

## PRIVATE PLACEMENT MEMORANDUM

NEW ISSUE - BOOK ENTRY ONLY

NOT RATED

*In the respective opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and Cotillas and Associates, Chicago, Illinois ("Co-Bond Counsel") under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2017A Notes will not be includable in gross income for federal income tax purposes. Interest on the Series 2017A Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits for purposes of the corporate alternative minimum tax. Interest on the Series 2017A Notes is not exempt from Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.*



**\$275,000,000**  
**BOARD OF EDUCATION OF THE CITY OF CHICAGO**  
**Grant Anticipation Revenue Notes, Series 2017A**



The Grant Anticipation Revenue Notes, Series 2017A are being issued by the Board of Education of the City of Chicago (the "**Board**") in a single series (the "**Series 2017A Notes**") in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

The proceeds of the Series 2017A Notes will be used to (i) provide funds to pay general expenses and other payment obligations of the Board and (ii) pay the costs of issuance of the Series 2017A Notes.

The maturity date, principal amount, interest rate, price and CUSIP number of the Series 2017A Notes are set forth on the inside cover. The Series 2017A Notes are subject to redemption and mandatory exchange prior to maturity as described herein.

The Series 2017A Notes will be issued under a Master Trust Indenture dated as of June 1, 2017 (the "**Master Indenture**"), by and between the Board and Zions Bank, a Division of ZB, National Association, Chicago, Illinois, as trustee (the "**Trustee**") as supplemented by a First Supplemental Indenture dated as of June 1, 2017 (the "**First Supplement**") between the Board and the Trustee (the Master Indenture as so supplemented is hereinafter referred to as the "**Indenture**"). The Series 2017A Notes will be fully registered obligations and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as securities depository for the Series 2017A Notes. Purchasers of the Notes will not receive certificates representing their interests in the Series 2017A Notes purchased. Principal of and interest on the Series 2017A Notes will be paid by the Trustee to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Series 2017A Notes. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2017A Notes 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 "**THE SERIES 2017A NOTES – Book-Entry-Only System.**"

The Series 2017A Notes, together with any additional Notes of the Board that may hereafter be issued, are limited obligations of the Board and are payable solely from the moneys expected to be received by the Board and derived from Grants (as defined below) from the State of Illinois (the "**State**") to the Board (the "**Grant Receipts**"). "**Grants**" means grants from the State to the Board appropriated by the State for the 2017 fiscal year as listed in the Resolution of the Board authorizing the issuance of the Series 2017A Notes, as such list may be revised by a Certificate signed by an Authorized Officer and filed with the Trustee prior to the issuance of the Series 2017A Notes. The Series 2017A Notes are not and shall not become general obligations of the Board and neither the full faith and credit nor the taxing power of the Board is pledged to the payment of the principal or redemption price of or interest on the Series 2017A Notes. The Series 2017A Notes are also payable from all funds, accounts and sub-accounts established as security for such Notes pursuant to the Indenture. See "**SECURITY FOR THE SERIES 2017A NOTES.**"

EACH PURCHASER OF THE SERIES 2017A NOTES (OTHER THAN THE INITIAL PURCHASER AND ANY ACCREDITED INVESTOR WHICH SHALL EXECUTE AN INVESTOR LETTER SUBSTANTIALLY IN THE FORM OF EXHIBIT B TO THE FIRST SUPPLEMENT ATTACHED AS APPENDIX B HERETO) BY ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS TO THE BOARD AS SET FORTH IN THE "FORM OF INVESTOR LETTER" ATTACHED AS EXHIBIT B TO THE FIRST SUPPLEMENT, WHICH IS ATTACHED HERETO AS APPENDIX B, TO THE SAME EXTENT AND WITH THE SAME EFFECT AS IF SUCH PURCHASER HAD SIGNED SUCH LETTER, INCLUDING, WITHOUT LIMITATION, A REPRESENTATION THAT SUCH PURCHASER IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A PROMULGATED UNDER THE 1933 ACT, AND, AS SUCH, IS ABLE TO BEAR THE ECONOMIC RISKS OF SUCH INVESTMENT IN THE SERIES 2017A NOTES AND THAT SUCH PURCHASER HAS MADE ITS OWN INQUIRY AND ANALYSIS WITH RESPECT TO THE BOARD, THE SERIES 2017A NOTES AND THE SECURITY THEREFOR. THE PURCHASER FURTHER UNDERSTANDS THAT, IN CERTAIN CIRCUMSTANCES, IT MAY BE REQUIRED TO HOLD THE SERIES 2017A NOTES UNTIL THE MATURITY THEREOF.

The Series 2017A Notes are being purchased by J.P. Morgan Securities LLC (the "**Initial Purchaser**"), subject to the delivery of the approving legal opinions of Co-Bond Counsel. Certain legal matters will be passed upon in connection with the issuance of the Series 2017A Notes, for the Board by its General Counsel, Ronald Marmer.

Issuance of the Series 2017A Notes is expected to occur, and their delivery is expected to be made through the facilities of DTC in New York, New York, on or about June 19, 2017.

**\$275,000,000 Grant Anticipation Revenue Notes, Series 2017A**

<b><u>Principal Amount</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b> <sup>(1)</sup>	<b><u>Purchase Price</u></b>	<b><u>CUSIP*</u> <u>Number</u></b>
\$275,000,000	March 30, 2018	Variable Rate	\$274,935,000	167505RK4

<sup>(1)</sup> See “THE SERIES 2017A NOTES – Interest on the Series 2017A Notes.”

\* Copyright 2016, American Bankers Association. CUSIP data used herein are provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. The CUSIP number listed is being provided solely for the convenience of the Owners only at the time of issuance of the Series 2017A Notes and neither the Board nor the Initial Purchaser makes any representation with respect to such number or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017A Notes as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2017A Notes.

Dated: June 19, 2017

## REGARDING USE OF THIS PRIVATE PLACEMENT MEMORANDUM

This Private Placement Memorandum will be furnished by the Board only to “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “**1933 Act**”) and “accredited investors” as defined in Rule 501 of Regulation D under the 1933 Act (an “**Accredited Investor**”) solely for the purpose of each investor’s consideration of the purchase of the Series 2017A Notes described herein, and is not to be used for any other purpose or made available to anyone not directly concerned with the decision regarding such purchase. This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017A Notes by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized by the Board or the Initial Purchaser to give any information or to make any representation with respect to the Series 2017A Notes, other than those contained in this Private Placement Memorandum, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Private Placement Memorandum is neither an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Series 2017A Notes, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the Board and include information from other sources that the Board believes to be reliable. Such information is not guaranteed as to accuracy, fairness or completeness, and is not to be construed as a representation by the Initial Purchaser. Such information and expressions of opinion are subject to change without notice, and neither the delivery of this Private Placement Memorandum nor any sale of the Series 2017A Notes shall under any circumstances create any implication that there has been no change since the date hereof. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2017A Notes.

This Private Placement Memorandum should be considered in its entirety, including appendices hereto containing copies of the Master Indenture and the First Supplement (including the form of Note and Investor Letter). All references herein to laws, agreements and documents are qualified in their entirety by reference to the definitive forms thereof and all references to the Series 2017A Notes are further qualified by reference to the information with respect thereto contained in the Indenture for the Series 2017A Notes.

The information contained herein is provided as of the date hereof and the Board has no obligation to update such information.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE SERIES 2017A NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2017A NOTES IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2017A NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2017A NOTES OR THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE SERIES 2017A NOTES HAVE RISK CHARACTERISTICS WHICH REQUIRE CAREFUL ANALYSIS AND CONSIDERATION BEFORE A DECISION TO PURCHASE IS MADE. THE SERIES 2017A NOTES SHOULD BE PURCHASED BY INVESTORS WHO HAVE ADEQUATE EXPERIENCE TO EVALUATE THE MERITS AND RISKS OF THE SERIES 2017A NOTES. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS PRIVATE PLACEMENT MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATION FROM THE BOARD, ITS OFFICERS AND EMPLOYEES OR ANY PROFESSIONAL ASSOCIATED WITH THE SALE OF THE SERIES 2017A NOTES AS INVESTMENT OR LEGAL ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO FINANCIAL, LEGAL AND RELATED MATTERS CONCERNING THE INVESTMENT DESCRIBED HEREIN.

There can be no guarantee that there will be a market for the Series 2017A Notes or, if a market exists, that it would continue to exist or that the Series 2017A Notes could in any event be sold for any particular price.

EACH PURCHASER OF THE SERIES 2017A NOTES (OTHER THAN THE INITIAL PURCHASER AND ANY ACCREDITED INVESTOR WHICH SHALL EXECUTE AN INVESTOR LETTER SUBSTANTIALLY IN THE FORM OF EXHIBIT B TO THE FIRST SUPPLEMENT ATTACHED AS APPENDIX B HERETO) BY ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS TO THE BOARD AS SET FORTH IN THE "FORM OF INVESTOR LETTER" ATTACHED AS EXHIBIT B TO THE FIRST SUPPLEMENT, INCLUDED AS APPENDIX B HERETO, TO THE SAME EXTENT AND WITH THE SAME EFFECT AS IF SUCH PURCHASER HAD SIGNED SUCH LETTER, INCLUDING, WITHOUT LIMITATION, A REPRESENTATION THAT SUCH PURCHASER IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A PROMULGATED UNDER THE 1933 ACT, AND, AS SUCH, IS ABLE TO BEAR THE ECONOMIC RISKS OF SUCH INVESTMENT IN THE SERIES 2017A NOTES AND THAT SUCH PURCHASER HAS MADE ITS OWN INQUIRY AND ANALYSIS WITH RESPECT TO THE BOARD, THE SERIES 2017A NOTES AND THE SECURITY THEREFOR. THE PURCHASER FURTHER UNDERSTANDS THAT, IN CERTAIN CIRCUMSTANCES, IT MAY BE REQUIRED TO HOLD THE SERIES 2017A NOTES UNTIL THE MATURITY THEREOF.

THIS PRIVATE PLACEMENT MEMORANDUM SPEAKS AS OF THE DATE HEREOF AND THE BOARD IS UNDER NO OBLIGATION TO REVISE OR SUPPLEMENT ANY OF THE INFORMATION CONTAINED HEREIN WITH RESPECT TO ANY FACTS OR CIRCUMSTANCES THAT MAY HEREAFTER OCCUR.

**BOARD OF EDUCATION OF  
THE CITY OF CHICAGO**

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\$275,000,000  
**BOARD OF EDUCATION OF THE CITY OF CHICAGO**  
**Grant Anticipation Revenue Notes, Series 2017A**

**INTRODUCTION**

**General**

The purpose of this Private Placement Memorandum, including the cover page, the inside cover page and the Appendices hereto, is to set forth information in connection with the offering and sale by the Board of Education of the City of Chicago (the “**Board**” or “**CPS**”) of its Grant Anticipation Revenue Notes, Series 2017A (referred to herein as the “**Series 2017A Notes**”). The Series 2017A Notes are being issued as a single series in the aggregate principal amount of \$275,000,000 in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. All capitalized terms used in this Private Placement Memorandum and not otherwise defined in the body of this Private Placement Memorandum have the same meanings as assigned thereto in the Master Indenture (as defined below) and the First Supplement (as defined below) which are attached hereto as **APPENDIX A – “Master Indenture”** and **APPENDIX B – “First Supplement”**, respectively.

**Authorization**

The Series 2017A Notes are being issued pursuant to (i) the Revenue Anticipation Act of the State of Illinois and the Local Government Debt Reform Act of the State of Illinois; (ii) a resolution of the Board adopted on May 24, 2017 (the “**Note Resolution**”); and (iii) the terms of a Master Trust Indenture dated as of June 1, 2017 (the “**Master Indenture**”), by and between the Board and Zions Bank, a Division of ZB, National Association, Chicago, Illinois, as trustee (the “**Trustee**”) as supplemented by a First Supplemental Indenture dated as of June 1, 2017 (the “**First Supplement**”) between the Board and the Trustee (the Master Indenture as so supplemented by the First Supplement is hereinafter referred to as the “**Indenture**”). The Note Resolution authorizes the Board to issue Grant Anticipation Revenue Notes (the “**Grant Anticipation Notes**”) in anticipation of certain grant receipts in an aggregate principal amount outstanding from time to time of not to exceed \$396,520,000. The Board expects to issue additional Grant Anticipation Notes under the Master Indenture before June 30, 2017. As of the date of this Private Placement Memorandum, there are no Grant Anticipation Notes, other than the Series 2017A Notes, Outstanding under the Indenture.

**SECURITY FOR THE SERIES 2017A NOTES**

**Notes Are Limited Obligations of the Board**

The Series 2017A Notes, together with any additional Notes of the Board that may hereafter be issued by the Board in accordance with the Indenture, are limited obligations of the Board and are payable solely from the receipts derived from grants from the State to the Board appropriated by the State for the 2017 fiscal year and remaining unpaid as further described in the Note Resolution as such list of Grants may be revised by a Certificate signed by an Authorized Officer and filed with the Trustee prior to the issuance of the Series 2017A Notes (“**Grants**”). Revenues from Grants are budgeted to be approximately \$665.2 million for Fiscal Year 2017 with the State having paid the Board approximately \$198.7 million in Grants for Fiscal Year 2017 which leaves approximately \$466.5 million of Grants remaining to be paid. Pursuant to the Revenue Anticipation Act, the Board is authorized to issue revenue notes in anticipation of the Grants in an amount not exceeding 85% of the anticipated Grants. The Master Indenture limits the principal amount of notes that may be issued to an amount not exceeding 85% of the “**Anticipated Grant**



**Amount**” which is defined to be the aggregate amount of moneys expected to be received by the Board and derived from the Grants (“**Grant Receipts**”) anticipated to be received by the Board on or after the date of issuance of a series of Notes as determined pursuant to the Master Indenture. The Master Indenture further provides that in connection with the issuance of a series of Notes in determining the Anticipated Grant Amount, the Board shall only include the amount of expected Grant Receipts with respect to which the State Superintendent of Education has presented a payment voucher to the State Comptroller approving the payment of such amount; and after December 31, 2017, shall only include the amount of expected Grant Receipts approved by the State Comptroller and the Governor in accordance with Section 25(m) of the State Finance Act. In addition to the Grant Receipts, the Indenture pledges as further security for the Series 2017A Notes, and grants a lien on all funds, accounts and sub-accounts maintained under the Indenture and any other monies that the Board deposits under the Indenture for such purpose. The Board may hereafter authorize and issue “**Additional Notes**” as provided in the Indenture. Neither the full faith and credit nor the taxing power of the Board is pledged to the payment of the principal of or interest on the Series 2017A Notes. The Series 2017A Notes are not the obligations of the City of Chicago, the State of Illinois (the “**State**”) or any other political subdivision of the State (other than the Board). See **APPENDIX A – “Master Indenture.”**

### **Source of Payment for the Series 2017A Notes – Grant Receipts**

The Board has covenanted to cause Grant Receipts, when collected by the Board, to be deposited promptly (and in any event not more than two Business Days following receipt) with the Trustee to the Debt Service Fund created under the Indenture and held by the Trustee. Pursuant to the Local Government Debt Reform Act, the Grant Receipts deposited to the Debt Service Fund and the other moneys and securities pledged pursuant to the Indenture shall immediately be subject to the lien and pledge of the Indenture without any physical delivery or further act. The Board has covenanted with holders of the Series 2017A Notes that, as long as any of the Series 2017A Notes remain Outstanding, the Board will not create or cause to be created any lien or charge on the Grant Receipts or money or securities pledged to the payment of the Notes except as set forth in the Indenture.

## **THE SERIES 2017A NOTES**

### **General**

The Series 2017A Notes initially are registered through a book-entry-only system operated by The Depository Trust Company, New York, New York (“**DTC**”). Details of payments of the Series 2017A Notes and the book-entry-only system are described below under the subcaption “– **Book-Entry-Only System.**” Except as described under the subcaption “– **Book-Entry-Only System**” below, beneficial owners of the Series 2017A Notes will not receive or have the right to receive physical delivery of Series 2017A Notes, 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 “*Participant*” (as defined below), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal, redemption price of, premium, if any, and interest on the Series 2017A Notes, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner’s Participant, to evidence its beneficial ownership of the Series 2017A Notes. So long as DTC or its nominee is the registered owner of the Series 2017A Notes, references herein to Noteholders or registered owners of such Notes mean DTC or its nominee and do not mean the beneficial owners of such Series 2017A Notes.

The Series 2017A Notes shall be issued only in fully registered form without coupons and shall be dated the date of their issuance. The Series 2017A Notes shall mature in the principal amount shown

on the inside cover page hereof. The Series 2017A Notes mature on March 30, 2018. The Series 2017A Notes shall be issued in Authorized Denominations.

### **Interest on the Series 2017A Notes**

Each Series 2017A Note bears interest from and including its date of issuance. The Series 2017A Notes bear interest at the Variable Rate as provided in the Indenture. Interest on the Series 2017A Notes shall be computed upon the basis of the actual number of days elapsed over a 360-day year.

The “**Variable Rate**” is defined in the Indenture to mean (A) on any Default Day, the Maximum Rate and (B) on any day that is not a Default Day, (i) prior to July 3, 2017, 6.39% and (ii) on and after July 3, 2017, the lesser of (a) the Maximum Rate and (b) 70% of the LIBOR Rate determined as of the immediately preceding Reset Date plus 550 basis points.

“**Default Day**” means any day that one or more of the following events exists: (1) the rating assigned by any rating agency to the Unlimited Tax General Obligation Bonds (Dedicated Revenues) Series 2016A, of the Board is “CCC” or lower; (2) a default or event of default has occurred or is continuing under any indenture, credit agreement or any other document with respect to or in support of the Notes or any Tax Anticipation Notes; (3) evidence that the Board has sought to have (or had a lawful involuntary filing against it for) an order of relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt, including, without limitation in such context, the appointment of a receiver, trustee, custodian, liquidator or other similar official for itself or for any substantial part of the Board’s property, or that the Board has taken action in furtherance of, or indicating its consent to, any of the foregoing; (4) by October 31, 2017, the failure by the Board to adopt a final, balanced budget for the 2018 fiscal year of the Board; and (5) by October 31, 2017, the failure of the Board to adopt and to file with the County Clerk of Cook County and the County Clerk of DuPage County the 2017 Educational Fund tax levy.

“**Maximum Rate**” means the rate of interest equal to the lesser of (A) the greater of (i) 9% per annum and (ii) 125% of the rate for the most recent date shown in the 20 G.O. Bond Index of average municipal bond yields as published in the most recent edition of The Bond Buyer, published in New York, New York (or any successor publication or index, or if such publication of index is no longer published, then any index of long term municipal tax exempt bond yields then selected by the Board) and (B) the maximum interest rate that will not cause the true interest cost (yield) of the Series 2017A Notes to exceed the rate determined in clause (A) of this definition taking into account the 99.97636% of par purchase price of the 2017A Notes.

“**LIBOR Rate**” means the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) based on the rate for United States dollar deposits for delivery on the first Business Day of each calendar month for a period equal in length to three months as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Calculation Agent in its reasonable discretion) at approximately 11:00 a.m., London time, on the Reset Date. In the event that such rate does not appear on such page (or on any such successor or substitute page), the LIBOR Rate shall be determined by reference to such other publicly available service for displaying interest rates for dollar deposits in the London interbank market as may be selected by the Calculation Agent in its reasonable discretion and is approved in writing by both the Board and the then Owners of not less than a majority in principal amount of the Outstanding Series 2017A Notes, in each case, which approval shall not be unreasonably withheld, or, in the absence of such availability, by reference to such other information source that establishes interest rates for dollar deposits in the London interbank market as

may be selected by the Calculation Agent in its reasonable discretion and is approved in writing by both the Board and the then Owners of not less than a majority in principal amount of the Outstanding Series 2017A Notes, in each case, which approval shall not be unreasonably withheld. If the LIBOR Rate as so determined is ever less than zero, then for purposes of determining the Variable Rate, the LIBOR Rate shall be deemed to be zero.

**“Reset Date”** means the date that is two London Business Days immediately preceding the date of commencement of the Interest Period.

**“Calculation Agent”** means, initially, J.P.Morgan Securities LLC, and thereafter any other Calculation Agent designated from time to time by the Board, with the approval of the then Owners of not less than a majority in principal amount of the Outstanding Series 2017A Notes, which approval shall not be unreasonably withheld.

**“Interest Period”** means the initial period commencing on June 19, 2017 and ending on July 2, 2017 and thereafter successive one month periods beginning on the first Business Day of each calendar month and ending on the day prior to the first Business Day of the next calendar month.

The Variable Rate as effective from time to time shall be calculated by the Calculation Agent and communicated to the Board and the Trustee, which calculations shall be deemed to be conclusive in the absence of manifest error. The Variable Rate shall be rounded to the second decimal place. Interest accrued on any Series 2017A Note shall be paid in arrears on the earliest of: (i) the Maturity Date, (ii) a purchase date and (iii) a redemption date.

## **Redemption Provisions**

Optional Redemption. The Series 2017A Notes are subject to redemption at the option of the Board in whole or in part by lot on September 29, 2017 and on any Business Day thereafter, at a redemption price equal to, the principal amount being redeemed plus accrued interest thereon to the date fixed for redemption without premium.

Redemption Procedures. If less than all the Series 2017A Notes shall be called for redemption, the particular Series 2017A Notes or portions thereof to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided that the portion of any Series 2017A Note of a denomination of more than the minimum Authorized Denomination to be redeemed shall be in the principal amount of an Authorized Denomination and that, in selecting portions of such Series 2017A Notes for redemption, the Trustee shall treat each such Series 2017A Note as representing that number of Series 2017A Notes of the minimum Authorized Denomination which is obtained by dividing the principal amount of such Series 2017A Note to be redeemed in part by said minimum Authorized Denomination. If all Series 2017A Notes are held in book-entry only form, the particular Series 2017A Notes or portions thereof to be redeemed shall be selected by DTC in such manner as DTC shall determine, provided, however, that in no event shall any redemption result in unrefunded Series 2017A Notes of a denomination less than \$100,000.

Notice of Redemption. For a description of the giving of notices while the Series 2017A Notes are in the book-entry only system, see “— Book-Entry Only System” below. A copy of the notice of the call for any redemption identifying the Series 2017A Notes to be redeemed shall be given by first class mail, postage prepaid, not more than 60 days and not less than 20 days prior to the date fixed for redemption to the Owners of the Series 2017A Notes to be redeemed at their addresses as shown on the registration books of the Board maintained by the Registrar. If the Trustee mails notices of redemption as herein provided, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any Series 2017A Notes, unless moneys sufficient to pay the Redemption Price of, and interest on the Series 2017A Notes to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, the notice may, at the option of the Board, state that such redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Board shall not redeem such Series 2017A Notes and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2017A Notes will not be redeemed.

Purchase of Series 2017A Notes in Lieu of Redemption. By their acceptance of the Series 2017A Notes, the Owners of the Series 2017A Notes from time to time, irrevocably grant to the Board, the option to purchase, on September 29, 2017 and on any Business Day thereafter, any Series 2017A Note which is subject to optional redemption, at a purchase price equal to the optional Redemption Price therefor together with accrued interest to the date of purchase. To exercise such option, the Board shall file a Certificate of an Authorized Officer with the Trustee, and the Trustee shall give immediate notice to the Owners of the Series 2017A Notes to be purchased in each case, not later than the third Business Day preceding the related purchase date. The purchase of such Series 2017A Notes shall be mandatory and enforceable against the Owners of such Series 2017A Notes and such Owners will not have the right to retain their Series 2017A Notes. On the date fixed for purchase pursuant to any exercise of such option, the Board shall pay or cause to be paid the purchase price of the Series 2017A Notes then being purchased to the Trustee in immediately available funds not later than 10:00 a.m. Chicago Time on the purchase date, and the Trustee shall pay the same to such Owners against delivery thereof. All Series 2017A Notes purchased as described herein shall be canceled and not reissued. In the case of the purchase of less than all of the Series 2017A Notes, the particular Series 2017A Notes to be purchased shall be selected at random by the Trustee in the same manner as Notes are selected for redemption and as described under the caption “**Redemption Procedures**” above. Each such purchase shall be in Authorized Denominations and in an aggregate amount not less than \$5,000,000.

## **Exchange of Notes**

Mandatory Exchange of Notes. The Indenture provides that on December 28, 2017, the Outstanding Notes shall be subject to mandatory exchange for a Tax Anticipation Note (hereinafter referred to as an “**Exchange Note**”) of like date, maturity, interest rate, accrued interest, redemption and tenor and in a principal amount equal to the principal amount of the Outstanding Note.

On the Exchange Date, the Outstanding Notes shall be exchanged for the Exchange Notes. On the Exchange Date, the Trustee shall have received (unless waived in writing by the then Owners of such tendered Outstanding Notes) (i) a favorable Counsel’s Opinion of Bond Counsel as to the validity of the Exchange Notes, (ii) a Counsel’s Opinion of Bond Counsel that the exchange, in and of itself, will not cause the interest on the Exchange Notes to become includable in gross income for federal income tax purposes, (iii) a Counsel’s Opinion confirming that no litigation is pending or threatened seeking to restrain or enjoin the delivery of the Exchange Notes or the pledge of taxes securing the payment of the Exchange Notes and (iv) an Officer’s Closing Certificate in customary form approved by Bond Counsel. Each Note exchanged for an Exchange Note shall be surrendered to the Trustee and shall be deemed to have been paid and discharged and shall no longer be Outstanding under the Indenture or the Revenue Anticipation Act.

Covenants Related to Exchange of Notes. Pursuant to the Indenture, the Board has agreed that on or prior to October 31, 2017, the Board shall have taken all actions necessary (i) to levy real property taxes for the 2017 tax levy year for educational purposes of the School District, (ii) to extend such taxes

for collection in 2018 and (iii) to authorize the issuance of Tax Anticipation Notes in an aggregate principal amount of not less than \$396,520,000.

At all times on or after October 31, 2017 and until all of the Notes have been paid or provision for such payment shall have been made pursuant to the Indenture, the Board shall maintain the authority to issue Tax Anticipation Notes as Exchange Notes in a principal amount not less than the sum of (i) the principal amount of then Outstanding Notes and (ii) the principal amount of then authorized, but unissued Notes. The Board shall not enter into an agreement or indenture with the holders of or owners of Tax Anticipation Notes or any trustee, escrow agent or fiduciary for such owners or holders that limits the ability of the Board to issue Exchange Notes in exchange for Outstanding Notes or provides for the Exchange Note a lien status or payment priority that is junior or subordinate to the highest lien status and earliest payment priority granted to the owners or holders of Tax Anticipation Notes.

The Board shall not issue any Tax Anticipation Notes, other than Exchange Notes, if such issuance would cause the sum of (i) the principal amount of then outstanding Tax Anticipation Notes, (ii) the principal amount of then Outstanding Notes and (iii) the principal amount of then authorized but unissued Notes, to exceed 80% of the amount of taxes levied by the Board for the 2017 tax levy year for educational purposes of the School District and then uncollected. The Board shall not issue any Tax Anticipation Notes, other than Exchange Notes, if such issuance would cause the sum of (i) the principal amount of then outstanding Tax Anticipation Notes maturing prior to April 2, 2018, (ii) the principal amount of then Outstanding Notes and (iii) the principal amount of then authorized but unissued Notes, to exceed 80% of the anticipated amount of the first installment of the taxes levied by the Board for the 2017 tax levy year for educational purposes of the School District and then uncollected.

For information relating to the Tax Anticipation Notes to be issued as Exchange Notes and the security for the Exchange Notes, see **APPENDIX C** hereto.

### **Note Registration and Transfers**

For a description of the procedure to transfer ownership of a Note of any series while in the book-entry only system, see “– **Book-Entry Only System**” below. The Initial Purchaser has executed and delivered an Investor Letter. Any transferee or purchaser of the Series 2017A Notes, or any beneficial interest therein, that is not an “accredited investor” by such transfer or purchase shall be deemed to have made all of the acknowledgements, representations and agreements contained in the Form of Investor Letter attached hereto as Exhibit B to the First Supplement as of the date of such transfer or purchase as if such transferee or purchaser had executed the Investor Letter, including, without limitation, a representation that such purchaser is a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act, and, as such, is able to bear the economic risks of such investment in the Series 2017A Notes and that such purchaser has made its own inquiry and analysis with respect to the Board, the Series 2017A Notes and the security therefor. No sale or other transfer of a Note shall be made to an “accredited investor” unless such “accredited investor” shall execute and deliver to the Board and to the selling or transferring Owner, an Investor Letter substantially in the form attached as Exhibit B to the First Supplement included in **APPENDIX B** hereto.

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

The following information concerning The Depository Trust Company, New York, New York (“DTC”), has been furnished by DTC for use in this Private Placement Memorandum. Neither the Board nor the Initial Purchaser are responsible for its accuracy or completeness.

DTC will act as securities depository for the Series 2017A Notes. The Series 2017A Notes will be issued as fully-registered Series 2017A Notes 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 Series 2017A Note certificate will be issued for the Series 2017A Notes in the aggregate principal amount of the issue, 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 (the "**Exchange Act**"). 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 (the "**SEC**"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2017A Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017A Notes on DTC's records. The ownership interest of each actual purchaser of each Series 2017A Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017A Notes 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 Series 2017A Notes, except in the event that use of the book-entry system for the Series 2017A Notes is discontinued. See "**THE SERIES 2017A NOTES - General.**"

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017A Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017A Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017A Notes, such as redemptions, tenders, defaults, and proposed amendments to the Series 2017A Note documents. For example, Beneficial Owners of Series 2017A Notes may wish to ascertain that the nominee holding the Series 2017A Notes 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 under the Indenture securing such Series 2017A Notes and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017A Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's Operational Arrangements and the Issuing/Paying Agent General Operating Procedures ("**MMI Procedures**"). Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2017A Notes 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 Board or its Agent, 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 Board or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board, or the Trustee under the Indenture securing such bonds, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017A Notes at any time by giving reasonable notice to the Board or the Trustee under the Indenture securing such Notes. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2017A Note certificates are required to be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

NEITHER THE BOARD NOR THE TRUSTEE UNDER THE INDENTURE SECURING THE SERIES 2017A NOTES HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2017A NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2017A NOTES; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

EACH PURCHASER OF THE SERIES 2017A NOTES (OTHER THAN THE INITIAL PURCHASER AND ANY ACCREDITED INVESTOR WHICH SHALL EXECUTE AN INVESTOR LETTER SUBSTANTIALLY IN THE FORM OF EXHIBIT B TO THE FIRST SUPPLEMENT ATTACHED AS APPENDIX B HERETO) IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS TO THE BOARD AS SET FORTH IN "FORM OF INVESTOR LETTER" ATTACHED AS EXHIBIT B TO THE INDENTURE, TO THE SAME EXTENT AND WITH THE SAME EFFECT AS IF SUCH PURCHASER HAD SIGNED SUCH LETTER, INCLUDING, WITHOUT LIMITATION, A REPRESENTATION THAT SUCH PURCHASER IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A PROMULGATED UNDER THE 1933 ACT, AND, AS SUCH, IS ABLE TO BEAR THE ECONOMIC RISKS OF SUCH INVESTMENT IN THE SERIES 2017A NOTES AND THAT SUCH PURCHASER HAS MADE ITS OWN INQUIRY AND ANALYSIS WITH RESPECT TO THE BOARD, THE SERIES 2017A NOTES AND THE SECURITY THEREFOR. THE PURCHASER FURTHER UNDERSTANDS THAT, IN CERTAIN CIRCUMSTANCES, IT MAY BE REQUIRED TO HOLD THE SERIES 2017A NOTES UNTIL THE MATURITY THEREOF. THE INITIAL PURCHASER HAS EXECUTED THE INVESTOR LETTER.

## **BOARD OF EDUCATION OF THE CITY OF CHICAGO**

### **General**

The Board is a body politic and corporate of the State. The Board is established under and governed by the School Code and is a non-home rule unit of government. The Board maintains a system of public schools within its boundaries (the "**School District**") for pre-kindergarten through grade twelve and is the third largest school district in the nation.

The School District has boundaries coterminous with the boundaries of the City of Chicago (the "**City**"). Chicago has a population of approximately 2.7 million. The City, located on the shores of Lake Michigan in the Midwestern United States, has a large and diverse economy that contributed to a gross regional product of more than \$640 billion in 2015. Trade, transportation and utilities, government, education and health service and professional and business services are among the Chicago region's largest industry sectors. The City's Chicago O'Hare International Airport, ranked fourth worldwide and second in the United States in 2015 in terms of total passengers. Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.75 million tons of freight, mail, and goods annually. Tourism and business travel to Chicago accounted for an estimated 50 million domestic tourists in 2015.



## **Governing Body**

The seven-member Board currently serves as the governing body of the School District. The members serve four-year terms and are appointed by the Mayor of the City. The appointments do not require approval of the City Council. In addition to its Board, elected local school councils, composed of parents, teachers, principals and community representatives, exercise certain powers relating to the operation of individual schools in the public school system, including selection of principals.

Mayor Rahm Emanuel took office on May 16, 2011 and subsequently appointed an entirely new Board to govern the School District. Mayor Emanuel was elected to a second four-year term as Mayor in April 2015 and subsequently appointed five new members to the Board following his re-election.

Under the School Code, the Board is responsible for approving the annual budget, approving contracts (including collective bargaining agreements), levying real property taxes and establishing general policies of the Board. The current members of the Board are as follows:

**Frank M. Clark** is President of the Chicago Board of Education and was appointed to the Board by Mayor Rahm Emanuel and began serving on July 23, 2015. Mr. Clark was elected President of the Chicago Board of Education on August 26, 2015. Mr. Clark is the retired Chairman and CEO of ComEd. Mr. Clark is heavily involved in the Chicago community, serving on the board of trustees of the Chicago Symphony Orchestra, DePaul University, the Museum of Science and Industry, and the board of directors of the Big Shoulders Fund. Mr. Clark is Chairman of the Executive Committee of The Chicago Community Trust, trustee of The Lincoln Academy of Illinois, and a member of the RAND Advisory Board. Mr. Clark also serves as President of the Business Leadership Council and is a Life Trustee and past Board Chair of the Adler Planetarium and Astronomy Museum, past Chairman of the Board of Metropolitan Family Services, past Chairman of the Board of Jane Addams Hull House, and past President of the Chicago Chapter of American Association of Blacks in Energy. Mr. Clark is also a member of the Chicago Bar Association, the Commercial Club of Chicago and Executives Club of Chicago. Mr. Clark is a co-founder of the Rowe-Clark Math & Science Academy on Chicago's west side. Mr. Clark is Chairman of the Board of Directors for BMO Financial Corporation. He also serves on the board of directors for Aetna Inc. and Waste Management Inc. Mr. Clark received an honorary Doctor of Humane Letters degree from Governor's State University and an honorary Doctor of Law degree from DePaul University. He also has received numerous awards, including the prestigious History Makers Award and the National Humanitarian Award from the National Conference for Community and Justice. In addition, U.S. Black Engineer & Information Technology Magazine named Mr. Clark to its annual list of the 100 Most Important Blacks in Technology in 2008. Mr. Clark was also ranked among the 50 Most Powerful Black Executives in America by Fortune magazine in 2002. Mr. Clark holds Bachelor's and Juris Doctor Degrees from DePaul University.

**Jaime Guzman** was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 11, 2016. Mr. Guzman was elected Vice President of the Board on January 27, 2016. Mr. Guzman is the Director of Local Programs at My Brother's Keeper Alliance (MBKA). MBKA is an independent, nonpartisan 501(c)(3) born out of President Obama's call to action to ensure all of our nation's young people have the opportunity to live up to their full potential. MBKA is leading a collaborative, cross-sectoral movement to break down barriers to success that boys and young men of color (BYMOC) disproportionately face along the life path. He has more than 15 years of experience at the intersection of the public, private and nonprofit sectors. Mr. Guzman has held senior positions at the Taproot Foundation as Executive Director; the Big Shoulders Fund, as the Senior Director of Outreach, managing next generation board leadership and targeted fundraising; at the City Colleges of Chicago, as Chief Advisor to the Board of Trustees; and at the Chicago Public Schools, where he led the Office of New Schools, managing the authorization of new public schools. Mr. Guzman began his career as a

bilingual teacher with Teach For America and also worked as a Chicago Public School teacher at Kanoon Magnet School. Mr. Guzman has also served in senior roles with national public service organizations. He was the Regional Director for Education at the National Council of La Raza (NCLR) and Program Director for Teach For America in Chicago. Mr. Guzman holds a Bachelor's degree from Dartmouth College and a Master's degree in Education from Harvard University. He was a 2012 Leadership Greater Chicago fellow, and also served on the Illinois State Charter School Commission.

**Mark F. Furlong** was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on July 1, 2015. Mr. Furlong retired as President and Chief Executive Officer of BMO Harris Bank, N.A. on June 1, 2015, following a lengthy career in business and public service. Mr. Furlong became President and Chief Executive Officer of BMO Harris Bank upon the close of the acquisition of Marshall & Ilsley Corporation by BMO Financial Group in 2011. Headquartered in Chicago, BMO Harris Bank, N.A. is one of North America's leading financial services providers serving personal and commercial customers throughout the Midwest, Arizona and Florida. Mr. Furlong joined Marshall & Ilsley Corporation in 2001 as Senior Vice President and Chief Financial Officer. He was elected President of Marshall & Ilsley Bank in 2004, President of Marshall & Ilsley Corporation in 2005, Chief Executive Officer in 2007 and Chairman in 2010. Prior to joining M&I, Mr. Furlong was Executive Vice President, Chief Financial Officer, of Old Kent Financial Corp., First Vice President, Corporate Development, for H. F. Ahmanson & Company, was a partner for Deloitte & Touche, and manager for KPMG. Mr. Furlong is a Chair of Chicago United, a member of the Board of Directors of Kforce Professional Staffing, Northwestern Memorial Hospital, and World Business Chicago. He recently stepped down from his role as founding Chair of LEAP Innovations, and as a member of the Trustees Committee of the Chicago Community Trust, Neighborhood Housing Services of Chicago, and the Civic Committee of the Commercial Club of Chicago. Mr. Furlong has previously served on the Board of Directors of the United Way of Greater Milwaukee, the Wisconsin Manufacturers and Commerce, Froedtert Health, the United Performing Arts Fund, Junior Achievement of Wisconsin, where he served as Chair from 2007-2009, and Schools that Can Milwaukee, of which he is the founding and immediate past Chair. Mr. Furlong earned a bachelor's of science degree in accounting from Southern Illinois University.

**Father Michael J. Garanzini, S.J.,** was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving July 1, 2015. After 14 years of leadership (2001-2015), Father Michael J. Garanzini, stepped down from his position as the 23rd president of Loyola University Chicago and assumed the role of chancellor on July 1, 2015. A seasoned university administrator, tenured professor, author, and scholar, Father Garanzini has spent the majority of his career working in higher education. Father Garanzini's impressive academic credentials combine with a rare blend of experience in teaching, research, service, and administrative leadership at some of the nation's leading Jesuit institutions of higher learning, including Georgetown, Fordham, Saint Louis, and Rockhurst universities, as well as Gregorian University in Rome. In June 2011, Father Garanzini was appointed to serve as the secretary for higher education for the Society of Jesus, to serve as the organization's secretary for higher education. In this role, Father Garanzini assists the Father General on a part-time basis, coordinating and championing Jesuit higher-education issues around the world. Prior to leading Loyola, Father Garanzini was a full professor of psychology at Georgetown University in Washington, DC, where he had been special assistant to the president for two years. Before joining Georgetown, Father Garanzini was a visiting professor at Fordham University in New York. Much of Father Garanzini's academic and administrative experience comes from his years at Saint Louis University, where he held several academic and administrative posts. A St. Louis native, Father Garanzini received a bachelor's of arts in psychology from Saint Louis University in 1971, the same year he entered the Society of Jesus. From 1984 to 1988, he divided his academic responsibilities between the University of San Francisco and Gregorian University in Rome. He received a doctorate in psychology and religion from the Graduate Theological Union/University of California, Berkeley, in 1986. In 1988, he returned to Saint Louis

University as an associate professor of counseling and family therapy. He then served as assistant academic vice president from 1992 to 1994. He was appointed academic vice president in 1994, a post he held until 1998. In 2008, he was awarded an honorary doctorate of public service from Carthage College in Kenosha, Wisconsin. Father Garanzini serves on the following boards of trustees: the Association of Catholic Colleges and Universities (ACCU); the Federation of Independent Illinois Colleges and Universities; the Archdiocese of Chicago, Board of Catholic Schools; the Flannery O'Connor-Andalusia Foundation; and LIFT-Chicago. He serves on investment committees for the ACCU, the Society of Jesus, and other organizations, and he is chairman of the Cuneo Scholarship Foundation. Active in community service, Father Garanzini is known for his work on behalf of children and families. He is a frequent speaker and has published many books and articles on issues such as child and family therapy, moral development, and Catholic education.

**Dr. Mahalia Hines** was appointed to the Chicago Board of Education in May of 2011 by Mayor Rahm Emanuel. She is currently the CEO of Think COMMON Entertainment, President of the COMMON Ground Foundation and Hip Hop Schoolhouse Publishing Company. Dr. Hines has worked in the educational field for more than 35 years as a teacher and principal. During her 15 year stint as a principal she serviced grade levels from elementary through high school in the Chicagoland area. Dr. Hines also worked as a coach for first-year principals, a mentor for current principals and prospective principals in Chicago and other parts of the country. Dr. Hines continues to work with school leaders of public and charter schools in urban areas throughout the country in order to develop effective school leaders who will guide others to provide the best possible education for the children least likely to receive it. In addition to working with schools and school leaders, she travels the country speaking to single mothers on raising successful sons. Dr. Hines received her doctorate from the University of Illinois, Masters from Northeastern University and bachelor's degree from Central State University.

**Arnaldo (Arnie) Rivera** was appointed to the Chicago Board of Education by Mayor Rahm Emanuel and began serving on January 25, 2017. Mr. Rivera serves as Senior Strategic Advisor for After School Matters and has extensive experience in public education in the City of Chicago. Mr. Rivera began his career in education as a first grade teacher at Walt Disney Magnet School on Chicago's north side. After his years of teaching, he worked in a number of different roles in the Office of Management and Budget at CPS, including serving as the District's Budget Director. In this role, he was responsible for developing and maintaining the operating budget for CPS, totaling more than \$5 billion in spending annually. He also led an effort to drive evidence-based decision making across the entire District budget and he helped enhance school improvement plans to assist principals track progress and resource allocations toward school-based goals. Mr. Rivera then spent two years as Deputy Chief of Staff in the CPS CEO's office, where he was responsible for the planning and execution of the Full School Day outreach strategy and the expansion of the International Baccalaureate programs in Chicago's high schools. He was also part of the district's contract negotiations team that helped secure a collective bargaining agreement with the Chicago Teacher's Union in 2012. Mr. Rivera left CPS and served as Chief Operating Officer for The Chicago Public Education Fund. In this role, he was responsible for the organization's financial and operations management, as well as overseeing its communications and development strategies. In 2014, he was appointed Deputy Chief of Staff for Education by Mayor Emanuel, where he coordinated the administration's education policy agenda for the City of Chicago from early childhood through community college. Mr. Rivera returned to CPS in 2015 as Chief Officer of Public Policy. Mr. Rivera earned a Bachelor's Degree in Economics and a Master's Degree in Education and Social Policy, both from Northwestern University.

**Gail D. Ward** was appointed to the Chicago Board of Education in June of 2015 by Mayor Rahm Emanuel. Ms. Ward has been a teacher and a principal at the elementary and high school levels in a distinguished 30-year career at Chicago Public Schools. Ms. Ward was the founding principal at Walter Payton College Prep, one of the City's most accomplished selective enrollment high schools. Ms. Ward

served in that role for seven years, a period when Payton ranked first in the State in mathematics three consecutive years and placed second in Illinois in overall student performance. Ms. Ward won the Outstanding Principal School Leadership Award in 1999. As principal of Agassiz Elementary School, a time when 40% of the school's students had severe and profound special education needs, Ms. Ward led the school to remarkable gains in ISAT testing and overall student enrollment. In November, 2006, Ms. Ward was named Chief Officer of the CPS Office of Principal Preparation and Development. While at OPPD, Ms. Ward helped the department expand its partnerships with universities and foundations, streamlined the eligibility process for new hires, and piloted a coaching program for new principals to ensure that CPS principals had the appropriate preparation and support to become effective school leaders. Ms. Ward has worked extensively with cultural institutions and universities to create projects that are national and international in scope. Ms. Ward is a frequent traveler and has visited schools in Africa, China, Europe, India and the Middle East. Retired since 2008, Ms. Ward is currently a trustee on the board of the Chicago History Museum.

The members of the Board have been appointed to serve terms ending as follows:

<b><u>Member</u></b>	<b><u>Term Expires</u></b>
Frank M. Clark, President .....	June 30, 2018
Jaime Guzman, Vice President.....	June 30, 2018
Mark F. Furlong .....	June 30, 2019
Rev. Michael J. Garanzini, S.J. ....	June 30, 2019
Dr. Mahalia A. Hines .....	June 30, 2018
Arnaldo (Arnie) Rivera.....	June 30, 2019
Gail D. Ward .....	June 30, 2019

At the expiration of the term of each member, the Mayor shall appoint a successor for a four-year term from July 1 of the year in which the term commences. Any vacancy shall be filled by appointment of the Mayor for the unexpired term. The Board elects annually from its members a president and vice-president in such manner as the Board determines.

## **CHICAGO PUBLIC SCHOOLS**

### **School System and Enrollment**

The following table presents the number of schools and the fall enrollment for the Chicago Public Schools for fiscal years 2012 through 2016. Enrollment has declined from 2012, with one driver of this enrollment change being a decades-long decline in the number of children born in the City. The Board's Fall 2016 (occurring in Fiscal Year 2017) school enrollment was 381,349 students and reflects a 10,936 student decrease (approximately negative 2.8%) from the Fall enrollment for 2015 and was 5,674 students fewer than Board projections based on numerous factors in addition to the birth rate, including migration of students to private schools and suburban districts. The Board cannot project enrollment in Fiscal Year 2018 and beyond and declines in enrollment may continue and may be greater than historical trends.

## Chicago Board of Education Number of Schools and School Enrollment

Number of Schools	Fiscal Year <u>2012</u>	Fiscal Year <u>2013</u>	Fiscal Year <u>2014</u>	Fiscal Year <u>2015</u>	Fiscal Year <u>2016</u>	Fiscal Year <u>2017 (est.)</u>
Elementary <sup>(1)</sup>	473	468	422	426	425	423
Special <sup>(4)</sup>	12	12	5	-	-	-
High School	103	98	109	121	122	113
Vocational/Technical <sup>(4)</sup>	8	8	-	-	-	-
Charter Schools	87	95	126	131	129	134
Kindergarten to H.S. <sup>(3) (4)</sup>	-	-	5	-	-	-
Total Schools	<u>683</u>	<u>681</u>	<u>667</u>	<u>678</u>	<u>676</u>	<u>670</u>
<b>School Enrollment <sup>(2)</sup></b>						
Elementary <sup>(1)</sup>	263,540	261,638	254,864	251,554	247,487	238,793
Special <sup>(4)</sup>	1,839	1,961	907	-	-	-
High School	85,068	81,735	86,184	88,183	86,208	81,854
Vocational/Technical <sup>(4)</sup>	8,226	7,927	-	-	-	-
Charter Schools	45,478	50,200	54,572	56,946	58,590	60,702
Kindergarten to H.S. <sup>(3) (4)</sup>	-	-	4,018	-	-	-
Total School Enrollment	<u>404,151</u>	<u>403,461</u>	<u>400,545</u>	<u>396,683</u>	<u>392,285</u>	<u>381,349</u>

Source Fiscal Year 2012-2016: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2016. Number of Schools Includes Alternative Learning Opportunities Programs (ALOPs). Fiscal Year 2017: Unaudited.

<sup>(1)</sup> Elementary schools include the traditional classification of middle schools.

<sup>(2)</sup> Includes the number of students in each type of school regardless of the students' grades.

<sup>(3)</sup> The Kindergarten to High School (K-12) school is a new category presented in Fiscal Year 2014. The numbers are inclusive of both elementary and high school data which was not presented in past years.

<sup>(4)</sup> The governance and school types in Fiscal Year 2015 changed compared to Fiscal Year 2014 and prior years. As a result, there is no longer a category for "Vocational/Technical", "Special" or "Kindergarten to H.S. (K-12)" in Fiscal Year 2016.

### Central Administration

As authorized under the School Code, the Board has established the following offices and appointed the following individuals to serve in the capacities indicated. In 2015 the Board created the office of Senior Vice President of Finance and granted such officer powers including those of the Chief Financial Officer of the Board. The Senior Vice President of Finance oversees treasury management, budget, payroll, accounting, risk management, information technology, shared services and the Office of Business Diversity.

Chief Executive Officer .....Forrest Claypool  
 Chief Administrative Officer .....Jose Alfonso de Hoyos-Acosta  
 Senior Vice President of Finance.....Ronald DeNard  
 General Counsel.....Ronald Marmer  
 Chief Financial Officer .....Jennie Huang Bennett

*Chief Executive Officer.* **Forrest Claypool** was appointed CEO of Chicago Public Schools in July 2015. Before joining CPS, Mr. Claypool served briefly as Mayor Rahm Emanuel's chief of staff, and previously served two stints as Chief of Staff to Mayor Richard M. Daley. Prior to joining Mayor Emanuel's leadership team at City Hall, Mr. Claypool served as President of the Chicago Transit Authority (CTA) from 2011–2015, where he closed a \$308 million budget gap, negotiated a historic new

labor agreement, and launched the most ambitious infrastructure modernization campaign in CTA history, all while improving bus and rail service throughout Chicago. Mr. Claypool served as Superintendent of the Chicago Park District in the 1990s, eliminating serious budget deficits while rehabbing long neglected facilities and making unprecedented investments in neighborhood parks. He was twice elected to the Cook County Board of Commissioners, where he helped expand public-private partnerships for health care for low-income citizens and passed anti-corruption legislation. Mr. Claypool is a graduate of Southern Illinois University and the University of Illinois College of Law, where he was editor-in-chief of the law review.

Chief Administrative Officer. **Jose Alfonso de Hoyos-Acosta** was appointed Chief Administrative Officer (CAO) of Chicago Public Schools in October 2015. Before joining CPS, Mr. de Hoyos-Acosta worked at KPMG as a Managing Director focused on analyzing operations costs and efficiency performance, as well as managing mergers and divestitures. Mr. de Hoyos-Acosta has extensive experience with efficiency identification/capture, operations organizational redesign, and process optimization. As a part of KPMG, Mr. de Hoyos-Acosta supported Mr. Claypool and the Chicago Transit Authority (CTA) from 2013–2015, where he assisted in the implementation and stabilization of the new fare system. Mr. de Hoyos-Acosta also led transformation efforts at multiple organizations to implement more effective operations models. In this capacity he led analyses to define new organizational structures, governance frameworks as well as the detailed process workflows & RACI charts for all processes. Mr. de Hoyos-Acosta is a graduate of Northwestern University and J.L. Kellogg Graduate School of Management, where he was the President of the Evening Management Association.

Senior Vice President of Finance. **Ronald DeNard** is the Senior Vice President of Finance of the Board and oversees treasury management, budget, payroll, accounting, risk management, information technology, shared services and the Office of Business Diversity. Previously, he served as Chief Financial Officer for Chicago Transit Authority where he managed the agency finances to a budget surplus. Preceding CTA, he was Chief Financial Officer for Johnson Publishing Company, he led the effort for the company's first external audit in its 70 year history which received an unqualified opinion. Prior to that he was the Director of Finance for the shared service company of Exelon Corporation. Earlier Mr. DeNard was Vice President of Finance and Administration for Soft Sheen Products a division of L'Oreal USA. Prior to that he was the Chief Financial Officer of the Chicago Park District where he led the financial team to a rating agency upgrade from A to AA. He also held various positions at the Aluminum Company of America in accounting, cash management, corporate finance and credit and collections. Mr. DeNard holds a Bachelor of Science in Accounting from Florida A&M University and an MBA – Finance from the University of Chicago. Additionally, he has passed the U.S. Certified Public Accountants (CPA) exam.

General Counsel. **Ronald Marmer** is General Counsel of the Board, appointed on November 2, 2015. Mr. Marmer was a partner in the Chicago office of Jenner & Block LLP until starting his own law firm in January 2014. He is a past Chair of the American Bar Association Section of Litigation, a member of the American Law Institute, and is licensed to practice law in Illinois and New York. Mr. Marmer is a graduate of Northwestern University, where he received a Bachelor of Science and Master of Arts in Communication Studies. He also is a graduate of the University of Virginia School of Law, where he was a member of the Virginia Law Review and the Order of the Coif.

Chief Financial Officer. **Jennie Huang Bennett** is Chief Financial Officer of the Board and has oversight over Treasury management, budget, shared services and risk management. She was appointed on September 28, 2016. She has also been the Treasurer of the Board since December 2012 and manages the District's debt and investment portfolio, cash forecasting and operations as well as banking accounts of all the schools. Previous to CPS, she was an Executive Director at Morgan Stanley. She has over 16 years of municipal finance experience and has structured and executed over \$8.5 billion of financings for

municipal issuers across the country. She has also served on the board of directors for a number of non-profit organizations. She holds a Bachelor of Arts in Economics and Political Science from the University of Pennsylvania.

## **Overlapping Entities**

There are six major units of local government located in whole or in part within the boundaries of the School District governed by the Board, each of which (i) is separately incorporated under the laws of the State, (ii) has an independent tax levy, (iii) derives its power and authority under the laws of the State, (iv) maintains its own financial records and accounts and (v) is authorized to issue debt obligations. These units are: the City; the Chicago Park District; Community College District Number 508; Cook County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago. Each of the foregoing governmental units levies taxes upon property located in the School District, and, in some cases, in other parts of Cook County as well. For additional information about the Board, see “**BOARD OF EDUCATION OF THE CITY OF CHICAGO.**” Information about these other units of local government is set forth below.

## **Major Units of Government**

**The City of Chicago** (referred to herein as, the “**City**” or the “**City of Chicago**”) is a home rule unit of government under the Illinois Constitution and was incorporated in 1837. The City is governed by a Mayor, elected at-large for a four-year term, and the City Council (the “**City Council**”). The City Council consists of 50 aldermen (“**Aldermen**”), each representing one of the City’s 50 wards. Aldermen are elected for four-year terms.

**The Chicago Park District** (the “**Park District**”) is responsible for the maintenance and operation of parks, boulevards, marinas and certain other public property within the City. The Park District is governed by a seven-member board, appointed by the Mayor with the approval of the City Council.

**Community College District Number 508** (the “**Community College District**”) maintains a system of community colleges within the City. The Community College District is governed by a seven-member board, appointed by the Mayor with the approval of the City Council.

**The County of Cook, Illinois** is a home rule unit of government under the Illinois Constitution, and includes virtually all of the City, plus numerous surrounding suburbs and unincorporated areas. The County is governed by a board of 17 Commissioners, each elected for four-year terms from one of 17 districts (the “**County Board**”). The voters of the entire County elect a number of County Officials, including the President of the Board of Commissioners, the County Sheriff, the County Assessor, the County Clerk, the State’s Attorney and the County Treasurer.

**The Forest Preserve District of Cook County** (the “**Forest Preserve District**”) is coterminous with the County. The Forest Preserve District creates, maintains and operates forest preserves within the County. The Forest Preserve District is governed by a seventeen-member board composed of the members of the County Board.

**The Metropolitan Water Reclamation District of Greater Chicago** (the “**Water Reclamation District**”) includes virtually all of the City and most of the County. The Water Reclamation District constructs, maintains and operates sewage treatment plants and certain sanitary sewers and constructs and maintains drainage outlets. The Water Reclamation District is governed by a nine-member board elected at-large by the voters of the Water Reclamation District.

## **Interrelationships of These Bodies**

The governmental units and other public bodies described above, share in varying degrees a common property tax base with the Board. However, they are all separate legal and financial units, and the financial condition or circumstances of any one unit does not necessarily imply similar financial conditions or circumstances for the Board.

## **Other Public Bodies**

Other governmental bodies in the Board's geographical boundaries are described below. These governmental bodies are authorized to issue debt obligations, but are not authorized to levy real property taxes.

**The Public Building Commission of Chicago** (the "PBC") is a municipal corporation authorized to acquire, construct and improve public buildings and facilities for use by one or more of the local governmental units. The PBC issues bonds to finance its various projects and then leases its facilities to certain governmental units, including the Board.

**The Chicago Transit Authority** (the "CTA") is a municipal corporation empowered to acquire, construct, own, operate and maintain a transportation system in the City and portions of the County. The CTA is governed by a seven-member board. The CTA may not levy real property or other taxes.

**The Regional Transportation Authority** (the "RTA") is a municipal corporation authorized to provide planning, funding, coordination and fiscal oversight of three separately governed operating entities which provide public mass transportation services in a six-county area of northeastern Illinois, including Cook County. The RTA is governed by a 16-member board, consisting of City and suburban members appointed by elected officials in the six-county RTA region. The RTA may not levy real property taxes.

**The Metropolitan Pier and Exposition Authority** (the "MPEA"), formerly known as the Metropolitan Fair and Exposition Authority, is a municipal corporation which owns the McCormick Place convention and exposition facilities and Navy Pier. MPEA is authorized to impose certain taxes primarily to provide security for the payment of its bonds. The MPEA may not levy real property taxes.

## **FINANCIAL INFORMATION**

### **Revenues and State Grants**

General Operating Fund Revenues of the Board include Property Taxes, Replacement Taxes (PPRT), State Aid, Federal Aid and other sources. State Aid is comprised of both General State Aid and State grants. Revenues from Grants are budgeted to be approximately \$665 million and make up approximately 12.2% of the budgeted General Operating Fund Revenues of the Board for Fiscal Year 2017. The Grants are largely comprised of the Chicago General Education Block Grant and the Chicago Educational Services Block Grant, among other grants.

### **State Block Grants**

Overview of State Block Grants. Revenues from the Chicago General Education Block Grant and the Chicago Educational Services Block Grant total approximately \$627.1 million and comprise approximately 94% of the total Grants. The Chicago General Education Block Grant consists of grants for early childhood education and other smaller programs, while the Chicago Educational Services Block



Grant consists of grants for special education, State free and reduced meals for students, and pupil transportation. The Board received a letter from the Comptroller's Office on May 22, 2017, confirming that the Board has received approximately \$199 million of the Block Grants of FY 2017 payments year to date and had vouchered \$423 million of Grants as of May 22.

Block Grant Calculation. The Block Grant amounts are computed by multiplying by certain percentages as set forth in the table below the State appropriation for the programs included in the grant by the Board's percentage share of those programs in 1995. The Board's 1995 percentage share can be found below in "**FY 2017 Chicago General Education Block Grant Summary.**" The Board is required to submit Block Grant data to ISBE pursuant to PA 97-0238 including expenditures by programs, population and service levels by program and administrative expenditures by program.

Vouchering and Issuing Receipts. The Illinois State Board of Education ("ISBE") requests that the Illinois Office of the Comptroller ("IOC") pay the Board with money drawn from state funds. In order to request that the IOC pay the Board, ISBE must send a voucher to the IOC. A voucher is an official form that contains all of the information necessary for the IOC to release state funds to pay a vendor. A voucher can be transmitted to the IOC either electronically or in paper form. The IOC cannot make a payment without a properly executed voucher submission. There may be a delay between the time the invoice is certified and a voucher is sent to the IOC. This delay can occur for a number of reasons. For example, the voucher agency may be waiting for appropriation authority; the vouchering agency may delay sending the voucher to the IOC until they are sure that there is sufficient money in the fund to pay the voucher; or the agency may be holding the voucher to fulfill a certain policy goal, such as managing payment cycle.

Once the voucher reaches the IOC there are two factors that will determine how fast it is paid. If the voucher is paid out of a fund that has sufficient cash available, the payment may be made immediately. If the voucher is paid out of a fund that lacks sufficient cash, or is being cash managed, the payment may be delayed for a period of time before it is released. **No assurance can be provided by the Board as to the timing of any payment of a voucher which has been properly submitted.**

The tables below illustrate the vouchering process for the Block Grants for Fiscal Year 2017. The status column changes from "scheduled" to "vouchered" when ISBE transfers the voucher to the IOC. The Board generally receives the funds approximately two business days after the voucher is processed by the IOC.

### Chicago General Education Block Grant Voucher Detail

<u>Schedule Date</u>	<u>Amount (Net)</u>	<u>Status</u>	<u>Processed by Comptroller</u>
7/1/2016	\$9,296,941	Disbursed (09/07/2016)	1/24/2017
7/1/2016	\$3,082,000	Disbursed (09/07/2016)	N/A
7/1/2016	\$19,800	Disbursed (09/07/2016)	N/A
8/1/2016	\$12,398,742	Disbursed (09/07/2016)	1/24/2017
9/1/2016	\$12,398,742	Disbursed (09/07/2016)	1/31/2017
10/1/2016	\$12,398,742	Disbursed (10/05/2016)	2/27/2017
11/1/2016	\$12,398,742	Disbursed (11/02/2016)	3/21/2017
12/1/2016	\$12,398,742	Disbursed (12/01/2016)	4/19/2017
1/1/2017	\$12,398,742	Disbursed (1/04/2017)	N/A
2/1/2017	\$12,398,742	Disbursed (2/01/2017)	N/A
3/1/2017	\$12,398,742	Disbursed (3/01/2017)	N/A
4/1/2017	\$12,398,742	Disbursed (4/05/2017)	N/A
5/1/2017	\$12,398,742	Disbursed (05/03/2017)	N/A
6/1/2017	<u>\$12,398,742</u>	Disbursed (06/01/2017)	N/A
<b>Total</b>	<b>\$148,784,903</b>		

### Chicago Educational Service Block Grant Voucher Detail

<u>Schedule Date</u>	<u>Amount (Net)</u>	<u>Status</u>	<u>Processed by Comptroller</u>
9/25/2016	\$1,038,500	Vouchered (9/28/2016)	9/29/2016
9/26/2016	\$4,563,000	Vouchered (9/28/2016)	4/24/2017
9/27/2016	\$6,364,800	Vouchered (9/28/2016)	4/24/2017
9/28/2016	\$8,026,500	Vouchered (9/28/2016)	4/21/2017
9/29/2016	\$84,498,400	Vouchered (9/28/2016)	4/20/2017
9/30/2016	\$15,082,550	Vouchered (9/28/2016)	4/21/2017
12/29/2016	\$73,635,750	Vouchered (12/27/2016)	N/A
12/30/2016	\$45,938,000	Vouchered (12/27/2016)	N/A
3/29/2017	\$66,834,000	Vouchered (3/28/2017)	N/A
3/30/2017	\$52,739,750	Vouchered (3/28/2017)	N/A
6/19/2017	\$85,563,750	Scheduled	N/A
6/20/2017	<u>\$34,010,000</u>	Scheduled	N/A
<b>Total</b>	<b>\$478,295,000</b>		

Chicago Educational Services Block Grant. Programs within the Chicago Educational Services Block Grant contain the programs most commonly referred to as “mandated categoricals” as well as one grant program – ROE/ISC Services. Mandated categoricals under the Chicago Educational Services Block Grant are reimbursed based on statutory formulas. The appropriation provided to the Board is calculated by multiplying the baseline percentage in 1995 to the FY2017 State appropriation.

**Illinois State Board of Education - District 299**  
**Fiscal Year 2017 Chicago Educational Services Block Grant Summary**  
**Dollars in Millions**

<b><u>Program</u></b>	<b><u>FY 2017 State Approp.</u></b>	<b><u>Baseline % to 1995</u></b>	<b><u>Chicago 299 Approp.</u></b>
Special Education – Transportation	450.5	30.7%	138.3
Special Education – Private Tuition	233.0	48.4%	112.8
Special Education – Funding for Children Requiring Special Education	303.8	29.2%	88.7
Special Education – Personnel	442.4	19.1%	84.5
Special Education – Orphanage 7.03	95.0	35.8%	34.0
Transportation – Regular & Vocational	205.8	3.9%	8.0
Special Education – Summer School	11.7	54.4%	6.4
Free Lunch/Breakfast	9.0	50.7%	4.6
Regional Office of Education/Intermediate Service	<u>7.0</u>	14.9%	<u>1.0</u>
<b>Total</b>	<b>1,758.2</b>		<b>478.3</b>

Chicago General Education Block Grant. Programs within the Chicago General Education Block Grant are comprised of agriculture, early childhood and truancy funding. The early childhood funding makes up approximately 98.0% of the Chicago General Education Block Grant. The appropriation provided to the Board is calculated by multiplying the baseline percentage in 1995 to the FY2017 State appropriation.

**Illinois State Board of Education District 299**  
**Fiscal Year 2017 Chicago General Education Block Grant Summary**  
**Dollars in Millions**

<b><u>Program</u></b>	<b><u>FY 2017 State Approp.</u></b>	<b><u>Baseline % to 1995</u></b>	<b><u>Chicago 299 Approp.</u></b>
Agriculture Education	1.8	1.1%	.02
Early Childhood	393.7	37.0%	145.7
Truants Alternative Optional Education	<u>11.5</u>	26.8%	<u>3.1</u>
<b>Total</b>	<b>407.0</b>		<b>148.82</b>

Historical Timing of Block Grant Receipts. The timing of the Block Grants receipts has varied throughout the past eleven fiscal years as illustrated in the table below. Pursuant to Section 25 of the Illinois State Finance Act, 30 ILCS 105, the Comptroller must process all Block Grants by December 31<sup>st</sup> of the following fiscal year from which it receives vouchers unless extended by the Comptroller and the Governor. **No assurance can be provided by the Board as to the timing of any future receipt of Block Grants from the State.**

**Historical Timing of Block Grants Received through August of the Following Fiscal Year  
Dollars in Millions**

<b><u>Fiscal Year</u></b>	<b><u>Budgeted Amount</u></b>	<b><u>Received by August</u></b>	<b><u>Delayed Receipts</u></b>
FY07	596.5	596.5	0
FY08	653.7	653.7	0
FY09	705.6	705.6	0
FY10	578.0	344.2	233.8
FY11	646.2	576.2	70
FY12	635.4	619.0	16.4
FY13	618.9	599.5	19.4
FY14	623.8	606.5	17.3
FY15	642.1	642.1	0
FY16	635.7	533.7	102.0
FY17	665.2	198.7	466.5

Source: 2007-2016 ISBE Financial Reimbursement System

The table set forth below includes the status of each appropriated Grant pledged pursuant to the Indenture.

**Block Grant Receipts Status as of the date of this Private Placement Memorandum  
Fiscal Year 2017**

<b>Grant</b>	<b>Allocation</b>	<b>Paid</b>	<b>Vouchered Unpaid</b>	<b>Voucher Number</b>	<b>Remaining Unvouchered Grants</b>	<b>Total Unpaid</b>
Chicago Educational Services Block Grant	478,295,000	119,573,750	239,147,500	2017-00043652 2017-00043653 2017-00081108 2017-00081109	119,573,750	358,721,250
Chicago General Education Block Grant	148,784,900	71,290,651	77,494,249	2017-00006099 2017-00006098 2017-00102029 2017-00050215 2017-00060414 2017-00068944 2017-00084429 2017-00093538	0	77,494,249
Bilingual Education - T.P.I. & T.B.E.	21,360,269	0	14,177,474	2017-00038297 2017-00059011 2017-00090678	7,182,795	21,360,269
Orphanage Tuition - 18-3	8,078,014	4,418,175	2,019,502	2017-00048849 2017-00078509	1,640,337	3,659,839
Career & Technical Education Improvement	4,061,829	790,458	2,548,878	2017-00018647 2017-00026233 2017-00034321 2017-00050530 2017-00054828 2017-00059633 2017-00068267 2017-00083772 2017-00092862 2017-00101432	722,493	3,271,371
<u>Other</u>	<u>4,609,520</u>	<u>2,623,871</u>	<u>1,292,027</u>	<u>Various</u>	<u>693,622</u>	<u>1,985,649</u>
<b>Total</b>	<b>665,189,532</b>	<b>198,696,905</b>	<b>336,679,630</b>		<b>129,812,997</b>	<b>466,492,627</b>

## **Financial Statements**

The Board files its Comprehensive Annual Financial Report (the “**Annual Report**”) on the Electronic Municipal Market Access system (“**EMMA**”) of the Municipal Securities Rulemaking Board pursuant to certain continuing disclosure undertakings relating to the outstanding indebtedness of the Board. Copies of the Board’s Annual Report for the fiscal year ended June 30, 2016 (the “**2016 Annual Report**”) is currently available on EMMA. The 2016 Annual Report is hereby incorporated herein by reference as though fully set forth herein.

The financial statements of the Board included in its 2016 Annual Report have been audited by RSM US LLP (formerly known as McGladrey & Pullen, LLP) independent auditors, as stated in their report appearing therein. RSM US LLP has not been engaged to perform and has not, since the date of their report appearing in the 2016 Annual Report, performed any procedures on the financial statements addressed in that report, nor has RSM US LLP performed any procedures relating to this Private Placement Memorandum.

## **State Budget Impasse, No State Appropriations for Fiscal Year 2018**

The Illinois General Assembly has not adopted a complete budget for the State for Fiscal Years 2016, 2017 or 2018. For Fiscal Years 2016 and 2017, the Illinois General Assembly adopted and Governor Rauner signed certain stop-gap budgets to provide continued appropriation for certain State functions. In addition, the General Assembly authorized and Governor Rauner signed the appropriations to fund state aid as well as State block grants for Fiscal Years 2016 and 2017.

The State’s inability to adopt a budget for Fiscal Years 2016, 2017 and 2018 has resulted in economic uncertainty and disruptions in the distribution of State revenues and the payment of State contracts. For Fiscal Years 2016 and 2017, the State appropriated state aid for school districts and state aid payments have been paid to the Board in accordance with the timing requirements of State law. However, in Fiscal Year 2017 the State has delayed payments of Grants to the Board. As of the date of this Private Placement Memorandum, for Fiscal Year 2018 the State has not appropriated funding for state aid, or other State funding for the Board. Without an appropriation of funds, no such funding will be available to the Board after June 30, 2017.

Continued budget problems of the State may impact State appropriations of state aid and Grants to the Board and could impact the level and timing of payments of Grants and other State revenues to the Board. Any failure of the State to resolve its current and future deficits or resolving them by budget cuts and/or increases in taxes, could have an adverse effect on the local economy and/or property tax base and therefore an adverse impact on the operations and revenues of the Board. In addition, the failure to address the unfunded liabilities of State pension systems, which must be achieved primarily through State legislation, could impact the ongoing pension costs to the State and continue or increase the State’s structural deficit. There can be no certainty as to if or when the State will resolve its structural deficit. Further information regarding the State may be obtained on its website.

## **Bankruptcy of the Board**

Units of local government, such as the Board, cannot file for protection under the U.S. 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. State law does not currently permit the Board to be a debtor in a bankruptcy proceeding. Notwithstanding the foregoing, if the Board were authorized by State law to become a debtor

in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Grants to pay the Notes could be stayed during the proceeding.

From time to time, legislation has been introduced in the Illinois General Assembly, either generally or specifically addressing the Board, that would authorize the Board to become a debtor in bankruptcy under Chapter 9 of the U.S. Bankruptcy Code. In addition, Governor Rauner has advocated the adoption of such legislation and the Board's filing for bankruptcy to restructure its outstanding debt. However, the Chief Executive of the Board and the Mayor of the City have advocated against the adoption of such legislation and the Board's filing for bankruptcy to restructure its outstanding debt. The Board cannot predict whether the Illinois General Assembly will adopt and Governor Rauner will sign any such legislation or the form of such legislation, if enacted.

## **TAX MATTERS**

### **Summary of Co-Bond Counsel Opinion**

Co-Bond Counsel are of the opinion that under existing law, interest on the Series 2017A Notes is not includible in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Code, Co-Bond Counsel are of the opinion that interest on the Series 2017A Notes will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2017A Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Series 2017A Notes is includible in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2017A Notes is not exempt from present Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2017A Notes in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2017A Notes. These requirements relate to the use and investment of the proceeds of the Series 2017A Notes, the payment of certain amounts to the United States, the security and source of payment of the Series 2017A Notes and the use of the property financed with the proceeds of the Series 2017A Notes.

### **Exclusion from Gross Income: Requirements**

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2017A Notes. Among these requirements are the following:

*Limitations on Private Use.* The Code includes limitations on the amount of Series 2017A Note proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

*Investment Restrictions.* Except during certain "temporary periods," proceeds of the Series 2017A Notes and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is "materially higher" (1/8 of one percent) than the yield on the Series 2017A Notes.

*Rebate of Arbitrage Profit.* Unless the Series 2017A Notes qualify for an exemption, earnings from the investment of the "gross proceeds" of the Series 2017A Notes in excess of the earnings that

would have been realized if such investments had been made at a yield equal to the yield on the Series 2017A Notes are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the Series 2017A Notes, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2017A Notes.

### **Covenants to Comply**

The Board has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2017A Notes.

### **Risks of Non-Compliance**

In the event that the Board fails to comply with the requirements of the Code, interest on the Series 2017A Notes may become includible in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Indenture requires neither acceleration of payment of principal of, or interest on, the Series 2017A Notes nor payment of any additional interest or penalties to the owners of the Series 2017A Notes.

### **Federal Income Tax Consequences**

Pursuant to Section 103 of the Code, interest on the Series 2017A Notes is not includible in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2017A Notes that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE SERIES 2017A NOTES.

*Cost of Carry.* Owners of the Series 2017A Notes will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2017A Notes. As discussed below, special allocation rules apply to financial institutions.

*Corporate Owners.* Interest on the Series 2017A Notes is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 2017A Notes is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

*Individual Owners.* Receipt of interest on the Series 2017A Notes may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

*Certain Blue Cross or Blue Shield Organizations.* Receipt of interest on the Series 2017A Notes may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

*Property or Casualty Insurance Companies.* Receipt of interest on the Series 2017A Notes may reduce otherwise deductible underwriting losses of a property or casualty insurance company.



*Financial Institutions.* Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Series 2017A Notes.

*Foreign Personal Holding Company Income.* A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Series 2017A Notes held by such a company is properly allocable to the shareholder.

## **Change of Law**

The opinion of Co-Bond Counsel and the descriptions of the tax law contained in this Private Placement Memorandum are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Series 2017A Notes are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2017A Notes are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2017A Notes.

## **Exchange of Notes**

The exchange of Notes for Exchange Notes in the manner and under the circumstances provided in the Indenture (see “THE SERIES 2017A NOTES – Exchange of Notes” herein) may have tax consequences for Owners of the Series 2017A Notes under federal and state law. Owners of the Series 2017A Notes should consult their own tax advisors with respect to the tax consequences of an exchange of Series 2017A Notes for Exchange Notes under the Indenture.

## **State and Local Considerations**

Interest on the Series 2017A Notes is not exempt from present State of Illinois income taxes. Ownership of the Series 2017A Notes may result in other state and local tax consequences to certain taxpayers, and Co-Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Series 2017A Notes. Prospective purchasers of the Series 2017A Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

## **NO RATING**

The Board has not made, and does not currently contemplate making, an application to any rating agency for the assignment of a rating to the Series 2017A Notes.

## **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the Series 2017A Notes are subject to the approving legal opinions of Co-Bond Counsel, who have been retained by, and are acting as Co-Bond Counsel to, the Board. The forms of such opinions are included herein as **APPENDIX D**. Co-Bond Counsel have not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Private Placement Memorandum or other offering material relating to the Series 2017A Notes and assumes no responsibility for the statements or information contained in or incorporated by reference in this Private Placement Memorandum, except that Co-Bond Counsel have, at the request of the Board, reviewed that section of this Private Placement Memorandum involving the description of the federal tax exemption of interest on the Series 2017A Notes based on statutes, judicial decisions, regulations, rulings and other official interpretation of law that were in existence on the date hereof. This review was undertaken solely at the

request and for the benefit of the Board and did not include any obligation to establish or confirm factual matters set forth herein. Certain legal matters will be passed upon for the Board by its General Counsel, Ronald Marmer.

## **LITIGATION**

The Board is involved in numerous lawsuits that arise out of the ordinary course of operating the school system, including, but not limited to, any lawsuits described in this Private Placement Memorandum. Some of the cases pending against the Board involve claims for substantial moneys. As discussed in Note 15e of the Board's Comprehensive Annual Financial Report for Fiscal Year 2016 incorporated herein by reference, in the opinion of Board management and legal counsel the final resolution of these claims and legal actions are not material to the Board's financial statements as of June 30, 2016.

Since that date, there have been no additional cases where an adverse result is probable or reasonably possible and where the Board's liability, on any individual matter and net of insurance, is greater than \$10 million.

As is true with any complex litigation, neither the Board nor its counsel is able to predict either the eventual outcome of such litigation or its impact on the Board's finances. The Board has available to it a tort liability tax levy to pay tort judgments and settlements. This tort liability tax levy is unlimited as to rate, but subject to the limitations on the annual growth in property tax extensions of the Board imposed by PTELL. See APPENDIX C – "THE REAL PROPERTY TAX SYSTEM."

On October 5, 2016, certain individuals, in their capacity as citizens of the City, filed (i) a complaint in federal court against the Board, certain individuals in their respective capacities as members of the Illinois State Board of Education and the State of Illinois (No. 16-cv-9514), and (ii) a complaint in the Circuit Court of Cook County against the Board, the Illinois State Board of Education and the State of Illinois (2016-CH-13159). The plaintiffs challenge, under several federal and State constitutional provisions, the manner of selection of the Board by appointment of the Mayor as constituting what they characterize as the denial of their right to vote for members of the Board and request various forms of relief, including injunctive relief. Without limitation, in case number 2016-CH-13159, the plaintiffs request that the collection of property taxes levied by the Board be conditioned on the General Assembly putting in place or substituting by law an elected school board.

The Board prevailed in both the federal and state trial courts. On February 13, 2017, the United States District Court dismissed the plaintiffs' claims with prejudice. On February 27, 2017, the Circuit Court of Cook County also dismissed plaintiffs' claims with prejudice. Plaintiffs' have appealed both courts' orders. The Board intends to vigorously defend each appeal but makes no assurances or predictions as to when the courts will rule on either appeal, what the outcome of each such ruling will be or the ways in which any adverse ruling will impact the Board or the Series 2017A Notes.

Upon delivery of the Series 2017A Notes to the Initial Purchaser, the Board will furnish a certificate to the effect that, among other things, except as disclosed in this Private Placement Memorandum, there is no litigation pending in any court seeking to restrain or enjoin the issuance or delivery of the Series 2017A Notes, or in any way contesting the validity or enforceability of the Series 2017A Notes.

## **NO CONTINUING DISCLOSURE**

The Board has not undertaken any continuing disclosure obligation with respect to the Series 2017A Notes.

## **REPRESENTATIONS OF PURCHASERS**

EACH PURCHASER OF THE SERIES 2017A NOTES THAT IS A QUALIFIED INSTITUTIONAL BUYER, IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS TO THE BOARD AS SET FORTH IN THE “FORM OF INVESTOR LETTER” ATTACHED AS EXHIBIT B TO THE FIRST SUPPLEMENT ATTACHED HERETO, TO THE SAME EXTENT AND WITH THE SAME EFFECT AS IF SUCH PURCHASER HAD SIGNED SUCH LETTER, INCLUDING, WITHOUT LIMITATION, A REPRESENTATION THAT SUCH PURCHASER IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A PROMULGATED UNDER THE 1933 ACT, AND, AS SUCH, IS ABLE TO BEAR THE ECONOMIC RISKS OF SUCH INVESTMENT IN THE SERIES 2017A NOTES AND THAT SUCH PURCHASER HAS MADE ITS OWN INQUIRY AND ANALYSIS WITH RESPECT TO THE BOARD, THE SERIES 2017A NOTES AND THE SECURITY THEREFOR. THE PURCHASER FURTHER UNDERSTANDS THAT, IN CERTAIN CIRCUMSTANCES, IT MAY BE REQUIRED TO HOLD THE SERIES 2017A NOTES UNTIL THE MATURITY THEREOF.

EACH PURCHASER OF THE SERIES 2017A NOTES THAT IS AN “ACCREDITED INVESTOR” AS DEFINED IN RULE 501 OF REGULATION D UNDER THE 1933 ACT, WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE BOARD AND THE TRANSFERRING OWNER AN INVESTOR LETTER SUBSTANTIALLY IN THE FORM OF EXHIBIT B TO THE FIRST SUPPLEMENT AS A CONDITION TO THEIR PURCHASE. SEE **APPENDIX B – “FIRST SUPPLEMENT.”**

The Series 2017A Notes have not been and will not be registered under the Securities Act or under the securities or “blue sky” laws of any state of the United States or any other jurisdiction. Each purchaser, by purchasing the Series 2017A Notes (or beneficial interests therein), agrees that the Series 2017A Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to an exemption therefrom.

## **AUTHORIZATION AND MISCELLANEOUS**

The Board has authorized the distribution of this Private Placement Memorandum. This Private Placement Memorandum has been duly executed and delivered on behalf of the Board.

### **BOARD OF EDUCATION OF THE CITY OF CHICAGO**

By: /s/ Ronald DeNard  
Senior Vice President of Finance

**APPENDIX A**  
**MASTER INDENTURE**

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MASTER TRUST INDENTURE

by and between

BOARD OF EDUCATION OF THE CITY OF CHICAGO

and

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION  
as Trustee

Dated as of June 1, 2017

SECURING BOARD OF EDUCATION OF THE CITY OF CHICAGO  
GRANT ANTICIPATION REVENUE NOTES

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THIS MASTER TRUST INDENTURE dated as of June 1, 2017 (the "*Indenture*"), by and between the Board of Education of the City of Chicago, a school district organized and existing under the laws of the State of Illinois, and Zions Bank, a division of ZB, National Association, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out as trustee (the "*Trustee*");

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Article 34 of the School Code, 105 Illinois Compiled Statutes 5/34 (the "*School Code*"), the City of Chicago constitutes one school district (the "*School District*"), which is a body politic and corporate by the name of the "Board of Education of the City of Chicago," governed by the Chicago Board of Education (the "*Board*"); and

WHEREAS, pursuant to the Revenue Anticipation Act, 50 Illinois Compiled Statutes 425 and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, the Board is authorized to issue revenue notes in anticipation of the receipt of revenues derived from grants from the State of Illinois to the Board and in an amount not in excess of 85% of such anticipated revenues; and

WHEREAS, on May 24, 2017, the Board adopted Resolution 17-0524-RS2 (the "*Note Resolution*") authorizing the issuance, from time to time, in one or more series, of its Grant Anticipation Revenue Notes in an aggregate principal amount not to exceed \$396,520,000 (the "*Authorized Notes*") to be issued pursuant to the Revenue Anticipation Act and the Local Government Debt Reform Act for the purposes permitted under the Revenue Anticipation Act and in anticipation of the receipt by the Board of fiscal year 2017 grants from the State of Illinois (the "*Grant Receipts*"); and

WHEREAS, pursuant to the Note Resolution, the Board has appointed Zions Bank, a division of ZB, National Association to act as Trustee under this Indenture; and

WHEREAS, no revenue notes or other obligations have heretofore been issued by the Board pursuant to the Revenue Anticipation Act or the Note Resolution or other authority in anticipation of the receipt of the Grant Receipts; and

WHEREAS, the Board has not heretofore pledged the Grant Receipts as security for the payment of any bond, note or other obligation of the Board; and

WHEREAS, pursuant to the Revenue Anticipation Act and Section 13 of the Local Government Debt Reform Act, the Board may assign and pledge the Grant Receipts as security for the payment of the Authorized Notes; and

WHEREAS, the Board has determined to issue Authorized Notes from time to time in one or more series (the "*Notes*"); and

WHEREAS, all things necessary to make the Notes, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal limited obligations of the Board according to the import thereof, and to constitute this Indenture a valid assignment and pledge of, and grant of a lien on, and security interest in the following Trust Estate for the purpose of securing the payment of the principal of, premium, if any, and interest on the Notes have been done and performed, in due form and time, as required by law; and

WHEREAS, the execution and delivery of this Indenture and the execution and issuance of the Notes, subject to the terms hereof, have in all respects been duly authorized;

### **GRANTING CLAUSES**

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

That in order to secure the payment of the principal of, premium, if any, and interest on all Notes issued and to be issued hereunder, according to the import thereof, and the performance and observance of each and every covenant and condition herein and in the Notes contained, and for and in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Notes by the respective Owners (as hereinafter defined) thereof, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the Notes shall be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, the Board does hereby assign, pledge, grant a lien upon and grant a security interest in the following Trust Estate to the Trustee and its successors in trust and assigns, to the extent provided in this Indenture:

- (a) The Grant Receipts;
- (b) All moneys and securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established and maintained pursuant to this Indenture; and
- (c) Any and all other moneys and securities furnished from time to time to the Trustee by the Board or on behalf of the Board or by any other persons to be held by the Trustee under the terms of this Indenture.

IN TRUST NEVERTHELESS, for the equal and proportionate benefit and security of the Notes secured by this Indenture, including any Notes hereafter issued, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of any one Note over any other by reason of priority in the issue or negotiation thereof or by reason of the date or dates of maturity thereof, or for any other

reason whatsoever (except as expressly provided in this Indenture), so that each and all of such Notes shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery hereof (all except as expressly provided in this Indenture, as aforesaid).

PROVIDED, HOWEVER, that these presents are upon the condition that, if the Board, or its successors, shall well and truly pay or cause to be paid, or provide for the payment of all principal of, premium, if any, and interest on the Notes due or to become due thereon, at the times and in the manner stipulated therein and herein, then this Indenture and the rights hereby granted shall cease, terminate and be void, but shall otherwise be and remain in full force.

AND IT IS HEREBY COVENANTED AND AGREED by and among the Board, the Trustee and the Owners from time to time of the Notes, that the terms and conditions upon which the Notes are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become the Owners thereof, and the trusts and conditions upon which the moneys and securities hereby pledged are to be held and disposed of, which trusts and conditions the Trustee hereby accepts, are as follows:

## ARTICLE I

### Definitions and Construction

**Section 101. Definitions.** The following terms shall, for all purposes of this Indenture, have the following meanings unless a different meaning clearly appears from the context:

*“Account”* means any account so designated by the Board pursuant to Section 502.

*“Additional Notes”* means Notes authorized and delivered on original issuance pursuant to Section 204.

*“Anticipated Grant Amount”* means, as of the date of original issuance of a Series, the aggregate amount of Grant Receipts anticipated to be received by the Board on or after such date, as determined pursuant to Section 205.

*“Authorization Denominations”* means the denominations of the Notes of a Series as determined in the Supplemental Indenture authorizing such Series.

*“Authorized Officer”* means (i) the Chief Financial Officer of the Board, (ii) the Senior Vice President of Finance of the Board, (iii) the Treasurer of the Board or (iv) any other officer or employee of the Board authorized to perform specific acts or duties under this Indenture by resolution duly adopted by the Board.

“*Board*” means the Board of Education of the City of Chicago, as governed by the Chicago Board of Education, pursuant to Article 34 of the School Code.

“*Bond Counsel*” means any national recognized firm of municipal bond attorneys approved by the Board.

“*Business Day*” means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of any Fiduciary is located are authorized or required by law or executive order to close (and such Fiduciary is in fact closed).

“*Certificate*” means an instrument of the Board in writing signed by an Authorized Officer.

“*Code*” or “*Code and Regulations*” means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

“*Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the Board (including the General Counsel of the Board and any Bond Counsel appointed by the Board).

“*County Clerks*” means, collectively, the County Clerks of The Counties of Cook and DuPage, Illinois.

“*Current Funds*” means moneys which are immediately available in the hands of the payee at the place of payment.

“*Debt Service Fund*” means the Debt Service Fund established in Section 502.

“*Defeasance Obligations*” means Government Obligations that are not subject to redemption or prepayment other than at the option of the holder thereof.

“*Depository*” means any bank, national banking association or trust company having a capital and undivided surplus aggregating at least \$20,000,000, selected by an Authorized Officer as a depository of moneys and securities held under the provisions of this Indenture, and may include the Trustee.

“*Event of Default*” means any event so designated and specified in Section 801.

“*Exchange Date*” means December 28, 2017.

“*Exchange Notes*” means Tax Anticipation Notes issued in exchange for Notes pursuant to Section 709.

“*Fiduciary*” or “*Fiduciaries*” means the Trustee, the Registrar, the Paying Agents and any Depositary, or any or all of them, as may be appropriate.

“*First Supplemental Indenture*” means the First Supplemental Indenture Securing Board of Education of the City of Chicago Grant Anticipation Revenue Notes, Series 2017A.

“*Fitch*” means Fitch Ratings.

“*Forward Supply Contract*” means any contract entered into between the Board and a supplier of Investment Securities selected by or pursuant to the direction of the Board (a “*Counterparty*”) pursuant to which the Counterparty agrees to sell to the Board (or to the Trustee on behalf of the Board) and the Board (or the Trustee on behalf of the Board) agrees to purchase specified Investment Securities on specific dates at specific purchase prices, all as established at the time of the execution and delivery of such contract and as set forth in such contract. Any amounts due and owing from the Board to the Counterparty pursuant to any Forward Supply Contract (other than the specified purchase prices of the Investment Securities set forth therein) shall be treated as current operating expenses of the Board subject to annual appropriation, and shall not constitute indebtedness of the Board.

“*Funds*” means the Debt Service Fund and any other special funds created and established pursuant to Article V or any Supplemental Indenture.

“*Government Obligations*” means any direct obligations of the United States of America and any obligations guaranteed as to the timely payment of principal and interest by the United States of America or any agency or instrumentality of the United States of America, when such obligations are backed by the full faith and credit of the United States of America.

“*Grant Receipts*” means the moneys expected to be received by the Board and derived from the Grants.

“*Grants*” means the grants from the State to the Board appropriated by the State for the 2017 fiscal year as listed in Exhibit A of the Note Resolution, as such list may be revised by a Certificate signed by an Authorized Officer and filed with the Trustee prior to the issuance of the 2017A Notes.

“*Indenture*” means this Master Trust Indenture, dated as of June 1, 2017, by and between the Board and the Trustee, as from time to time amended and supplemented.

“*Investment Policy*” means the Investment Policy approved by the Board, as currently in effect and as may be amended from time to time.

*“Investment Securities”* means any of the following securities authorized by law and the Investment Policy as permitted investments of Board funds at the time of purchase thereof:

(i) Government Obligations;

(ii) Obligations of any of the following federal agencies which obligations represent the full, faith and credit of the United States of America, including:

- Export Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration;

(iii) Senior debt obligations issued by Fannie Mae or the Federal Home Loan Mortgage Corporation or senior debt obligations of other government agencies;

(iv) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than “F1” by Fitch, or “A-1” or “A-1+” by S&P or “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank);

(v) Commercial paper which is rated at the time of purchase no less than “F1” by Fitch, or “A-1” or “A-1+” by S&P or “P-1” by Moody’s and which matures not more than 210 days after the date of purchase;

(vi) Investments in a money market fund which at the time of purchase is rated “AAAm” or “AAAm G” or better by S&P, including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise;

(vii) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the Regulations issued thereunder. The government securities that are the subject of such repurchase agreements, unless registered or

inscribed in the name of the Board, shall be purchased through banks or trust companies authorized to do business in the State of Illinois; and

(viii) Any Forward Supply Contract.

“*Moody’s*” means Moody’s Investors Service.

“*Note*” or “*Notes*” means any 2017A Note and any Additional Note, authenticated and delivered under and pursuant to this Indenture.

“*Note Resolution*” means Resolution 17-0524-RS2 of the Board.

“*Outstanding*,” when used with reference to Notes, means, as of any date, all Notes theretofore or thereupon being authenticated and delivered under this Indenture except:

(i) Any Notes canceled by the Trustee, at or prior to such date or theretofore delivered to the Trustee or the Board, as the case may be, for cancellation;

(ii) Notes (or portions of Notes ) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under this Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Notes (or portions of Notes) are to be redeemed, notice of such redemption shall have been given as provided in the Supplemental Indenture authorizing the issuance of such Series or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Notes in lieu of or in substitution for which other Notes shall have been authenticated and delivered pursuant to Article III or Section 1106; and

(iv) Notes deemed to have been paid as provided in Section 1201(B).

“*Owner*” means any person who shall be the registered owner of any Note or Notes.

“*Paying Agent*” means any bank, national banking association or trust company designated by Supplemental Indenture or by an Authorized Officer as paying agent for the Notes of any Series, and any successor or successors appointed by an Authorized Officer under this Indenture.

“*Payment Date*” shall mean any date on which the principal or Redemption Price of or interest on any Series of Notes is payable in accordance with its terms and the terms



of this Indenture and the Supplemental Indenture creating such Series, including the purchase date of Notes purchased pursuant to Section 504(D).

*“Person”* means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

*“Rating Services”* means each and every one of the nationally recognized rating services that shall have assigned ratings to any Notes Outstanding as requested by the Board, and which ratings are then currently in effect.

*“Record Date”* means the tenth day next preceding each Payment Date or such other day as may be determined in the applicable Supplemental Indenture.

*“Redemption Price”* means, with respect to any Note, the principal amount thereof plus the applicable premium, if any, payable upon the date fixed for redemption or such other redemption price as shall be specified for such Note in a Supplemental Indenture.

*“Registrar”* means any bank, national banking association or trust company appointed by Supplemental Indenture or by an Authorized Officer under this Indenture and designated as registrar for the Notes of any Series, and its successor or successors.

*“S&P”* means Standard & Poor’s Global Ratings.

*“School District”* means the school district constituted by the City of Chicago, Illinois pursuant to Article 34 of the School Code and governed by the Board.

*“Series”* means all of the Notes designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Notes thereafter authenticated and delivered in lieu of or in substitution for such Notes pursuant to Article III or Section 1106 or the provisions of a Supplemental Indenture.

*“State”* means the State of Illinois.

*“Sub-Account”* means any account so designated by the Board pursuant to Section 502.

*“Sub-Fund”* means any fund so designated by the Board pursuant to Section 502.

*“Supplemental Indenture”* means any Supplemental Indenture authorized pursuant to Article X.

*“Tax Anticipation Note”* means any tax anticipation note, tax anticipation warrant or similar indebtedness issued by the Board in anticipation of the collection of the taxes levied by the Board for educational purposes for the 2017 tax levy year.

*“Treasurer”* means the Treasurer of the Board.

*“Trustee”* means Zions Bank, a division of ZB, National Association, Chicago, Illinois, and any successor or successors appointed under this Indenture as hereinafter provided.

*“Trust Estate”* means the security for the payment of Notes established by the assignments, pledges and liens effected by this Indenture and all other property pledged to the Trustee pursuant to this Indenture.

*“2017A Notes”* means the \$275,000,000 principal amount of Grant Anticipation Revenue Notes, Series 2017A, of the Board authorized to be issued pursuant to the Note Resolution, Section 203 and the First Supplemental Indenture.

**Section 102. Interpretations.** As used herein, and unless the context shall otherwise indicate, the words “Note,” “Owner” and “Person” shall include the plural as well as the singular number.

As used herein, the terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this Indenture.

Unless the context shall otherwise indicate, references herein to articles, sections, subsections, clauses, paragraphs and other subdivisions refer to the designated articles, sections, subsections, clauses, paragraphs and other subdivisions of this Indenture as originally executed.

Any headings preceding the texts of the several Articles and Sections hereof, and any Table of Contents appended to copies hereof, are solely for convenience of reference and do not constitute a part of this Indenture, nor do they affect its meaning, construction or effect.

## **ARTICLE II**

### **Authorization and Issuance of Notes**

**Section 201. Authorization of Notes.** (A) The Board shall not issue any Notes while this Indenture is in effect except in accordance with the provisions of this Article II. All Notes issued under this Indenture shall be designated “Grant Anticipation Revenue Notes” and shall include such further appropriate designations as the Board may determine.

(B) Notes may be issued in one or more Series and each Note shall bear upon its face the designation determined for its Series. Any two or more Series may be consolidated for purposes of sale in such manner as may be provided in the Supplemental Indenture authorizing such Series.

(C) The 2017A Notes may be issued for any purpose or purposes authorized by the Revenue Anticipation Act. A Series of Additional Notes may be issued for any purpose or purposes authorized by the Revenue Anticipation Act and pursuant to Section 11 of the Local Government Debt Reform Act, for the purpose of refunding Outstanding Notes.

**Section 202. General Provisions for Issuance of Notes.** (A) Each Series of Notes shall be executed by the Board and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Board or upon its order, but only upon the receipt by the Trustee, at or prior to such authentication, of:

(1) A Counsel's Opinion regarding the validity and enforceability of such Series.

(2) A written order as to the delivery of such Series signed by an Authorized Officer, which order shall direct, among other things, the application of the proceeds of such Series.

(3) A copy of the Note Resolution, certified by the Secretary of the Board.

(4) An executed copy of the Supplemental Indenture authorizing such Series, which shall specify:

(a) The authorized principal amount, designation and Series of such Notes.

(b) The purposes for which such Series of Notes is being issued.

(c) The date, and the maturity date or dates, of the Notes of such Series.

(d) The interest rate or rates of the Notes of such Series, or the manner of determining such interest rate or rates, and the Payment Dates and Record Dates therefor.

(e) The Authorized Denominations and the manner of dating, numbering and lettering of the Notes of such Series.

(f) The Registrar and the Paying Agent or Paying Agents for the Notes of such Series.

(g) The Redemption Price or Prices, if any, or the method for determining Redemption Prices and any redemption dates and terms for the Notes of such Series.

(5) In the case of Additional Notes, a Certificate stating that no Event of Default will exist as of the time immediately following the issuance of such Series.

(6) Such further documents, moneys and securities as are required by the provisions of this Indenture or any Supplemental Indenture.

(B) Notes of the same Series and maturity shall be of like tenor except as to interest rate, denomination and form. After the original issuance of Notes of a Series, no Notes of such Series shall be issued except in lieu of or in substitution for other Notes of such Series pursuant to Article III or Section 1106 or as permitted by Supplemental Indenture.

**Section 203. 2017A Notes.** A Series of Notes designated as the “Grant Anticipation Revenue Notes, Series 2017A” (being the “2017A Notes”) is authorized to be issued pursuant to the First Supplemental Indenture and shall be entitled to the benefit, protection and security of this Indenture. The 2017A Notes shall be authenticated and delivered by the Trustee only upon receipt by it of the documents required by Section 202 with respect to 2017A Notes and the Certificate of an Authorized Officer as set forth in Section 205.

**Section 204. Additional Notes.** One or more Series of Notes entitled to the benefit, protection and security of this Indenture and constituting a Series of Additional Notes may be authorized and delivered upon original issuance. Any such Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required by Section 202 with respect to Additional Notes) of a Certificate of an Authorized Officer as set forth in Section 205.

**Section 205. Certificates of Authorized Officer.** The Certificate of an Authorized Officer to be filed with the Trustee as a condition precedent to the issuance of the Series 2017A Notes pursuant to Section 203 or a Series of Additional Notes pursuant to Section 204 shall (i) set forth the principal amount of the Notes that will be Outstanding as of the time immediately following the issuance of such Series; (ii) set forth the Anticipated Grant Amount as of the date of original issuance of such Series, (iii) demonstrate that the principal amount of Notes that will be Outstanding as of the time immediately following the issuance of such Series does not exceed 85% of such Anticipated Grant Amount, (iv) provide as an exhibit to such Certificate (A) written assurance from the Office of the State Comptroller (signed by the State Comptroller or

any Assistant Comptroller) supporting that such Grant Receipts are payable from a reliable source in accordance with Section 2 of the Revenue Anticipation Act and (B) evidence of the filing of such written assurance with each of the County Clerks. In determining the Anticipated Grant Amount, the Authorizing Officer executing the Certificate shall only include the amount of expected Grant Receipts with respect to which the State Superintendent of Education has presented a payment voucher to the State Comptroller approving the payment of such amount, and, after December 31, 2017, shall only include the amount of expected Grant Receipts approved by the State Comptroller and the Governor in accordance with Section 25(m) of the State Finance Act, 30 Illinois Compiled Statutes 105.

### **ARTICLE III**

#### **General Terms and Provisions of Notes**

##### **Section 301. Medium of Payment; Form and Date; Letters and Numbers.**

The Notes shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Any Notes of a Series shall be issued only in the form of fully registered Notes without coupons or, pursuant to the provisions of a Supplemental Indenture, in any other form permitted by law at the time of original issuance, including, but not limited to, Notes which are transferable through a book-entry system. Each Note shall be lettered and numbered as provided in this Indenture or the Supplemental Indenture authorizing the Series of which such Note is a part and so as to be distinguished from every other Note. Notes shall be dated as provided in this Indenture or the Supplemental Indenture authorizing the Notes of such Series.

**Section 302. Legends.** The Notes of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom, law, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Board or the Trustee prior to the authentication and delivery thereof.

**Section 303. Execution and Authentication.** (A) The Notes shall be executed in the name of the Board by the manual or facsimile signatures of the President or the Vice President of the Chicago Board of Education (or such other officers of the Board as may be authorized by a resolution of the Board) and countersigned by the manual or facsimile signature of the Chief Financial Officer and Treasurer of the Board. In accordance with Section 5 of the Revenue Anticipation Act, the Chief Financial Officer and Treasurer shall endorse a Certificate of Authenticity on each Note. Each such Certificate of Authenticity shall be in the form required by Section 5 of the Revenue

Anticipation Act and Section 401. Any Note may also include the additional manual or facsimile signatures of one or more other officers of the Board. In case any one or more of the officers who shall have signed, countersigned or endorsed any of the Notes shall cease to be such officer before the Notes so signed shall have been authenticated and delivered by the Trustee, such Notes may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed such Notes had not ceased to hold such offices. Any Note may be signed, countersigned or endorsed on behalf of the Board by such persons who at the time of the execution of such Note shall hold the proper office in the Board, although at the date of such Note such persons may not have been so authorized or have held such office.

(B) The Notes shall bear a certificate of authentication, in the form set forth in the Supplemental Indenture authorizing such Notes, executed manually by the Trustee. Only such Notes as shall bear such certificate of authentication shall be entitled to any right or benefit under this Indenture, and no such Note shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any such Note executed on behalf of the Board shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered under this Indenture and that the Owner thereof is entitled to the benefits of this Indenture.

**Section 304. Exchangeability of Notes.** Subject to the provisions of Section 306, any Note, upon surrender at the corporate trust office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney, may, at the option of the Owner and upon payment of any charges which the Trustee may make as provided in Section 306, be exchanged for an equal aggregate principal amount of fully registered Notes of the same Series, maturity, and interest rate and tenor of any other Authorized Denominations.

**Section 305. Negotiability, Transfer and Registration.** (A) Each Note shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the Registrar, by the Owner in person or by its attorney duly authorized in writing, upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Note, the Board shall issue in the name of the transferee a new Note or Notes in Authorized Denominations of the same aggregate principal amount, Series, maturity and interest rate as the surrendered Note.

(B) The Board and each Fiduciary may deem and treat the person in whose name any Note shall be registered upon the registration books of the Board as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Note and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the

liability upon such Note to the extent of the sum or sums so paid, and neither the Board nor any Fiduciary shall be affected by any notice to the contrary.

**Section 306. Provisions with Respect to Exchanges and Transfers.** In all cases in which the privilege of transferring or exchanging Notes is exercised, the Board shall execute and the Trustee shall authenticate and deliver Notes in accordance with the provisions of this Indenture. All Notes surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Notes, whether temporary or definitive, the Board, the Trustee or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid. The Registrar and the Trustee shall not be required to make any registration, transfer or exchange of any Note during the period after such Note has been called for redemption or, in the case of any proposed redemption of Notes, during the 10 days next preceding the date of first giving notice of such redemption.

**Section 307. Notes Mutilated, Destroyed, Stolen or Lost.** In case any Note shall become mutilated or be destroyed, stolen or lost, the Board shall execute, and thereupon the Trustee shall authenticate and deliver, a new Note of like Series, maturity, interest rate and principal amount as the Notes so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note, upon surrender and cancellation of such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Trustee or Registrar evidence satisfactory to the Board and the Trustee or Registrar that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Board and the Trustee or Registrar with indemnity satisfactory to them and complying with such other reasonable regulations as the Board, the Trustee or Registrar may prescribe and paying such expenses as the Board and Trustee and Registrar may incur. All Notes so surrendered to the Trustee or Registrar shall be canceled by the Trustee in accordance with Section 1205. Any such new Notes issued pursuant to this Section in substitution for Notes alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Board, whether or not the Notes so alleged to be destroyed, stolen or lost shall be found at any time or be enforceable by anyone, shall be entitled to equal and proportionate benefits with all other Notes of the same Series issued under this Indenture.

## **ARTICLE IV**

### **Certificate of Authenticity**

**Section 401. Form of Certificate.** The Certificate of Authenticity on each Note shall be in substantially the following form:

## TREASURER'S CERTIFICATE OF AUTHENTICITY

The amount of revenue from which this Note is payable is \$\_\_\_\_\_.

The amount of anticipatory obligations heretofore issued and payable out of such revenue is \$\_\_\_\_\_, and the amount of the issue of Notes of which this is one is \$\_\_\_\_\_.

Dated: \_\_\_\_\_, 2017

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Chief Financial Officer and Treasurer  
Board of Education of the City of  
Chicago

## ARTICLE V

### Pledge of Trust Estate and Debt Service Fund

**Section 501. Pledge Effected by This Indenture.** (A) There are hereby assigned and pledged for the payment of the principal and Redemption Price of, and interest on, the Notes, in accordance with their terms and the provisions of this Indenture, and a lien is hereby granted for such purpose, subject only to the provisions of this Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in this Indenture, on (i) the Grant Receipts; (ii) all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under this Indenture or any Supplemental Indenture, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Board or on behalf of the Board or by any other persons to be held by the Trustee under the terms of this Indenture.

(B) Pursuant to Section 13 of the Local Government Debt Reform Act the Grant Receipts deposited or to be deposited into the Debt Service Fund and the other moneys and securities hereby pledged shall immediately be subject to the lien and pledge hereof without any physical delivery or further act, and the lien and pledge hereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board, irrespective of whether such parties have notice hereof.

(C) The Notes are limited obligations of the Board payable solely from the Grant Receipts and the other moneys pledged for their payment in accordance with this Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any Note.



(D) No Note shall be deemed to be an obligation of the Board or of the School District within any constitutional or statutory limitation.

**Section 502. Establishment of Funds and Accounts.** The Board hereby establishes the Debt Service Fund, which shall be a special fund of the Board held in trust by the Trustee as part of the Trust Estate.

Subject to use and application in accordance with this Indenture, all of the moneys and securities held in the Debt Service Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Notes to the extent provided in this Indenture, shall be subject to the lien of this Indenture. A security interest in the Debt Service Fund is hereby granted in favor of the Trustee for the benefit of the Owners of the Notes.

The Trustee shall, at the written request of the Board and as acceptable to the Trustee, establish such additional Sub-Funds within Funds, and Accounts and Sub-Accounts within any such Sub-Funds, as shall be specified in such written request, for the purpose of identifying more precisely the sources of payments into and disbursements from the Debt Service Fund or such Sub-Funds, Accounts and Sub-Accounts.

Additional Funds, Sub-Funds within the Funds and Accounts and Sub-Accounts within such Sub-Funds may also be created by any Supplemental Indenture; and any such Supplemental Indenture may provide that amounts on deposit in such Sub-Funds, Accounts and Sub-Accounts shall be held by the Trustee for the sole and exclusive benefit of such Notes as may be specifically designated in such Supplemental Indenture.

Any moneys and securities held in any Fund or any Sub-Fund, Account or Sub-Account created pursuant to this Section shall be held in trust by the Trustee, as provided in this Indenture or such Supplemental Indenture, and shall be applied, used and withdrawn only for the purposes authorized in this Indenture or such Supplemental Indenture. All moneys and securities held by the Board in any Fund, Sub-Fund, Account or Sub-Account established for or with respect to the Grant Receipts shall be accounted for and held separate and apart from all other moneys and securities of the Board, and, until so applied, used and withdrawn, shall be held in trust by the Board for the purposes for which such Fund, Sub-Fund, Account or Sub-Account was established.

**Section 503. Required Direct Deposit of Grant Receipts.** For the purpose of providing funds required to pay the principal or Redemption Price of and interest on the Notes when and as the same becomes due, all of the Grant Receipts shall be paid promptly (and in any event within not more than two Business Days following receipt) to the Trustee for immediate deposit into the Debt Service Fund. The Board shall do, or cause to be done, all acts and things necessary to cause the Grant Receipts to be deposited into the Debt Service Fund.

**Section 504. Application of the Debt Service Fund.** (A) On each Payment Date on which Notes are to be redeemed, the moneys in the Debt Service Fund shall be applied to pay the Redemption Price of the Notes to be redeemed and the interest due and payable on such Notes on such Payment Date.

(B) On each Payment Date on which Notes mature, the moneys in the Debt Service Fund shall be applied to pay the principal of and interest on such maturing Notes due and payable on such Payment Date.

(C) On each Payment Date, on which only interest is due and payable on Notes, the moneys in the Debt Service Fund shall be applied to pay such interest.

(D) At the direction of the Board expressed in a Certificate of an Authorized Officer filed with the Trustee, moneys in the Debt Service Fund may be applied to the purchase for cancellation of Outstanding Notes, subject to the terms and conditions of such purchase for cancellation, if any, in the Supplemental Indenture pursuant to which such Outstanding Notes were issued. The purchase price shall not exceed the principal amount of the Notes purchased and accrued interest of such Notes to the date of such purchase.

(E) All withdrawals from the Debt Service Fund shall be made no earlier than three days prior to the Payment Date to which such withdrawals relate, and the amount so withdrawn shall, for all purposes of this Indenture, be deemed to remain and be a part of the Debt Service Fund until the applicable Payment Date.

**Section 505. Moneys to be Held in Trust.** All moneys required to be deposited with or paid to the Trustee for the account of any Fund, Sub-Fund, Account or Sub-Account referred to in any provision of this Indenture, shall be held by the Trustee in trust, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created hereby.

## **ARTICLE VI**

### **Depositories, Security for Deposits and Investments of Funds**

**Section 601. Depositories.** All moneys held by the Trustee under the provisions of this Indenture may be deposited with one or more Depositories selected by an Authorized Officer in the name of and in trust for the Trustee. All moneys deposited under the provisions of this Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of this Indenture, and each of the Funds, Sub-Funds, Accounts and Sub-Accounts established by this Indenture shall be a trust fund.

**Section 602. Deposits.** (A) All moneys held by any Depositary under this Indenture may be placed on demand or time deposit, as directed by an Authorized Officer, provided that such deposits shall permit the moneys so held to be available for use when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit as if it were not a Fiduciary. All moneys held by a Fiduciary may be deposited in its banking department on demand or, if and to the extent directed by an Authorized Officer, on time deposit, provided that such moneys on deposit be available for use when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size.

(B) All moneys on deposit to the credit of the Debt Service Fund (i) held by a Depositary other than the Trustee and (ii) not otherwise secured by deposit insurance, shall be continuously and fully secured by the Trustee for the benefit of the Board and the Owners of the Notes by lodging with the Trustee as collateral security, Government Obligations having a market value (exclusive of accrued interest) of not less than the amount of such moneys. All other moneys held for the Board under this Indenture shall be continuously and fully secured for the benefit of the Board and the Owners of the Notes in the same manner as provided by the Board for similar funds of the Board.

(C) All moneys deposited with the Trustee and each Depositary shall be credited to the particular Fund, Sub-Fund, Account or Sub-Account to which such moneys belong.

**Section 603. Investment of Moneys.** (A) Moneys held in the several Funds, Sub-Funds, Accounts and Sub-Accounts shall be invested and reinvested by the Trustee at the written direction of the Chief Financial Officer or other Authorized Officer in Investment Securities within the parameters of this Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund, Sub-Fund, Account or Sub-Account. The Trustee may conclusively rely upon the Chief Financial Officer's or other Authorized Officer's written instructions as to both the suitability and legality of the directed investments. Ratings of Investment Securities shall be determined at the time of purchase of such Investment Securities. In the absence of written investment instructions from the Board, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested hereunder. Nothing contained in this Indenture shall be construed to prevent such Chief Financial Officer or Authorized Officer from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by State law and the Investment Policy, and the Trustee shall comply with the terms and provisions of any such Forward Supply Contract. The Trustee may make any and all such investments through its trust department or the bond department of any bank (including the Trustee) or trust company under common

control with the Trustee. The Board has provided a certified copy of the Investment Policy to the Trustee and the Board covenants and agrees to provide to the Trustee in a timely fashion any amendments to or revisions of such Investment Policy. The Trustee shall be entitled to conclusively rely on the Investment Policy provided to it by the Board as the Investment Policy in effect at the time any investment is made. All investment income shall be retained in the Fund or Account to which the investment is credited from which such income is derived.

(B) The Trustee may trade with itself in the purchase and sale of securities for such investment. The Trustee shall not be liable or responsible for the performance or adverse consequences of any investment made pursuant to this Section. Although the Board recognizes that they may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Board hereby agrees that confirmations of Investment Securities are not required to be issued by the Trustee for each month in which a monthly statement is rendered.

(C) Valuations of Investment Securities held in the Funds, Sub-Funds, Accounts and Sub-Accounts established hereunder shall be made by the Trustee as often as may be necessary or requested by the Board to determine the amounts held therein. In computing the amounts in such Funds, Sub-Funds, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in Subsection (D) of this Section 603.

(D) The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all United States Treasury Securities – State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable.

(E) Except as otherwise provided in this Indenture, the Trustee at the direction of the Chief Financial Officer or other Authorized Officer shall sell at the best price reasonably obtainable, or present for redemption, any Investment Security held in any Fund, Sub-Fund, Account or Sub-Account held by the Trustee whenever it shall be necessary to provide moneys to meet any payment or transfer from such Fund, Sub-Fund, Account or Sub-Account as the case may be. The Trustee and the Board shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

## **ARTICLE VII**

### **Particular Covenants and Representations of the Board**

**Section 701. Authority for Indenture.** This Indenture is executed and delivered by the Board by virtue of and pursuant to Revenue Anticipation Act, the Local Government Debt Reform Act and the Note Resolution. The Board has ascertained and hereby determines and declares that the execution and delivery of this Indenture is necessary to meet the public purposes and obligations of the Board, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate such purposes of the Board and to carry out its powers and is in furtherance of the public benefit, safety and welfare and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Notes and are contracts or agreements necessary, useful or convenient to carry out and effectuate the corporate purposes of the Board.

**Section 702. Indenture to Constitute Contract.** In consideration of the purchase and acceptance of Notes by those who shall hold the same from time to time, the provisions of this Indenture and any Supplemental Indenture shall be a part of the contract of the Board with the Owners of Notes and shall be deemed to be and shall constitute a contract between the Board, the Trustee and the Owners from time to time of the Notes. The Board covenants and agrees with the Owners of Notes and the Trustee that it will faithfully perform all of the covenants and agreements contained in this Indenture and in the Notes.

**Section 703. Punctual Payment of Notes.** Subject always to the condition that any obligation of the Board hereunder shall only be payable from the Trust Estate, the Board shall duly and punctually pay or cause to be paid the principal of every Note and the interest thereon, at the dates and places and in the manner mentioned in the Notes, according to the true intent and meaning thereof.

**Section 704. Extension of Payment of Notes.** If the maturity of any Note or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Note or installment of interest shall not be entitled, in case of any default under this Indenture, to the benefit of this Indenture or to payment out of the Trust Estate or Funds, Sub-Funds, Accounts and Sub-Accounts established by this Indenture or moneys held by Fiduciaries or Depositaries (except moneys held in trust for the payment of such Note or installment of interest) until the prior payment of the principal of all Notes Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Notes as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Board to issue (A) Additional Notes for the purpose of refunding Outstanding Notes or (B) Tax Anticipation Notes in exchange for Notes as provided in Section 709, and each such issuance shall not be deemed to constitute an extension of maturity of Notes.

**Section 705. Further Assurance.** At any and all times the Board shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming, all and singular, the Trust Estate and the rights hereby pledged or assigned, or which the Board may become bound to pledge or assign. The Board and the Trustee shall take such actions as shall be necessary from time to time to preserve the priority of the Trust Estate under State law.

**Section 706. Power to Issue Notes and Pledge Trust Estate.** The Board is duly authorized under all applicable laws to issue the Notes and to execute and deliver this Indenture and to pledge the Trust Estate pledged by this Indenture and to grant the lien granted by this Indenture thereon in the manner and to the extent provided in this Indenture. The Trust Estate, so pledged and subject to the lien of this Indenture, as described in Section 501, is and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by this Indenture, and all action on the part of the Board to that end has been and will be duly and validly taken. The Notes and the provisions of this Indenture are and will be valid and legally enforceable obligations of the Board in accordance with their terms and the terms of this Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The Board covenants that upon the date of issuance of any of the Notes, all conditions, acts and things required by the Constitution and laws of the State and this Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Notes shall exist, have happened and have been performed.

The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Trust Estate pledged under this Indenture, the rights of the Board to receive the Grant Receipts and to assign, pledge and apply the Grant Receipts in accordance with this Indenture and all the rights of the Owners under this Indenture against all claims and demands. The Board will not seek or support State legislation which, if enacted into law, could reasonably be expected to materially impair the security for the payment of the Notes or the Board's authority to pay the Notes from the Trust Estate.

**Section 707. Indebtedness and Liens.** The Board shall not issue any revenue notes or other evidences of indebtedness or incur any indebtedness, which are secured by a pledge of or lien on the Grant Receipts or the moneys, securities or funds held or set aside under this Indenture, and shall not, except as expressly authorized in this Indenture, create or cause to be created any lien or charge on the Grant Receipts or such moneys, securities or funds; *provided, however*, that nothing contained in this Indenture shall prevent the Board from issuing or incurring evidences of indebtedness payable from, or

secured by the pledge of, Grant Receipts to be derived on and after such date as the pledge of the Trust Estate provided in this Indenture shall be discharged and satisfied as provided in Section 1201.

**Section 708. Covenants Regarding Grant Receipts.** The Board will take all actions necessary or advisable (i) to confirm, if needed, its right to receive the Grant Receipts on a timely basis and (ii) to cause Grant Receipts, when collected, to be deposited promptly (and in any event within not more than two Business Days following receipt) with the Trustee for application in accordance with this Indenture. The Board and its officers will comply with all present and future applicable laws in order to assure that the Grant Receipts are received and paid to the Trustee for application in accordance with this Indenture.

**Section 709. Exchange of Notes for Tax Anticipation Notes.** (A) On or prior to October 31, 2017, the Board shall have taken all actions necessary (i) to levy real property taxes for the 2017 tax levy year for educational purposes of the School District, (ii) to extend such taxes for collection in 2018 and (iii) to authorize the issuance of Tax Anticipation Notes in an aggregate principal amount of not less than \$396,520,000.

(B) At all times on or after October 31, 2017 and until all of the Notes have been paid or provision for such payment shall have been made pursuant to Section 1201, the Board shall maintain the authority to issue Tax Anticipation Notes as Exchange Notes in a principal amount not less than the sum of (i) the principal amount of then Outstanding Notes and (ii) the principal amount of then authorized, but unissued, Notes.

(C) The Board shall not enter into any agreement or indenture with the holders of or owners of Tax Anticipation Notes or any trustee, escrow agent or fiduciary for such owners or holders that limits the ability of the Board to issue Exchange Notes in exchange for Outstanding Notes or provides for the Exchange Note a lien status or payment priority that is junior or subordinate to the highest lien status and earliest payment priority granted to the owners or holders of other Tax Anticipation Notes.

(D) The Board shall not issue any Tax Anticipation Notes, other than Exchange Notes, if such issuance would cause the sum of (i) the principal amount of then outstanding Tax Anticipation Notes, (ii) the principal amount of then Outstanding Notes and (iii) the principal amount of then authorized but unissued Notes, to exceed 80% of the amount of taxes levied by the Board for the 2017 tax levy year for educational purposes of the School District and then uncollected. The Board shall not issue any Tax Anticipation Notes, other than Exchange Notes, if such issuance would cause the sum of (i) the principal amount of then outstanding Tax Anticipation Notes maturing prior to April 2, 2018, (ii) the principal amount of then Outstanding Notes and (iii) the principal amount of then authorized but unissued Notes, to exceed 80% of the anticipated amount of the first installment of the taxes levied by the Board for the 2017 tax levy year for educational purposes of the School District and then uncollected.

(E) On the Exchange Date, each Owner of any then Outstanding Note shall be deemed to have exercised such Owner's right to exchange such Outstanding Note for an Exchange Note of like date, maturity, interest rate, accrued interest and tenor and in a principal amount of such Outstanding Note.

(F) On the Exchange Date, the Outstanding Notes shall be exchanged for the Exchange Notes. On the Exchange Date, the Trustee shall have received (unless waived in writing by the then Owners of such tendered Outstanding Notes) (i) a favorable Counsel's Opinion of Bond Counsel as to the validity of the Exchange Notes, (ii) a Counsel's Opinion of Bond Counsel that the exchange, in and of itself, will not cause the interest on the Exchange Notes to become includable in gross income for federal income tax purposes, (iii) a Counsel's Opinion confirming that no litigation is pending or threatened seeking to restrain or enjoin the delivery of the Exchange Notes or the pledge of taxes securing the payment of the Exchange Notes and (iv) an Officers' Closing Certificate in customary form approved by Bond Counsel. Each Note exchanged for an Exchange Note shall be surrendered to the Trustee and shall be deemed to have been paid and discharged and shall no longer be Outstanding under the Indenture or the Revenue Anticipation Act.

**Section 710. Accounts and Reports.** The Board shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Grant Receipts and the Funds, Sub-Funds, Accounts and Sub-Accounts established by this Indenture, and which, together with all other books and financial records of the Board, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than twenty five percent in aggregate principal amount of Outstanding Notes or their representatives duly authorized in writing.

**Section 711. Equality of Security.** All Notes, regardless of Series, date of issuance or incurrence and date of sale, shall be secured by the pledge contained in Section 501; and the security so pledged shall not be used for any other purpose except as expressly permitted by the terms of this Indenture.

**Section 712. Equality of Notes.** All Notes issued hereunder shall be on a parity and rank equally without preference, priority or distinction over any other as to security, regardless of the time or times of their issue, and the provisions, covenants and agreements set forth in this Indenture to be performed by and on behalf of the Board shall be for the equal benefit, protection and security of the Owners of any and all Notes, except as expressly provided in this Indenture.



## ARTICLE VIII

### Remedies of Owners

**Section 801. Events of Default.** Each of the following events is hereby declared an “*Event of Default*”:

(1) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Note when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if a default shall occur in the due and punctual payment of interest on any Note, when and as such interest shall become due and payable;

(3) if a default shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in this Indenture or in the Notes contained, and such default shall continue for a period of 30 days after written notice thereof to the Board by the Trustee or after written notice thereof to the Board and to the Trustee by the Owners of not less than a majority in principal amount of the Outstanding Notes, provided that if the nature of the default is such that it cannot be cured within the 30 day period but can be cured within a longer period, no Event of Default shall occur if the Board institutes corrective action within the 30 day period and diligently pursues such action until the default is corrected (provided such default is correctable) within the additional 30 day period;

(4) if the Board shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State; or

(5) if the Board shall fail to exchange Outstanding Notes for Exchange Notes on the applicable Exchange Date in accordance with Section 709.

### **Section 802. Application of Funds After Default.**

(A) During the continuance of an Event of Default, the Trustee shall apply all Grant Receipts and the other moneys, securities and funds constituting part of the Trust Estate as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it pursuant to this Article;

(2) to the payment of the principal of, Redemption Price of and interest on the Notes then due, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due on the Notes in the order of the maturity of such installments, together with accrued and unpaid interest on the Notes theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Notes 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 the Notes due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(B) If and whenever all overdue installments of principal and Redemption Price of and interest on all Notes, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under this Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Notes held by or for the account of the Board have been paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under this Indenture or the Notes shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Board all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of this Indenture to be deposited or pledged, with the Trustee), and thereupon the Board, the Trustee and the Owners shall be restored, respectively, to their former positions and rights under this Indenture. No such payment over to the Board by the Trustee nor such restoration of the Board and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

(C) The Board covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Board relating to the Trust Estate shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys.

**Section 803. Proceedings Brought by Trustee.** (A) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in aggregate principal amount of the Notes then Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Notes under this Indenture forthwith by a suit or suits

in equity or at law, including by writ of mandamus, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Board as if the Board were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Indenture.

(B) All rights of action under this Indenture may be enforced by the Trustee without the possession of any of the Notes or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

(C) All actions against the Board under this Indenture shall be brought in a State or federal court located in the County of Cook, Illinois.

(D) The Owners of not less than a majority in aggregate principal amount of the Notes then Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

(E) Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under this Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(F) Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in aggregate principal amount of the Notes then Outstanding, and furnished with security and indemnity to its satisfaction, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under this Indenture and to preserve or protect its interests and the interest of the Owners.

**Section 804. Restriction on Owners' Action.** (A) No Owner of any Note shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of this Indenture or the execution of any trust under this Indenture or for any remedy under this Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as

provided in this Article, and the Owners of at least a majority in aggregate principal amount of the Notes then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in this Indenture or by the laws of the State or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 30 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Notes shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by this Indenture or to enforce any right under this Indenture, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all Owners of the Outstanding Notes, subject only to the provisions of Section 704.

(B) Nothing in this Indenture or in the Notes contained shall affect or impair the obligation of the Board, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Notes to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce by any suit or proceeding, including by writ of mandamus, such payment of its Note solely from the sources provided herein and the Supplemental Indenture pursuant to which such Note was issued.

**Section 805. Remedies Not Exclusive.** No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of this Indenture.

**Section 806. Effect of Waiver and Other Circumstances.** (A) No delay or omission of the Trustee or any Owner to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein.

(B) The Owners of not less than two-thirds in aggregate principal amount of the Notes then Outstanding, or their attorneys-in-fact duly authorized may on behalf of the Owners of all of the Notes waive any past default under this Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of the Notes. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

**Section 807. Notices of Default.** The Trustee shall promptly mail written notice of the occurrence of any Event of Default to the Owners of the Notes.

## ARTICLE IX

### Concerning the Fiduciaries

**Section 901. Trustee; Appointment and Acceptance of Duties.** The Trustee hereby accepts and agrees to the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the Board agrees and the respective Owners of the Notes, by their purchase and acceptance thereof, agree. Except during the continuance of an Event of Default, the Trustee undertakes such duties and only such duties as are specifically set forth in this Indenture.

**Section 902. Paying Agents; Appointment and Acceptance of Duties.** (A) The Board shall appoint one or more Paying Agents for the Notes of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 914 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent for each Series.

(B) The Trustee hereby accepts the duties and obligations imposed upon it as Paying Agent by this Indenture. Each other Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Board and to the Trustee a written acceptance thereof.

(C) Unless otherwise provided, the corporate trust offices of the Paying Agents in the City of Chicago, Illinois are designated as the respective offices or agencies of the Board for the payment of the principal or Redemption Price of the Notes.

**Section 903. Registrar; Appointment and Acceptance of Duties.** (A) The Board shall appoint a Registrar for each Series of Notes. Each Registrar shall have the qualifications set forth in Section 915 for a successor Registrar. The Trustee or any Paying Agent may be appointed a Registrar.

(B) The Trustee accepts the duties and obligations imposed upon it as Registrar by this Indenture. Each Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Board and to the Trustee a written acceptance thereof.

**Section 904. Responsibilities of Fiduciaries.** (A) The recitals of fact herein and in the Notes contained shall be taken as the statements of the Board and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Notes issued hereunder or as to the security afforded by this Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for any representation contained in its certificate on the Notes. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the Board or

to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of Subsection (B) of this Section, each Fiduciary undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or misconduct. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty. The Trustee shall not be responsible for the recording or re-recording, filing or re-filing of this Indenture, or any supplement or amendment thereto, or the filing of financing statements, or for the validity of the execution by the Board of this Indenture, or of any supplemental indentures or instruments of further assurance, or for the sufficiency of the security for the Notes issued hereunder or intended to be secured hereby, or for the value or title of the property herein conveyed or otherwise as to the maintenance of the security hereof. The Trustee may (but shall be under no duty to) require of the Board full information and advice as to the performance of the covenants, conditions and agreements in this Indenture and shall make its best efforts, but without any obligation, to advise the Board of any impending default known to the Trustee.

(B) In case an Event of Default has occurred and has not been remedied or waived, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of this Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Article.

(C) Before taking any action under this Indenture relating to an event of default or in connection with its duties under this Indenture other than making payments of principal and interest on the Notes as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

**Section 905. Evidence on Which Fiduciaries May Act.** (A) Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion (including any Counsel's Opinion), or other paper or document furnished to it pursuant to and conforming to the requirements of this Indenture, and believed by it to be genuine and to have been signed or presented by the proper party or parties.

(B) Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter (unless this Indenture specifically requires other evidence thereof) may be deemed to be conclusively proved and established by a Certificate of an Authorized Officer, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(C) Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished by the Board to any Fiduciary shall be sufficiently executed if signed by an Authorized Officer.

(D) The Trustee shall have the right to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e mail, facsimile transmission or other similar unsecured electronic methods, *provided, however*, that the Board shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Board agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

**Section 906. Compensation.** Unless otherwise determined by agreement between the Board and each Fiduciary, the Board shall pay each Fiduciary from time to time reasonable compensation for services rendered under this Indenture, as well as pay and/or reimburse each Fiduciary for the reasonable fees and expenses related to extraordinary services rendered by each Fiduciary, including without limitation reasonable fees and expenses of such Fiduciary's counsel. Upon an Event of Default, the Fiduciaries shall have a right of payment prior to payment on account of principal of, or premium, if any, or interest on, any Note for the foregoing fees and expenses incurred; provided, that in no event shall the Fiduciaries have any such prior right of payment or claim therefor against any moneys or obligations deposited with or paid to the Fiduciaries for the redemption or payment of Notes, which are deemed to have been paid in accordance with Section 1201.

**Section 907. Certain Permitted Acts.** Any Fiduciary may become the Owner of any Notes, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners or to effect or aid in any reorganization growing out of the enforcement of the Notes or this Indenture, whether or not any such committee

shall represent the Owners of a majority in aggregate principal amount of the Notes then Outstanding. Any Fiduciary may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers and shall not be answerable for the conduct of the same if appointed with due care hereunder, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation to any attorney, agent, receiver, or employee retained or employed by it in connection herewith. Any Fiduciary may act upon the opinion or advice of an attorney or accountant selected by it in the exercise of reasonable care or, if selected or retained by the Board, approved by the Trustee in the exercise of such care. A Fiduciary shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice.

At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect any and all books, papers and records of the Board pertaining to the Notes, and to take such memoranda from and in regard thereto as may be desired.

**Section 908. Resignation of Trustee.** The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving not less than 60 days' written notice to the Board, all Owners of the Notes, the Depositaries and the other Fiduciaries, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed by the Board or the Owners as provided in Section 910, in which event such resignation shall take effect immediately on the appointment of such successor whether or not the date specified for such resignation to take effect has arrived. If a successor Trustee shall not have been appointed within a period of 60 days following the giving of notice, then the Trustee shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee as provided in Section 910.

**Section 909. Removal of Trustee.** The Trustee may be removed at any time by an instrument in writing delivered to the Trustee and signed by an Authorized Officer on behalf of the Board; *provided, however*, that if an Event of Default shall have occurred and be continuing, the Trustee may be so removed by the Board only with the written concurrence of the Owners of a majority in aggregate principal amount of Notes then Outstanding, excluding any Outstanding Notes held by or for the account of the Board. The Trustee may be removed at any time by the Owners of a majority in aggregate principal amount of the Notes then Outstanding, excluding any Notes held by or for the account of the Board, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners or their attorneys-in-fact duly authorized, and delivered to the Board. Copies of each such instrument shall be delivered by the Board to each Fiduciary.

**Section 910. Appointment of Successor Trustee.** (A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be



adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Notes then Outstanding, excluding any Notes held by or for the account of the Board, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the Board, each Fiduciary and the predecessor Trustee. Pending such appointment, the Board shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by Owners as herein authorized. The Board shall mail notice to each Fiduciary and to Owners of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the Board shall, immediately and without further act, be superseded by a Trustee appointed by the Owners. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the Board written notice of resignation as provided in Section 908 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee.

(B) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national banking association, doing business and having a corporate trust office in the State, and having a capital and undivided surplus aggregating at least \$20,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

(C) Notwithstanding any of the provisions of this Article IX to the contrary concerning the resignation or removal of the Trustee or the appointment of a successor Trustee, no such resignation, removal or appointment shall be effective until the successor Trustee accepts its appointment.

**Section 911. Transfer of Rights and Property to Successor Trustee.** Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Board, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee; but the predecessor Trustee shall nevertheless, on the written request of the Board or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as may reasonably be required for more fully and certainly

vesting and confirming in such successor Trustee all its right, title and interest in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument from the Board be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such moneys, estates, properties, rights, powers and duties, such deed, conveyance or instrument shall be executed, acknowledged and delivered by the Board. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

**Section 912. Merger or Consolidation.** Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which all or substantially all of the corporate trust business of any Fiduciary may be sold or transferred, shall be the successor to such Fiduciary and be bound to the obligations and duties of such Fiduciary hereunder without the execution or filing of any paper or the performance of any further act, unless such successor delivers written notice of its resignation pursuant to the provisions of this Article; *provided, however*, that such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Indenture.

**Section 913. Adoption of Authentication.** In case any of the Notes contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Notes and deliver such Notes so authenticated; and in case any of the said Notes shall not have been authenticated, any successor Trustee may authenticate such Notes in the name of the predecessor Trustee or in its own name.

**Section 914. Resignation or Removal of Paying Agent and Appointment of Successor.** (A) Any Paying Agent may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving at least 30 days' written notice to the Board and the other Fiduciaries. Any Paying Agent may be removed at any time by an instrument signed by an Authorized Officer and filed with such Paying Agent and the Trustee. Any successor Paying Agent shall be appointed by the Board and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and undivided surplus aggregating at least \$20,000,000, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its

successor, or if there be no successor, to the Trustee and shall be subject to audit of all of its books, records and accounts with respect to the Notes. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

**Section 915. Resignation or Removal of Registrar and Appointment of Successor.** (A) Any Registrar may at any time resign and be discharged of the duties and obligations imposed upon it by this Indenture by giving at least 30 days' written notice to the Board and the other Fiduciaries. Any Registrar may be removed at any time by an instrument signed by an Authorized Officer and filed with such Registrar and the Trustee. Any successor Registrar shall be appointed by the Board and shall be a bank, trust company or national banking association doing business and having an office in the State or in the Borough of Manhattan, in the City and State of New York, if there be such a bank, trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

(B) In the event of the resignation or removal of any Registrar, such Registrar shall deliver all books, records and other property including the bond register of the Board to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Registrar, the Trustee shall act as such Registrar.

**Section 916. Trustee Not Deemed to Have Notice of Default.** The Trustee shall not be deemed to have notice of any default hereunder, except a Note payment default under clause (1) or (2) of Section 801 or the failure of the Board to file with the Trustee any document required by this Indenture, unless any officer in its corporate trust office shall have actual knowledge thereof or the Trustee shall be specifically notified in writing of such default by the Board, by the Owners of not less than a majority in aggregate principal amount of the Notes then Outstanding. All notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the corporate trust office of the Trustee.

**Section 917. Monthly Report by Trustee.** Within twenty days after the end of each calendar month, the Trustee shall prepare a written report for each Fund, Sub-Fund, Account and Sub-Account held by it pursuant to the provisions of this Indenture. Such report shall set out the receipts and disbursements, both principal and income, and shall list the Investment Securities held by the Trustee at the end of the month. A copy of each such report shall be furnished to the Board, to J.P. Morgan Securities LLC and to any beneficial owner of at least 10% of the Notes then Outstanding who shall have filed with the Trustee a request for such reports, and any other Persons designated by the Board.

In addition, the Trustee shall, at any time when requested, furnish to the Board, to J.P. Morgan Securities LLC and to any beneficial owner of at least 10% of the Notes then

Outstanding who shall have filed with the Trustee a request for such reports, and any other Persons designated by the Board a report of the amount of moneys, including Investment Securities, held in each Fund, Sub-Fund, Account or Sub-Account by the Trustee. For purposes of this certification, the Investment Securities in each such Fund, Sub-Fund, Account and Sub-Account shall be treated as having a value equal to their aggregate market value as of the date of the request.

## **ARTICLE X**

### **Supplemental Indentures**

#### **Section 1001. Supplemental Indentures Not Requiring Consent of Owners.**

The Board and the Trustee may without the consent of, or notice to, any of the Owners, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (1) to authorize a Series of Notes and to specify, determine or authorize any matters and things concerning any such Series which are not contrary to or inconsistent with this Indenture;
- (2) to close this Indenture against, or impose additional limitations or restrictions on, the issuance of Notes, or of other notes, bonds, obligations or evidences of indebtedness;
- (3) to impose additional covenants or agreements to be observed by the Board;
- (4) to impose other limitations or restrictions upon the Board;
- (5) to surrender any right, power or privilege reserved to or conferred upon the Board by this Indenture;
- (6) to confirm, as further assurance, any pledge of or lien upon the Trust Estate or any other moneys, securities or funds;
- (7) to cure any ambiguity, omission or defect in this Indenture which, in the judgment of the Trustee, is not to the prejudice in any regard of the Trustee or the Owners;
- (8) to provide for the appointment of a successor securities depository in the event any Series of Notes is held in book-entry only form;
- (9) to provide for the appointment of any successor Fiduciary;

(10) to conform the provisions of the Indenture to the provisions of the Revenue Anticipation Act, the Local Government Debt Reform Act, the School Code, the Code and Regulations, or other applicable law; and

(11) to make any other change which, in the judgment of the Trustee, is not to the prejudice in any regard of the Trustee or the Owners.

**Section 1002. Supplemental Indentures Effective upon Consent of Owners.** Any Supplemental Indenture not effective in accordance with Section 1001 shall take effect only if permitted and approved and in the manner prescribed by Article XI.

**Section 1003. Filing of Counsel's Opinion.** Each Supplemental Indenture described in Section 1001 shall be accompanied, when filed with the Trustee, by a Counsel's Opinion to the effect that such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when executed and delivered, will be valid and binding upon the Board, the Owners and the Trustee.

## **ARTICLE XI**

### **Amendments**

**Section 1101. Mailing.** Any provision in this Article for the mailing of a notice or other information to Owners shall be fully complied with if it is mailed by first class mail, postage prepaid or delivered only to each Owner of Notes then Outstanding at its address, if any, appearing upon the registration books of the Board kept by the Registrar.

**Section 1102. Powers of Amendment.** Except for Supplemental Indentures described in Section 1001, any modification or amendment of this Indenture and of the rights and obligations of the Board and of the Owners of the Notes hereunder, in any particular, may be made by a Supplemental Indenture with the written consent given as provided in Section 1103 hereof of the Owners of at least a majority in aggregate principal amount of the Notes then 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 Notes of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Notes shall not be required and such Notes shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Notes under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Notes, 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 Owner of such Note, or shall reduce the percentages or otherwise affect the classes of Notes the consent of the Owners

of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owners of Notes of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Notes of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Board and all Owners of the Notes.

**Section 1103. Consent of Owners.** The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 1102, to take effect when and as provided in this Section.

Upon the authorization of such Supplemental Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in this Section provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Notes, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Board in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and, when effective, will be valid and binding upon the Board, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter in this Section provided. A certificate or certificates by the Trustee delivered to the Board that consents have been given by the Owners of the Notes described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Notes giving such consent and upon any subsequent Owner of such Notes and of any Notes issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however*, that any consent may be revoked by any Owner of such Notes by filing with the Trustee, prior to the time when the Trustee's written statement hereafter in this Section referred to is filed, a written revocation, with proof that such Notes are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by this Article and shall not be deemed ineffective by reason of such prior delivery or filing.

Within 15 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient under this Section, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required principal amount of Outstanding Notes have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Notes and will be effective as provided in this Section, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding). The Trustee shall deliver to the Board proof of the mailing of such notice. A record, consisting of the information required or permitted by this Section to be delivered by or to the Trustee, shall be proof of the matters therein stated.

**Section 1104. Modifications by Unanimous Action.** The Indenture and the rights and obligations of the Board and of the Owners of the Notes thereunder may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all the Notes then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Notes with respect to which such consent is given. Such Supplemental Indenture shall take effect upon the filing (a) with the Trustee of (i) a copy thereof, (ii) such consents and accompanying proofs and (iii) the Counsel's Opinion referred to in Section 1103 and (b) with the Board of the Trustee's written statement that the consents of the Owners of all Outstanding Notes have been filed with it. No mailing or publication of any Supplemental Indenture (or reference thereto or summary thereof) or of any request or notice shall be required. No such modification or amendment, however, shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

**Section 1105. Exclusion of Notes.** Notes owned or held by or for the account of the Board shall not be deemed Outstanding and shall be excluded for the purpose of any calculation required by this Article. At the time of any consent or other action taken under this Article, the Board shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, identifying all Notes so to be excluded.

**Section 1106. Notation on Notes.** Notes authenticated and delivered after the effective date of any action taken as in Article X or this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Board and the Trustee as to such action, and upon demand of the Owner of any Note Outstanding at such effective date and presentation of its Note to the Trustee, suitable notation shall be made on such Note by the Trustee as to any such action. If the Board or the Trustee shall so determine, new Notes so modified which, in the opinion of the Trustee and the Board, conform to such action may be prepared, authenticated and

delivered, and upon demand of the Owner of any Note then Outstanding shall be exchanged, without cost to such Owner, for such Note then Outstanding.

## **ARTICLE XII**

### **Miscellaneous**

**Section 1201. Defeasance.** (A) If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Notes the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the pledge of the Trust Estate and other moneys and securities pledged under this Indenture and all covenants, agreements and other obligations of the Board to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Board, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Board for any year or part thereof requested, and shall execute and deliver to the Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Board all moneys and securities held by them pursuant to this Indenture which are not required for the payment of Notes not previously surrendered for such payment or redemption. If the Board shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Notes of a particular Series, maturity within a Series or portion of any maturity within a Series, the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Notes shall cease to be entitled to any lien, benefit or security under this Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Notes and to the Trustee shall thereupon be discharged and satisfied.

(B) Notes or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in this Section 1201 if the Board shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Notes in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Notes so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Notes on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said Notes are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Notes a



notice that such deposit has been made with the Trustee and that said Notes are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Notes, (v) if any of said Notes are not to be paid within the next succeeding 60 days, a report of a certified public accountant or a firm of certified public accountants verifying the sufficiency of such Defeasance Obligations and moneys to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Notes on and prior to each specified redemption date or maturity date thereof, as the case may be, and (vi) a Counsel's Opinion to the effect that said Notes are no longer Outstanding under the Indenture. The Trustee shall execute a certificate confirming the defeasance of said Notes and the satisfaction of the foregoing conditions. The Defeasance Obligations and moneys deposited with the Trustee pursuant to this Section shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Notes. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, said Notes unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on such Notes, at maturity or upon redemption, as the case may be.

(C) Each Fiduciary shall continue to be entitled to reasonable compensation for all services rendered under this Indenture, notwithstanding that any Notes are deemed to be paid pursuant to this Section 1201.

(D) Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Notes which remain unclaimed for two years after the date when Notes have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Notes become due and payable, shall, at the written request of the Board, be repaid by the Fiduciary to the Board, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of such Notes shall look only to the Board for the payment of such Notes.

**Section 1202. Evidence of Signatures of Owners and Ownership of Notes.**

(A) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any Person of the Notes shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory

to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Owner or its attorney of such instruments may be proved by a guarantee of the signature thereon by a bank, national banking association or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instruments acknowledged to that person the execution thereof, or by an affidavit of witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of authority.

(2) The ownership of Notes and the amount, numbers and other identification and date of holding the same shall be proved by the registration book maintained by the Registrar.

(B) Any request or consent by the Owner of any Note shall bind all future Owners of such Note in respect of anything done or suffered to be done by the Board or any Fiduciary in accordance therewith.

**Section 1203. Moneys Held for Particular Notes.** The amounts held by any Fiduciary for the payment of interest, principal or Redemption Price due on any date with respect to particular Notes shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Notes entitled thereto.

**Section 1204. Preservation and Inspection of Documents.** All documents received by any Fiduciary under the provisions of this Indenture, shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Board, any other Fiduciary, and any Owner and their agents and their representatives, any of whom may make copies thereof.

**Section 1205. Cancellation and Destruction of Notes.** All Notes paid or redeemed, either at or before maturity, and all mutilated Notes surrendered pursuant to Section 307 or Section 709, shall be delivered to the Trustee when such payment or redemption is made or upon surrender, as the case may be, and such Notes, together with all Notes purchased by the Trustee, shall thereupon be promptly cancelled. Notes so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Notes so destroyed, and one executed certificate shall be delivered to the Board and the other retained by the Trustee.

**Section 1206. Parties Interested Herein.** Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Board, the Fiduciaries and the Owners of the Notes, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Board shall be for the sole and exclusive benefit of the Board, the Fiduciaries and the Owners of the Notes.

**Section 1207. No Recourse.** (A) No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Notes or for any claim based thereon or on this Indenture against any past, present or future member of the Board, officer, employee or agent of the Board, or any successor, public body or any person executing the Notes, either directly or through the Board, under any rule of law or equity, statute or constitution or otherwise, and all such liability of any such officers, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issuance of the Notes.

(B) No member of the Board, officer, agent or employee of the Board shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Notes; but nothing herein contained shall relieve any such officer, director, agent or employee from the performance of any official duty provided by law.

(C) All covenants, stipulations, obligations and agreements of the Board contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the Board to the full extent authorized and permitted by the Constitution and laws of the State, and no covenants, stipulations, obligations or agreements contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member of the Board, officer, agent or employee of the Board in his or her individual capacity, and no officer executing the Notes shall be liable personally on the Notes or be subject to any personal liability or accountability by reason of the issue thereof. No member of the Board, officer, director, agent or employee of the Board shall incur any personal liability in acting or proceeding or in not acting or not proceeding in accordance with the terms of this Indenture.

(D) This Section does not limit any liability under Section 11 of the Revenue Anticipation Act.

**Section 1208. Successors and Assigns.** Whenever in this Indenture the Board is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in this Indenture contained by or on behalf of the Board shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

**Section 1209. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Indenture on the part of the Board or any

Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Indenture.

**Section 1210. Notices.** Any notice, demand, direction, request or other instruments authorized or required by this Indenture to be given to, delivered to or filed with the Board or the Trustee shall be deemed to have been sufficiently given, delivered or filed for all purposes of the Indenture if and when sent by registered mail, return receipt requested:

To the Board, if addressed to:      Board of Education of the City of Chicago  
42 West Madison Street  
2<sup>nd</sup> Floor  
Chicago, Illinois 60602  
Attention: Senior Vice President of Finance

With a copy to:                      Board of Education of the City of Chicago  
42 West Madison Street  
2<sup>nd</sup> Floor  
Chicago, Illinois 60602  
Attention: Chief Financial Officer

and

Board of Education of the City of Chicago  
1 North Dearborn Street  
Chicago, Illinois 60602  
Attention: General Counsel

to such other address as may be designated in writing by the Board to the Trustee; and

To the Trustee, if addressed to:      Zions Bank  
111 West Washington Street, Suite 1860  
Chicago, Illinois 60602  
Attention: Corporate Trust Department

or at such other address as may be designated in writing by the Trustee to the Board.

**Section 1211. Construction.** The Indenture and all Supplemental Indentures shall be construed in accordance with the provisions of State law.

**Section 1212. Multiple Counterparts.** The Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Board of Education of the City of Chicago has caused this Trust Indenture to be executed in its name and on its behalf by its Senior Vice President of Finance and attested by its Secretary and Zions Bank, a division of ZB, National Association, as Trustee, has caused this Trust Indenture to be executed on its behalf and attested by its authorized officers, all as of the day and year first above written.

**BOARD OF EDUCATION OF THE  
CITY OF CHICAGO**

---

Senior Vice President of Finance

Attest:

---

Secretary

**ZIONS BANK, A DIVISION OF ZB,  
NATIONAL ASSOCIATION**

---

Authorized Officer

Attest:

---

Authorized Officer

*[Signature Page to Master Trust Indenture]*

**APPENDIX B**  
**FIRST SUPPLEMENT**

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FIRST SUPPLEMENTAL INDENTURE

by and between

BOARD OF EDUCATION OF THE CITY OF CHICAGO

and

ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION  
as Trustee

Dated as of June 1, 2017

SECURING BOARD OF EDUCATION OF THE CITY OF CHICAGO  
GRANT ANTICIPATION REVENUE NOTES, SERIES 2017A

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THIS FIRST SUPPLEMENTAL INDENTURE dated as of June 1, 2017 (the “*First Supplemental Indenture*”), by and between the Board of Education of the City of Chicago, a school district organized and existing under the laws of the State of Illinois (the “*Board*”), and Zions Bank, a division of ZB, National Association, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out, as Trustee (the “*Trustee*”) under the Master Trust Indenture dated as of June 1, 2017, by and between the Board and the Trustee securing Board of Education of the City of Chicago Grant Anticipation Revenue Notes (the “*Indenture*”).

W I T N E S S E T H:

WHEREAS, on May 24, 2017, the Board adopted Resolution 17-0524-RS2 (the “*Note Resolution*”) authorizing the issuance, from time to time, in one or more series, of its Grant Anticipation Revenue Notes in an aggregate principal amount not to exceed \$396,500,000 (the “*2017 Authorized Notes*”); and

WHEREAS, this First Supplemental Indenture is entered into pursuant to clause (1) of Section 1001 of the Indenture and the Note Resolution to authorize the issue of the 2017A Notes as a Series of Notes under the Indenture (each as herein defined) and to specify, determine and authorize any matters and things concerning such Series which are not contrary to or inconsistent with the Indenture; and

WHEREAS, each Series 2017A Note, when issued, will be secured by a pledge of, lien on and security interest in the Trust Estate as defined in the Indenture; and

WHEREAS, the Board has determined to issue the 2017A Notes in the aggregate principal amount of \$275,000,000 pursuant to the Revenue Anticipation Act, 50 Illinois Compiled Statutes 425 and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, the Note Resolution and the Indenture; and

WHEREAS, Zions Bank, a division of ZB, National Association, as Trustee under the Indenture has accepted its appointment as Trustee and does hereby acknowledge and accept the powers, duties and obligations of the Trustee under this First Supplemental Indenture; and

WHEREAS, all things necessary to make the 2017A Notes, when authenticated by the Trustee and issued as in the Indenture and in this First Supplemental Indenture provided, the valid, binding and legal limited obligations of the Board according to the import thereof, and to constitute the Indenture and this First Supplemental Indenture as a valid pledge of and grant of a lien on the Trust Estate for the purpose of securing the payment of the principal of, premium, if any, and interest on the 2017A Notes have been done and performed, in due form and time, as required by law; and

WHEREAS, the execution and delivery of this First Supplemental Indenture and the execution and issuance of the 2017A Notes, subject to the terms hereof, have in all respects been duly authorized;

### **GRANTING CLAUSES**

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH:

That in order to secure the payment of the principal of, premium, if any, and interest on the 2017A Notes under the Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition herein and in the 2017A Notes contained, and for and in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the 2017A Notes by the respective Owners (as hereinafter defined) thereof, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the 2017A Notes shall be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, the Board does hereby confirm the pledge of and lien on the following Trust Estate to the Trustee and its successors in trust and assigns, to the extent provided in the Indenture:

- (a) The Grant Receipts (as defined in the Indenture);
- (b) All moneys and securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established pursuant to the Indenture and the First Supplemental Indenture for the payment and security of the 2017A Notes; and
- (c) Any and all other moneys and securities furnished from time to time to the Trustee by the Board or on behalf of the Board or by any other persons to be held by the Trustee under the terms of the Indenture or this First Supplemental Indenture.

THIS FIRST SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that, in addition to the terms, conditions and covenants of the Indenture, the Board, the Trustee and the Owners of the 2017A Notes, hereby agree to be bound by the terms, conditions and covenants of this First Supplemental Indenture, as follows:

## ARTICLE I

### Definitions and Construction

**Section 101. Definitions.** All capitalized terms used in this First Supplemental Indenture, unless otherwise defined, shall have the same meaning as set forth in Section 101 of the Indenture. In addition, the following terms shall, for all purposes of this First Supplemental Indenture, have the following meanings unless a different meaning clearly appears from the context:

*“Authorized Denominations”* means \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

*“Calculation Agent”* means, initially, J.P. Morgan Securities LLC, and thereafter any other Calculation Agent designated from time to time by the Board, with the approval of the then Owners of not less than a majority in principal amount of the Outstanding 2017A Notes, which approval shall not be unreasonably withheld.

*“Costs of Issuance Account”* means the Costs of Issuance Account established by Section 212.

*“Default Day”* means any day that one or more of the following events exists: (1) the rating assigned by any rating agency to the Unlimited Tax General Obligation Bonds (Dedicated Revenues) Series 2016A, of the Board is “CCC” or lower; (2) a default or event of default has occurred or is continuing under any indenture, credit agreement or any other document with respect to, or in support of, the Notes or any Tax Anticipation Notes; (3) evidence that the Board has sought to have (or had a lawful involuntary filing against it for) an order of relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt, including, without limitation in such context, the appointment of a receiver, trustee, custodian, liquidator or other similar official for itself or for any substantial part of the Board’s property, or that the Board has taken action in furtherance of, or indicating its consent to, any of the foregoing; (4) by October 31, 2017, the failure by the Board to adopt a final, balanced budget for the 2018 fiscal year of the Board; and (5) by October 31, 2017, the failure of the Board to adopt and to file with the County Clerk of Cook County and the County Clerk of DuPage County the 2017 Educational Fund tax levy.

*“DTC”* means The Depository Trust Company, as securities depository for the 2017A Notes.

*“DTC Participant”* shall mean any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing 2017A Notes with DTC.

“*First Supplemental Indenture*” means this First Supplemental Indenture, dated as of June 1, 2017, by and between the Board and the Trustee, as from time to time amended and supplemented.

“*Indenture*” means the Master Trust Indenture, dated as of June 1, 2017, by and between the Board and the Trustee, securing Board of Education of the City of Chicago Grant Anticipation Revenue Notes, as from time to time amended and supplemented.

“*Interest Period*” means the initial period commencing on June 19, 2017 and ending on July 2, 2017 and thereafter successive one month periods beginning on the first Business Day of each calendar month and ending on the day prior to the first Business Day of the next calendar month.

“*LIBOR Rate*” means the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) based on the rate for United States dollar deposits for delivery on the first Business Day of each calendar month for a period equal to three months as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Calculation Agent in its reasonable discretion) at approximately 11:00 a.m., London time, on the Reset Date. In the event that such rate does not appear on such page (or on any such successor or substitute page), the LIBOR Rate shall be determined by reference to such other publicly available service for displaying interest rates for dollar deposits in the London interbank market as may be selected by the Calculation Agent in its reasonable discretion and is approved in writing by both the Board and the then Owners of not less than a majority in principal amount of the Outstanding 2017A Notes, in each case, which approval shall not be unreasonably withheld, or, in the absence of such availability, by reference to such other information source that establishes interest rates for dollar deposits in the London interbank market as may be selected by the Calculation Agent in its reasonable discretion and is approved in writing by both the Board and the then Owners of not less than a majority in principal amount of the Outstanding 2017A Notes, in each case, which approval shall not be unreasonably withheld. If the LIBOR Rate as so determined is ever less than zero, then for purposes of determining the Variable Rate, the LIBOR Rate shall be deemed to be zero.

“*Maximum Rate*” means the rate of interest equal to the lesser of (A) the greater of (i) 9% per annum and (ii) 125% of the rate for the most recent date shown in the 20 G.O. Bond Index of average municipal bond yields as published in the most recent edition of *The Bond Buyer*, published in New York, New York (or any successor publication or index, or if such publication or index is no longer published, then any index of long term municipal tax exempt bond yields then selected by the Board) and (B) the maximum interest rate that will not cause the true interest cost (yield) of the 2017A Notes to exceed

the rate determined in clause (A) of this definition taking into account the 99.97636% of par purchase price of the 2017A Notes.

“*Owner*” means any person who shall be the registered owner of any 2017A Note or Notes.

“*Reset Date*” means the date that is two London Business Days immediately preceding the date of the commencement of the Interest Period.

“*2017A Notes*” means the \$275,000,000 principal amount of the Grant Anticipation Revenue Notes, Series 2017A, of the Board authorized by the Note Resolution and Section 201.

“*Variable Rate*” means (A) on any Default Day, the Maximum Rate and (B) on any day that is not a Default Day, (i) prior to July 3, 2017, 6.39% and (ii) on and after July 3, 2017, the lesser of (a) the Maximum Rate and (b) 70% of the LIBOR Rate determined as of the immediately preceding Reset Date plus 550 basis points.

**Section 102. Interpretations.** As used herein, and unless the context shall otherwise indicate, the words “Note,” “Owner” and “Person” shall include the plural as well as the singular number.

As used herein, the terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this First Supplemental Indenture.

Unless the context shall otherwise indicate, references herein to articles, sections, subsections, clauses, paragraphs and other subdivisions refer to the designated articles, sections, subsections, clauses, paragraphs and other subdivisions of this First Supplemental Indenture as originally executed.

Any headings preceding the texts of the several Articles and Sections hereof, and any Table of Contents appended to copies hereof, are solely for convenience of reference and do not constitute a part of this First Supplemental Indenture, nor do they affect its meaning, construction or effect.

## **ARTICLE II**

### **Authorization and Issuance of 2017A Notes**

**Section 201. Authorization of 2017A Notes.** A Series of Notes entitled to the benefit, protection and security of the Indenture and this First Supplemental Indenture is hereby authorized in the aggregate principal amount of \$275,000,000 to finance the payment of general expenses and other payment obligations of the School District that are due or will accrue in the current fiscal year and to pay costs in connection with the

issuance of the 2017A Notes. Such Series of Notes shall be designated as, and shall be distinguished from the Notes of all other Series, by the title “Grant Anticipation Revenue Notes, Series 2017A.”

**Section 202. General Provisions for Issuance.** The 2017A Notes shall be issued pursuant to Section 203 of the Indenture shall be executed by the Board and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Board or upon its order, but only upon the receipt by the Trustee, at or prior to such authentication, of each of the items listed in clauses (1), (2), (3) and (4) of Section 202(A) of the Indenture and the Certificate of Authorized Officer described in Section 205 of the Indenture.

**Section 203. Terms of 2017A Notes.** (A) Each 2017A Note shall be in registered form and shall be initially dated June 19, 2017.

(B) Each 2017A Note shall bear interest from its date at the rate per annum equal to the applicable Variable Rate. The Variable Rate shall be rounded to the second decimal place. The Variable Rate as effective from time to time for the Series 2017A Notes shall be calculated by the Calculation Agent and communicated to the Board and the Trustee, which calculations shall be deemed to be conclusive in the absence of manifest error. Interest on each 2017A Note shall be computed on the basis of the actual number of days elapsed over a 360 day year (actual/360). Interest on each 2017A Note shall be payable on the earliest of its (i) maturity date, (ii) purchase date or (iii) redemption date.

(C) Each 2017A Note shall mature on March 30, 2018.

(D) Each 2017A Note shall be in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 and each 2017A Note shall be numbered consecutively but need not be authenticated or delivered in consecutive order. The 2017A Notes, the Treasurer’s Certificate of Authenticity and the Trustee’s Certificate of Authentication shall be in substantially the form set forth in *Exhibit A* attached hereto and by reference made a part hereof with such variations, omissions or insertions as are required or permitted by the Indenture.

(E) The principal of the 2017A Notes shall be payable at the designated corporate trust offices of the Trustee, in the City of Chicago, Illinois, as Paying Agent, and at such offices of any co-Paying Agent or successor Paying Agent or Paying Agents for the 2017A Notes appointed pursuant to the Indenture. Interest on the 2017A Notes shall be payable by check or bank draft mailed or delivered by the Trustee to the Owners as the same appear on the registration books of the Board maintained by the Registrar as of the Record Date or, at the option of any Owner, by wire transfer of Current Funds to such bank in the continental United States as said Owner shall request in writing to the Registrar.

(F) The 2017A Notes shall be initially issued in the form of a separate single fully registered 2017A Note for each maturity. Upon initial issuance, the ownership of each such 2017A Note shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, and except as hereinafter provided, the ownership of all of the outstanding 2017A Notes shall be registered in the name of Cede & Co., as nominee of DTC.

(G) With respect to 2017A Notes registered in the name of Cede & Co., as nominee of DTC, the Board and the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the 2017A Notes. Without limiting the immediately preceding sentence, the Board and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in any 2017A Note, (ii) the delivery to any DTC Participant or any other Person, other than the Owner of any 2017A Note, of any notice with respect to such 2017A Note, (iii) the payment to any DTC Participant or any other Person, other than the Owner of any 2017A Note, of any amount with respect to principal or Redemption Price of or interest on such 2017A Note or (iv) any allocation method for the redemption, including any pro-rata redemption, of 2017A Notes among DTC Participants and the beneficial owners of the 2017A Notes. The Board, the Trustee and each other Paying Agent, if any, shall be entitled to treat and consider the Person in whose name each 2017A Note is registered as the absolute owner of such 2017A Note for the purpose of payment of principal and interest with respect to such 2017A Note, for the purpose of giving notices of redemption, for the purpose of registering transfers with respect to such 2017A Note and for all other purposes whatsoever. The Trustee and each other Paying Agent, if any, shall pay all principal of and interest on the 2017A Notes only to or upon the order of the respective Owners thereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the Board's obligations with respect to payment of principal of and interest on the 2017A Notes to the extent of the sum or sums so paid. No Person other than an Owner of a 2017A Note shall receive a 2017A Note certificate evidencing the obligation of the Board to make payments of principal of and interest on the 2017A Notes pursuant to this Indenture.

(H) The Owners of the 2017A Notes have no right to the appointment or retention of a depository for such 2017A Notes. DTC may resign as securities depository under the conditions provided in the Letter of Representations. In the event of any such resignation, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer or cause the transfer of one or more separate 2017A Note certificates to such successor securities depository or (ii) notify DTC of the availability through DTC of 2017A Note certificates and transfer or cause the transfer of one or more separate 2017A Note certificates to DTC



Participants having 2017A Notes credited to their DTC accounts. In such event, the 2017A Notes shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the DTC Participants receiving 2017A Notes shall designate, in accordance with the provisions of this Indenture.

(I) The Board has heretofore executed and delivered the Letter of Representations to DTC. So long as DTC, or its designee, is the Owner of all 2017A Notes, the provisions set forth in the Letter of Representations shall apply to the redemption of any 2017A Notes and to the payment of principal or Redemption Price of and interest on the 2017A Notes, including without limitation, that: (1) presentation of 2017A Notes to the Trustee at maturity shall be deemed made to the Trustee when the right to exercise ownership rights in the 2017A Notes through DTC or DTC's Participants is transferred by DTC on its books; and (2) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Owners of 2017A Notes under this Indenture on a fractionalized basis on behalf of some or all of those Persons entitled to exercise ownership rights in the 2017A Notes through DTC or DTC's Participants.

(J) So long as the 2017A Notes are registered in the name of Cede & Co., as nominee of DTC, the Trustee agrees to comply with the terms and provisions of the Letter of Representations.

**Section 204. Application of Proceeds.** \$475,000 of the net proceeds of sale of the 2017A Notes shall be deposited into the Costs of Issuance Account. All of the remaining \$274,460,000 net proceeds of sale of the 2017A Notes shall be paid to the Board.

**Section 205. Optional Redemption.** The 2017A Notes shall be subject to redemption prior to maturity at the option of the Board, as a whole, or in part by lot as provided in Section 207, and upon notice as provided in Section 206, on September 29, 2017 and on any Business Day thereafter, at a Redemption Price equal to the principal amount of the 2017A Notes to be redeemed; plus accrued interest on the 2017A Notes being redeemed to the date fixed for redemption.

**Section 206. Redemption at the Election or Direction of the Board.** In the case of any redemption of 2017A Notes at the election or direction of the Board, the Board shall give written notice to the Trustee of its election or direction so to redeem, of the date fixed for redemption, and of the principal amounts of the 2017A Notes to be redeemed. Such notice shall be given at least 25 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 208 provided, there shall be paid on or prior to the specified redemption date to the Trustee an amount in cash or Government Obligations maturing on or before the specified redemption date which, together with

other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the 2017A Notes to be redeemed on the specified redemption date at their Redemption Price plus interest accrued and unpaid to the date fixed for redemption. Such amount and moneys shall be held in a separate, segregated account for the benefit of the Owners of the 2017A Notes so called for redemption.

**Section 207. Selection of 2017A Notes to Be Redeemed.** If less than all the 2017A Notes of the same maturity are called for redemption, the particular 2017A Notes or portion of 2017A Notes to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; *provided, however*, that the portion of any 2017A Note of a denomination of more than the minimum Authorized Denomination to be redeemed shall be in the principal amount of an Authorized Denomination and that, in selecting portions of such 2017A Notes for redemption, the Trustee shall treat each such 2017A Note as representing that number of 2017A Notes of the minimum Authorized Denomination which is obtained by dividing the principal amount of such 2017A Note to be redeemed in part by said minimum Authorized Denomination. If all 2017A Notes are held in book-entry only form, the particular 2017A Notes or portions thereof to be redeemed shall be selected by DTC in such manner as DTC shall determine, provided, however, that in no event shall any redemption result in unredeemed 2017A Notes of a denomination less than \$100,000.

**Section 208. Notice of Redemption.** When the Trustee shall receive notice from the Board of its election or direction to redeem 2017A Notes pursuant to Section 206, the Trustee shall give notice, in the name of the Board, of the redemption of such 2017A Notes, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the 2017A Notes are to be redeemed, the letters and numbers or other distinguishing marks of such 2017A Notes so to be redeemed, and, in the case of 2017A Notes to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the Redemption Price of each 2017A Note to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of 2017A Notes to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not more than 60 days nor less than 20 days before the date fixed for redemption, to the Owners of the 2017A Notes to be redeemed at their addresses as shown on the registration books of the Board maintained by the Registrar. If the Trustee mails notices of redemption as herein provided, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any 2017A Notes, unless moneys sufficient to pay the Redemption Price of, and interest on the 2017A Notes to be

redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of the Board, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Board shall not redeem such 2017A Notes and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such 2017A Notes will not be redeemed.

**Section 209. Payment of Redeemed 2017A Notes.** Notice having been given in the manner provided in Section 208, the 2017A Notes or portions thereof so called for redemption shall become due and payable on the date fixed for redemption at the Redemption Price, plus interest accrued and unpaid to such date, and, upon presentation and surrender thereof at any place specified in such notice, such 2017A Notes, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to such date. If there shall be called for redemption less than all of a 2017A Note, the Board shall execute and the Trustee shall authenticate and the appropriate Fiduciary shall deliver, upon the surrender of such 2017A Note, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the 2017A Note so surrendered, fully registered 2017A Notes of like maturity and interest rate in any Authorized Denominations. If, on the date fixed for redemption, moneys for the redemption of all the 2017A Notes or portions thereof of like maturity and interest rate to be redeemed, together with interest to such date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the date fixed for redemption, interest on the 2017A Notes or portions thereof of such maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the date fixed for redemption, such 2017A Notes 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.

**Section 210. Purchase in Lieu of Redemption.** By their acceptance of the 2017A Notes, the Owners of the 2017A Notes from time to time, irrevocably grant to the Board, the option to purchase, on September 29, 2017 and on any Business Day thereafter, any 2017A Note which is subject to optional redemption pursuant to Section 205, at a purchase price equal to the optional Redemption Price therefor together with accrued interest to the date of purchase. To exercise such option, the Board shall file a Certificate of an Authorized Officer with the Trustee, and the Trustee shall thereupon give immediate notice to the Owners of the 2017A Notes to be purchased, in each case, not later than the third Business Day preceding the related purchase date. The purchase of such 2017A Notes shall be mandatory and enforceable against the Owners of such Series 2017A Notes and such Owners will not have the right to retain their 2017A Notes. On the date fixed for purchase pursuant to any exercise of such option, the Board shall pay or cause to be paid the purchase price of the 2017A Notes then being purchased to the Trustee in immediately available funds not later than 10:00 a.m. Chicago Time on the

purchase date, and the Trustee shall pay the same to such Owners against delivery thereof. All 2017A Notes purchased pursuant to this Section 210 shall be canceled and not reissued. In the case of the purchase of less than all of the 2017A Notes, the particular 2017A Notes to be purchased shall be selected in accordance with Section 207. Each such purchase shall be in Authorized Denominations and in an aggregate amount not less than \$5,000,000.

**Section 211. Investor Letter.** (A) Concurrently with the delivery of the 2017A Notes J.P. Morgan Securities LLC shall execute and deliver to the Board an Investor Letter substantially in the form attached hereto as *Exhibit B*.

(B) Each subsequent Owner or beneficial owner of any 2017A Note must be either (a) a “qualified institutional buyer”, as defined in Rule 144A promulgated under the Securities Act of 1933 (a “*QIB*”) or (b) an “accredited investor”, as defined in Rule 501 of Regulation D under the Securities Act of 1933.

(C) No sale or other transfer of a 2017A Note shall be made to an “accredited investor” unless in conjunction therewith such “accredited investor” shall execute, and shall deliver to the selling or transferring Owner and to the Board, an Investor Letter substantially in the form attached hereto as *Exhibit B*.

(D) With respect to a sale or other transfer of any 2017A Note to a *QIB*, such *QIB*, by virtue of such transfer or purchase, shall be deemed to have made all of the acknowledgements, representations and agreements contained in the Investor Letter as of the date of such transfer and purchase as if such *QIB* had executed an Investor Letter.

**Section 212. Establishment of Costs of Issuance Account.** (A) The Costs of Issuance Account is hereby established with the Trustee to be held and applied in accordance with the terms and provisions of this Indenture. There shall be paid into the Costs of Issuance Account the amount required to be so paid by the provisions of Section 204 and such funds as may be deposited therein from time to time by the Board at its option.

(B) Moneys on deposit in the Costs of Issuance Account will be paid out from time to time by the Trustee to or upon the order of the Board in order to provide for the payment or to reimburse the Board for the payment of costs of issuance of the 2017A Notes.

(C) Moneys in the Costs of Issuance Account shall be invested at the written direction of a Designated Official to the fullest extent practicable in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay costs of issuance of the 2017A Notes or such other costs as may be required to be paid from such moneys. The Board may, and to the extent required for payments from the Costs of Issuance Account shall, direct the Trustee in writing to sell

any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Costs of Issuance Account. Earnings received on moneys or securities in the Costs of Issuance Account shall be retained therein and applied to the purposes for which moneys in the Costs of Issuance Account are otherwise held.

(D) On July 13, 2017, the balance in the Costs of Issuance Account shall be paid to the Board free from the lien of this Indenture.

(E) The Trustee shall rely fully on any certificate of an Authorized Officer of the Board as to the application of moneys held in the Costs of Issuance Account and shall not be required to make any investigation in connection therewith.

### **ARTICLE III**

#### **Particular Covenants of the Board**

**Section 301. Authority for First Supplemental Indenture.** This First Supplemental Indenture is executed and delivered by the Board by virtue of and pursuant to the Revenue Anticipation Act, the Local Government Debt Reform Act and the Note Resolution. The Board has ascertained and hereby determines and declares that the execution and delivery of this First Supplemental Indenture is necessary to meet the public purposes and obligations of the Board, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate such purposes of the Board and to carry out its powers and is in furtherance of the public benefit, safety and welfare and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the 2017A Notes and are contracts or agreements necessary, useful or convenient to carry out and effectuate the corporate purposes of the Board.

**Section 302. Indenture to Constitute Contract.** In consideration of the purchase and acceptance of 2017A Notes by those who shall hold the same from time to time, the provisions of the Indenture and this First Supplemental Indenture shall be a part of the contract of the Board with the Owners of the 2017A Notes and shall be deemed to be and shall constitute a contract between the Board, the Trustee and the Owners from time to time of the 2017A Notes. The Board covenants and agrees with the Owners of the 2017A Notes and the Trustee that it will faithfully perform all of the covenants and agreements contained in the Indenture, this First Supplemental Indenture and in the 2017A Notes.

**Section 303. Limited Obligations.** The 2017A Notes are limited obligations of the Board payable from amounts on deposit in the Debt Service Fund and secured by a pledge of, lien on and security interest in the Trust Estate pledged for their payment in

accordance with the Indenture and this First Supplemental Indenture. Neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of any 2017A Note.

**Section 304. Tax Covenants.** The Board shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any 2017A Note to become subject to federal income taxes in addition to federal income taxes to which interest on such 2017A Note is subject on the date of original issuance thereof. The Board shall not permit any of the proceeds of the 2017A Notes, or any facilities financed with such proceeds, to be used in any manner that would cause any 2017A Note to constitute a “private activity bond” within the meaning of Section 141 of the Code. The Board shall not permit any of the proceeds of the 2017A Notes or other moneys to be invested in any manner that would cause any 2017A Note to constitute an “arbitrage bond” within the meaning of Section 148 of the Code or a “hedge bond” within the meaning of Section 149(g) of the Code. The Board shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

## **ARTICLE IV**

### **Miscellaneous**

**Section 401. Trustee Acceptance of Duties.** The Trustee hereby accepts and agrees to the trusts hereby created, but only upon the additional terms set forth in Article IX of the Indenture, to all of which the Board agrees and the respective Owners of the 2017A Notes, by their purchase and acceptance thereof, agree. Except during the continuance of an Event of Default, the Trustee undertakes such duties and only such duties as are specifically set forth in the Indenture and this First Supplemental Indenture.

**Section 402. Appointment of Fiduciaries.** The Trustee is hereby appointed Paying Agent and Registrar for the 2017A Notes. The Trustee accepts the duties and obligations imposed upon it as Paying Agent and Registrar by the Indenture and this First Supplemental Indenture. The Board may at any time or from time to time appoint one or more other Paying Agents for the 2017A Notes having the qualifications set forth in Section 914 of the Indenture for a successor Paying Agent.

**Section 403. Amendment or Modifications.** This First Supplemental Indenture may be amended or modified in the same manner as the Indenture may be amended or modified in accordance with Article X and Article XI of the Indenture.

**Section 404. Defeasance.** If the Board shall pay to the Owners of the 2017A Notes, or provide for the payment of the principal, interest and Redemption Price, if any,

to become due thereon, at the times and in the manner stipulated in Section 1201 of the Indenture, then this First Supplemental Indenture shall be fully discharged and satisfied.

**Section 405. Preservation and Inspection of Documents.** All documents received by any Fiduciary under the provisions of this First Supplemental Indenture, shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Board, any other Fiduciary, and any Owner and their agents and their representatives, any of whom may make copies thereof.

**Section 406. Parties Interested Herein.** Nothing in this First Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Board, the Fiduciaries and the Owners of the 2017A Notes, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this First Supplemental Indenture contained by and on behalf of the Board shall be for the sole and exclusive benefit of the Board, the Fiduciaries and the Owners of the 2017A Notes.

**Section 407. Successors and Assigns.** Whenever in this First Supplemental Indenture the Board is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in this First Supplemental Indenture contained by or on behalf of the Board shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

**Section 408. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this First Supplemental Indenture on the part of the Board or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this First Supplemental Indenture.

**Section 409. Notices.** Any notice, demand, direction, request or other instruments authorized or required by this First Supplemental Indenture to be given to, delivered to or filed with the Board or the Trustee shall be deemed to have been sufficiently given, delivered or filed for all purposes of this First Supplemental Indenture if and when sent by registered mail, return receipt requested:

To the Board, if addressed to:	Board of Education of the City of Chicago 42 West Madison Street 2 <sup>nd</sup> Floor Chicago, Illinois 60602 Attention: Senior Vice President of Finance
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With a copy to:

Board of Education of the City of Chicago  
42 West Madison Street  
2<sup>nd</sup> Floor  
Chicago, Illinois 60602  
Attention: Chief Financial Officer

and

Board of Education of the City of Chicago  
1 N. Dearborn  
Chicago, Illinois 60602  
Attention: General Counsel

or to such other address as may be designated in writing by the Board to the Trustee; and

To the Trustee, if addressed to: Zions Bank  
111 West Washington Street, Suite 1860  
Chicago, Illinois 60602  
Attention: Corporate Trust Department

or at such other address as may be designated in writing by the Trustee to the Board.

**Section 410. Construction.** This First Supplemental Indenture shall be construed in accordance with the provisions of State law.

**Section 411. Multiple Counterparts.** This First Supplemental Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.



IN WITNESS WHEREOF, the Board of Education of the City of Chicago has caused this First Supplemental Indenture to be executed in its name and on its behalf by its Senior Vice President of Finance and attested by its Secretary and Zions Bank, a division of ZB, National Association, as Trustee, has caused this First Supplemental Indenture to be executed on its behalf and attested by its authorized officers, all as of the day and year first above written.

**BOARD OF EDUCATION OF THE  
CITY OF CHICAGO**

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Senior Vice President of Finance

Attest:

---

Secretary

**ZIONS BANK, A DIVISION OF ZB,  
NATIONAL ASSOCIATION**

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Authorized Officer

Attest:

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Authorized Officer

**EXHIBIT A**

**FORM OF 2017A NOTES**

[Form of Note-Front Side]

REGISTERED  
No. \_\_\_\_\_

REGISTERED  
\$275,000,000

**BOARD OF EDUCATION OF THE CITY OF CHICAGO  
GRANT ANTICIPATION REVENUE NOTE, SERIES 2017A**

See Reverse Side for Additional Provisions
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MATURITY DATE

DATED DATE

CUSIP

March 30, 2018

June 19, 2017

167505 RK4

Registered Owner: Cede & Co.

Principal Amount: Two Hundred Seventy Five Million Dollars

The BOARD OF EDUCATION OF THE CITY OF CHICAGO, a school district of the State of Illinois (the “*Board*”) duly organized and existing under Article 34 of the School Code, 105 Illinois Compiled Statutes 5, for value received, hereby promises to pay (but only out of the sources hereinafter provided) to the Registered Owner identified above or registered assigns, upon presentation and surrender hereof, the Principal Amount identified above on the Maturity Date specified above, and to pay (but only out of the sources hereinafter provided) interest on said Principal Amount from the later of the Dated Date of this 2017A Note or the most recent date to which interest has been paid or provided for. Interest on this 2017A Note (computed on the basis of actual number of days elapsed over a 360-day year) is payable on the Maturity Date, or until the payment in full of such Principal Amount or until this 2017A Note is exchanged for any Exchange Note in accordance with the Indenture.

Principal or redemption price of this 2017A Note is payable in lawful money of the United States of America at the corporate trust office of Zions Bank, a division of ZB, National Association, in the City of Chicago, Illinois, or its successor in trust (the “*Trustee*”) as Trustee and Paying Agent and payment of the interest hereon shall be made to the person in whose name this 2017A Note is registered at the close of business on the tenth day next preceding each payment date (the “*Record Date*”) by check or bank draft mailed or delivered by the Trustee to such Registered Owner at such Registered Owner’s address as it appears on the registration books of the Board maintained by Zions Bank, a division of ZB, National Association, in the City of Chicago, Illinois, as Registrar (the

“*Registrar*”) or, at the option of the Registered Owner, by wire transfer of immediately available funds to such bank in the continental United States as said Registered Owner shall request in writing to the Registrar.

Reference is hereby made to the further provisions of this 2017A Note on the reverse hereof and such further provisions shall for all purposes have the same effect as if set forth at this place.

The 2017A Notes are limited obligations of the Board secured by the pledge of the Trust Estate pledged to the payment of the 2017A Notes under the Indenture (as hereinafter defined) and payable from the Debt Service Fund held under the Indenture. The 2017A Notes are not, and shall not be or become, a general obligation of the Board and neither the full faith and credit nor the general taxing power of the Board is pledged to, or otherwise available for, the payment of the principal or redemption price of or the interest on the 2017A Notes. The 2017A Notes shall be payable only out of and from the Grant Receipts (as defined in the Indenture) and shall not be deemed to be an obligation of the School District (as defined in the Indenture) with any Constitutional or statutory limitation.

It is hereby certified, recited and declared that this 2017A Note is issued in part pursuant to the Local Government Debt Reform Act, that all acts and conditions required to be performed precedent to and in the execution and delivery of the Indenture and the issuance of this 2017A Note have been performed in due time, form and manner as required by law; and that the issuance of this 2017A Note and the Series of which it is a part does not exceed or violate any constitutional or statutory limitation.

This 2017A Note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, the Board of Education of the City of Chicago has caused this 2017A Note to be signed in its name and on its behalf by the manual or duly authorized facsimile signatures of the President of the Chicago Board of Education and the Chief Executive Officer of the Board of Education of the City of Chicago and countersigned by the manual or duly authorized facsimile signature of the Chief Financial Officer and Treasurer of the Board of Education, all as of the Dated Date identified above.

BOARD OF EDUCATION OF THE CITY OF  
CHICAGO

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President, Chicago Board of Education

Countersigned:

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Chief Financial Officer and Treasurer

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Chief Executive Officer

[Form of Treasurer's Certificate of Authenticity]

TREASURER'S CERTIFICATE OF AUTHENTICITY

The amount of revenue from which this 2017A Note is payable is \$323,895,950.

The amount of anticipatory obligations heretofore issued and payable out of such revenue is \$-0-, and the amount of the issue of notes of which this 2017A Note is one is \$275,000,000.

Dated: June 19, 2017

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Chief Financial Officer and Treasurer,  
Board of Education of the City of  
Chicago

[Form of Certificate of Authentication]

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This Note is one of the 2017A Notes described in the within-mentioned Indenture.

Date of Authentication and Delivery:

ZIONS BANK, A DIVISION OF ZB,  
NATIONAL ASSOCIATION, as Trustee

June 19, 2017

By: \_\_\_\_\_

Authorized Signatory

[Form of Note-Reverse Side]

This 2017A Note is one of a duly authorized issue of \$275,000,000 aggregate principal amount Grant Anticipation Revenue Notes, Series 2017A (the “2017A Notes”), issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly the Revenue Anticipation Act, 50 Illinois Compiled Statutes 425 and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and a Master Trust Indenture dated as of June 1, 2017, as supplemented by a First Supplemental Indenture dated as of June 1, 2017 (the “*Indenture*”), each by and between the Board and the Trustee, for the purpose of financing the payment of general expenses and other payment obligations of the School District that are due or will accrue in the current fiscal year. As provided in the Indenture, the principal of and interest on the 2017A Notes are secured by a pledge of, lien on and security interest in the Trust Estate as defined and described in the Indenture, including Grant Receipts as defined in the Indenture. The Indenture provides that Additional Notes may be issued from time to time on a parity with the 2017A Notes to share ratably and equally in the Trust Estate upon compliance with certain requirements contained in the Indenture (the 2017A Notes and any Additional Notes from time to time outstanding are referred to collectively as the “*Notes*”).

This 2017A Note bears interest at the applicable Variable Rate (as defined in the Indenture).

Copies of the Indenture are on file at the corporate trust office of the Trustee and reference is hereby made to the Indenture for definitions of defined terms used herein and for a description of the provisions, among others, with respect to the nature and extent of the security for the Notes, the rights, duties and obligations of the Board, the Trustee and the Registered Owners of the Notes and the terms upon which the Notes may be issued and secured.

This 2017A Note is transferable, as provided in the Indenture, only upon the registration books of the Board maintained by the Registrar by the Registered Owner hereof in person, or by its duly authorized attorney, upon surrender hereof with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its duly authorized attorney, and thereupon a new registered 2017A Note or Notes, in the same aggregate principal amount, maturity and interest rate, shall be issued to the transferee. The Board, the Trustee, the Registrar and any Paying Agent may deem and treat the person in whose name this 2017A Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes.

The 2017A Notes are issuable in the form of fully registered bonds in the denomination of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. Subject to the conditions and upon the payment of the charges (if any) provided in the Indenture, 2017A Notes may be surrendered (accompanied by a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its duly authorized attorney) in exchange for an equal aggregate principal amount of 2017A Notes of the same maturity and interest rate of any other authorized denominations.

The 2017A Notes are subject to redemption prior to maturity at the option of the Board, as a whole, or in part by lot, and upon notice as herein provided, on September 29, 2017 and on any Business Day thereafter, at a redemption price equal to the principal amount of the 2017A Notes to be redeemed, plus accrued interest on the 2017A Notes being redeemed to the date fixed for redemption.

Notice of the redemption of 2017A Notes will be mailed not less than 20 days nor more than 60 days prior to the date fixed for such redemption to the Registered Owners of 2017A Notes to be redeemed at their last addresses appearing on such registration books. The 2017A Notes or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the 2017A Notes or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner) then from and after the redemption date interest on such 2017A Notes or portions thereof shall cease to accrue and become payable.

This Note may be exchanged for tax anticipation notes of the Board (“*Exchange Notes*”) as provided in the Indenture. This Note may be purchased in lieu of redemption as provided in the Indenture.

The Indenture provides that if the Board shall pay the principal or redemption price, if applicable, and interest due and to become due on all Notes of a particular series,

maturity within a series or portions of a maturity within a series at the times and in the manner stipulated therein and in the Indenture, then the pledge, lien and security interest created by the Indenture for such Notes shall thereupon be discharged and satisfied. Notes or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust at or prior to their maturity or redemption date shall be deemed to have been paid if, among other things, the Board shall have delivered to the Trustee either moneys in an amount which shall be sufficient or Defeasance Obligations (as defined in the Indenture), the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or redemption price, if applicable, of and interest due and to become due on said Notes on and prior to each specified redemption date or maturity date thereof, as the case may be. Defeasance Obligations and moneys so deposited with the Trustee shall be held in trust for the payment of the principal or redemption price, if applicable, of and interest on said Notes.

The Registered Owner of this 2017A Note shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

### [FORM OF ASSIGNMENT]

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT MIN ACT —	_____	Custodian	_____
	(Cust)		(Minor)
	under Uniform Gift to Minors		
	Act _____		
	(State)		
<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> TEN COM — as tenants in common  TEN ENT — as tenants by the entireties  JT TEN — as joint tenants with right of survivorship and not as                    tenants in common </div> <div style="width: 70%;"></div> </div>			

Additional abbreviations may also be used though not in the above list.

## ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(Name and Address of Assignee)

\_\_\_\_\_  
(Please insert Social Security or other identifying number of Assignee)

the within note and does hereby irrevocably constitute and appoint \_\_\_\_\_

\_\_\_\_\_, Attorney to transfer the said note  
on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within note in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guarantee program.



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**EXHIBIT B  
TO  
FIRST SUPPLEMENTAL INDENTURE**

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**FORM OF INVESTOR LETTER**

June \_\_, 2017

Board of Education of the City of Chicago  
Office of Chief Financial Officer  
125 S. Clark Street  
Chicago, IL 60603

Re:   \$275,000,000  
      Board of Education of the City of Chicago  
      Grant Anticipation Revenue Notes, Series 2017A

Ladies and Gentlemen:

This letter is to provide you with certain representations and agreements with respect to our purchase of the above-referenced notes (the “*Notes*”), dated June \_\_, 2017. The Notes are issued under and secured in the manner set forth pursuant to (i) a Master Trust Indenture dated as of June 1, 2017, between the Board of Education of the City of Chicago (the “*Issuer*”) and Zions Bank, a division of ZB, National Association (the “*Trustee*”), (the “*Indenture*”) as supplemented by the First Supplemental Indenture dated as of June 1, 2017 by and between the Board and the Trustee (the “*First Supplemental Indenture*”). J.P. Morgan Securities LLC (the “*Purchaser*,” the “*undersigned*,” “*us*” or “*we*,” as applicable) is purchasing the Notes. We hereby represent and warrant to you and agree with you as follows:

1. We understand that the Notes have not been registered pursuant to the Securities Act of 1933, as amended (the “*1933 Act*”), the securities laws of any state, nor has the Indenture been qualified pursuant to the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein. We acknowledge that the Notes (i) are not being registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state, (ii) will not be listed on any securities exchange, (iii) will not carry a rating from any rating service, and (iv) will not be delivered in a form that is readily marketable.

2. We have not offered, offered to sell, offered for sale or sold any of the Notes by means of any form of general solicitation or general advertising, and we are not an underwriter of the Notes within the meaning of Section 2(11) of the 1933 Act.
3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Notes.
4. We have authority to purchase the Notes and to execute this letter and any other instruments and documents required to be executed by us in connection with the purchase of the Notes.
5. The undersigned is a duly appointed, qualified and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.
6. The undersigned is either (a) a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act (a “*QIB*”), or (b) an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act (an “*Accredited Investor*”), and, as such, is able to bear the economic risks of such investment in the Notes. The Purchaser understands that, in certain circumstances, it may be required to hold the Notes until the maturity thereof.
7. The undersigned understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Notes. The undersigned has made its own inquiry and analysis with respect to the Issuer, the Notes and the security therefor, and other material factors affecting the security for and payment of the Notes.
8. We understand and acknowledge that the Notes are limited obligations of the Issuer payable solely from Grants Receipts anticipated from the State of Illinois for the 2017 fiscal year, and that neither the full faith and credit nor the taxing power of the Issuer is pledged to the payment of the principal of or interest on the Notes.
9. The undersigned acknowledges that it is familiar with the condition, financial or otherwise, of the Issuer and it has either been supplied with or been given access to information, including financial statements and other financial information, regarding the Issuer, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer, the Notes

and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Notes. The undersigned acknowledges that it does not require further information from the Board for purposes of purchasing the Notes.

10. The Purchaser has made its own inquiry and analysis with respect to the Notes and the security therefor, and other material factors affecting the security and payment of the Notes. The Purchaser has assumed responsibility for obtaining such information and making such review as the Purchaser deemed necessary or desirable in connection with its decision to purchase the Notes. The Purchaser is aware that the business of the Issuer involves certain economic variables and risks that could adversely affect the security for the Notes.
11. The Notes are being acquired by the Purchaser for investment for its own account and not with a present view toward resale or distribution and the Purchaser intends to hold the Notes for its own account; *provided, however*, that the Purchaser reserves the right to sell, transfer or redistribute the Notes, subject to the provisions of the Indenture and the First Supplemental Indenture, but agrees that any such sale, transfer or distribution by the Purchaser shall be in accordance with the Indenture and the First Supplemental Indenture. The Purchaser acknowledges that, pursuant to Section 211 of the First Supplemental Indenture, it shall (i) require that any transferee or purchaser of all or any portion of the 2017A Notes or any beneficial interest therein, which is an Accredited Investor, to execute and deliver to the Issuer an investor letter substantially in the form hereof in connection with such transfer or purchase and (ii) provide to each transferee or purchaser of all or any portion of the 2017A Notes or any beneficial interest therein which is a QIB, a copy of most recent Private Placement Memorandum prepared by the Issuer with respect to the Notes.
12. The Purchaser agrees to comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Notes by it, and further acknowledges that any current exemption from registration of the Notes does not affect or diminish such requirements.
13. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture and the First Supplemental Indenture.

Very truly yours,

**J.P. MORGAN SECURITIES LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX C

### INFORMATION RELATING TO SECURITY FOR THE EXCHANGE NOTES

As described in the forepart of this Private Placement Memorandum, the Notes are subject to mandatory exchange for tax anticipation notes (the “**Exchange Notes**”) on December 28, 2018. The Exchange Notes are not secured by Grant Receipts but are secured and payable solely from the collection of the annual tax levied by the Board upon all taxable property in the School District for educational purposes for the year 2017 (the “**Pledged Taxes**”), to the extent the Pledged Taxes have not been released to the Board free and clear of the lien of the Indenture pursuant to which such Exchange Notes are issued.

The table on the following page provides statistical data regarding the property tax base of the Board, the City and the other Overlapping Taxing Districts and the tax rates, tax levies and tax collections for the Board. The table reflects the tax levy year and such taxes are extended for collection in the following calendar year.

**Assessed, Equalized Assessed and Estimated Value of All Taxable Property of the Board 2006–2016**  
(Dollars in Thousands)

Tax Year Levy <sup>(9)</sup>	Assessed Values <sup>(1)</sup>					State Equalization Factor <sup>(2)</sup>	Total Equalized Assessed Value <sup>(3)</sup>	Total Estimated Fair Cash Value <sup>(4)</sup>	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value %
	Class 2 <sup>(5)</sup>	Class 3 <sup>(6)</sup>	Class 5 <sup>(7)</sup>	Other <sup>(8)</sup>	Total				
2006*	18,521,873	2,006,898	12,157,199	688,818	33,374,788	2.7076	69,511,192	329,770,733	21.08
2007*	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	320,503,503	22.98
2008*	19,339,574	1,602,769	12,359,537	693,240	33,995,120	2.9786	80,977,543	310,888,609	26.05
2009*	18,311,981	1,812,850	10,720,244	592,365	31,437,440	3.3701	84,592,286	280,288,730	30.18
2010*	18,120,678	1,476,291	10,407,012	561,682	30,565,663	3.3000	82,087,170	231,986,396	35.38
2011*	17,976,208	1,161,634	10,411,363	544,416	30,093,621	2.9706	75,122,914	222,856,064	33.71
2012*	15,560,876	1,252,635	10,201,554	454,593	27,469,658	2.8056	65,250,387	206,915,723	31.53
2013*	15,440,622	1,282,342	10,137,795	453,201	27,313,960	2.6621	62,363,876	236,695,475	26.35
2014*	15,416,908	1,345,482	10,096,651	467,529	27,326,570	2.7253	64,908,057	255,639,792	25.39
2015*	17,319,503	1,589,995	11,240,864	541,183	30,691,545	2.6685	70,963,289	Not Available	Not Available
2016**	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	74,016,506	Not Available	Not Available

\*Source: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2016.

\*\*Source: Cook County Clerk's Office.

(1) Source: Cook County Assessor's Office.

(2) Source: Illinois Department of Revenue.

(3) Source: Cook County Clerk's Offices. Calculations are net of exemptions and include assessment of pollution control facilities. Excludes DuPage County Valuation.

(4) Source: The Civic Federation Report dated August 18, 2016. Excludes railroad property.

(5) Residential, six units and under.

(6) Residential, seven units and over and mixed-use.

(7) Industrial/Commercial.

(8) Vacant, not-for-profit and industrial/commercial incentive classes.

(9) Triennial updates of assessed valuation occurred in years 2006, 2009, 2012 and 2015.

The table below sets forth the Board's *ad valorem* property tax extensions for Fiscal Years 2006 – 2017 and the portion of the overall levy attributable to the Education Levy. The Education Levy is the source of repayment for tax anticipation notes including the Exchange Notes.

**Board's Property Tax Extensions and  
Portion Attributable to Education Levy 2006–2017<sup>(1)</sup>**  
(Dollars in Thousands)  
(For Fiscal Years Ending June 30)

<b>Tax Year of Levy</b>	<b>Fiscal Year of Extension</b>	<b>Total Tax Extension</b>	<b>Education Levy Portion of Tax Extension</b>	<b>Percentage of Extension</b>
2006	2007	\$1,874,750	\$1,444,300	77.04%
2007	2008	1,901,887	1,749,957	92.01%
2008	2009	2,001,751	1,964,804	98.15%
2009	2010	2,001,252	1,864,314	93.16%
2010	2011	2,118,541	2,010,137	94.88%
2011	2012	2,159,586	2,006,181	92.90%
2012	2013	2,232,684	2,159,263	96.71%
2013	2014	2,289,250	2,193,826	95.83%
2014	2015	2,375,822	2,212,422	93.12%
2015	2016	2,451,566	2,274,161	92.76%
2016	2017	2,757,855	2,305,534	83.60%

(1) Source: Chicago Board of Education. Unaudited Figures.

## THE REAL PROPERTY TAX SYSTEM

### Real Property Assessment, Tax Levy and Collection Procedures

General. Information in this Appendix provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the “**County**”) and that are applicable to the School District. The following is not an exhaustive discussion, nor is there any assurance that the procedures described in this Appendix will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (35 ILCS 200) (the “**Property Tax Code**”).

Substantially all (approximately 99.99%) of the “**Equalized Assessed Valuation**” (as herein defined) of taxable property in the School District is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth in this Appendix and elsewhere in this Official Statement with respect to taxable property of the School District does not reflect the portion situated in DuPage County.

Assessment. The Cook County Assessor (the “**Assessor**”) is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The real property within the School District was last reassessed in 2015.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the

classification percentages to arrive at the assessed valuation (the “**Assessed Valuation**”) for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the County’s Real Property Assessment Classification Ordinance (the “**Classification Ordinance**”), pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor’s tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the “**Board of Review**”). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the “**PTAB**”), a state-wide administrative body, or to the Circuit Court of Cook County (the “**Circuit Court**”). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The Board believes that the impact of any such case on the Board would be minimal, as the Board’s ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year, including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the “**Equalization Factor**”), commonly called the “*multiplier*,” for each county. The purpose of equalization is to bring the aggregate assessed value of all real property, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, in each county to the statutory requirement of 33-1/3% of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of

real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "**Equalized Assessed Valuation**" or "**EAV**").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "**Assessment Base**"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. In addition, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. See the discussion under the heading "**Property Tax Extension Limitation Law**" below. For a listing of the Equalization Factors for the ten years ended December 31, 2015, see the section of the Official Statement entitled "FINANCIAL INFORMATION –Property Tax Revenues – *Property Tax Base, Tax Extensions and Collections.*"

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, currently up to a maximum reduction of \$7,000 in the County and \$6,000 in all other counties. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by \$5,000. There is also an exemption available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to \$70,000 of the Assessed Valuation. An additional exemption is available for disabled persons, for whom the Assessor is authorized to reduce the EAV by \$2,000. An exemption is available for homestead improvements by an owner of a single family residence of up to \$75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is \$55,000 or less, and who are either the owner of record or have a legal or equitable interest in their residential property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called "*freeze*" and each year thereafter in which the qualifying criteria are maintained.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable (including qualifying not-for-profit hospitals), and educational organizations, as well as units of federal, state and local governments.

In 2001, the County enacted the "*Longtime Homeowner Exemption Ordinance*," which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner's triennial assessment does not exceed 115% of the "*Chicago Primary Metropolitan Statistical Area*" median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150% of the current average assessed value for properties in the assessment district where the property is located, (iv) whose property has a market value for assessment purposes of \$300,000 or less in the current reassessment year, and (v) who, for any triennial assessment cycle, did not cause a



substantial improvement which resulted in an increase in the property's fair cash value in excess of the \$45,000 allowance set forth in the Property Tax Code.

Tax Levy. There are over 800 units of local government (the **"Units"**) located in whole or in part in the County that have taxing power. There are six major units of local government located in whole or in part within the boundaries of the School District which are: the City; the Chicago Park District; Community College District Number 508; the County; the Forest Preserve District of Cook County; and the Metropolitan Water Reclamation District of Greater Chicago.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real property taxes, proceedings are adopted by the governing body of each Unit. Typically, real property taxes are levied in one calendar year and collected in the following calendar year. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real property taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the **"County Collector"**).

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the **"Warrant Books"**) the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the **"Truth in Taxation Law"**) contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that a notice in a prescribed form must be published if the aggregate annual levy is estimated to exceed 105% of the levy of the preceding year, exclusive of levies for debt service, levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105% of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures.

Collection. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date for the tax years 2006 to 2015; the first installment penalty date has been March 2 or March 3 for all years.

<b>Second Installment</b>	
<b>Tax Year</b>	<b>Penalty Date</b>
2015	August 1, 2016
2014	August 3, 2015
2013	August 1, 2014
2012	August 1, 2013
2011	November 1, 2012
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009
2007	November 3, 2008
2006	December 3, 2007

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the **"Annual Tax Sale"**). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue interest at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the **“Scavenger Sale”**), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the Board has a provision for an allowance for uncollectible taxes for general obligation debt service. The Board reviews this provision annually to determine whether adjustments are appropriate. For tax year 2015, collectible in 2016, the allowance for uncollectible taxes was about four percent of the estimated gross tax levy. For financial reporting purposes, the Board maintains a record of accounts receivable, reserves for uncollectibles and deferred revenue balances on the general ledger for property tax for no more than a total of three tax levy years (current tax year, plus two). An annual review is then completed at each fiscal year-end to determine the amounts of the earliest tax year to be written-off or adjusted on the general ledger.

### **Property Tax Extension Limitation Law**

The Property Tax Code specifically limits the annual growth in property tax extensions for certain Units pursuant to the provisions of the Property Tax Extension Limitation Law (35 ILCS 200/18-185) (the **“PTELL”**). The effects of the PTELL are to limit or retard the growth in the amount of property taxes that can be extended for a non-home rule taxing body and to impose direct referendum requirements upon the issuance of certain types of general obligation bonds by such non-home rule taxing bodies.

The PTELL was extended in 1995 (effective as of the 1994 assessment year) to non-home rule taxing districts in the County, including the Board. The PTELL limits the annual growth in certain property tax extensions by the Board to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant tax levy year. Generally, extensions can be increased beyond this limitation only due to increases in the Equalized Assessed Valuation attributable to new construction and referendum approval of tax or limitation rate increases. The PTELL requires the County Clerk in extending taxes to use the Equalized Assessed Valuation of all property within the taxing district for the levy year prior to the levy year for which taxes are then being extended.

**APPENDIX D**  
**FORMS OF OPINIONS OF CO-BOND COUNSEL**

June 19, 2017

The Board of Education  
of the City of Chicago

Dear Members:

We have examined a record of proceedings relating to the issuance of \$275,000,000 aggregate principal amount of Grant Anticipation Revenue Notes, Series 2017A (the “2017A Notes”) of the Board of Education of the City of Chicago, a school district of the State of Illinois (the “Board”) duly organized and existing under Article 34 of the School Code, 105 Illinois Compiled Statutes 5. The 2017A Notes are authorized and issued under and pursuant to the Revenue Anticipation Act, 50 Illinois Compiled Statutes 425 and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Resolution 17-0524-RS2 adopted by the Board on May 24, 2017 (the “Note Resolution”). The 2017A Notes are issued and secured under the Master Trust Indenture dated as of June 1, 2017 (the “Indenture”) by and between the Board and Zions Bank, a division of ZB, National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture dated as of June 1, 2017 (the “First Supplemental Indenture”) by and between the Board and the Trustee. The 2017A Notes are a Series of Notes under the Indenture. Terms used herein that are defined in the Indenture and the First Supplemental Indenture shall have the meaning set forth therein unless otherwise defined herein.

The 2017A Notes are issuable in the form of fully registered notes in the denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000. The 2017A Notes are dated June 19, 2017, mature on March 30, 2018 and bear interest from their date at Variable Rates as provided in the First Supplemental Indenture.

The 2017A Notes are subject to redemption prior to maturity at the option of the Board, in such principal amounts as the Board shall determine and in part by lot, on September 29, 2017 and on any Business Day thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date. The Notes are also subject to mandatory purchase by the Board in lieu of redemption as provided in the First Supplemental Indenture.

The Notes are payable from certain education block grants (the “Grants”) expected to be received by the Board from the State of Illinois as set forth in the Note Resolution and the Indenture (the “Grant Receipts”). The payment of the Grants is not a contractual obligation of the State of Illinois. We express no opinion as to the rights or remedies of the Board with respect to the payment of the Grants.

Pursuant to the Indenture, the 2017A Notes and all other Notes hereafter issued under the Indenture are ratably and equally entitled to the benefits and security of the Indenture, including the pledge of the Trust Estate under the Indenture. The Trust Estate includes (without limitation) the Grant Receipts and the Debt Service Fund held by the Trustee under the Indenture.

On December 28, 2017, all Notes then outstanding under the Indenture are to be exchanged for tax anticipation notes of the Board as provided in the Indenture.

We have not been requested to examine and have not examined any documents or information relating to the Board other than the record of proceedings hereinabove referred to, and we express no opinion as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchasers of the 2017A Notes.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Board has all requisite power and authority under the Constitution and the laws of the State, to assign and to pledge the Grant Receipts as security for the payment of the 2017A Notes, to adopt the Note Resolution, to enter into the Indenture and the First Supplemental Indenture, and to issue the 2017A Notes thereunder.

2. The Note Resolution has been duly adopted by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable against the Board in accordance with its terms.

3. The Indenture and the First Supplemental Indenture have been duly authorized, executed and delivered by the Board and constitute valid and binding contractual obligations of the Board enforceable in accordance with their terms.

4. The 2017A Notes have been duly authorized and issued, are the legal, valid and binding limited obligations of the Board payable from the Grant Receipts, are entitled to the benefits and security of the Indenture and the First Supplemental Indenture, and are enforceable against the Board in accordance with their terms. The 2017A Notes are not general obligations of the Board. Neither the full faith and credit nor the taxing power of the Board is pledged to, or otherwise available for the payment of, the principal of or interest on the 2017A Notes.

5. All Notes, including the 2017A Notes, are ratably and equally secured under the Indenture by the pledges and assignments created by the Indenture, including the pledge of the Trust Estate. The Indenture creates a valid pledge of and lien on the Trust Estate for the benefit and security of all Notes, subject to application of the Trust Estate in accordance with the terms of the Indenture.

6. Interest on the 2017A Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the 2017A Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Interest on the 2017A Notes does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the 2017A Notes is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the 2017A Notes. These requirements relate to the use and investment of the proceeds of the 2017A Notes, the payment of certain amounts to the United States, the security and source of payment of the 2017A Notes and the use and tax ownership of the property financed with the proceeds of the 2017A Notes. The Board has covenanted in the First Supplemental Indenture to comply with these requirements.

Interest on the 2017A Notes is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the 2017A Notes, the Note Resolution, the Indenture and the First Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,