

**SETTLEMENT AGREEMENT
BETWEEN
THE CITY OF CHICAGO
AND APPLE INC.**

This Settlement Agreement ("Agreement") is between the City of Chicago ("City"), through its Department of Finance ("Department"), and Apple Inc., located at One Apple Park Way, Cupertino, California, 95014, ("Apple or Company") (together, the "Parties").

RECITALS

WHEREAS Apple provides electronically delivered audio and video streaming, interactive gaming, fitness, news, periodicals under the brand names Apple Music, Apple TV+, Apple Arcade, Apple Fitness+ and Apple News+ (collectively, Apple's Products) to customers located in Chicago. Apple also provides video rentals and third-party streaming services to customers located in Chicago.

WHEREAS the Department contends that Apple's video rental and third-party streaming services and all of Apple's Products, except Apple News+, are subject to the City's Amusement Tax, Chapter 4-156 of the Municipal Code of Chicago.

WHEREAS on or about August 27, 2018, Apple filed a lawsuit in the circuit court of Cook County titled *Apple Inc. vs. City of Chicago*, et al, No. 2018 L 050514, seeking declaratory and injunctive relief confirming that Apple has no obligation to collect and remit the Amusement Tax on Apple's Products.

WHEREAS on or about June 20 2021, Apple began collecting Amusement Tax on third-party streaming services and subscriptions to Apple TV+ and Apple Fitness+ provided to customers with Chicago billing addresses and remitting any tax collected on its monthly returns

beginning on July 15, 2021. Prior to that time, Apple was only collecting and remitting Amusement Tax on video rentals to customers with a Chicago address.

WHEREAS the City stands to derive substantial revenue it otherwise might not collect without this Agreement.

WHEREAS the Parties believe it is in their best interests to settle this matter on these terms to avoid the costs and risks of litigation.

NOW, THEREFORE, Company and the City hereby agree as follows:

1. The foregoing recitals are hereby incorporated herein and made an express part of this Agreement.

2. Within 10 days of the execution of this Agreement, the Parties agree to enter an agreed order dismissing the action filed against the City titled *Apple Inc. vs. City of Chicago*, et al, No. 2018 L 050514. The Company agrees to forego any future challenges relating to the City's authority to impose the Amusement Tax on Apple's Products, video rentals and third-party streaming services to customers with Chicago billing addresses unless or until there is a material change in fact or the applicable federal, state, or local laws in Chicago governing or relating to the imposition of the Amusement Tax on such transactions.

3. No later than September 15, 2022, the Company shall begin to collect and remit Amusement Tax on its sales of subscriptions of Apple Music and Apple Arcade to individuals with billing addresses in the City of Chicago. Company shall have a continuing obligation to collect and remit Amusement Tax on Apple's Products (except Apple News+) and video rentals and streaming third-party streaming services unless or until there is a material change in fact or

the applicable federal, state, or local laws in Chicago governing or relating to the imposition of the Amusement Tax on such transactions.

4. The Company agrees that it will not seek refunds of Amusement Tax remitted on third-party streaming services, video rentals and subscriptions to Apple TV+ and Apple Fitness+ provided to customers with Chicago billing addresses on the grounds that the City does not have the authority to impose Amusement Tax on those transactions.

5. Provided no term of this Agreement is breached and no material misrepresentation was made to induce the Department to enter into this Agreement, Company is released from any and all Amusement Tax liability, including any additional tax, interest or penalties, for all periods prior to September 15, 2022.

6. By this Agreement, neither party admits any claim made by the other including whether what Apple sells is properly characterized as a product or a service.

7. This Agreement shall be effective upon execution by the parties to this Agreement and, thereafter, shall be binding upon the City, Company, and Company's successors and assigns.

8. Except as may be required by law, or in a court of competent jurisdiction for the purpose of enforcing this Agreement, Company and the Department shall keep this Agreement confidential and not disclose any of its terms and conditions to anyone not in the employ of, related to, or engaged to represent, Company, the Department, or the Department of Administrative Hearings, without the prior written approval of the other.

9. The persons signing this Agreement certify and warrant that they have the power

to enter and execute this Agreement.

10. This Agreement may be executed in one or more counterparts each of which shall be considered an original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year last written below.

APPLE INC.

By: *Terry Ryan*

Terry Ryan
(Print Name)

Senior Tax Director
(Title)

Dated: 7/8/2022

**CITY OF CHICAGO
DEPARTMENT OF FINANCE**

By: *Brian J. Carlson*
BRIAN CARLSON
Acting Deputy Director

DEPARTMENT OF LAW

By: *Steven Tomiello*
STEVEN TOMIELLO
Chief Assistant Corporation Counsel

Dated: 7/8/22