned. Accumulated sick leave is not accrued because employee rights to receive compensation for the unused portion terminate upon severance of employment.

#### Contingencies and Commitments

The airports have certain contingent liabilities resulting from litigation claims and commitments incident to the ordinary course of business. It is the opinion of the City's management that final resolution of such contingencies will not have a material adverse effect on the financial position or results of operations of the airports.