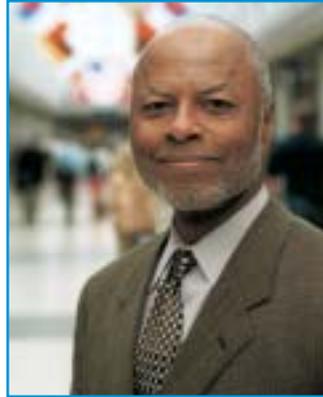


V I S I O N



Richard M. Daley
Mayor
City of Chicago



Thomas R. Walker
Commissioner
Chicago Department of Aviation

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.

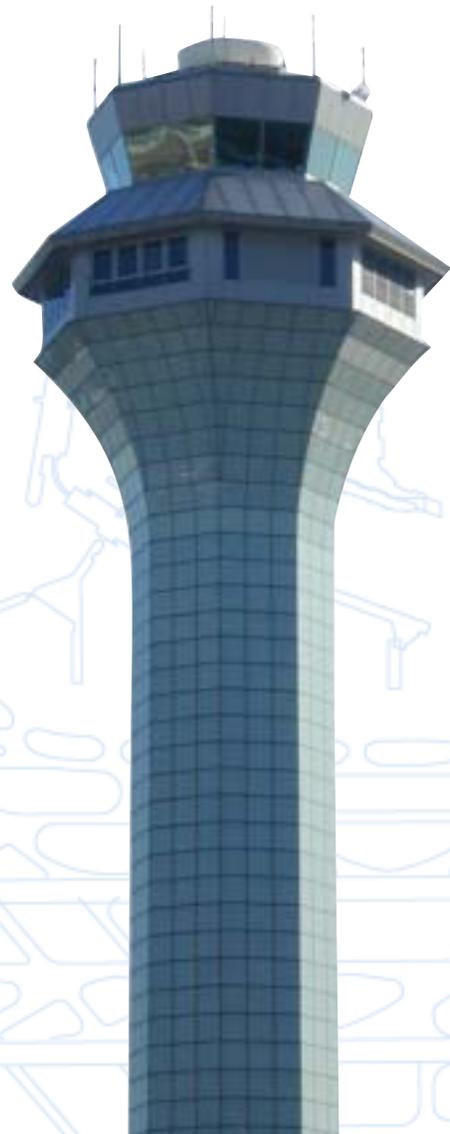
Our approach for the future is clear – build upon the existing strengths of the Chicago Airport System to increase economic opportunities in the region while providing for the safety and security of our passengers. We're committed to maintaining Chicago as our nation's premier transportation center.



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.

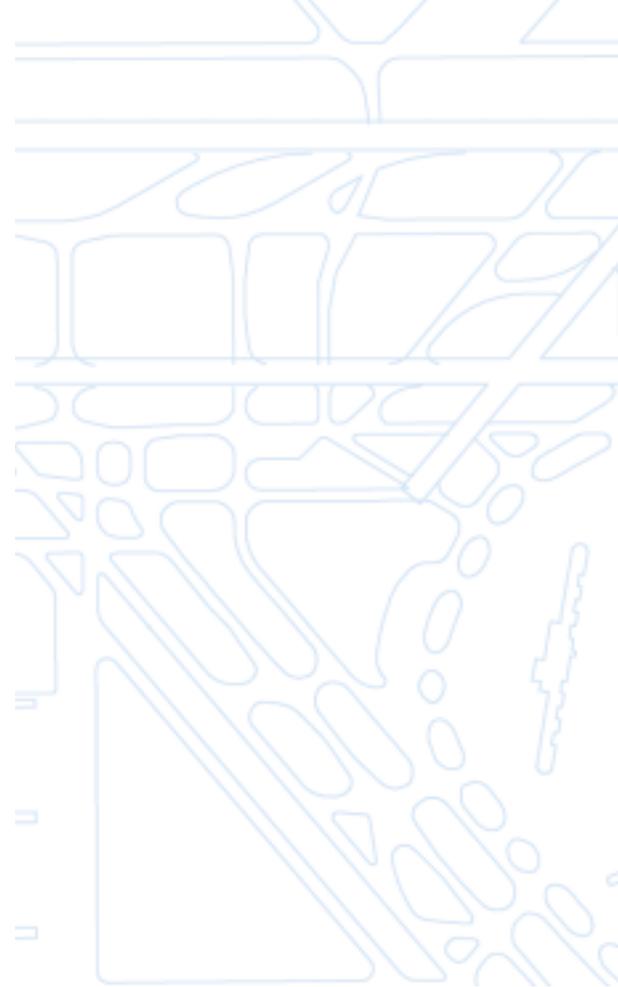
Under federal law, property owners are guaranteed fair market value based on two independent appraisals and relocation benefits, including compensation for all moving expenses. In some cases, residential property owners may be eligible for an amount up to \$22,500 to offset the cost of a replacement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

By December, the Department successfully negotiated the acquisition of 30 percent of the land needed for the new northern runway.



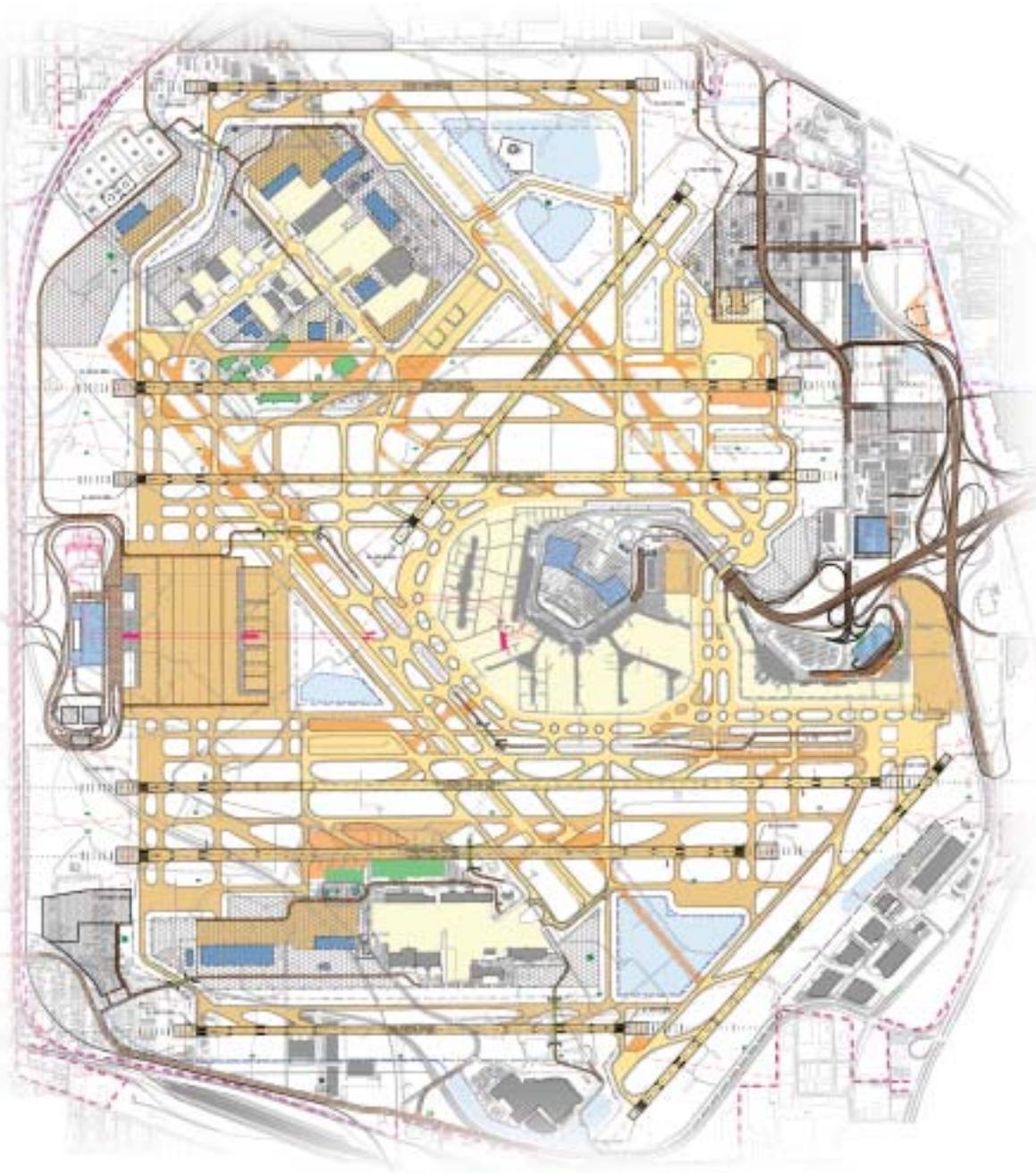
An essential element of airport development projects is assessing the impact on the environment. Soon after the City launched its land acquisition program, the Federal Aviation Administration (FAA) announced it would prepare an Environmental Impact Statement for the O’Hare Modernization Program, the 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.





Throughout the development of the Airport Layout Plan, the Department of Aviation worked closely with airport users such as the airlines and air traffic controllers. The Airport Layout Plan graphically depicts existing and proposed conditions at O'Hare.

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.

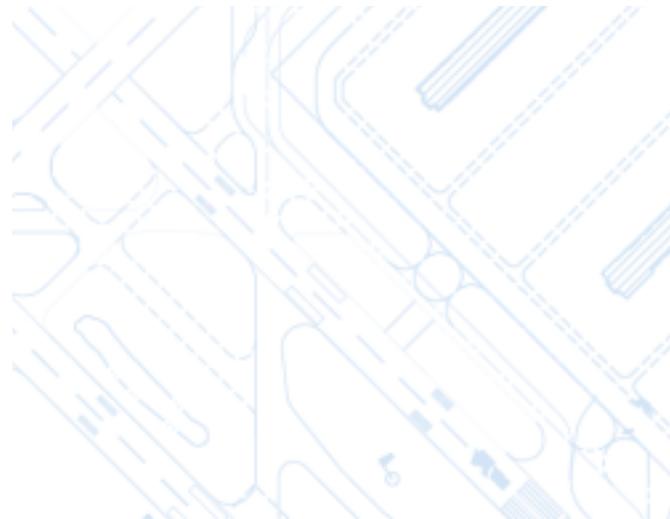
The draft Airport Layout Plan includes a new western terminal and parking facilities, an automated people mover system connecting the western terminal to the existing terminal core and regional roadway projects including a western entrance into the airport.

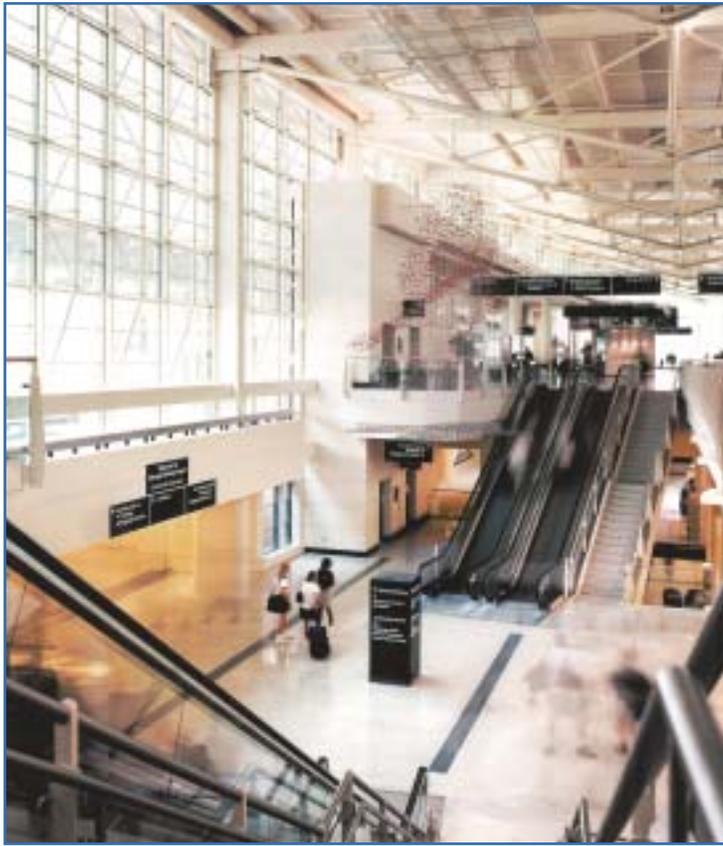
Planning for growth in aviation travel has always been a priority in Chicago. Perhaps the best example of the benefits reaped by investing in infrastructure is Midway International Airport.

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.

NONSTOP SERVICE

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.

A NEW LEVEL OF SAFETY

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.





PARTNERSHIP WITH THE COMMUNITY

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.

O'HARE INTERNATIONAL AIRPORT

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

Aeromexpress
 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

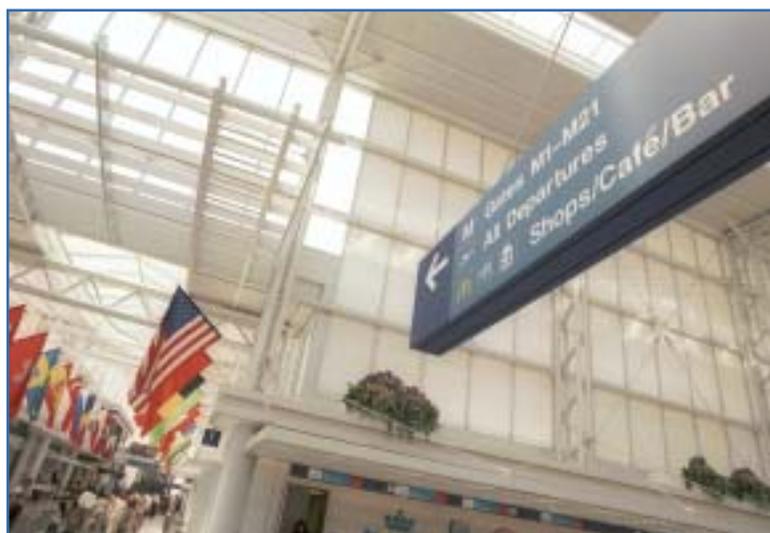
MIDWAY INTERNATIONAL AIRPORT

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

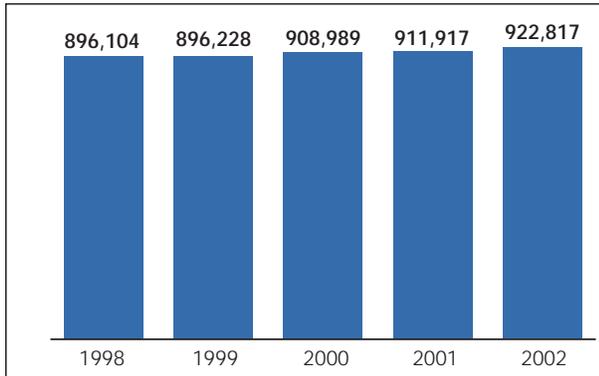


STRENGTH IN NUMBERS

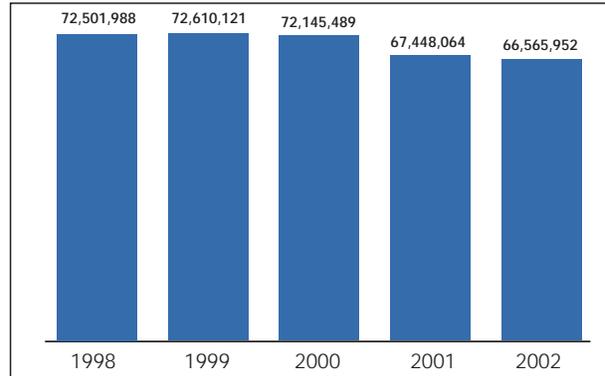
In 2002, Chicago's airports continued to exhibit strength in numbers. Midway International Airport remained one of the fastest growing airports in the nation, serving close to 17 million passengers, an 8.5 percent increase from the previous year, and a 9.2 percent increase in aircraft operations. Midway's 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.

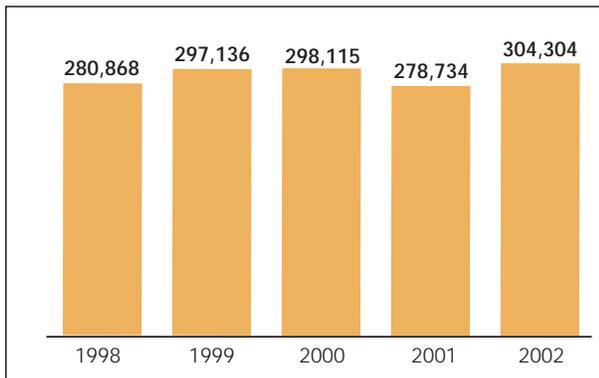
O'HARE FLIGHT OPERATIONS 1998-2002



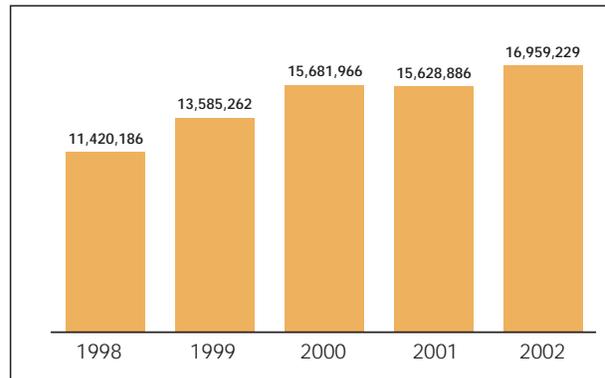
O'HARE PASSENGERS 1998-2002



MIDWAY FLIGHT OPERATIONS 1998-2002

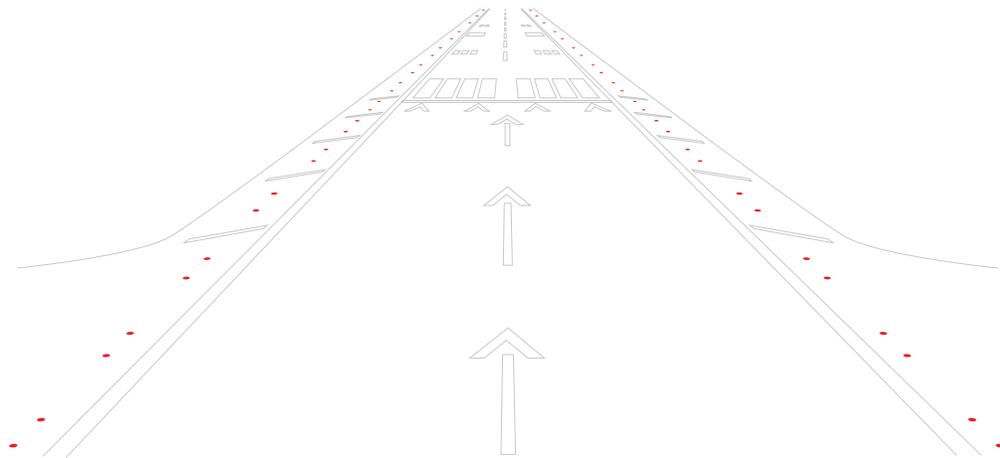


MIDWAY PASSENGERS 1998-2002



F I N A N C I A L R E S U L T S

C H I C A G O A I R P O R T S Y S T E M 2 0 0 2 A N N U A L R E P O R T



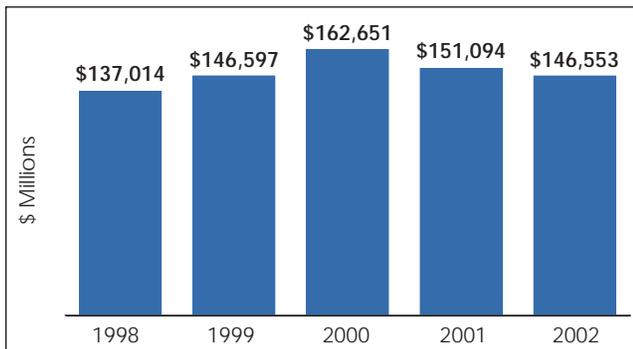
FINANCIAL RESULTS

O'HARE INTERNATIONAL AIRPORT

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.

O'HARE CONCESSIONS PROGRAM



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.

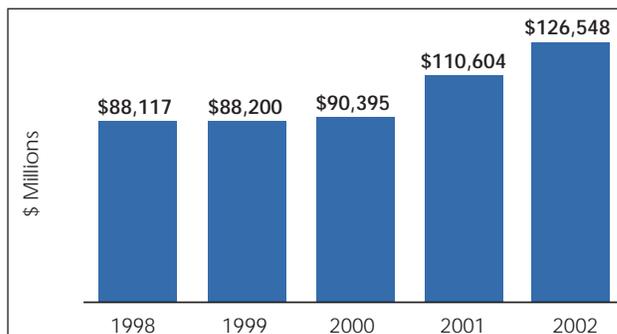
The City is also implementing an ongoing five-year Capital Improvement Plan (CIP) for the airport in the approximate amount of \$1.55 billion. The CIP is comprised of an ongoing capital program and project formulation associated with the World Gateway Program (WGP).

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

O'HARE PFC REVENUE



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.

Historical Operating Results - O'Hare (000 Omitted)					
	1998	1999	2000	2001	2002
Operating Revenues	\$446,870	\$469,856	\$455,351	\$465,759	\$451,046
Operating and Maintenance Expenses	270,815	305,118	317,807	325,393	325,370
Net Operating Income before Depreciation and Amortization	\$176,055	\$164,738	\$137,544	\$140,366	\$125,676
Debt Service Coverage Ratio (1)	1.55	1.10	1.10	1.10	1.12

(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 an 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 that 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.

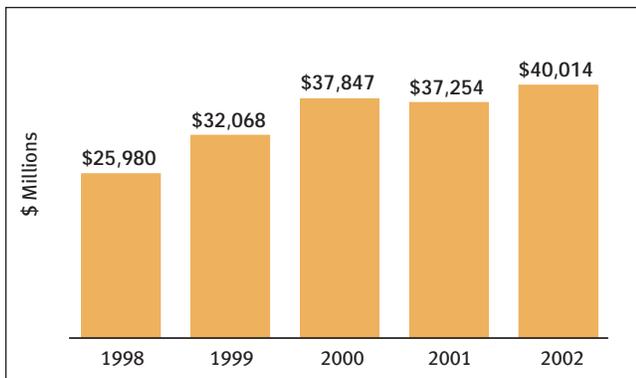
FINANCIAL RESULTS

MIDWAY INTERNATIONAL AIRPORT

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



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.

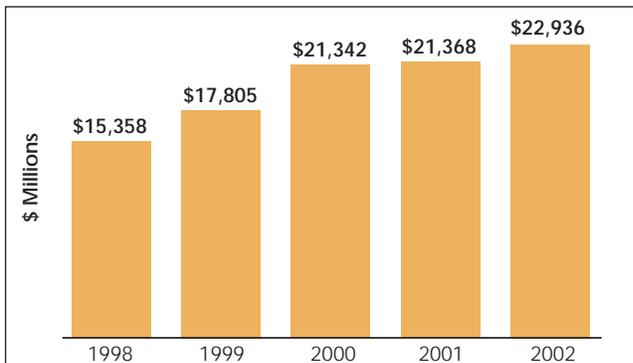
The ongoing capital program includes development of a parking garage in the economy lot to address the continually increasing demand at Midway Airport. The capital program also includes noise mitigation projects, airfield rehabilitations and completion of a fuel farm for airline use.



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.

MIDWAY PFC REVENUE



Historical Operating Results - Midway (000 Omitted)					
	1998	1999	2000	2001	2002
Operating Revenues	\$43,282	\$50,878	\$67,580	\$77,468	\$89,858
Operating and Maintenance Expenses	41,932	49,961	55,902	67,720	77,555
Net Operating Income before Depreciation and Amortization	\$1,350	\$917	\$11,678	\$9,748	\$12,303
Debt Service Coverage Ratio (1)	1.26	1.29	1.30	1.27	1.19

(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.

FINANCIAL RESULTS

SUMMARY OF POLICIES

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)

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

2002 Condensed Statements of Cash Flows (000 Omitted)

	O'HARE	MIDWAY
Cash Flows from Operating Activities:		
Operating Income	\$1,108	(\$5,085)
Depreciation and Amortization	124,568	17,388
Net Changes in Other Balance Sheet Accounts	26,166	(2,080)
Total Operating Activities	\$151,842	\$10,223
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Debt Issuance	\$633,037	\$22,000
Payments to Refund Bonds	(542,237)	
Acquisition and Construction of Capital Assets	(244,199)	(142,096)
Debt Service, Refundings, Contributed Capital and Other	(100,428)	(2,080)
Total Capital and Related Financing Activities	\$151,842	\$139,742
Cash Flows from Investing Activities:		
Net Sales (Purchases) of Investments	\$127,457	\$75,462
Interest Received on Investments	49,653	15,450
Total Investing Activities	\$177,110	\$90,912
Net Increase in Cash and Cash Equivalents	\$75,125	(\$38,606)
Cash and Cash Equivalents Beginning of Year	524,031	409,457
Cash and Cash Equivalents End of Year	\$599,156	\$370,851

2002 Condensed Balance Sheets (000 Omitted)

	O'HARE	MIDWAY
Assets		
Cash, Cash Equivalents and Investments (Restricted and Unrestricted)	\$1,132,545	\$633,718
Accounts Receivable (Net of Allowance for Doubtful Accounts)	34,172	7,217
Other	280,973	50,770
Property and Facilities (Net)	2,934,197	905,991
Total Assets	\$4,381,887	\$1,597,696
Liabilities		
Accounts Payable	\$99,521	\$63,794
Revenue Bonds and Notes Payable	3,318,345	1,127,619
Interest Payable	83,833	25,533
Deferred Revenue	14,679	7,435
Other	35,711	31,414
Total Liabilities	\$3,552,089	\$1,255,795
Net Assets		
Invested in Capital Assets - Net of Related Debt	\$422,075	\$85,987
Debt Services	23,159	5,410
Capital Projects	42,070	76,230
Passenger Facility Charges	125,282	63,542
Airport Use Agreement	90,316	61,384
Other Assets	98,937	40,285
Unrestricted Net Assets	\$829,798	\$341,900

Cash, Cash Equivalents and Investments

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

	O'HARE	MIDWAY
Unrestricted		
Cash and Cash Equivalents	\$82,286	\$30,172
Investments		353
Restricted		
Cash and Cash Equivalents	516,888	340,679
Investments	533,389	262,514
Total Cash, Cash Equivalents and Investments	\$1,132,545	\$633,718

Property and Facilities

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

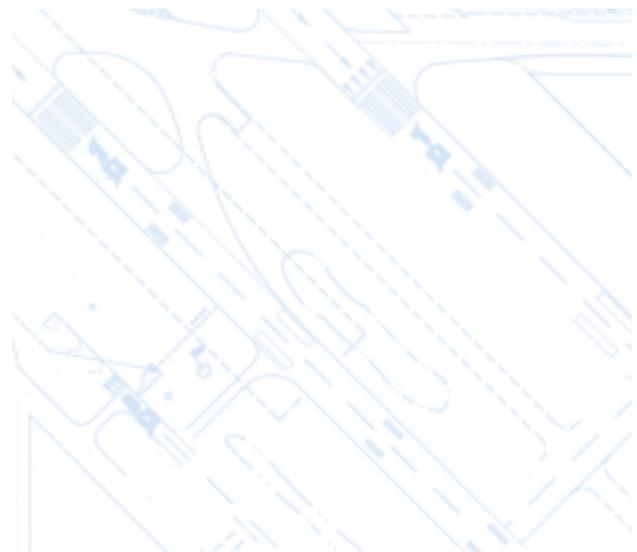
	O'HARE	MIDWAY
Land	\$102,251	\$96,662
Buildings and Other Facilities	3,808,937	531,632
Construction in Progress	308,303	357,698
Total Property and Facilities	\$4,219,491	\$985,992
Less: Accumulated Depreciation	(1,285,294)	(80,001)
Property and Facilities (Net of Depreciation)	\$2,934,197	\$905,991

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.

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.

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.

LONG-TERM DEBT AT O'HARE



FINANCIAL RESULTS

LONG-TERM DEBT AT O'HARE

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.

Debt Service Requirements to maturity of First Lien Bonds are presented as follows (000 omitted):			
Year	Principal	Interest	Total
2003		\$16,110	\$16,110
2004	\$1,865	16,065	17,930
2005	32,825	15,232	48,057
2006	34,405	13,602	48,007
2007		12,759	12,759
2008-2012	46,340	62,635	108,975
2013-2016	208,835	21,500	230,335
Total	\$324,270	\$157,903	\$482,173

Debt Service Requirements to maturity of Second Lien Bonds are presented as follows (000 omitted):			
Year	Principal	Interest*	Total
2003	\$19,550	\$78,675	\$98,225
2004	16,915	78,012	94,927
2005	40,405	76,649	117,054
2006	62,170	73,916	136,086
2007	110,265	69,366	179,631
2008-2012	621,950	250,846	872,796
2009-2017	590,550	109,197	699,747
2018	155,490	3,633	159,123
Total	\$1,617,295	\$740,294	\$2,357,589

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

Debt Service Requirements to maturity of Third Lien Bonds are presented as follows (000 omitted):			
Year	Principal	Interest	Total
2003		\$26,777	\$26,777
2004		26,777	26,777
2005		26,777	26,777
2006		26,777	26,777
2007		26,777	26,777
2008-2012		133,883	133,883
2013-2017	28,320	132,751	161,071
2018-2022	116,025	109,885	225,910
2023-2027	150,575	73,625	224,200
2028-2032	195,595	27,383	222,978
Total	\$490,515	\$611,412	\$1,101,927

Debt Service Requirements to maturity of the Passenger Facility Charge Revenue Bonds are presented as follows (000 omitted):			
Year	Principal	Interest	Total
2003	\$14,125	\$49,189	\$63,314
2004	24,680	48,152	72,832
2005	26,025	46,764	72,789
2006	27,460	45,274	72,734
2007	28,995	43,773	72,768
2008-2012	169,600	193,330	362,930
2013-2017	172,110	142,393	314,503
2018-2022	118,205	105,109	223,314
2023-2027	146,740	70,773	217,513
2028-2032	190,060	26,239	216,299
Total	\$918,000	\$770,996	\$1,688,996

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.

Debt Service Requirements to maturity of First Lien Bonds are presented as follows (000 omitted):

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

Debt Service Requirements to maturity of Second Lien Bonds are presented as follows (000 omitted):

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

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

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.



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