NEW ISSUE – BOOK–ENTRY ONLY **RATINGS: See "RATINGS" herein**

*In the respective opinions of Katten Muchin Rosenman LLP and Cotillas and Associates, Co–Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Bonds will not be includable in gross income for federal income tax purposes. Interest on the Bonds is not required to be included as an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from Illinois income taxes. See "**TAX MATTERS**" herein for a more complete discussion.*

BOARD OF EDUCATION OF THE CITY OF CHICAGO

$745,000,000
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES) SERIES 2017C-G

$351,485,000 SERIES 2017C	**$79,325,000 SERIES 2017D**	**$22,180,000 SERIES 2017E**
$165,510,000 SERIES 2017F		**$126,500,000 SERIES 2017G**

$280,000,000
UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED REVENUES), SERIES 2017H

Dated: Date of Delivery **Due December 1, as shown on the inside cover**

The following series of bonds will be issued by the Board of Education of the City of Chicago (the "Board"): the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C; the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D; the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E; the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F; the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G; and the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H (each a "Series" and collectively the "Bonds"). Each Series of the Bonds will be issued under a separate Trust Indenture (each an "Indenture" and collectively, the "Indentures") by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee, registrar and paying agent for each Series (the "Trustee"). The proceeds of each Series of the Bonds will be used as described herein. See "PLAN OF FINANCE."

The Bonds will be issued as fully registered bonds in denominations of $100,000 and any multiple of $5,000 in excess thereof. The Bonds 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 Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Principal of and interest on the Bonds will be paid by the Trustee under each Indenture to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See APPENDIX C – "BOOK–ENTRY ONLY SYSTEM."

The Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds of each Series are payable from and secured under each Indenture by a pledge of and lien on the Pledged Revenues (as defined herein) securing the respective Series of the Bonds and the Pledged Taxes (as defined herein). To the extent that the Pledged Revenues are insufficient to pay the principal of and interest on the respective Series of the Bonds, such Bonds will be payable from the Pledged Taxes consisting of ad valorem taxes levied by the Board without limitation as to rate or amount, against all taxable property within the School District (as defined herein) governed by the Board, the boundaries of which are coterminous with the boundaries of the City of Chicago. The Bonds are also payable from all Funds, Accounts and Sub–Accounts pledged as security for the payment of such Series of the Bonds under the applicable Indenture. See "SECURITY FOR THE BONDS."

The maturity dates, principal amounts, interest rates, yields, prices, and CUSIP numbers of each Series of the Bonds are set forth on the inside cover. The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption Provisions."

INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS, AND PROSPECTIVE PURCHASERS SHOULD READ THE INFORMATION UNDER THE HEADING "BONDHOLDERS' RISKS" FOR A DISCUSSION OF SOME, BUT NOT NECESSARILY ALL, OF THE POSSIBLE RISKS THAT SHOULD BE CAREFULLY EVALUATED PRIOR TO PURCHASING ANY BONDS. THE BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL PERSONS, AND PROSPECTIVE PURCHASERS SHOULD CONFER WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF THEIR INVESTMENT IN THE BONDS BEFORE CONSIDERING A PURCHASE OF THE BONDS. See "BONDHOLDERS' RISKS" and "RATINGS."

This cover page contains information for quick reference only and is not a summary of the Bonds. Prospective purchasers must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are being offered when, as and if issued and received by the Underwriters, subject to the delivery of the approving legal opinions of Co–Bond Counsel. In connection with the issuance of the Bonds, certain legal matters will be passed upon for the Board by its General Counsel, Ronald Marmer, by its Co-Issuer's Counsel, Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois, and in connection with the preparation of this Official Statement by its Co–Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Mayer Brown LLP, Chicago, Illinois.

Delivery of the Bonds is expected to be made through the facilities of DTC in New York, New York, on or about November 30, 2017.

J.P. Morgan **Barclays**

Cabrera Capital Markets, LLC **Loop Capital Markets** **Morgan Stanley**

Estrada Hinojosa & Co., Inc. **IFS Securities, Inc.** **Melvin & Company** **Mesirow Financial, Inc.**

PNC Capital Markets LLC **Ramirez & Co., Inc.** **Siebert Cisneros Shank & Co., L.L.C.** **Valdés & Moreno, Inc.**

Dated: November 17, 2017

BOARD OF EDUCATION OF THE CITY OF CHICAGO
UNLIMITED TAX GENERAL OBLIGATION BONDS
(DEDICATED REVENUES)
SERIES 2017

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS
Interest is payable on June 1 and December 1 of each year, commencing June 1, 2018

$351,485,000 Unlimited Tax General Obligation Refunding Bonds
(Dedicated Revenues), Series 2017C

Maturity December 1	Principal Amount	Rate (%)	Yield (%)	Price (%)	CUSIP†
2019	$22,610,000	5.00	3.40	103.072	167505SB3
2020	22,945,000	5.00	3.71	103.633	167505SC1
2021	23,340,000	5.00	3.94	103.889	167505SD9
2022	23,700,000	5.00	4.10	104.033	167505SE7
2023	32,125,000	5.00	4.19	104.259	167505SF4
2024	32,300,000	5.00	4.28	104.316	167505SG2
2025	27,910,000	5.00	4.37	104.216	167505SH0
2026	22,295,000	5.00	4.45	104.043	167505SJ6
2027	22,680,000	5.00	4.55	103.583	167505SK3

$69,630,000 5.00% Term Bonds due December 1, 2030, Yield 4.63%, Price 102.935%* CUSIP 167505SL1
$51,950,000 5.00% Term Bonds due December 1, 2034, Yield 4.70%, Price 102.372%* CUSIP 167505SM9

* Priced to the first optional redemption date of December 1, 2027

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† Copyright 2017, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Bonds and neither the Board nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a series of Bonds is subject to being changed after the issuance of such Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such series 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 a series of Bonds.

$79,325,000 Unlimited Tax General Obligation Refunding Bonds
(Dedicated Revenues), Series 2017D

Maturity December 1	Principal Amount	Rate (%)	Yield (%)	Price (%)	CUSIP†
2019	$5,290,000	5.00	3.40	103.072	167505SN7
2020	5,445,000	5.00	3.71	103.633	167505SP2
2021	5,630,000	5.00	3.94	103.889	167505SQ0
2022	5,775,000	5.00	4.10	104.033	167505SR8
2023	5,920,000	5.00	4.19	104.259	167505SS6
2024	6,105,000	5.00	4.28	104.316	167505ST4
2025	6,200,000	5.00	4.37	104.216	167505SU1
2026	6,360,000	5.00	4.45	104.043	167505SV9
2027	6,500,000	5.00	4.55	103.583	167505SW7

$26,100,000 5.00% Term Bonds due December 1, 2031, Yield 4.66%, Price 102.693%* CUSIP 167505SX5

* Priced to the first optional redemption date of December 1, 2027

$22,180,000 Unlimited Tax General Obligation Refunding Bonds
(Dedicated Revenues), Series 2017E

Maturity December 1	Principal Amount	Rate (%)	Yield (%)	Price (%)	CUSIP†
2021	$22,180,000	5.00	3.94	103.889	167505SY3

$165,510,000 Unlimited Tax General Obligation Refunding Bonds
(Dedicated Revenues), Series 2017F

Maturity December 1	Principal Amount	Rate (%)	Yield (%)	Price (%)	CUSIP[†]
2018	$585,000	5.00	3.00	101.961	167505SZ0
2019	17,475,000	5.00	3.40	103.072	167505TA4
2020	24,760,000	5.00	3.71	103.633	167505TB2
2021	25,995,000	5.00	3.94	103.889	167505TC0
2022	27,300,000	5.00	4.10	104.033	167505TD8
2023	33,855,000	5.00	4.19	104.259	167505TE6
2024	35,540,000	5.00	4.28	104.316	167505TF3

$126,500,000 Unlimited Tax General Obligation Refunding Bonds
(Dedicated Revenues), Series 2017G

$75,635,000 5.00% Term Bonds due December 1, 2034, Yield 4.70%, Price 102.372%* CUSIP 167505TG1
$50,865,000 5.00% Term Bonds due December 1, 2044, Yield 4.78%, Price 101.732%* CUSIP 167505TH9

* Priced to the first optional redemption date of December 1, 2027

$280,000,000 Unlimited Tax General Obligation Bonds
(Dedicated Revenues), Series 2017H

$120,000,000 5.00% Term Bonds due December 1, 2036, Yield 4.72%, Price 102.211%* CUSIP 167505TJ5
$160,000,000 5.00% Term Bonds due December 1, 2046, Yield 4.80%, Price 101.573%* CUSIP 167505TK2

* Priced to the first optional redemption date of December 1, 2027

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Board or the Underwriters to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, 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 Official Statement is neither an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby, 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 Underwriters. Such information and expressions of opinion are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change since the date hereof. Neither this Official Statement 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 Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy, fairness or completeness of such information.

This Official Statement should be considered in its entirety. 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 Bonds are further qualified by reference to the information with respect thereto contained in the applicable Indenture for such Series of the Bonds. Copies of the Indentures are available for inspection at the offices of the Board and the Trustee. The information contained herein is provided as of the date hereof and is subject to change.

Neither the Securities and Exchange Commission, any state securities commission nor any other federal or state regulatory authority has approved or disapproved of the Bonds or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense.

Cautionary Note Regarding Forward-Looking Statements

This Official Statement contains disclosures which contain *"forward–looking statements."* Forward–looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like *"believe," "intend," "expect," "project," "forecast," "estimate," "anticipate," "plan," "continue,"* or similar expressions or by the use of future or conditional verbs such as "*may*," "*will*," "*should*," "*would,*" or "*could*." These forward–looking statements are based on the current plans and expectations of the Board and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control and/or difficult or impossible to predict, that could significantly affect current plans and expectations and the Board's future financial position, including but not limited to changes in general economic conditions, demographic trends and State and federal funding of programs which benefit the Board. As a consequence, current plans, anticipated actions and forecasted or future financial positions and liquidity may differ materially from those expressed in (or implied by) any forward–looking statements made by the Board herein based on a number of factors, including, among others, the amount and availability of State funding, cost reduction, capital markets condition, future long-term and short-term borrowings, the financial condition of the State and/or the City, potential legislative or other actions, and other risks and uncertainties discussed under the caption "BONDHOLDERS' RISKS."

Investors are cautioned not to place undue reliance on such forward–looking statements when evaluating the information presented in this Official Statement. Forward-looking statements speak only as of the date they are made and, except as set forth in this Official Statement under the caption "CONTINUING DISCLOSURE," the Board does not have any obligation, and does not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date hereof, whether as a result of new information, future events or otherwise.

Market Stabilization

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER–ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

MEMBERS

Frank M. Clark
President

Jaime Guzman
Vice President

Mark F. Furlong
Mahalia A. Hines
Arnaldo (Arnie) Rivera
Gail D. Ward
Board Vacancy

MANAGEMENT

Forrest Claypool
Chief Executive Officer

Ronald DeNard
Senior Vice President of Finance

Jennie Huang Bennett
Chief Financial Officer

Ronald Marmer
General Counsel

Jorge Macias
Chief Administrative Officer

Katten Muchin Rosenman LLP
Cotillas and Associates
Co–Bond Counsel

Miller, Canfield, Paddock and Stone, P.L.C.
Pugh, Jones & Johnson, P.C.
Co-Issuer's Counsel to the Board

Thompson Coburn LLP
Burke Burns & Pinelli, Ltd.
Co–Disclosure Counsel to the Board

PFM Financial Advisors LLC
Acacia Financial Group, Inc.
Co-Financial Advisors

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BOARD OF EDUCATION OF THE CITY OF CHICAGO

$745,000,000
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES)
SERIES 2017C-G

$351,485,000 **SERIES 2017C**	**$79,325,000** **SERIES 2017D**	**$22,180,000** **SERIES 2017E**

$165,510,000 **SERIES 2017F**	**$126,500,000** **SERIES 2017G**

$280,000,000
UNLIMITED TAX GENERAL OBLIGATION BONDS
(DEDICATED REVENUES), SERIES 2017H

INTRODUCTION

General

The purpose of this Official Statement, 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 $351,485,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C (the "Series 2017C Bonds"), its $79,325,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D (the "Series 2017D Bonds"), its $22,180,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E (the "Series 2017E Bonds"), its $165,510,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F (the "Series 2017F Bonds"), its $126,500,000 General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G (the "Series 2017G Bonds"), and its $280,000,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, (the "Series 2017H Bonds," and collectively with the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017G Bonds, the "Bonds"). Each Series of the Bonds will be issued under a separate Trust Indenture, (each an "Indenture" and collectively, the "Indentures"), by and between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee, registrar and paying agent for each Series (the "Trustee"). See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

The Board

The Board is a body politic and corporate of the State of Illinois (the "State"). The Board is established under and governed by Article 34 of the School Code (105 ILCS 5) (the "School Code") of the State. The Board maintains a system of public schools within its boundaries (the "School District") for pre–kindergarten through grade twelve. The School District has boundaries coterminous with the boundaries of the City of Chicago (the "City"). 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 "Mayor"). The Board operates on a Fiscal Year ending June 30 (the "Fiscal Year").

The Bonds and Use of Proceeds

The proceeds of the Bonds will be used to (i) refund certain outstanding bonds of the Board for debt service savings, including certain variable rate bonds, (ii) restructure a portion of the Board's outstanding debt by refunding certain bonds maturing on or prior to December 1, 2020, and financing the payment of "Existing Debt Service" consisting of certain interest payments due on or before December 1, 2019 on other outstanding bonds of the Board, (iii) pay certain costs of implementing the Board's Capital Improvement Program (as defined herein), (iv) fund capitalized interest on the Series 2017H Bonds, and (v) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE."

Security for the Bonds

The Bonds are general obligations of the Board and are "alternate revenue bonds" secured from one or more dedicated revenue sources (the "Pledged Revenues"). The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Bonds. Each Series of the Bonds is also secured by a pledge of certain Pledged Revenues as provided in the applicable Indenture securing such Series of the Bonds. Under each Bond Resolution, the Board has levied ad valorem property taxes without limitation as to rate or amount against all of the taxable property within the School District for each year that such Series of the Bonds is outstanding, in amounts sufficient to pay debt service on such Series of the Bonds when due (the "Pledged Taxes"). In addition, the Board has covenanted under each Indenture to take all actions necessary to cause the levy and extension of ad valorem property taxes in excess of those previously levied, if necessary, to pay debt service on the applicable Series of the Bonds. The Bonds are also payable from all funds, accounts and sub–accounts established as security for such Bonds pursuant to the applicable Indenture. See "SECURITY FOR THE BONDS" for a further description of the Pledged Revenues securing each Series of the Bonds and for a discussion of certain risks related to the security for the Bonds see "BONDHOLDER'S RISKS - Availability of Pledged State Aid Revenues," "- Availability of Pledged PPRT Revenues," "- Availability of Intergovernmental Agreement Revenues," "- Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues," and "– Bankruptcy of the Board."

Bondholders' Risks and Suitability of Investment

INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS, AND PROSPECTIVE PURCHASERS SHOULD READ THE INFORMATION UNDER THE HEADING "BONDHOLDERS' RISKS" FOR A DISCUSSION OF SOME, BUT NOT NECESSARILY ALL, OF THE POSSIBLE RISKS THAT SHOULD BE CAREFULLY EVALUATED PRIOR TO PURCHASING ANY BONDS. THE BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL PERSONS. PROSPECTIVE PURCHASERS SHOULD CONFER WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF THEIR INVESTMENT IN THE BONDS BEFORE CONSIDERING A PURCHASE OF THE BONDS. See "BONDHOLDERS' RISKS."

Certain References

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

The references in this Official Statement to the locations of certain information on various websites are noted as of the date of this Official Statement and are included herein solely for general background purposes and for the convenience of Bondholders. There is no assurance that such information will be maintained or updated on such websites in the future. None of the information on such websites is incorporated by reference into this Official Statement and neither the Board nor the

Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

PLAN OF FINANCE

Overview

The proceeds of the Bonds will be used for the purposes described below and in the table entitled "Sources and Uses of Funds." For the impact of the issuance of the Bonds on the Board's debt service obligations, see "DEBT STRUCTURE – Board's Long-Term Debt Service Schedule."

Refunding Bonds

Series 2017C Bonds and Series 2017D Bonds. The proceeds of the Series 2017C Bonds and Series 2017D Bonds will be used to (i) refund the Board's variable rate Unlimited Tax General Obligation Bonds (Dedicated Revenues) as described in the table below (the "Variable Rate Refunded Bonds"), to fix the interest rate for debt service savings, and (ii) pay the costs of issuance of the Series 2017C Bonds and the Series 2017D Bonds.

Variable Rate Refunded Bonds

Series	Outstanding Principal Amount	Refunding Bonds Series
2011 C–1	$ 40,300,000	Series 2017C Bonds
2011 C–2	39,700,000	Series 2017C Bonds
2013 A–1	71,685,000	Series 2017C Bonds
2013 A–2	124,320,000	Series 2017C Bonds
2015 A	80,300,000	Series 2017D Bonds
2015 G	79,800,000	Series 2017C Bonds

The Variable Rate Refunded Bonds are to be redeemed on December 18, 2017 at a redemption price of par plus accrued interest.

Series 2017E Bonds and Series 2017F Bonds. The proceeds of the Series 2017E Bonds will be used to (i) refund the Board's Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005B for debt service savings, and (ii) pay the costs of issuance of the Series 2017E Bonds. The proceeds of the Series 2017F Bonds will be used to (i) refund a portion of the Board's Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B and Series 2007C (the "Series 2007B/C Bonds"), for debt service savings, and (ii) pay the costs of issuance of the Series 2017F Bonds. The Series 2005B Bonds, the Series 2007B Bonds maturing December 1, 2019 through 2024, and the Series 2007C Bonds maturing December 1, 2018 through 2024 will be redeemed on December 18, 2017 at par. The Series 2007B Bonds maturing on December 1, 2017 will be paid at maturity at par plus accrued interest.

Series 2017G Bonds. The proceeds of the Series 2017G Bonds will be used to (i) restructure a portion of the Board's outstanding debt by (i) refunding certain of the Board's Unlimited Tax General Obligation Bonds (Dedicated Revenues) maturing on or prior to December 1, 2020, (ii) financing the payment of "Existing Debt Service" consisting of certain interest payments due on or before December 1, 2019 on other outstanding bonds of the Board, and (iii) paying costs of issuance of such Series 2017G Bonds. The refunding of such short-term Existing Debt Service with long-term debt is expected to reduce the Board's use of State Aid payments for debt service in Fiscal Year 2018 and Fiscal Year 2019. The average maturity of the Board's outstanding debt will be extended through this refunding and restructuring and the Board's annual debt service costs in Fiscal Years 2020 to 2045 will increase.

The bonds being refunded with the proceeds of the Bonds and the Existing Debt Service funded with the proceeds of the Bonds are referred to herein as the "Refunded Bonds." See APPENDIX L – "REFUNDED BONDS" for further information regarding the Refunded Bonds.

To provide for the payment of (and in certain cases the defeasance of) the Refunded Bonds, certain proceeds of the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017G Bonds will be used to purchase securities constituting direct obligations of the United States of America (collectively, the "Government Obligations") and to provide initial cash deposits. The principal of and interest on the Government Obligations, together with available cash deposits, will be sufficient (i) to pay when due the interest on the Refunded Bonds to their respective maturity or redemption dates (or in the case of the payment of Existing Debt Service, the payment date thereof), and (ii) to pay or redeem the Refunded Bonds on their respective maturity or redemption dates at their respective principal amounts or redemption prices.

The Government Obligations purchased with the proceeds of the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017G Bonds, together with available cash deposits, will be held in trust with the respective trustees for the Refunded Bonds (collectively, the "Escrow Funds"). Neither the cash on deposit, the maturing principal of the Government Obligations nor the interest to be earned thereon will serve as security for or be available for the payment of the principal of or the interest on the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017G Bonds, respectively.

The accuracy of the mathematical computations regarding the adequacy of the maturing principal of and interest earnings on the Government Securities together with the initial cash deposits in the Escrow Funds to pay the debt service described above on the Refunded Bonds will be verified by Causey Demgen & Moore P.C.

Capital Improvement Funding Series 2017H Bonds

The proceeds of the Series 2017H Bonds will be used to (i) pay certain costs of implementing the Board's Capital Improvement Program (as defined herein), (ii) fund certain capitalized interest on the Series 2017H Bonds, and (iii) pay the costs of issuance of the Series 2017H Bonds. For additional information regarding the Board's Capital Improvement Program, see "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program."

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Sources and Uses of Funds

The following table shows the sources and uses of funds in connection with the issuance and sale of the Bonds:

SOURCES:	**Series 2017C**	**Series 2017D**	**Series 2017E**	**Series 2017F**	**Series 2017G**	**Series 2017H**	**Total**
Bond Proceeds:							
Principal Amount	$351,485,000.00	$79,325,000.00	$22,180,000.00	$165,510,000.00	$126,500,000.00	$280,000,000.00	$1,025,000,000.00
Premium	12,320,547.75	2,782,101.50	862,580.20	6,535,580.05	2,675,044.00	5,170,000.00	30,345,853.50
Other Sources of Funds:							
Debt Service Funds Released	10,527,928.77	2,376,000.00	568,375.00	19,881,100.00	769,625.00		34,123,028.77
Board Contribution						38,888.89	38,888.89
Total Sources of Funds	$374,333,476.52	$84,483,101.50	$23,610,955.20	$191,926,680.05	$129,944,669.00	$285,208,888.89	$1,089,507,771.16
USES:							
Fund Capital Expenditures						$254,118,535.21	$254,118,535.21
Refunding Deposits:							
Cash Deposit	2,631,989.77	594,001.00	568,375.86	19,881,100.64	769,648.23		24,445,115.50
SLGS Purchases	357,296,454.00	80,636,600.00	22,788,679.00	170,199,922.00	127,748,912.00		758,670,567.00
Fund Capitalized Interest:							
Bond Proceeds						28,000,000.00	28,000,000.00
Board Contribution						38,888.89	38,888.89
Pay Costs of Issuance*	3,877,103.98	876,500.50	253,900.34	1,845,657.41	1,426,108.77	3,051,464.79	11,330,735.79
Transfer of Released Debt Service Funds	10,527,928.77	2,376,000.00					12,903,928.77
Total Uses of Funds	$374,333,476.52	$84,483,101.50	$23,610,955.20	$191,926,680.05	$129,944,669.00	$285,208,888.89	$1,089,507,771.16

* Includes Underwriters' discount and expenses.

Future Financings

Contemporaneously with the issuance of the Bonds, the Board will issue $64.9 million of Dedicated Capital Improvement Tax Bonds, Series 2017 (the "2017 CIT Bonds") pursuant to a separate indenture to finance its Capital Improvement Program.

The Board relied on short-term borrowing to fund liquidity and cash flow in Fiscal Years 2016 and 2017. The Board has levied in calendar year 2017 for collection in calendar year 2018, approximately $2.34 billion of ad valorem property taxes for educational purposes (the "2017 Tax Levy") and has authorized the issuance of up to $1.55 billion of tax anticipation notes in anticipation of the collection of the 2017 Tax Levy (the "2017 TANs"). As of November 1, 2017, the Board has issued the first tranches of 2017 TANs in the aggregate amount of $550 million and expects to issue an additional $50 million of 2017 TANs in calendar year 2017. The Board expects to issue additional TANs throughout Fiscal Year 2018 to fund its cash flow needs in an amount up to the authorized amount of $1.55 billion. See "DEBT STRUCTURE – Tax Anticipation Notes."

The Board's variable rate Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2013A-3, outstanding in the principal amount of $157,055,000, are scheduled for remarketing June 1, 2018 and the Board expects to remarket or issue bonds to refund such bonds to fix the interest rate on such bonds. See "DEBT STRUCTURE – Board's Variable Rate Bonds."

The Board expects to continue to review its capital needs and the use of additional bond financings in the future. See "CHICAGO PUBLIC SCHOOLS – Capital Improvement Program." In addition, the Board expects to issue additional short-term and long-term obligations, from time to time, to address its liquidity needs and may refinance and restructure debt service for budgetary relief or convert variable rate bonds to a fixed rate. See "FINANCIAL INFORMATION – Fiscal Year 2018 Budget," "CASH FLOW AND LIQUIDITY," "BONDHOLDERS' RISKS – Cash Flow and Liquidity and Future Borrowings."

THE BONDS

General

The Bonds 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 Bonds and the book–entry only system are described in APPENDIX C – "BOOK–ENTRY ONLY SYSTEM." Except as described APPENDIX C – "BOOK–ENTRY ONLY SYSTEM," beneficial owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC "*Participant*" (as defined in APPENDIX C), 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 Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner's Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, references herein to Bondholders or registered owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds.

The Bonds shall be issued only in fully registered form without coupons and shall be dated the date of issuance. The Bonds of each Series shall mature on the dates and in the principal amounts shown on the inside cover page hereof. The Bonds shall be issued in the denomination of $100,000 and any integral multiple of $5,000 in excess thereof (the "Authorized Denominations"), but no single Bond shall represent principal maturing on more than one date. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

Interest on the Bonds

The Bonds of each Series shall bear interest at the respective rates shown on the inside cover page hereof. Each Bond shall bear interest from the Interest Payment Date to which interest has been paid or as of the date on which it is authenticated prior to the first date on which interest is to be paid. Interest on the Bonds shall be payable on June 1 and December 1 of each year, commencing June 1, 2018. Interest on each Bond will be payable on each Interest Payment Date to the person in whose name the Bond is registered at the close of business on the fifteenth day of the calendar month next preceding each Interest Payment Date. Interest on the Bonds is computed on the basis of a 360–day year consisting of 12 months of 30 days each.

Redemption Provisions

Optional Redemption.

Series 2017C Bonds. The Series 2017C Bonds maturing on or after December 1, 2030 are subject to prior redemption at the option of the Board, in whole or in part (and if in part, in an Authorized Denomination), in such principal amounts and from such maturities as the Board shall determine, and within any maturity by lot, on any date on or after December 1, 2027, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

Series 2017D Bonds. The Series 2017D Bonds maturing on December 1, 2031 are subject to prior redemption at the option of the Board, in whole or in part (and if in part, in an Authorized Denomination), in such principal amounts as the Board shall determine, and in part by lot, on any date on or after December 1, 2027, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

Series 2017E Bonds. The Series 2017E Bonds are not subject to optional redemption prior to maturity.

Series 2017F Bonds. The Series 2017F Bonds are not subject to optional redemption prior to maturity.

Series 2017G Bonds. The Series 2017G Bonds are subject to prior redemption at the option of the Board, in whole or in part (and if in part, in an Authorized Denomination), in such principal amounts and from such maturities as the Board shall determine, and within any maturity by lot, on any date on or after December 1, 2027, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

Series 2017H Bonds. The Series 2017H Bonds are subject to prior redemption at the option of the Board, in whole or in part (and if in part, in an Authorized Denomination), in such principal amounts and from such maturities as the Board shall determine, and within any maturity by lot, on any date on or after December 1, 2027 at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

Series 2017C Bonds. The Series 2017C Bonds maturing on December 1, 2030 and December 1, 2034 are subject to mandatory redemption prior to maturity, in part, at a Redemption Price equal to the principal amount thereof, plus accrued interest, on December 1 of the years and in the aggregate principal amounts set forth in the following tables:

Series 2017C Term Bonds
Maturing December 1, 2030

Redemption Dates (December 1)	Principal Amount
2028	$22,990,000
2029	23,215,000
2030†	23,425,000

†Final Maturity

Series 2017C Term Bonds
Maturing December 1, 2034

Redemption Dates (December 1)	Principal Amount
2031	$22,165,000
2032	9,970,000
2033	9,940,000
2034†	9,875,000

†Final Maturity

Series 2017D Bonds. The Series 2017D Bonds maturing on December 1, 2031 are subject to mandatory redemption prior to maturity, in part, at a Redemption Price equal to the principal amount thereof, plus accrued interest, on December 1 of the years and in the aggregate principal amounts set forth in the following table:

Redemption Dates (December 1)	Principal Amount
2028	$6,490,000
2029	6,675,000
2030	6,815,000
2031†	6,120,000

†Final Maturity

Series 2017G Bonds. The Series 2017G Bonds maturing on December 1, 2034 and December 1, 2044 are subject to mandatory redemption prior to maturity, in part, at a Redemption Price equal to the principal amount thereof, plus accrued interest, on December 1 of the years and in the aggregate principal amounts set forth in the following tables:

Series 2017G Term Bonds
Maturing December 1, 2034

Redemption Dates (December 1)	Principal Amount
2031	$17,550,000
2032	18,420,000
2033	19,350,000
2034†	20,315,000

†Final Maturity

Series 2017G Term Bonds
Maturing December 1, 2044

Redemption Dates (December 1)	Principal Amount
2043	$25,055,000
2044†	25,810,000

†Final Maturity

Series 2017H Bonds. The Series 2017H Bonds maturing on December 1, 2036 and December 1, 2046 are subject to mandatory redemption prior to maturity, in part, at a Redemption Price equal to the principal amount thereof, plus accrued interest, on December 1 of the years and in the aggregate principal amounts set forth in the following tables:

Series 2017H Term Bonds
Maturing December 1, 2036

Redemption Dates (December 1)	Principal Amount
2030	$9,740,000
2031	15,475,000
2032	16,250,000
2033	17,060,000
2034	17,915,000
2035	21,310,000
2036†	22,250,000

†Final Maturity

Series 2017H Term Bonds
Maturing December 1, 2046

Redemption Dates (December 1)	Principal Amount
2043	$37,120,000
2044	38,980,000
2045	40,925,000
2046†	42,975,000

†Final Maturity

The Bonds shall be selected for mandatory sinking fund redemption as described below under "— Redemption Provisions — *Selection of Bonds for Redemption.*"

Purchase of Bonds In Lieu of Mandatory Sinking Fund Redemption. On or before the 60th day next preceding any mandatory sinking fund redemption date for the Bonds of a Series, at the written direction of the Senior Vice President of Finance of the Board, moneys held under the applicable Indenture for the mandatory sinking fund redemption of Bonds of such Series on such date may be applied to the purchase of Bonds subject to mandatory sinking fund redemption on such date in a principal amount not exceeding the principal amount of such Bonds subject to mandatory redemption on such date. The Bonds of a Series so purchased shall be delivered to the Trustee and canceled. Each such Bond or portion thereof so purchased, delivered and canceled shall be credited against the mandatory sinking fund redemption obligation of the Board on such date.

Reduction of Mandatory Redemption Amounts. At its option, to be exercised on or before the 60th day next preceding any mandatory sinking fund redemption date for the Bonds, the Board may (i) deliver to the Trustee for cancellation Bonds or portions thereof in Authorized Denominations or (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for such Bonds or portions thereof in Authorized Denominations, which prior to said date have been redeemed (otherwise than through the operation of such mandatory sinking fund redemption) and canceled by the Trustee and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each such Bond or portion thereof subject to mandatory sinking fund redemption so delivered or previously redeemed shall be credited against future mandatory sinking fund redemption obligations in such order as the Board shall designate, or if no such designation is made, in chronological order.

Redemption Procedures.

General. In the case of any redemption of the Bonds of a Series at the option of the Board, the Board shall give written notice to the Trustee under the applicable Indenture securing such Bonds of its election or direction to so redeem, of the date fixed for redemption, and of the principal amounts of the Bonds of each maturity to be redeemed. Such notice shall be given at least 45 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 provided in the applicable Indenture as described herein under the heading " – Notice of Redemption", (i) there shall be paid on or prior to the specified redemption date to the Trustee under the applicable Indenture an amount in cash and/or Defeasance 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 Bonds 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 registered owners of the Bonds so called for redemption, or (ii) such redemption notice given in the case of an optional redemption may state that any redemption is conditional on such funds being deposited on the redemption date, and that failure to deposit such funds shall not constitute an Event of Default under the applicable Indenture.

Whenever the Trustee is required to redeem the Bonds of a Series pursuant to the mandatory sinking fund provisions of the applicable Indenture, the Trustee shall select the Bonds of such Series to be redeemed, give the notice of redemption and pay the Redemption Price thereof, plus interest accrued and unpaid to the date fixed for redemption, in accordance with the terms of the applicable Indenture, without further direction from the Board.

Selection of Bonds for Redemption. Whenever Bonds are redeemed, whether pursuant to mandatory sinking fund redemption or optional redemption, the particular Bonds or portion thereof to be redeemed shall be selected as follows: (i) any Bond of a denomination of more than $100,000 shall be in the principal amount of an Authorized Denomination and (ii) in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of the Bonds which is obtained by dividing the principal amount of such Bond to be redeemed in part by $100,000. No such redemption shall cause the remaining principal amount of Bonds of any Series maturity outstanding to be less than $100,000. If all Bonds are held in book-entry only form, the particular Bonds or portions thereof to be redeemed shall be selected by the securities depository for the Bonds in such manner as such securities depository shall determine.

<u>Notice of Redemption</u>. For a description of the giving of notices while the Bonds are in the book–entry only system, see APPENDIX C – "BOOK–ENTRY ONLY SYSTEM." When the Trustee shall receive notice from the Board of its election or direction to redeem Bonds of a Series pursuant to the applicable Indenture as described herein under the heading " – <u>Optional Redemption</u>" or when the Trustee shall be required to redeem Bonds of a Series pursuant to the applicable Indenture as described herein under the heading " – <u>Mandatory Sinking Fund Redemption</u>", the Trustee shall give notice, in the name of the Board, of the redemption of such Bonds, which notice shall specify the maturities of the Bonds to be redeemed, the date fixed for the 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 Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds 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 whether the redemption is conditioned upon sufficient moneys being available on the redemption date, or any other conditions. Such notice shall further state that on the redemption date there will become due and payable the Redemption Price of each Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds 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 less than 30 days and not more than 60 days before the date fixed for redemption, to the registered owners of the Bonds to be redeemed at their addresses as shown on the registration books of the Board maintained by the Registrar; *provided*, that if all Bonds are held in book–entry only form, such notice may be given pursuant to the then–existing agreement with the securities depository for the Bonds. The failure of the Trustee to give notice to a registered owner of any Bond or any defect in such notice shall not affect the validity of the redemption of any other Bonds as to which proper notice was given.

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Bond of Series while in the book–entry only system, see APPENDIX C – "BOOK–ENTRY ONLY SYSTEM." Subject to the limitations described below, each Bond of a Series shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the Trustee, 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 Trustee, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Bond of a Series, the Board shall issue in the name of the transferee a new Bond or Bonds of such Series in Authorized Denominations of the same aggregate principal amount. The Board and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond 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 Bond 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 Bond to the extent of the sum or sums so paid, and neither the Board nor the Trustee shall be affected by any notice to the contrary.

Defeasance

The Bonds of a Series or interest installments thereon for the payment or redemption of which moneys have been set aside and held in trust by the Trustee under the applicable Indenture at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of the applicable Indenture and the pledge of the Trust Estate under the applicable Indenture and all covenants, agreements and other obligations of the Board thereunder shall be discharged and satisfied with respect to such Bonds. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

SECURITY FOR THE BONDS

The Bonds Are General Obligations of the Board

The Bonds are the direct and general obligations of the Board. The full faith and credit and taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds are not secured by any real property of the Board or any physical assets of the Board. The maturity of a Series of the Bonds cannot be accelerated in the event that the Board fails to pay any installment of interest on, or principal of, such Series of the Bonds when due. The Bonds are not the obligations of the City, the State or any political subdivision of the State other than the Board. Neither the full faith and credit nor the taxing power of the City, the State or any political subdivision of the State other than the Board is pledged to the payment of the Bonds.

Alternate Revenue Bonds

The Bonds are "alternate bonds" (defined herein as "Alternate Revenue Bonds") issued under the School Code and the Local Government Debt Reform Act, as amended (30 ILCS 350 et. seq.) (the "Debt Reform Act"). The Debt Reform Act authorizes the Board to adopt a resolution authorizing the issuance of bonds as Alternate Revenue Bonds (each such resolution is referred to herein as an "Authorization"). Each Authorization authorizes the issuance of Alternate Revenue Bonds in a not to exceed principal amount payable from a dedicated revenue source (the "Pledged Revenues"). Each Series of the Bonds is also issued pursuant to a bond resolution adopted by the Board.

Sources of Payment for the Bonds

Each Series of the Bonds is payable from and secured under the applicable Indenture by a pledge of and lien on (i) the Pledged Revenues pledged pursuant to the applicable Authorization under the applicable Indenture to secure such Series of the Bonds, and (ii) the Pledged Taxes. Each Series of Bonds is also payable from all Funds, Accounts and Sub–Accounts pledged as security for the payment of such Series of the Bonds under the applicable Indenture.

The Board has determined that the Pledged Revenues securing each Series of the Bonds, will provide in each year an amount not less than 1.10 times annual debt service on Bonds to be paid from a governmental revenue source as described in the Debt Reform Act and 1.25 times annual debt service on Bonds to be paid from any Pledged Revenues that do not constitute a governmental revenue source (the "Statutory Coverage").

Pledge and Lien Under Debt Reform Act

As Alternate Revenue Bonds, the Bonds are entitled to the benefits and security of the Debt Reform Act that provides that the pledge of the applicable Pledged Revenues and the Pledged Taxes as security for the payment of the Bonds is valid and binding from the time such pledge is made and that such Pledged Revenues, Pledged Taxes and the other moneys and funds so pledged and thereafter received by the Board shall be immediately subject to the lien of such pledge without any physical delivery or further act and that the lien of such pledge is 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 of such lien. Pursuant to each Indenture, the Board has granted to the Trustee for the benefit of the holders of the applicable Series of Bonds a lien on the applicable Pledged Revenues and Pledged Taxes. The Debt Reform Act also provides that covenants relating to Alternate Revenue Bonds are enforceable by any Bondholder, any taxpayer of the Board and the people of the State acting through the Attorney General of the State or any designee. The right to such enforcement is included in each Indenture securing a Series of the Bonds.

Pledged Revenues

Overview. The Pledged Revenues securing one or more Series of the Bonds consist of Pledged State Aid Revenues (as defined herein), Pledged PPRT Revenues (as defined herein), and Intergovernmental Agreement Revenues (as defined herein). As described more fully herein, the Series 2017C Bonds and the Series 2017D Bonds are secured by a pledge of Pledged State Aid Revenues; the Series 2017E Bonds are secured by a pledge of Pledged PPRT Revenues; the Series 2017F Bonds are secured by a pledge of Pledged PPRT Revenues and Intergovernmental Agreement Revenues; the Series 2017G Bonds are secured by a pledge of Pledged State Aid Revenues and Pledged PPRT Revenues; and the Series 2017H Bonds are secured by a pledge of Pledged State Aid Revenues, Pledged PPRT Revenues, and Intergovernmental Agreement Revenues.

The Series 2017F Bonds, Series 2017G Bonds and Series 2017H Bonds are payable from multiple sources of Pledged Revenues as described above. Each source of Pledged Revenues is allocated under the applicable Indenture to the funding of specified debt service and coverage obligations on such Bonds as described in APPENDIX D - ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2017F BONDS, SERIES 2017G BONDS AND SERIES 2017H BONDS."

Pledged State Aid Revenues. The Board has issued and there is outstanding approximately $5.8 billion of Alternate Revenue Bonds secured by Pledged State Aid Revenues (the "Outstanding Pledged State Aid Revenue Bonds") and such bonds, together with the Series 2017C Bonds, the 2017D Bonds, Series 2017G Bonds and the Series 2017H Bonds, are referred to herein as "Pledged State Aid Revenue Bonds." "Pledged State Aid Revenues" consist of a portion of the State Aid (as defined herein) payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement act as may be enacted from time to time (the "State Aid Revenues"). On August 31, 2017, P.A. 100-465 (as herein defined) became effective which amends certain provisions of Article 18 of the School Code relating to State Aid; State Aid Revenues that secure the Board's Pledged State Aid Revenue Bonds are the State Aid payments to the Board pursuant to Article 18 of the School Code, as amended by P.A. 100-465. For a discussion of P.A. 100-465 and the calculation and distribution of State Aid pursuant to its provisions, see "STATE FUNDING OF THE BOARD UNDER PUBLIC ACT 100-465" and "STATE AID REVENUES."

Pledged PPRT Revenues. The Board has issued and there are outstanding Alternate Revenue Bonds secured by Pledged PPRT Revenues (the "Outstanding Pledged PPRT Revenue Bonds") and such bonds, together with the Series 2017E Bonds, the 2017F Bonds, the 2017G Bonds and the Series 2017H Bonds, are referred to herein as "Pledged PPRT Revenue Bonds." The pledge of PPRT Revenues as Pledged Revenues securing Alternate Revenue Bonds of the Board has historically been combined with one or more additional sources of Pledged Revenues with each source allocated to specified debt service and coverage obligations of the Board that secure such bonds. See "PERSONAL PROPERTY REPLACEMENT TAX REVENUES – PPRT Revenues Pledged to Secure Alternate Revenue Bonds" for a description of the amount of such revenues pledged to Outstanding Pledged PPRT Revenue Bonds. Pledged PPRT Revenues include those amounts allocated and paid to the Board from the Personal Property Replacement Tax Replacement Fund of the State pursuant to Section 12 of the State Revenue Sharing Act of the State of Illinois, as amended (the "PPRT Act"), or from such successor or replacement fund or act as may be enacted from time to time (the "Personal Property Replacement Tax Revenues" or "PPRT Revenues") remaining after any required allocation thereof to provide for the payment of those claims, currently for pension or retirement obligations, that are required to be paid from the Personal Property Replacement Tax Revenues prior to any other application or use thereof pursuant to the PPRT Act, or such successor or replacement act as may be enacted in the future (the "Statutory Claims"). There are currently no Statutory Claims. See "PERSONAL PROPERTY REPLACEMENT TAX REVENUES."

Intergovernmental Agreement Revenues. The Board has issued and there is outstanding Alternate Revenue Bonds secured by Intergovernmental Agreement Revenues (the "Outstanding Intergovernmental Revenue Bonds") and such bonds, together with the 2017F Bonds and the Series 2017H Bonds, are referred to herein as "Intergovernmental Agreement Revenue Bonds." The pledge of Intergovernmental Agreement Revenues as Pledged Revenues securing Alternate Revenue Bonds of the Board has historically been combined with one or more additional sources of Pledged Revenues with each source allocated to specified debt service and coverage obligations of the Board that secure such bonds. "Intergovernmental Agreement Revenues" (or "IGA Revenues") include those amounts paid to the Board pursuant to an Intergovernmental Agreement (the "Intergovernmental Agreement") dated as of October 1, 1997, by and between the Board and the City (the "Intergovernmental Agreement Revenues"). The amounts to be provided by the City pursuant to the Intergovernmental Agreement will be derived from the proceeds of ad valorem property taxes levied in specified years by the City on all taxable property within the City. See "INTERGOVERNMENTAL AGREEMENT REVENUES."

Bond Resolutions

The Series 2017C Bonds, Series 2017D Bonds, Series 2017E Bonds, and Series 2017F Bonds are issued pursuant to Resolution No. 17-0828-RS6 adopted by the Board on August 28, 2017, as amended by Resolution No. 17-1025-RS6 adopted by the Board on October 25, 2017 (the "Refunding Bond Resolution"), authorizing the issuance of Bonds in a principal amount not to exceed $745,000,000 for the purpose of paying the cost of refunding outstanding bonds of the Board. Each such Series of Bonds is secured by a pledge of the same Pledged Revenues that secured the bonds that such Series will refund.

The Series 2017G Bonds are issued pursuant to Resolution No. 16-0824-RS5 of the Board adopted by the Board on August 24, 2016 (the "2016 Authorization") authorizing the issuance of Alternate Revenue Bonds in an amount not to exceed $945,000,000 and the Refunding Bond Resolution.

The Series 2017C Bonds, Series 2017D Bonds, Series 2017E Bonds, Series 2017F Bonds and Series 2017G Bonds are collectively referred to herein as the "Refunding Bonds."

The Series 2017H Bonds are issued pursuant to Resolution No. 17-1025-RS5 adopted by the Board on October 25, 2017 authorizing the issuance of Bonds in a principal amount not to exceed $280,000,000 for the purpose of paying the cost of capital improvements and the 2016 Authorization.

Series Authorization, Pledged Revenues and Statutory Coverage

The applicable Pledged Revenues and "Statutory Coverage" for each Series of Bonds is derived from original Board Authorizations. In the case of the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds, and the Series 2017F Bonds, the original Board Authorizations were adopted in prior years to authorize bonds which were issued in prior years and subsequently refunded by such Bonds. The following table sets forth the Board Authorization, the Pledged Revenues, and the Statutory Coverage for each Series of the Bonds.

Series of Bonds	Board Authorization	Pledged Revenues	Statutory Coverage
2017C	2006, 2008 and 2009	Pledged State Aid Revenues	1.10x
2017D	1998	Pledged State Aid Revenues	1.25x
2017E	2006 and 2008	Pledged PPRT Revenues	1.25x
2017F	2006	Pledged PPRT Revenues and Intergovernmental Agreement Revenues	1.25x
2017G	2016	Pledged State Aid Revenues and Pledged PPRT Revenues	1.25x
2017H	2016	Pledged State Aid Revenues, Pledged PPRT Revenues and Intergovernmental Agreement Revenues	1.25x

Outstanding Pledged State Aid Revenue Bonds, Outstanding Pledged PPRT Revenue Bonds and Outstanding Intergovernmental Agreement Revenue Bonds

The Board has previously issued and there are outstanding Alternate Bonds payable from sources that include the Pledged Revenues as described below (collectively the "Prior Authorization Bonds"). The Prior Authorization Bonds, the Prior Pledged PPRT Authorization Bonds (as defined herein) and the Prior Intergovernmental Agreement Authorization Bonds (as defined herein) include bonds expected to be refunded. See "PLAN OF FINANCE."

Board Authorizations and Outstanding Pledged State Aid Revenue Bonds. Each Series of State Aid Revenue Bonds is entitled to the particular pledge of State Aid Revenues provided for in the applicable Board Authorization for that Series. Bonds entitled to the particular pledge included in a Board Authorization are on parity with respect to the State Aid Revenues pledged by such Authorization.

1998 Authorization. Bonds issued pursuant to Resolution No. 98-0826-RS7 of the Board adopted by the Board on August 26, 1998 (the "1998 Authorization") authorizing the issuance of Alternate Revenue Bonds payable from not more than $175,000,000 of State Aid Revenues: $4,585,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2003C, $8,975,375 Unlimited Tax General Obligation Bonds, Series 2004A and $245,415,475 Unlimited Tax General Obligation Bonds, Series 2005A.

2006 Authorization. Bonds issued pursuant to Resolution No. 06-0628-RS78 of the Board adopted by the Board on June 28, 2006 (the "2006 Authorization") authorizing the issuance of Alternate Revenue Bonds payable from not more than $125,000,000 of State Aid Revenues: $42,991,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2006B; $3,740,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues); Series 2007C, $169,195,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2007D; and $40,940,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 2009D.

2008 Authorization. Bonds issued pursuant to Resolution No. 08-0227-RS13 of the Board adopted by the Board on February 27, 2008 (the "2008 Authorization") authorizing the issuance of Alternate Revenue Bonds payable from not more than $225,000,000 of State Aid Revenues: $262,785,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 2008A; $177,550,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 2008B; $464,655,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 2008C; $518,210,000 Unlimited Tax General Obligation Bonds (Dedicated Tax

Revenues), Series 2009E; and $254,240,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2009G.

2009 Authorization. Bonds issued pursuant to Resolution No. 09-0722-RS11 of the Board adopted by the Board on July 22, 2009 (the "2009 Authorization") authorizing the issuance of Alternate Revenue Bonds payable from not more than $300,000,000 of State Aid Revenues: $257,125,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2010C; $125,000,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2010D; $161,300,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 2010F; $5,235,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 2010G; $402,410,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2011A; $83,700,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 2011C; and $468,915,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2012A.

2016 Authorization. $215,000,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2017B issued pursuant to Resolution No. 16-0824-RS5 of the Board adopted by the Board on August 24, 2016 (the "2016 Authorization") authorizing the issuance of Alternate Revenue Bonds payable from not more than the amount of State Aid Revenues as follows:

Bond Payment Year	**Annual Amount**
2017	$27,000,000
2018 to 2037	$50,000,000
2038 to 2042	$51,000,000
2043	$135,000,000
2044	$138,000,000
2045 and 2046	$189,000,000

Outstanding Pledged PPRT Revenue Bonds. The portion of the Bonds secured by Pledged PPRT Revenues (the "Pledged PPRT Revenue Bonds") are being issued on a parity basis, as to the claim on Pledged PPRT Revenues, with the Board's outstanding bonds as follows: Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 1998B-1, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 1999A, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005B, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B and Series 2007C and the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A (collectively, the "Prior Pledged PPRT Authorization Bonds").

Outstanding Intergovernmental Agreement Revenue Bonds. The portion of the Bonds secured by Intergovernmental Agreement Revenues (the "Intergovernmental Agreement Revenue Bonds") are being issued on a parity basis, as to the claim on the Intergovernmental Agreement Revenues, with the Board's outstanding bonds as follows: Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1998B-1; Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1999A; Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B and Series 2007C; and Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2008A (collectively, the "Prior Intergovernmental Agreement Authorization Bonds").

Additional Bonds Payable from Pledged Revenues

Pursuant to each Indenture, the Board reserves the right to issue Additional Bonds, from time to time, payable on a parity basis with the applicable Series of the Bonds and any outstanding Prior Authorization Bonds from all or any portion of the Pledged Revenues or any other source of payment which may be pledged under the Debt Reform Act; provided, however, that no Additional Bonds may be issued except in accordance with the provisions of the Debt Reform Act as in existence on the date of issuance of such Additional Bonds. For an overview of the requirements of each Indenture regarding the issuance of Additional Bonds see APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

Pledged Taxes

Illinois Real Property Tax System Overview. The levy, extension and collection of ad valorem property taxes in Illinois are governed by the Illinois Property Tax Code (35 ILCS 200) (the "Property Tax Code"). A general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "County") that are applicable to the Board is included in APPENDIX E – "THE REAL PROPERTY TAX SYSTEM." In Illinois, property taxes levied for a calendar year (the "Tax Year") are extended by the County for collection and are billed to property owners in the following calendar year (the "Collection Year"). Property taxes are currently due and payable by property owners 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 in each Collection Year. The first installment is an estimated bill calculated at 55% of the prior year's tax extension and the second installment is for the balance of the current year's tax extension.

Pledged Taxes Levied. Pursuant to each Bond Resolution, the Board has levied the Pledged Taxes for each year that each respective Series of the Bonds is outstanding, in amounts sufficient to pay debt service on each Series of the Bonds when due. In 1995, the Board became subject to the provisions of the Property Tax Extension Limitation Law (35 ILCS 200/18–185) ("PTELL") that limits the ability of the Board to increase property taxes for operations. The restrictions of PTELL do not apply to the levy of the Pledged Taxes. The Pledged Taxes are ad valorem taxes levied against all of the taxable property within the School District without limitation as to rate or amount. In addition, the Board has covenanted under the applicable Indenture to take all actions necessary to cause the levy and extension of ad valorem property taxes in excess of those previously levied, if necessary, to pay debt service on each Series of the Bonds.

The Board intends to make each payment on each Series of the Bonds from the Pledged Revenues securing such Series of the Bonds, or from other legally available funds of the Board, and anticipates that the Pledged Taxes that have been levied will be abated on a year–by–year basis prior to such taxes being extended for collection. The Board has never had to extend ad valorem property taxes for collection to provide sufficient revenues for payment of any of its Alternate Revenue Bonds.

Direct Deposit of Pledged Taxes with the Trustee. In the event that the Pledged Taxes are extended in any year for collection, the Board has directed the County Collectors of Cook and DuPage Counties (the "County Collectors") to segregate from each distribution of property tax collections to the Board, the amount of total tax collections attributable to the Pledged Taxes extended and collected for payment of each Series of the Bonds and to directly deposit the amount so segregated with the Trustee under the applicable Indenture (the "Deposit Direction"). All Pledged Taxes received by the applicable Trustee shall be deposited into the Pledged Taxes Account established under the applicable Indenture and (ii) applied to the payment of the interest on and principal of the applicable Series of the Bonds due during the calendar year in which such Pledged Taxes are extended and collected. The forms of Deposit Direction executed by the Board and delivered to the County Collectors are attached hereto as APPENDIX F.

Pursuant to each Indenture, the Board covenants that as long as any of the applicable Series of the Bonds remains outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of ad valorem property taxes; provided that no such modification or amendment may provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any year. A violation of this covenant constitutes an Event of Default under each Indenture, for which there is no cure period. See APPENDIX A – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."

Annual Determination of Abatement or Extension of Pledged Taxes. The Pledged Taxes securing each Series of the Bonds can be abated or extended by the Board each year in accordance with the provisions of the applicable Indenture securing such Bonds. See APPENDIX A – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES. With respect to the portions of the Bonds secured by Pledged State Aid Revenues and Pledged PPRT Revenues, the Pledged Taxes will be extended and collected each year unless the Board takes a formal action to abate the Pledged Taxes based on a determination by the Trustee that sufficient funds have been deposited in the Pledged Revenues Account under the applicable Indenture by the Deposit Date (as defined in the applicable Indenture). With respect to the portions of the Bonds secured by Intergovernmental Agreement Revenues (which consist of ad valorem property taxes, i.e. "School Building and Improvement Taxes," that have been levied by the City), the Pledged Taxes will be abated by the Board each year on receipt of a the Segregation Order (as herein defined) to the County Collector directing the segregation and payment to the IGA/PPRT Escrow Agent (as herein defined) of the School Building and Improvement Taxes (as herein defined) in amounts sufficient to make the required deposit to the Pledged Revenues Account under the applicable Indenture for such year.

In the event the Trustee in any year determines an insufficiency in the amount on deposit in a Pledged Revenues Account pursuant to the provisions of the applicable Indenture, the Trustee will notify the Board of the amount of such insufficiency and direct the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection during such year in an amount sufficient, when added to the amount then on deposit in the Pledged Revenues Account, to provide funds sufficient to pay such interest on and principal of the applicable Series of the Bonds that will become due and payable during such year. With respect to the portions of the Bonds secured by Intergovernmental Agreement Revenues, the Pledged Taxes levied by the Board in the year of such insufficiency (the Tax Year) would be collected in the following calendar year (the Collection Year) and deposited in the Pledged Revenues Account for payment of such Bonds, resulting in a delay of Pledged Taxes available to pay debt service on such Bonds to the Collection Year of such Pledged Taxes.

Flow of Pledged Revenues and Pledged Taxes Under the Indentures

The diagram below describes the collection, deposit and application of Pledged Revenues and Pledged Taxes under each Indenture. As described herein, the Series 2017C Bonds and the Series 2017D Bonds are secured by a pledge of Pledged State Aid Revenues; the Series 2017E Bonds are secured by a pledge of Pledged PPRT Revenues; the Series 2017F Bonds are secured by a pledge of Pledged PPRT Revenues and Intergovernmental Agreement Revenues; the Series 2017G Bonds are secured by a pledge of Pledged State Aid Revenues and Pledged PPRT Revenues; and the Series 2017H Bonds are secured by a pledge of Pledged State Aid Revenues, Pledged PPRT Revenues, and Intergovernmental Agreement Revenues.

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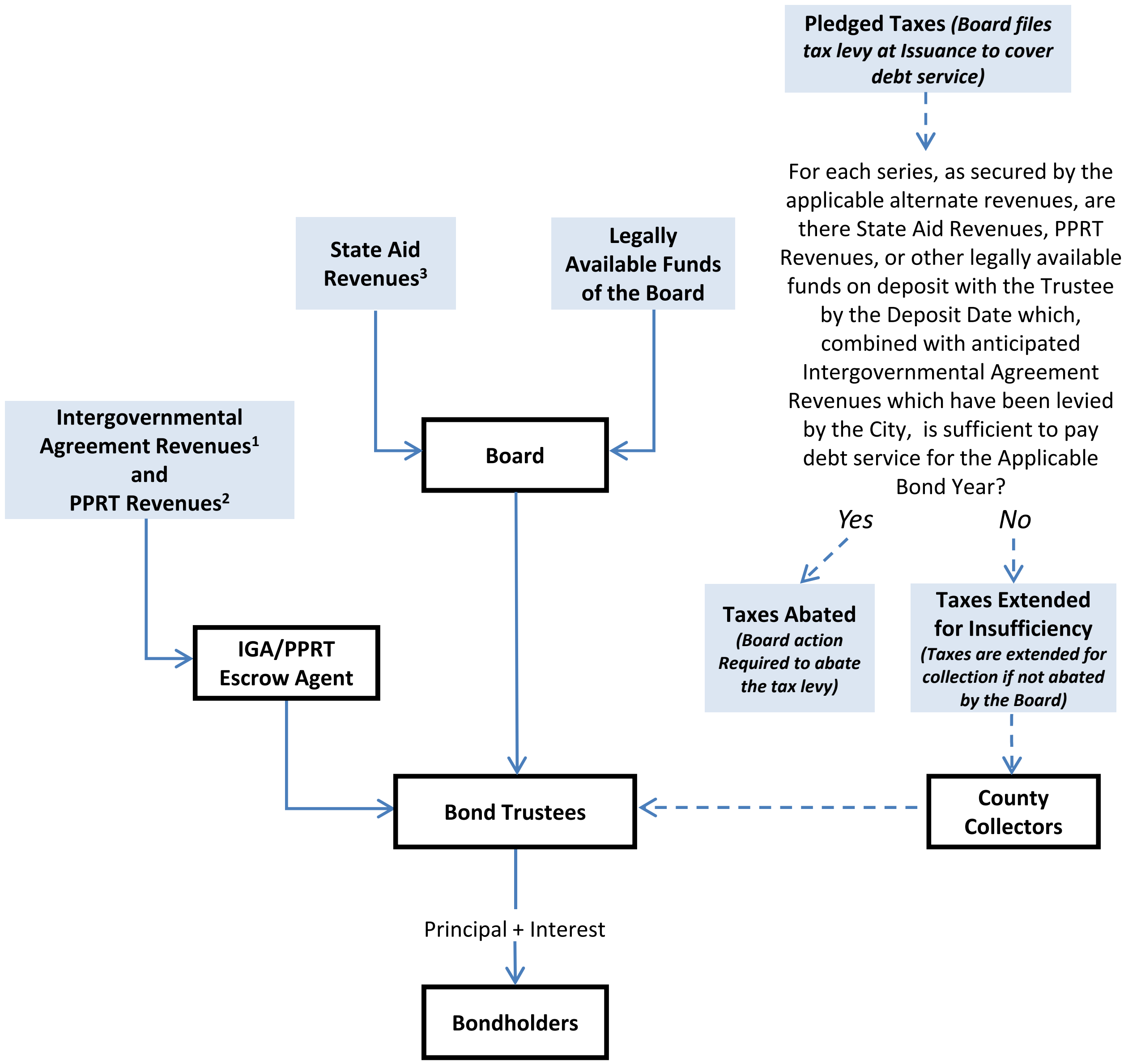
Flow of Pledged Revenues and Pledged Taxes Under the Indentures

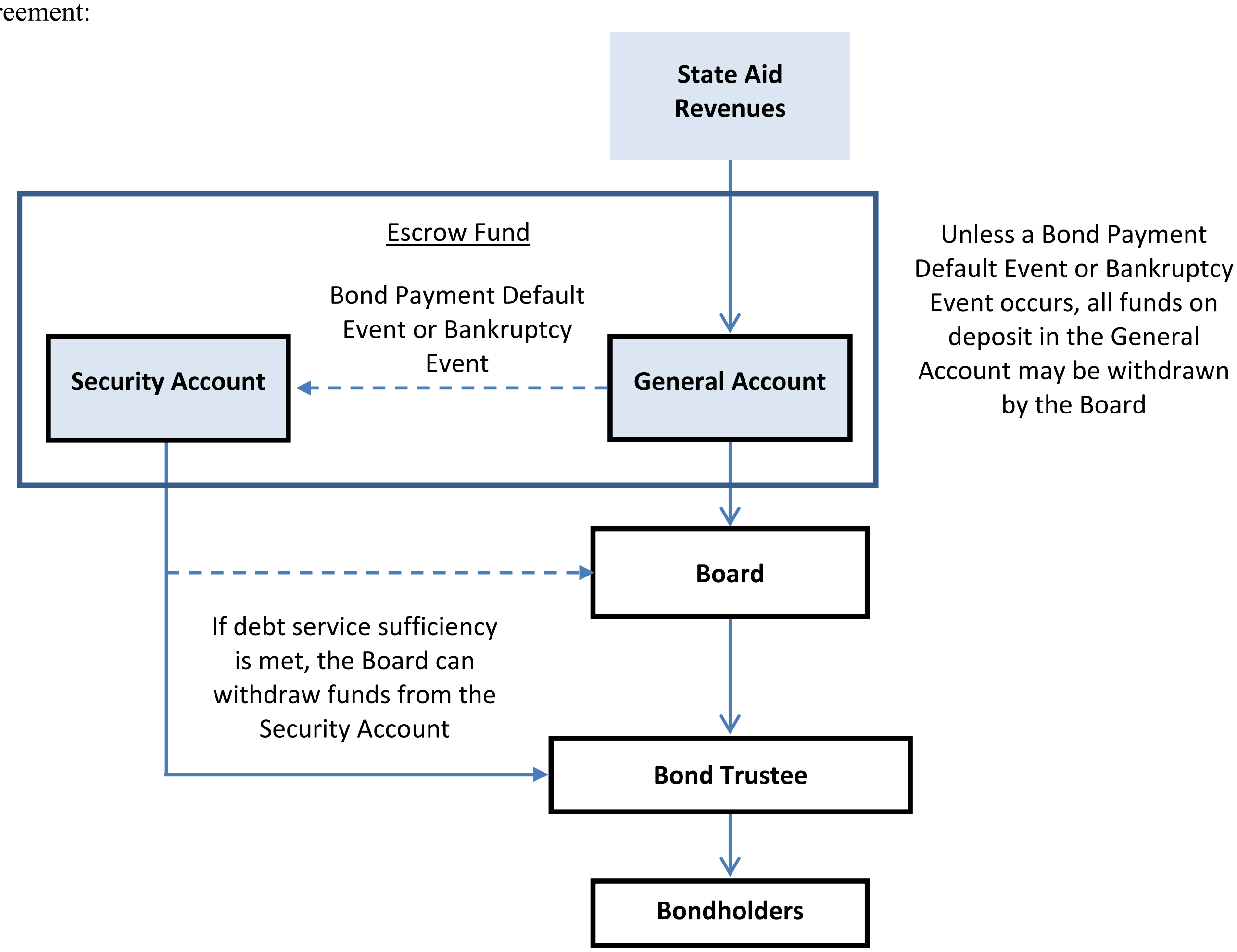


1. Intergovernmental Agreement Revenues Intercept: City Council of the City has levied direct annual taxes to provide Intergovernmental Agreement Revenues. City will file written direction with the County Collectors specifying the amount of Intergovernmental Agreement Revenues which are collected annually and directing the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues with the IGA/PPRT Escrow Agent. The IGA/PPRT Escrow Agent deposits debt service funds directly with the Bond Trustees.
2. PPRT Revenues Intercept: The Board has directed the Department of Revenue of the State to deposit all proceeds of the PPRT Revenues annually allocated and paid to the Board with the IGA/PPRT Escrow Agent. The IGA/PPRT Escrow Agent deposits debt service funds directly with the Bond Trustees.
3. See "Post Default Remedy for Pledged State Aid Revenues"

Post Default Remedy for Pledged State Aid Revenue Bonds

The Board has entered into a State Aid Revenue Escrow Agreement, dated as of July 13, 2017 (the "State Aid Revenue Escrow Agreement"), with Amalgamated Bank of Chicago, as escrow agent (the "State Aid Escrow Agreement") that provides a post default remedy for the Board's Pledged State Aid Revenue Bonds, including the Series 2017C Bonds, Series 2017D Bonds, Series 2017G Bonds and Series 2017H Bonds. The executed State Aid Revenue Escrow Agreement is attached hereto as APPENDIX G. The State Aid Revenue Escrow Agreement provides that all State Aid Revenues are paid by the State Comptroller directly to the State Aid Escrow Agreement and are held and distributed pursuant to the provisions of the State Aid Revenues Escrow Agreement until the Escrow Termination Date (as defined therein). During a "Required Funding Period" which is triggered by the occurrence of a "Bankruptcy Event" (as defined therein) or a "Bond Payment Default Event" (as defined therein) the State Aid Revenues are deposited in a Security Account in an amount equal to the greater of the annual debt service requirements allocable to State Aid Revenues for the current or next succeeding Bond Year on all of the Board's Pledged State Aid Revenue Bonds, including the Series 2017C Bonds, Series 2017D Bonds, Series 2017G Bonds and the 2017H Bonds. Funds in the Security Account will be used to pay debt service and satisfy other indenture funding requirements of the Board's Pledged State Aid Revenue Bonds on a parity basis and are not available to the Board for its general operations. Other than amounts deposited in the Security Account during a Required Funding Period, all funds on deposit under the State Aid Revenues Escrow Agreement may be withdrawn by the Board in its complete discretion.

The diagram below describes the flow of State Aid Revenues pursuant to the State Aid Revenue Escrow Agreement:



STATE FUNDING OF THE BOARD UNDER PUBLIC ACT 100-465

On August 31, 2017, Public Act 100-465 ("P.A. 100-465") became effective that provides a significant revision to the State's funding of the Board. Under P.A. 100-465, the Board expects to receive approximately $450 million of additional revenue in Fiscal Year 2018, which is comprised of $221 million in State funding of the Board's annual pension contribution, $76 million in additional State Aid Revenues, increased Pension Property Tax (as herein defined) revenues of approximately $130 million, $19 million in State Grants (as herein defined) and $4 million of other additional State revenues. In addition, the new EBF Formula (as herein defined) used to calculate State Aid under P.A. 100-465 provides the Board credit for its annual payment of Pension Fund (as herein defined) accrued liability not funded by the State as an allowable reduction of the Board's financial capacity to fund schools.

The primary components of P.A. 100-465 include the following:

1. New State Aid Evidence-Based Funding Formula. Establishes a new State Aid funding formula for school districts throughout the State, including the Board. The new "Evidence-Based Funding" formula (the "EBF" or "EBF Formula") replaces the prior school funding formula (the "Historical State Aid Formula") that provided State Aid school districts using a "Foundation Formula Grant" and "Poverty Grant" funding formula that had resulted in historically flat or declining operating funds and State Aid Revenues for the Board. The new EBF Formula ties school district funding to 27 evidence-based best practices shown to enhance student achievement in the classroom and sets a target funding level ("Adequacy Target") based on a school district's demographics and Local Capacity (as herein defined) to fund schools. For a discussion of the EBF Formula, the new calculation of State Aid under the EBF Formula and its projected impact on the Board, see "STATE AID REVENUES."

The EBF Formula achieves the following:

(a) Protects school districts from a decrease in State funding resulting from declining enrollment such as that experienced by the Board

(b) Establishes a Base Funding Minimum (as defined herein) in every Fiscal Year to hold harmless all school districts, including the Board, to previous year funding levels. This hold harmless is a part of the EBF Formula and continues annually.

(c) Removes earmarking of $261 million of State Aid received by the Board known as "Supplemental General State Aid" for programs for children from low-income families to provide more general unrestricted operating funds to the Board

(d) Prioritizes State funding to school districts with high poverty and other specific demographics, such as the Board, that are the least adequately funded

(e) The formula includes an adjustment for School Districts that have to pay its own pension payments, such as the Board and provides the Board with more parity in pension funding.

Change in State Aid Revenues related to Security for the Bonds. The EBF Formula is expected to increase the State Aid Revenues of the Board paid under Article 18 of the School Code that are available for its general operations including to be pledged as Pledged Revenues to secure Pledged State Aid Revenue Bonds of the Board. Such State Aid Revenues are expected to increase by at least $456 million as compared to the State Aid calculated under the Historical State Aid Formula (the "Historical State Aid Revenues"). This increase is comprised largely a $203 million hold harmless on State Block Grant (as herein defined) funding which is now included in the State Aid Revenues due to the application of the EBF Formula changes and the availability of $261 million of formerly restricted Supplemental General State Aid (as herein defined) which was not available for debt service, less an anticipated $8 million deduction for charter schools.

2. Change in State Grants to the Board. Prior to P.A. 100-465 the Board received certain grants from the State ("State Grants") on a "block grant" basis ("State Block Grants") which were fixed amounts and differed from State grant funding for such grants to other school districts which was based on each school districts "claim" based on a demonstration of need. The State's Block Grant funding of the Board included the Chicago General Education Block Grant and Chicago Educational Services Block Grant that consisted of twelve smaller grants. These State Block Grants were allocated to the Board each Fiscal Year based on a statutorily-defined percentage (percentage of appropriation received by the Board for each grant in Fiscal Year 1995) of the annual Statewide appropriation for such grants to the Board and other school districts.

P.A. 100-465 changes the State's grant funding of the Board in two major ways:

(a) It includes four previous grants included in State Block Grants (Special Education – Personnel, Special Education – Funding for Children Requiring Special Education, Special Education – Summer School, and Bilingual – T.B.I. & T.B.E), into the EBF formula. This change is revenue neutral to the Board but increases the Board's Base Funding Minimum (as herein defined) by approximately $201 million. In addition, the EBF Formula includes the special education and bilingual demographics of the Board's students as key metrics for determining its State Aid Revenues under the EBF Formula and is expected to increase the Board's State Aid Revenues for Fiscal Year 2018 by an estimated $76 million over what it would have received under the Historical State Aid Formula.

(b) The historical State Block Grant protection for the remaining grants (with the exception of Early Childhood) is eliminated and the Board will receive these grants based on the submittal of grant claims like other school districts. This change results in the Board's loss of approximately $203 million annually in these State Block Grants. However, under the EBF Formula this $203 million is included in the Board's Base Funding Minimum as a means to hold the Board harmless on these grants. This shift is revenue neutral to the Board and has the effect of moving this $203 million in State funding from grant funding to State Aid Revenues.

3. Increase in the Cap on the Board's Pension Property Tax Levy. P.A. 100-465 authorizes the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% in Tax Year 2017 and thereafter from 0.383% in Tax Year 2016. The Board increased such levy to the maximum rate for Tax Year 2017 which is expected to increase revenues by approximately $130 million in Collection Year 2018 specifically as a result of the 0.184% increase. In addition to the increase as a result of the additional Pension Property Tax Levy approved under P.A. 100-465, the Board expects a $24 million increase in revenue from the 0.383% component of the Pension Property Tax Levy for an aggregate of a $154 million increase in the Pension Property Tax Levy.

4. Requires State Contribution to the Board's Pension Fund to the Level of Other School Districts in the State. Provides for an increase in the required annual State Contribution (as herein defined) to the Board's Pension Fund in the amount of approximately $221 million in Fiscal Year 2018 to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. This $221 million will increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required healthcare contributions which have historically been capped at $65 million. See "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS."

STATE AID REVENUES

Overview

Public Act 100-465. On July 6, 2017, the Illinois General Assembly enacted a budget for the State Fiscal Year ending June 30, 2018 (the "State Fiscal Year 2018 Budget"), ending a two-year budget stalemate. The State Fiscal Year 2018 Budget contains an appropriation for State Aid that was contingent upon State Aid being allocated among school districts in accordance with a new "Evidence-Based Funding Formula." P.A. 100-465 establishes the EBF

Formula for allocating State Aid to school districts, beginning with the 2017-2018 school year, and replaces the Historical State Aid Formula. In the current veto session of the Illinois General Assembly, legislation has been introduced that would make technical changes to certain elements of P.A. 100-465, including clarification that "English Learner" students include such students enrolled in Pre-K through 12^{th} grade and technical amendments relating to calculation methodologies for equalized assessed valuation and PTELL equalized assessed valuation to be used in the computation of "Local Capacity." The Board cannot predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

Background Overview of Historical State Aid Formula. Through Fiscal Year 2017, Historical State Aid was allocated to each Illinois school district based on the "Foundation Formula Grant" which was the difference between available local resources per pupil (calculated based on a number of factors, including a school district's equalized assessed valuation ("EAV"), the number of students in attendance in the school district and the school district's PPRT Revenues) and a foundation level established annually by the State's budget representing the minimum level of per pupil financial support that was to be available to provide for the basic education of each pupil. In addition to "general" Historical State Aid, the Board and other school districts with specified levels or concentrations of pupils from low-income households were eligible to receive supplemental financial grants known as the "Poverty Grant" that was distributed to districts pursuant to a statutory formula based upon the number of low-income pupils in the school district. The amount of the Poverty Grant received by a school district increased as the ratio of low-income pupils to the average daily attendance in the school district increased.

In addition, in Fiscal Year 2010 through 2016 the State appropriation for Historical State Aid did not fully fund the amounts determined under the Historical State Aid Formula and the amount each school district received was prorated. For Fiscal Year 2017, the State appropriation included a $361 million increase over the Fiscal Year 2016 appropriation and included $250 million in equity grants directed at school districts with a high concentration of poverty students, of which the Board received $102 million. Additionally, the Board received a hold harmless in Fiscal Year 2017 for $74 million and a $28 million increase in early childhood education. The Board was held harmless for this $204 million increase in Fiscal Year 2017 State funding in the Fiscal Year 2018 appropriation.

See "- Historical State Aid Revenues for Fiscal Years 2007-2017" and for a discussion of the calculation of State Aid under the Historical State Aid Formula see APPENDIX H – "OVERVIEW OF HISTORICAL STATE AID TO THE BOARD."

Evidence-Based Funding Formula

Overview. The State's Fiscal Year 2018 Budget appropriates State Aid in an amount $350 million greater Statewide than the appropriation for Fiscal Year 2017 and requires such additional funds to be distributed to school districts under the EBF Formula which ties individual school district funding to 27 evidence-based best practices that certain research shows enhance student achievement in the classroom. Under the EBF Formula, the Illinois State Board of Education ("ISBE") will calculate an "Adequacy Target" (or "AT") each year for each school district based upon its unique student population, regional wage differences and best practices. Each school district will be placed in one of four tiers depending on how close its local resources available to support education (based on certain State resources and its expected property tax collections, its "Local Capacity" or "LC") are to its Adequacy Target.

ISBE administers the calculation and distribution of State Aid under the EBF Model and is moving forward to implement the EBF, including verifying the necessary data elements with school districts that go into the calculation of EBF. ISBE does not yet have final EBF calculations and until those final EBF calculations are completed, Illinois school districts will receive payments based on their preliminary Base Funding Minimum which for the Board is $1.29 billion. Once the EBF calculations are finalized, the Board anticipates its final Base Funding Minimum will be $1.49 billion which reflects the $201 million shift in State Block Grants to State Aid. P.A. 100-0465 provides that each school district will be allocated at least as much in State Aid in future years as it received in school year 2016-2017 (such amount being that school district's "Base Funding Minimum" for school year 2017-2018). This Base Funding

Minimum for the Board includes the total amount allocated to the Board in the prior school year for Historical State Aid Revenues and certain historical State Grant funding. See the discussion under the heading "STATE FUNDING OF THE BOARD UNDER PUBLIC ACT 100-465."

For each school year, all State funds appropriated for State Aid in excess of the amount needed to fund the Base Funding Minimum for all school districts ("New State Funds") will be distributed to school districts based on "Tier" placement. "Tier 1" and "Tier 2" are those school districts that are the furthest away from their Adequacy Targets and "Tier 3" and "Tier 4" are those school districts that are the closest to (or above) their Adequacy Targets. Of any New State Funds available, Tier 1 receives 50%, Tier 2 receives 49%, Tier 3 receives 0.9%, and Tier 4 receives 0.1%. Tier 2 includes all Tier 1 school districts for the purpose of the allocation percentages for New State Funds.

Under the EBF Formula, the Base Funding Minimum is designed to provide that in any school year no school district receive less State Aid funding than it received the prior year since all New State Funds received by a school district in a year become part of its Base Funding Minimum in the following year. If the State appropriates insufficient funds to cover the cost of the Base Funding Minimum, reductions will be made first to the Base Funding Minimum for all Tier 3 and Tier 4 school districts on a per pupil basis; *provided, however*, that such reductions may not reduce State funding for such school districts below the Base Funding Minimum for school year 2017-2018 ($1.29 billion for the Board). If funds are still insufficient, then further reductions are to be done on a per pupil basis for all school districts. Consequently, reduced appropriations for State Aid in future years could result in the Board receiving less in a future Fiscal Year than its Base Funding Minimum.

For school year 2017-2018, the Board understands (based on publicly available information) that ISBE may assign the Board a Local Capacity Target equal to approximately 44.4% of its Adequacy Target and that it will be placed in Tier One. For school year 2017-2018, the Board believes that it will receive approximately $76 million of New State Funds for a total State Aid Revenues claim of $1.57 billion, representing the $76 million increase in State Aid due to the application of the EBF Formula and $201 million shift in State Block Grants into State Aid above the preliminary Base Funding Minimum of $1.29 billion. Until the Board is formally notified by ISBE of its Adequacy Target, Local Capacity Target and Tier placement, no assurance can be given that the Adequacy Target, Local Capacity Target, Tier placement and expected New State Funds above the Final Base Funding Minimum for school year 2017-2018 will not be materially different than as indicated in this paragraph.

Calculation of State Aid Under the EBF Formula

Adequacy Target Calculation. Each school district's Adequacy Target (AT) is determined by multiplying the Average Student Enrollment ("ASE") for each subgroup of children (categorized by grade and demographics) by the number of "Full-Time Equivalent" personnel ("FTE") the EBF Formula indicates is needed for an adequate education. "Average Student Enrollment" is the average of the number of students enrolled at the school district on October 1 and March 1, for the greater of the immediately preceding school year or the immediately preceding three school years. That product is then multiplied by the average Illinois salary[*] for a similar FTE position, add 30% for benefits as well the value of any teacher pension normal cost being paid by a school district, and adjusts for regional cost of living differences using the National Center for Education Statistics (NCES) "Comparable Wage Index" ("CWI").[†] The EBF Formula then adds non salary-based items (such as funding for instructional materials) to come to a final Adequacy Target for each school district.

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[*] Calculated annually by the State Superintendent; school site staff annual salary assumed at $30,000 and non-instructional assistant, instructional assistant, library aide, library media tech, or supervisory aide assumed at $25,000; both values grow annually at the Bureau of Labor Statistics' national employment cost index (ECI) for civilian workers in educational services in elementary and secondary schools.

[†] CWI can be no less than a factor of 0.9 and is adjusted for the CWI of adjacent counties; most but not all salary items in the formula are adjusted for CWI.

The first group of FTE's calculated are for "core class size investments" and the second group of FTE's calculated to determine a school district's Adequacy Target are "specialist teacher investments." The following table details the number of core and specialist teacher FTE positions allocated by the EBF Formula, based on position type, grade band, and whether or not a student is low-income. These are expressed as the number of students per FTE position.

Table 1. "Core Class Size Investments" and "Specialist Teacher Investments" in EBF Formula (Number of Students per 1.0 FTE Position)

	Core Teachers	Specialist Teachers
Low-Income, Grades:		
K-3	15	75
4-8	20	100
9-12	20	60
Non Low-Income, Grades:		
K-3	20	100
4-8	25	125
9-12	25	75

The following tables detail the number of remaining FTE positions allocated under the EBF Formula, based on position type, grade band, and student demographic. These are expressed as the number of students per FTE position allocated by the EBF Formula.

Table 2: "Core Investments" in EBF Formula Not Affected by Low-Income Student Count (Number of Students per FTE Position)

Position:	Elementary School Students (PK - 5)(*)	Middle School Students	High School Students
Instructional Facilitators	200	200	200
Core Intervention Teacher (Tutor)	450	450	600
Guidance Counselor	450	250	250
Nurse	750	750	750
Supervisory Aide	225	225	200
Librarian	450	450	600
Librarian Aide / Media Tech	300	300	300
Principal	450	450	600
Assistant Principal	450	450	600
School Site Staff	225	225	200

Table 3: "Additional Investments" in EBF Formula (Number of Students per FTE Position)

Position:	Low-Income Students (K-12)	English Learners (K-12)	Special Education (PK-12)
Intervention Teacher	125	125	N/A
Pupil Support	125	125	N/A
Extended Day Teacher	120	120	N/A
Summer School Teacher	120	120	N/A
English Learner Core Teacher	N/A	100	N/A
Special Ed Core Teacher	N/A	N/A	141
Instructional Assistant	N/A	N/A	141
Psychologist	N/A	N/A	1,000

In addition to the Core Investment FTE positions listed in Table 2, each school district is allocated a substitute teacher for approximately 10 days per FTE position for core, specialist, and intervention teachers, school nurses, special education teachers and instructional assistants, instructional facilitators, and summer school and extended-day teacher positions; at a salary rate of one-third of each respective position. Once the cost of these FTE staff positions (salary and benefits) is computed using the average statewide salaries and adjusted for cost of living differences, dollar

(*) ASE count for pre-K students generally the average student enrollment for students with disabilities only.

values for other educational items or "Per-Student Investments" are allocated under the EBF Formula on a per-student basis. The following table details those Per-Student Investments.

Table 4: "Per-Student Investments" in EBF Formula (Dollars per Student)

Item:	Elementary School Students (PK - 5)[*]	Middle School Students	High School Students
Gifted (No Pre-K)	$ 40.00	$ 40.00	$ 40.00
Professional Development	125.00	125.00	125.00
Instructional Material	190.00	190.00	190.00
Assessments	25.00	25.00	25.00
Computer/Tech Equipment	285.50	285.50	285.50
Student Activities (No Pre-K)	100.00	200.00	675.00
Maintenance & Operations[†]	1,038.00	1,038.00	1,038.00
Central Office[(2)]	742.00	742.00	742.00
Employee Benefits Central Office[(2)]	368.48	368.48	368.48
Employee Benefits Maintenance & Operations[(2)]	352.92	352.92	352.92

The combination of the assumed salary and benefit costs calculated as Core Investments and Additional Investments, and the value of the Per-Student Investments is a school district's final Adequacy Target. This is the amount of State and local resources that the EBF Formula establishes for each school district to educate their unique student population.

Local Capacity Calculation. A school district's "Local Capacity Target" (or "LCT") is the dollar amount obtained by multiplying its Adequacy Target by its Local Capacity Ratio (as defined below). The goal of the EBF Formula's Local Capacity Target calculation is to determine how adequately a school district is already funded, relative to its Adequacy Target, and to rank order school districts by this adequacy gap for the purposes of distributing State Aid Revenues, should the State not appropriate enough to fully fund each school district's Adequacy Target.

To determine how well a school district is already funded, the EBF Formula looks at the sum of a school district's Local Capacity, PPRT Revenues from the prior calendar year, and the Base Funding Minimum.[‡] The Board's Base Funding Minimum is increased by the value of the loss in funding associated with the State Block Grant funding items remaining outside of the EBF Formula, which are reduced as a result of the elimination of the State Block Grant protection. This provision has the effect of holding the Board harmless generally once all grants are included and results in an approximate $203 million shift of State funding of the Board from State Block Grant funding to State Aid funding.

For the Local Capacity Target calculation, the EBF Formula assumes a school district levies at a dollar amount of the greater of a school district's Real Receipts[§] or LCT. For those school districts subject to PTELL, such as the Board, the formula adjusts its calculated Local Capacity to account for the statutorily capped property tax extensions. The formula also reduces a school district's Local Capacity Target by the amount, if any, of any remaining required school district contribution towards its teacher pensions. This provision reduces Board's LCT calculation by the

[*] ASE count for pre-K students generally the average student enrollment for students with disabilities only.
[†] Subject to CWI regionalization factor.
[‡] The total amount allocated to a district in the prior school year for General State Aid, Equity Grants, Funding for Children Requiring Special Education Services, Special Education Facilities and Staffing, Special Ed Summer School, and Bilingual Education. Each year's Base Funding Minimum is the amount of the prior year's EBF funding and Base Funding Minimum.
[§] Product of the district's adjusted operating tax rate and its Adjusted or PTELL EAV; the Adjusted EAV is the average of its EAV over the immediately preceding 3 years or its EAV in the immediately preceding year if the EAV in the immediately preceding year has declined by 10% or more compared to the 3-year average.

difference of the statutorily-required employer contribution and the State's contribution to the Board's required pension contribution. See "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS."

Each school district is then given a Local Capacity Ratio that is calculated by dividing its Adjusted EAV or PTELL EAV by its Adequacy Target. The PTELL EAV is the product of the EAV last used in the calculation of Historical State Aid or EBF and the school district's Extension Limitation Ratio, for school districts subject to PTELL. The Extension Limitation Ratio is a numerical ratio, certified by the County Clerk, in which the numerator is the Base Tax Year's Tax Extension and the denominator is the Preceding Tax Year's Tax Extension. The Local Capacity Ratios are then converted into a normal cost equivalent score, or "Local Capacity Percentage" to determine each school district's relative position in the school district queue for New State Funds each year.

Distribution Formula. The EBF Formula provides that each school year, a school district is entitled to funding at the level of its Base Funding Minimum plus a portion of New State Funds (also known as "EBF Funding"). If a school district is fully-funded as determined by the model, then the State appropriation will be sufficient to fund each school district's Adequacy Target. If a school district is not fully-funded as determined by the model, the EBF funds are distributed in a manner that allocates funding to the least adequately funded school districts first. In the event of the latter, each school district is placed into one of four Tiers based on a school district's Local Capacity divided by its Adequacy Target.[*] Tier 1 districts are the least adequately funded while Tier 4 districts are the most adequately funded; ISBE has preliminarily indicated that the Board is currently a Tier 1 school district. Tier 2 school districts have a percent of adequacy less than 90%. Tier 3 districts have a percent of adequacy of at least 90% and less than 100%. Tier 4 districts have a percent of adequacy of at least 100%. 50% of new EBF funds are allocated to Tier 1 districts, 49% are allocated to Tier 2 (which also includes Tier 1 districts), 0.9% are allocated to Tier 3, and 0.1% are allocated to Tier 4. The percent of adequacy that defines a Tier 1 school district is that level necessary to allocate the designated amount of appropriations in a given year and this number will change annually with the State appropriation level.

P.A. 100-465 sets a "Minimum Funding Level" (as a target for appropriation of New State Funds to keep pace with inflation and continue to advance equity through the EBF Formula) of $350 million annually, with $50 million used for a property tax relief grants for high-tax districts. In the event the State fails to appropriate enough to meet this Minimum Funding Level in a given year, EBF imposes a funding model that withholds New State Funds from each Tier of school districts beginning with Tier 4 and withholds from the next lower Tier only when the shortfall has not been exhausted. This adjusted distribution model acts to ensure that the Tier 1 school districts, such as the Board, have priority in receiving the most New State Funds in the event the State fails to appropriate in any Fiscal Year the Minimum Funding Level.

Historical State Aid Revenues for Fiscal Years 2007 – 2017

The following table sets forth the total State Aid Revenues received by the Board for each of the Fiscal Years 2007 through 2017 and the required historical statutory contributions for the Supplemental General State Aid allocation of $261.0 million to individual schools required by the School Code (prior to the adoption of P.A. 100-465) to be provided to individual schools for supplemental programs for children from low-income families, and the net amount of "Historical State Aid Revenues" deposited into the General Fund and available to the Board for its general operating purposes, including to be pledged as a source of Pledged Revenues securing Alternate Revenue Bonds under the Debt Reform Act. For a discussion of the calculation of the Historical State Aid Formula and the calculation of Historical State Aid Revenues prior to the adoption of P.A. 100-465 see APPENDIX H – "OVERVIEW OF HISTORICAL STATE AID REVENUES TO THE BOARD." The columns in the table below reflect the following:

[*] Final resources are the sum of LC, PPRT, and Base Funding Minimum.

Historical State Aid Revenues for Fiscal Years 2007 – 2017
(Dollars in Millions)

	(A) Historical State Aid Formula Total Statutory Claim [1]	(B) FY 2017 Hold Harmless and Equity State Funding	(C) State Appropriation Proration (%)	(D) State Appropriation Proration[1]	(E) State–Approved Charter Schools Allocation	(F) Board Allocation	(G) Supplemental General State Aid Allocation	(H) Unrestricted State Aid Revenues
2007	$1,107.4	N/A	100.0%	$ 0.0	$ 0.0	$1,107.4	$261.0	$846.4
2008	1,156.0	N/A	100.0%	0.0	0.0	1,156.0	261.0	895.0
2009	1,178.3	N/A	98.0%	(9.8)	0.0	1,168.5	261.0	907.5
2010	1,163.5	N/A	99.9%	(0.1)	0.0	1,163.4	261.0	902.4
2012	1,195.0	N/A	95.0%	(58.5)	0.0	1,136.5	261.0	875.5
2013	1,225.7	N/A	89.2%	(131.0)	0.0	1,094.7	261.0	833.7
2014	1,236.2	N/A	88.7%	(137.8)	(6.9)	1,091.6	261.0	830.6
2015	1,172.4	N/A	87.2%	(148.3)	(9.5)	1,014.6	261.0	753.4
2016	1,064.0	N/A	92.1%	(83.1)	(12.0)	968.8	261.0	707.8
2017	906.8	$ 195.5	N/A	N/A	(28.5)	1,073.7	261.0	812.7

Source: ISBE
[1] Totals may not add due to rounding.

<u>Column</u>

A	Historical State Aid Formula Total Statutory Claim
B	Additional Hold Harmless and Equity State Funding Appropriated in Fiscal Year 2017
C	The percentage of the Total Statutory Claim received by the Board as the result to the State's failure to appropriate sufficient funds to fully fund State Aid known as "Appropriation Proration."
D	The financial impact of Appropriation Proration on the Board.
E	Diversion of the Board's Historical State Aid Revenues to State-Approved Charter Schools
F	The amount of Historical State Aid Revenues received by the Board
G	The amount of Historical State Aid Revenues (Supplemental General State Aid) restricted for supplemental programs for children from low-income families
H	The amount of Historical State Aid Revenues available for general operating purposes, including to be pledged as a source of Pledged State Aid Revenues

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State Aid Revenues Pledged to Secure Alternate Revenue Bonds

Prior to the issuance of the Bonds and the refunding of the Refunded Bonds, as of November 1, 2017 there are outstanding approximately $5.8 billion of Outstanding Pledged State Aid Revenue Bonds under various Authorizations of the Board. The following table sets forth the amount of State Aid Revenues collectively pledged to secure Alternate Revenue Bonds of the Board pursuant to the requirements of the Debt Reform Act under their respective bond resolutions (i.e. the amounts pledged include 1.10% or 1.25% coverage under the Debt Reform Act).

Fiscal Year	Debt Service on Outstanding State Aid Alternate Revenue Bonds[(1)]	(Less) Debt Service on Refunded Bonds Secured by Pledged State Aid Revenues	Debt Service on Series 2017C, D, G and H Bonds Secured by Pledged State Aid Revenues	Total Annual Debt Service Secured by Pledged State Aid Revenues	State Aid Revenues Pledged
2018	$262,012,266	$(24,784,513)	$14,010,154	$251,237,907	$280,354,300
2019	394,280,451	(94,605,066)	27,883,069	327,558,454	364,576,569
2020	456,129,798	(116,308,313)	62,068,000	401,889,486	448,552,164
2021	459,941,930	(60,381,100)	67,295,475	466,856,305	520,276,360
2022	463,437,862	(59,422,900)	66,440,745	470,455,707	524,220,332
2023	486,979,667	(58,464,225)	65,485,845	494,001,287	550,097,802
2024	485,666,263	(65,266,300)	72,367,075	492,767,038	548,716,241
2025	484,046,475	(63,830,288)	70,816,735	491,032,922	546,789,033
2026	535,078,763	(57,603,363)	65,563,500	543,038,900	604,089,881
2027	532,848,016	(48,678,313)	58,539,375	542,709,079	603,702,105
2028	501,034,364	(47,689,338)	57,618,500	510,963,527	568,752,766
2029	465,837,237	(46,579,900)	38,408,000	457,665,337	507,365,517
2030	448,490,176	(45,435,725)	44,276,950	447,331,401	497,014,181
2031	428,791,763	(44,251,350)	41,790,500	426,330,913	473,682,169
2032	398,394,273	(40,772,613)	61,470,500	419,092,161	469,028,182
2033	351,052,101	(15,048,988)	42,179,750	378,182,864	420,646,613
2034	349,270,851	(14,501,788)	41,631,750	376,400,814	418,683,320
2035	347,946,807	(13,925,538)	41,050,000	375,071,270	417,217,616
2036	346,715,710	-	30,955,250	377,670,960	420,081,343
2037	346,106,158	-	30,819,750	376,925,908	419,241,461
2038	364,999,410	-	10,543,250	375,542,660	414,678,413
2039	364,949,321	-	10,543,250	375,492,571	414,623,316
2040	364,894,383	-	10,543,250	375,437,633	414,562,883
2041	364,832,308	-	10,543,250	375,375,558	414,494,601
2042	364,774,125	-	10,543,250	375,317,375	414,430,600
2043	364,713,300	-	10,543,250	375,256,550	414,363,693
2044	202,045,000	-	71,163,875	273,208,875	311,204,344
2045	201,250,000	-	71,250,000	272,500,000	310,437,500
2046	167,389,425	-	44,096,875	211,486,300	239,249,461
2047	167,119,425	-	44,049,375	211,168,800	238,893,086

Source: Chicago Public Schools.

(1) Calculated based on debt service on Outstanding Pledged State Aid Revenue Bonds prior to the issuance of the Bonds and the refunding of the Refunded Bonds. Includes bonds outstanding as of November 1, 2017 and includes approximately $1.0 billion of variable rate bonds (a portion of which are Refunded Bonds) and interest on such bonds is calculated at 4.5%, 5%, 7.5% or 9% depending on the applicable requirements of the indenture securing such bonds; actual rates may vary. See "DEBT STRUCTURE - Board's Variable Rate Bonds" for a discussion of the interest rate assumptions used to calculate debt service. For Outstanding Pledged State Aid Revenue Bonds secured by a combination of State Aid Revenues and another dedicated source of revenue, the column only includes the portion of debt service to be paid from State Aid Revenues. For Outstanding Pledged State Aid Revenue Bonds secured by a combination of State Aid Revenues and another dedicated source of revenue, each source of Pledged Revenues is allocated under the applicable Indenture to the funding of specified debt service and coverage obligations on such Bonds as described in APPENDIX D -ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2017F BONDS, SERIES 2017G BONDS AND SERIES 2017H BONDS." The amounts shown are pledged pursuant to the Debt Reform Act as described above.

Required Timing of State Aid Payments

The School Code requires semimonthly payments of State Aid to be made by the State during the months of August through June in an amount equal to 1/22 of the total amount to be distributed and are to be made as soon as possible after the 10th and 20th days of each month. Typically, payments are available one or two days after the 10th and 20th days of the month or on the following working day if the payment date falls on a weekend or a holiday. Although the Board has experienced delays in receipt of certain funds from the State in recent years, payments of appropriated amounts of State Aid from the State have consistently been received by the Board on a timely basis for at least the last 10 years.

Recognized District and Legislative Standards for Receipt of State Aid

State Aid is distributed to Illinois school districts that maintain **"***recognized district status***"** that is achieved pursuant to the periodic compliance reviews of a school district by the office of the regional superintendent of schools. Recognition activities are designed to assure that districts comply with the required standards of State law and in case of failure to meet the standards for all or a portion of a district's schools, the school district is ineligible to file a claim for all or a portion of State Aid for the subsequent school year. The Board is a **"***recognized district***"** under the provisions of the School Code.

In addition to the general requirement of maintaining recognition, the Board must also adhere to a variety of other legislated standards in order to receive State financial support, including the following, and the Board is currently in compliance with the legislated standards for receipt of State Aid.

(i) Adoption of a School Calendar that ensures at least 176 days of pupil attendance. The Board's approved School Calendar for Fiscal Year 2018 reflects 188 days of pupil attendance. School districts which fail to operate schools for the required number of pupil attendance days may be subject to the loss of State Aid. The financial loss is calculated on the basis of a daily penalty of 0.56818% (1 divided by 176) of the total amount of State Aid Revenues for each day of required operation not met. Under certain circumstances, a school district may not be penalized for failure to meet the required school calendar requirement, such as, but not limited to, the occurrence of "acts of god."

(ii) Filing of an annual report relating to the number of children who have received, have not received, or are exempted from necessary immunizations and health examinations. If less than 90% of those students enrolled in a school district have had the necessary immunizations or health examinations, 10% of each subsequent State Aid payment is withheld by the regional superintendent until the school district is in compliance with the 90% requirement.

PERSONAL PROPERTY REPLACEMENT TAX REVENUES

Overview

The Illinois Personal Property Replacement Tax is a revenue source for the Board and other local governments that was created by the Illinois General Assembly in 1979 to replace a tax on the personal property of businesses that was abolished pursuant to the 1970 Illinois Constitution Article IX section 5. Although its name refers to the tax it replaces, the PPRT includes an income tax on the federal taxable income of corporations, business partnerships, trusts and Subchapter S corporations as well as a tax on public utilities. The rates established by the State include a 2.5% tax on income for corporations; a 1.5% tax on income for partnerships, trusts, and S corporations; and a 0.8% tax on invested capital for public utilities. The Board's share of PPRT is statutorily fixed at 14% of the Statewide total, while total PPRT Statewide collections vary from year to year based on corporate income and utility invested capital and the business climate in general. Pursuant to Illinois law, PPRT Revenues are automatically paid to the Board and are not subject to appropriation by the Illinois General Assembly. These funds are distributed pursuant to a continuing appropriation and as a result such distributions continue regardless of the State's adoption of an annual budget.

Corporate income taxpayers submit their PPRT payments along with their state income tax payments. Estimated payments are made quarterly. A final return is due two and one half months after the close of their taxable year. Partnerships, trusts, and S corporations pay PPRT payments on an annual basis. No estimated payments are required. Utilities pay the PPRT payments by the fifteenth day of March, June, September, and December. A final return is due by the fifteenth day of March after the close of their taxable year.

No Prior Statutory Claims

Pursuant to the PPRT Act, PPRT Revenues are required to be applied by the Board first to payment of the proportionate amount of debt service which was previously levied and collected from extensions against personal property on bonds outstanding as of December 31, 1978 and next to payment of the proportionate share of the pension and retirement obligations of the Board which were previously levied and collected from extensions against personal property. Such prior claims on Personal Property Replacement Tax Revenues are referred to herein as the "Statutory Claims."

The Board has no bonds or other debt currently outstanding which was outstanding as of December 31, 1978. In addition, as a result of Public Act 89-698, effective January 14, 1997, the Board is not currently or in future years authorized or directed to levy a specific property tax in satisfaction of its pension and retirement obligations in the manner contemplated in the PPRT Act. Consequently, under current law no portion of the PPRT Revenues is required to be applied either (a) to pay debt service on any obligations or (b) to fund the Board's existing pension and retirement obligations, prior to payment of debt service on the portion of the Bonds secured by Pledged PPRT Revenues.

Distribution of PPRT by the State

The PPRT payments are collected by the Department of Revenue of the State (the "Department of Revenue") and are deposited into the Personal Property Replacement Tax Fund to be distributed to local taxing districts. Payments to local taxing districts are made in January, March, April, May, July, August, October, and December. As described herein, the Board has irrevocably directed the Department of Revenue to deposit all of the Board's allocation of the PPRT with the IGA/PPRT Escrow Agent (as herein defined).

Historical and Budgeted PPRT Revenues

The Board's PPRT Revenues are estimated to be $149 million in Fiscal Year 2018, reflecting the State's expected decrease from Fiscal Year 2017 by approximately 2% due to weak domestic profits. The PPRT Revenues received by the Board in Fiscal Years 2016 and 2017 decreased from Fiscal Year 2015 as a result of reduced collections.

Total Statewide PPRT collections vary from year to year based on corporate income and utility invested capital and the business climate in general, resulting in part from economic conditions in the State. In addition, in Fiscal Year 2016, the State announced that an error was made in the distribution of PPRT revenues to various local entities, including the Board. As a result of this error, the Board realized a $23 million offset to its PPRT Revenue distribution in Fiscal Year 2016. In addition, the State enacted Public Acts 99-524 (June 2016) and 100-21 (July 2017) which appropriated funds to community college districts out of the Personal Property Replacement Tax Fund in lieu of recouping the overpayment of PPRT monies. Also in Fiscal Year 2016, the State informed the Board that the recent years' PPRT distributions Statewide were artificially high due to an error in the State's calculation of corporate income tax payments.

The table below sets forth the historical and budgeted PPRT Revenues of the Board on a calendar year basis consistent with the Bond Year for payment of the Pledged PPRT Revenue Bonds.

Historical Personal Property Replacement Tax Revenues
Calendar Years 2008 – 2017
(Dollars in Thousands)

Calendar Year	**Total PPRT**
2008	$209,492
2009	176,735
2010	190,560
2011	167,924
2012	168,231
2013	186,500
2014	191,979
2015	204,647
2016	157,808
2017	191,504[(1)]

Source: Chicago Public Schools.
(1) Reflects eleven months of actual collections and $4.8 million projected collection in December 2017.

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PPRT Revenues Pledged to Secure Alternate Revenue Bonds

The following table sets forth the amount of Pledged PPRT Revenues collectively pledged to secure outstanding Alternate Revenue Bonds of the Board secured by Pledged PPRT Revenues as the primary source of Pledged Revenues and the Series 2017E Bonds, Series 2017F Bonds, Series 2017G Bonds and Series 2017H Bonds.

Calendar Year of Debt Service Payments of Pledged PPRT Revenue Bonds[1]	Debt Service on Outstanding Pledged PPRT Revenue Bonds[2]	(Less) Debt Service on Refunded Bonds Secured by Pledged PPRT Revenues	Debt Service on Series 2017E, F, G and H Bonds Secured by Pledged PPRT Revenues	Total Annual Debt Service Secured by Pledged PPRT Revenues	Pledged PPRT Revenues
2018	$58,283,510	$(2,191,250)	$1,112,081	$57,204,341	$71,505,426
2019	58,283,935	(2,191,250)	1,109,000	57,201,685	71,502,106
2020	57,085,722	(23,281,250)	1,109,000	34,913,472	43,641,840
2021	57,685,735	(23,871,750)	23,289,000	57,102,985	71,378,731
2022	33,811,448	-	-	33,811,448	42,264,309
2023	33,809,510	-	-	33,809,510	42,261,888
2024	33,798,610	-	-	33,798,610	42,248,263
2025	33,849,948	-	-	33,849,948	42,312,434
2026	33,589,689	-	-	33,589,689	41,987,111
2027	3,118,123	-	-	3,118,123	3,897,653
2028	69,345,118	-	18,044,000	87,389,118	109,236,397
2029	69,076,658	-	11,100,800	80,177,458	100,221,822
2030	68,795,723	-	22,174,000	90,969,723	113,712,153
2031	68,500,000	-	21,487,000	89,987,000	112,483,750
2032	-	-	21,480,750	21,480,750	26,850,938
2033	-	-	21,487,250	21,487,250	26,859,063
2034	-	-	21,486,750	21,486,750	26,858,438
2035	-	-	2,655,250	2,655,250	3,319,063
2036	-	-	2,529,750	2,529,750	3,162,188

(1) PPRT Revenues are deposited in the calendar year prior to the applicable debt service payment.

(2) Excludes debt service on Series 1997A, 1998B-1, 1999A, 2007B, 2007C and 2008A which is primarily payable from Intergovernmental Agreement Revenues with Pledged PPRT Revenues as a secondary pledge. For Pledged PPRT Revenue Bonds secured by a combination of Pledged PPRT Revenues and another dedicated source of revenue, each source of Pledged Revenues is allocated under the applicable Indenture to the funding of specified debt service and coverage obligations on such Bonds as described in APPENDIX D -ALLOCATION OF SOURCES OF PLEDGED REVENUES TO PAYMENT OBLIGATIONS OF SERIES 2017F BONDS, SERIES 2017G BONDS AND SERIES 2017H BONDS."

INTERGOVERNMENTAL AGREEMENT REVENUES

Overview

In 1997, the Board entered into an Intergovernmental Agreement with the City (attached as Appendix I hereto) that provides City assistance to the Board in the financing of its School Building and Improvement Project (as herein defined) by providing the Board with moneys to be used by the Board to pay debt service on obligations issued by the Board to (i) construct, acquire and equip school and administrative buildings, site improvements and other real and personal property in and for the Board, (ii) pay the cost of funding obligations or purchasing related investments of the Board, (iii) refund obligations issued by or on behalf of the Board, and

(iv) pay certain interest to accrue on, necessary reserves, and costs of issuance of such obligations (the "School Building and Improvement Project"). The amounts to be provided by the City pursuant to the Intergovernmental Agreement are derived from the proceeds of ad valorem property taxes levied by the City on all taxable property within the City. The levy, extension and collection of ad valorem property taxes in Illinois are governed by the Illinois Property Tax Code. A general summary of the current procedures for real property assessment, tax levy and tax collection in the County that are applicable to the City is included in APPENDIX E – "THE REAL PROPERTY TAX SYSTEM."

School Building and Improvement Taxes

Pursuant to the ordinance approving the execution and delivery by the City of the Intergovernmental Agreement, the City Council of the City has levied direct annual taxes for the purpose of providing funds to the Board to assist in servicing the debt incurred by the Board through the issuance of bonds to provide funds to pay costs of the School Building and Improvement Project. Such taxes have been levied for the years and in the amounts as follows (the "School Building and Improvement Taxes").

FOR THE YEARS	A TAX SUFFICIENT TO PRODUCE THE SUM OF:
2002	$ 13,400,000
2003	13,400,000
2004	-0-
2005	18,200,000
2006	18,100,000
2007	18,800,000
2008-2017	91,000,000
2018	112,500,000
2019-2030	142,300,000

The Intergovernmental Agreement provides that the taxes levied to provide the Intergovernmental Agreement Revenues may be abated by the City, upon receipt of written notification from the Board, in any year to the extent such Intergovernmental Agreement Revenues are not necessary to pay debt service on bonds secured by Intergovernmental Agreement Revenues.

Covenants of the City

The City agrees in the Intergovernmental Agreement that it will take no action or fail to take any action which in any way would adversely affect the ability of the City to levy and collect the Intergovernmental Agreement Revenues. The City shall have no right to terminate, cancel or rescind the Intergovernmental Agreement, no right to withhold from the Board payments due or to become due under the Intergovernmental Agreement, no right to recover from the Board amounts previously paid under the Intergovernmental Agreement unless paid in error or contrary to the provisions of the Intergovernmental Agreement or law, no right of reduction or set-off against the amounts due or to become due under the Intergovernmental Agreement, and no lien on any amounts in any fund established by the Board or any reason or on account of the existence or occurrence of any event, condition or contingency, whether foreseen or unforeseen or foreseeable or unforeseeable by the City or the Board or any other person. According to the Intergovernmental Agreement, the levy of taxes to provide the Intergovernmental Agreement Revenues and the collection and application of the Intergovernmental Agreement Revenues, as described herein, does not require any further action by the City Council.

The obligations of the City to make payments of Intergovernmental Agreement Revenues to the Board are limited to and are payable solely and only from the amount of taxes actually collected by the County Collectors on behalf of the City and deposited with the IGA/PPRT Escrow Agent. The Intergovernmental Agreement provides that the City shall not in any manner be deemed to be an obligor on bonds of the Board secured by

Intergovernmental Agreement Revenues or any credit enhancement thereof by virtue of its execution and delivery of the Intergovernmental Agreement.

No owner, holder or credit enhancer of bonds of the Board secured by Intergovernmental Agreement Revenues (including the Series 2017F Bonds and the Series 2017H Bonds) shall be deemed to be a third party beneficiary of the Intergovernmental Agreement, nor shall any such owner, holder or credit enhancer of any such bonds have any right to enforce the provisions of the Intergovernmental Agreement against the City.

Intergovernmental Agreement Revenues Pledged to Secure Alternate Revenue Bonds

The Board has issued and outstanding Alternate Revenue Bonds secured by Intergovernmental Agreement Revenues as described under the heading "SECURITY FOR THE BONDS" and such bonds are payable from the ad valorem taxes in the amounts as shown under the heading "- School Building and Improvement Taxes." A portion of the Refunded Bonds are Outstanding Intergovernmental Agreement Revenue Bonds and the refunding of such bonds will make available Intergovernmental Revenues to be pledged as Pledged Revenues to secure the Series 2017F Bonds and the Series 2017H Bonds.

IGA/PPRT ESCROW AGREEMENT

Overview

There are outstanding Alternate Revenue Bonds of the Board secured by Pledged PPRT Revenues and Intergovernmental Agreement Revenues as described under the heading "SECURITY FOR THE BONDS." In connection with such financings, the Board has entered into a "Master Alternate Bonds Escrow Agreement" to provide for the deposit of Pledged PPRT Revenues and Intergovernmental Agreement Revenues directly with an escrow agent to be distributed to the trustees under the indentures securing such bonds to pay debt service. In connection with the issuance of the Series 2017E Bonds, Series 2017F Bonds, Series 2017G Bonds and Series 2017H Bonds, the Board will enter into a Seventh Restated Master Alternate Bonds Escrow Agreement (the "IGA/PPRT Escrow Agreement") with Amalgamated Bank of Chicago, Chicago, Illinois, as escrow agent (the "IGA/PPRT Escrow Agent").

Deposit and Distribution of PPRT Revenues

Pursuant to the IGA/PPRT Escrow Agreement, the Board has directed the Department of Revenue to deposit all proceeds of the PPRT Revenues annually allocated and paid to the Board with the IGA/PPRT Escrow Agent. Under the IGA/PPRT Escrow Agreement, the IGA/PPRT Escrow Agent will distribute such deposits: first, to the Board, in an amount necessary to pay any Statutory Claims for the subject year; and second, to the respective trustees for the Pledged PPRT Revenue Bonds, in amounts set forth in such IGA/PPRT Escrow Agreement, sufficient to provide for the payment of debt service payable from Pledged PPRT Revenues pursuant to the requirements of the applicable indentures.

Deposit and Distribution of Intergovernmental Agreement Revenues

Pursuant to the IGA/PPRT Escrow Agreement and the Intergovernmental Agreement, the City has filed a written direction with the County Collectors, specifying the amount of Intergovernmental Agreement Revenues which are to be collected annually and directing the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues directly with the IGA/PPRT Escrow Agent. In the event that, for any reason, any Intergovernmental Agreement Revenues are paid by the County Collectors directly to the City and are not deposited with the IGA/PPRT Escrow Agent, such amounts shall be promptly deposited by the City with the IGA/PPRT Escrow Agent.

Pursuant to the Intergovernmental Agreement, in each year in which the School Building and Improvement Taxes are extended for collection, the City agrees to deliver, prior to the receipt of the first distribution of collections of property taxes in such year, to each of the County Collectors and to the Board, a Segregation Order (the "Segregation Order") specifying the percentage of each distribution to be received during such year which is attributable to the School Building and Improvement Taxes and directing that such percentage of each such distribution be segregated and paid to the IGA/PPRT Escrow Agent. The Segregation Order will also require the County Collectors promptly, upon receipt of such property taxes for distribution, to segregate and pay directly to the IGA/PPRT Escrow Agent an amount equal to the amount of each such distribution multiplied by the percentage specified in the Segregation Order for the then-current year.

Under the IGA/PPRT Escrow Agreement, the IGA/PPRT Escrow Agent will distribute Intergovernmental Agreement Revenues received to the respective trustees for the Intergovernmental Agreement Revenue Bonds, in amounts set forth in such IGA/PPRT Escrow Agreement, sufficient to provide for the payment of debt service payable from Intergovernmental Agreement Revenues pursuant to the requirements of the applicable indentures.

BONDHOLDERS' RISKS

Investment in the Bonds involves certain risks. In evaluating an investment in the Bonds, prospective purchasers should carefully consider the risk factors set forth under this heading "BONDHOLDERS' RISKS," as well as all other information contained in or incorporated by reference into this Official Statement, including the appendices hereto and additional information in the form of the complete documents summarized or incorporated by reference herein and in the appendices hereto, copies of which are available as described herein. The risks and uncertainties described below and elsewhere in this Official Statement (or in documents incorporated by reference into this Official Statement) could materially and adversely affect the Board's financial position, liquidity and ability to make payments in respect of the Bonds.

There may be other risk factors and investment considerations that are not presently foreseen by the Board, or that the Board does not currently consider material, including risks that an investor may consider material to its decision to invest in the Bonds. Moreover, any one or more of the factors discussed under this heading, and other factors not described under this heading, could lead to a decrease in the market value and the liquidity of the Bonds.

Suitability of Investment

The Bonds are not suitable investments for all persons. Prospective purchasers should confer with their own legal and financial advisors and should be able to bear the risks associated with the potential limited liquidity and price volatility, as well as the loss of their investment, in the Bonds before considering a purchase of the Bonds.

The factors described under this heading "BONDHOLDERS' RISKS," many of which are outside of the control of the Board, may impact the Board's financial condition as well as its ability to make timely debt service payments on the Bonds.

Structural Deficit

The Board has experienced structural operating deficits for the past five Fiscal Years that have ranged from approximately \$500 to \$1,100 million annually, which have been mitigated by the use of non–recurring revenue, expenditure of operating reserves, debt restructuring to extend maturities, short-term borrowings, and reduction of operating expenses. The Board's financial outlook for Fiscal Years 2018 and beyond is improved based in part on the increased State funding and authorized Pension Property Tax provided by P.A. 100-465. The Board's ongoing financial outlook will continue to be determined by factors such as labor, pension and debt service costs as well as the ability of the Board to raise revenues and reduce certain expenditures.

Certain factors that control a substantial portion of the revenues of the Board are largely outside the Board's control. The Board's authority to increase its property tax revenues for operations is restricted by PTELL, however PTELL does not apply to the Pledged Taxes and the Board's CIT Tax and Pension Property tax levies. The Board's revenues from property taxes, PPRT Revenues, and State and federal funding are limited by State and federal laws, and legislation would be required to provide new or increased revenues. Certain State and Federal Revenues (as herein defined) are allocated based on statutory formulas and limited by State and federal appropriations and thus are dependent in part on the competing demands for funding at the State and federal level.

In addition, certain factors that affect a substantial portion of the operating expenses of the Board are largely outside the Board's control, limiting the Board's ability to adjust such expenses in relation to the Board's operating revenues. For Fiscal Year 2017, the Board's annual Statutory Contribution (as defined herein) to the Pension Fund (as defined herein) constituted approximately 14% of the Board's annual expenses. Additionally, the Board's pension costs are projected to increase at an average rate of two percent through Fiscal Year 2059.

The Board does not exercise unilateral control over the Board's largest source of expenditures – salaries and wages – a majority of which is governed by contractual agreements with the Board's various collective bargaining units. In Fiscal Year 2017, the Board's annual salaries, wages and benefits were estimated at $3.8 billion and constituted approximately 71% of the Board's annual expenses. Since Fiscal Year 2011, labor costs have reduced by approximately 1% due to shifting demographics. In Fiscal Year 2017, the Board entered into a new four year agreement with the Chicago Teachers Union that increased the cost of salaries and benefits for approximately 67% of the Board's employees. The Board has also entered into labor agreements with other employee groups that have increased costs. Other agreements expired June 30, 2017 and will expire in future Fiscal Years and the Board cannot predict cost increases or savings associated with labor contracts that may be entered into in the future.

Debt service costs on the Board's outstanding long–term general obligation debt in Fiscal Year 2017 totaled approximately $520 million, of which $432 million was paid from operating funds consisting of State Aid Revenues and PPRT Revenues, and constituted approximately 8% of the Board's annual expenses. The remaining debt service was paid from revenue sources dedicated solely to the payment of such debt service. Prior to the issuance of the Bonds and refunding of the Refunded Bonds, as of November 1, 2017 the Board has approximately $7.1 billion aggregate principal amount of outstanding long–term general obligation debt, consisting of approximately $6.1 billion aggregate principal amount of fixed rate debt and approximately $1.0 billion of variable rate debt. The credit ratings of the Board have declined and as a result, the interest rates on the Board's debt increased. Future financings may increase the Board's outstanding long–term general obligation debt and debt service costs. The Board has, from time to time, issued bonds to refund and restructure outstanding bonds to extend maturities to obtain budgetary relief which has the effect of extending and increasing the Board's overall debt levels. In Fiscal Year 2018, as it has for the last two Fiscal Years, the Board may rely on short-term debt payable from future property tax and grant receipts to fund operations and liquidity, increasing the Board's debt service costs.

For a discussion of the Board's Fiscal Year 2018 budget see "FINANCIAL INFORMATION –Fiscal Year 2018 Budget."

Cash Flow and Liquidity and Future Borrowings

The liquidity position of the Board's operating funds has deteriorated during recent Fiscal Years primarily as a result of operating expenses consistently exceeding operating revenues and the Board's use of its operating reserve funds to fund the shortfalls. The Board's operating fund balance has declined over recent Fiscal Years from approximately $1.08 billion at the beginning of Fiscal Year 2015 to a negative approximately $126.6 million at the beginning of Fiscal Year 2017. The Board expects a negative fund balance to total approximately negative $271.3 million at the end of Fiscal Year 2017. With its operating reserve funds depleted, the Board has addressed its negative cash flow position largely through short–term borrowing.

The Board projects a negative cash position during the majority of Fiscal Year 2018. See "CASH FLOW AND LIQUIDITY." The Board expects to continue to issue both short–term and long–term debt to address its cash flow, liquidity and operating needs and for other purposes. See "PLAN OF FINANCE – Future Financings." The interest rate that the Board can pay on its short and long-term debt is subject to statutory caps and certain of the Board's recent borrowings are at or near such caps. The Board's authority to borrow is dependent on statutory authorization and historically the Board has relied on Alternate Revenue Bonds that require the availability of a source of Pledged Revenues to cover debt service and an additional coverage factor (10% or 25% dependent on the source of revenue) as its primary source of borrowing for long–term capital needs. The Board's general obligation debt is subject to a legal debt margin imposed by State law. Alternate Revenue Bonds are not included in the debt restricted by such margin so long as the Pledged Taxes are not extended to pay such bonds. If the Pledged Revenues pledged to pay the Board's outstanding Alternate Revenue Bonds are not available to pay such Bonds and the Pledged Taxes are extended for payment of debt service, such bonds would be included as outstanding debt and limit the borrowing capacity of the Board under the legal debt margin. There can be no assurance as to the terms on which the Board will continue to be able to borrow or whether the Board's existing statutory borrowing authority will provide sufficient borrowing capacity.

Availability of State Aid Revenues

State Aid Revenues make up a substantial portion of the available operating revenues of the Board and a substantial portion is pledged to pay debt service on Alternate Revenue Bonds.

The availability of State Aid Revenues is dependent upon numerous factors, including the impact of certain Board factors, such as PPRT Revenue receipts, EAV adjusted for PTELL and the Board's State Aid Base Funding Minimum under the EBF Formula. Other factors impacting the availability of State Aid Revenues include: (i) the continuation of the State Aid program under Illinois law and the Board's continued eligibility for State Aid under the provisions of the School Code including a required school calendar; (ii) timely collection by the State of the revenues from which State Aid is derived; (iii) the amount of funds appropriated by the State to pay State Aid; and (v) and the financial condition of the State and the availability of sufficient State revenues to pay State Aid appropriations. Changes in any one of the foregoing may impact the receipt of State Aid Revenues in an amount sufficient to provide for Pledged State Aid Revenues for annual debt service on the Series 2017C Bonds, Series 2017D Bonds, Series 2017G Bonds and Series 2017H Bonds and other Outstanding Pledged State Aid Revenue Bonds. See "– Availability of State Revenues and Financial Condition of the State" and "STATE AID REVENUES."

The Board cannot predict if State Aid Revenues will be available in sufficient amounts to pay debt service on the portion of the Bonds secured by Pledged State Aid Revenues and the Outstanding Pledged State Aid Revenue Bonds in any given year and if State Aid Revenues remaining after payment of debt service (together with other revenues available for operating expenses) will be sufficient to fund the operating expenses of the Board.

Availability of PPRT Revenues

The availability of PPRT Revenues is dependent upon numerous factors, including (i) the continuation of the PPRT under Illinois law in its present form; (ii) timely collection and distribution by the State of the PPRT Revenues; and (iii) and economic conditions in the State and the business climate in general and their impact on corporate income and utility invested capital. PPRT was created by the Illinois General Assembly in 1979 to replace a tax on the personal property of businesses that was abolished pursuant to the 1970 Illinois Constitution Article IX section 5. This constitutional provision requires the continuation of a tax to replace the personal property tax abolished, but the Illinois General Assembly could amend the form of such tax in the future. Changes in any one of the foregoing may impact the receipt of PPRT Revenues in each Fiscal Year and the Board cannot predict if PPRT Revenues will be available in an amount sufficient to provide for Pledged PPRT Revenues for annual debt service on the Series 2017E Bonds, Series 2017F Bonds, Series 2017G Bonds and Series 2017H Bonds secured by Pledged PPRT Revenues and other Outstanding Pledged PPRT Revenue Bonds. See "PERSONAL PROPERTY REPLACEMENT TAX REVENUES."

Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues

The availability of property tax revenues in amounts sufficient, together with Pledged Revenues, to pay the annual debt service on the Board's general obligation bonds, including the Bonds and outstanding Alternate Revenue Bonds, and to support the ongoing operating expenses of the Board is dependent on numerous factors that impact whether Pledged Taxes, if extended, will be collected in amounts sufficient to make timely debt service payments on such bonds. The Board has never had to extend ad valorem property taxes for collection to provide sufficient revenues for payment of its previously–issued Alternate Revenue Bonds.

The Intergovernmental Agreement Revenues consist of collections of the School Building and Improvement Taxes that are ad valorem property taxes imposed by the City and the availability of such property tax revenues is subject to numerous factors, including those described below.

The availability of property tax revenues is dependent on the tax base of real property within the City and the School District (which boundaries are coterminous) and the ability of this tax base to support the tax burden imposed in any year by the City, the Board and the other Overlapping Taxing Districts (as defined herein) for operations, debt service and other payment obligations, including pension and other post–employment retirement benefits. The availability of ad valorem property tax revenues is also dependent on the administration of the assessment, levy and tax collection procedures by the County Collectors.

In addition, litigation is pending in State and federal courts raising certain State and federal constitutional challenges relating to the selection of the Board by appointment of the Mayor and requesting, among other remedies, that the collection of property taxes levied by the Board be conditioned on the Illinois General Assembly putting in place or substituting an elected school board. The Board makes no assurances or predictions as to when the courts will rule on either litigation, what the outcome of each such ruling will be or the ways in which any adverse ruling will impact the Board or the Bonds. See "LITIGATION."

There are six major units of local government located in whole or in part within the boundaries of the School District (the "Overlapping Taxing Districts"). The Overlapping Taxing Districts share, to varying degrees, a common property tax base and have the power to impose and increase property taxes on the same property tax base as the Board. Reasons for such tax increases include, but are not limited to, increased costs of operation, increased debt service requirements on new or outstanding indebtedness, increased pension funding requirements, and other increased costs. The Board does not control the amount or timing of the taxes levied by these Overlapping Taxing Districts.

In addition, certain of the Board, the City and the Overlapping Taxing Districts have levied taxes to pay alternate revenue bonds and certain other general obligation bonds and such taxes are currently not extended for collection and are not reflected in the current tax rates of such entities. Such taxes could be extended in the future resulting in a substantial increase in the tax burden of property owners within the boundaries of such entities. Such increased burden could potentially be harmful to the local economy and may impact the value of property in the region and lead to population migration, delayed payments of taxes, lower tax collection rates and other factors that may result in a decrease in the rate and amount of tax collections received by the Board, including the Pledged Taxes if extended for collection, and or the City, including the Intergovernmental Agreement Revenues.

Unfunded Pensions and Required Statutory Contributions

Pension payments have been and are expected to continue to be a significant budget pressure for the Board. The Pension Code requires certain statutorily-mandated contributions by the Board to the Retirement Funds for each Fiscal Year, as well as required contributions by employees and the State (the "Statutory Contributions"). The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. As of June 30, 2016 the Funded Ratio of the Pension Fund was 52.4% and the Unfunded Actuarial Accrued Liability was approximately $9.6 billion. To the extent that the funded ratio of the Pension Fund continues to decline, this would contribute to increased required Statutory Contributions by the Board and put further pressure on the Board's annual operating budgets. The Board's required Statutory Contributions to the Pension Fund are projected to increase annually through 2059 (the actuarial projection period). In addition, the Pension Fund's actuaries, from time to time, may change the assumptions that are the basis of their actuarial valuations, including mortality rates and investment returns, and such changes may result in increased required Statutory Contributions of the Board. See APPENDIX J – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS."

Bankruptcy of the Board and Enforcement Remedies Under Each Indenture

General. 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. However, from time to time, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois units of local government to be a debtor in bankruptcy under the U.S. Bankruptcy Code. The Board cannot predict whether any such legislation will be enacted that would permit units of local government, such as the Board, to be a debtor in bankruptcy.

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 Pledged Taxes and/or Pledged Revenues to pay a Series of the Bonds could be stayed during the proceeding, and that the terms of such Series of the Bonds, the applicable Bond Resolution, or the applicable Indenture securing such Series of the Bonds (including amount, rate, security, and tax–related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with requirements of the U.S. Bankruptcy Code.

Counsel Opinions Regarding Certain Bankruptcy-Related Matters Relating to the Bonds. As described under the heading "CERTAIN LEGAL MATTERS" the Board has received opinions of special bankruptcy counsel to the Board regarding certain bankruptcy-related matters relating to the Bonds. See APPENDIX K – "Forms of Special Revenues Opinions Relating to the Bonds."

Board Intent. Although the Board can provide no assurances, and there is no binding judicial precedent dealing with facts similar to those supporting the Board's position, the Board believes that the Pledged Taxes currently pledged by the Board under each Indenture securing the respective Series of Bonds constitute *"special revenues,"* as defined in Section 902(2)(E) of the U.S. Bankruptcy Code, and, as a consequence, (i) pursuant to Section 928(a) of the U.S. Bankruptcy Code, any and all of such Pledged Taxes currently pledged by the Board under each such Indenture collected on behalf of the Board after the commencement of a case by the Board under Chapter 9 of the U.S. Bankruptcy Code would remain subject to the lien of each Indenture and could not lawfully be used by the Board without providing the bondholders "adequate protection" (as that term is defined in Section 361 of the U.S. Bankruptcy Code) for any diminution in value of the bondholders' interest in the Pledged Taxes resulting from the bankruptcy case and (ii) under Section 922(d) of the U.S. Bankruptcy Code, the application by the Trustee of the Pledged Taxes under the terms of each related Indenture would not be subject to stay after the commencement by the Board of a case under Chapter 9 of the U.S. Bankruptcy Code. The Board intends that the Pledged Taxes securing the Bonds be treated as *special revenues*.

No Opinion or Belief Regarding Special Revenue Treatment of the Pledged Revenues Securing the Bonds. No opinion, intent or belief is expressed with regard to the treatment of the Pledged Revenues securing the Bonds in a bankruptcy proceeding.

The opinions of Co–Bond Counsel and the Board's General Counsel as to the enforceability of the Board's obligations pursuant to each Indenture and to make payments on each Series of the Bonds are qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the Board. See APPENDIX N – "OPINIONS OF CO–BOND COUNSEL" and APPENDIX A — "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES — Events of Default and Remedies."

Availability of Federal Revenues

The operations of the Board depend in part on its receipt of federal revenues, which are revenues received by the Board in the form of federal grants dedicated to specific purposes ("Federal Revenues"). Funding for federal revenues is appropriated annually by the United States Congress and is paid to the Board on a reimbursement basis for qualified expenditures. See "FINANCIAL INFORMATION – Federal Revenues." School enrollment is a factor in receipt of federal aid and enrollment at Board schools has declined over the last five years from 403,461 students enrolled for the Fall of 2013 to 371,382 students enrolled for the Fall of 2017. The Board is unable to predict the amount, timing or likelihood of receipt of future Federal Revenues.

Financial Condition of the State

The State has experienced and continues to experience a structural deficit and pension obligations that result annually in significant shortfalls between the State's general fund revenues and spending demands. There can be no certainty as to if or when the State will resolve its structural deficit. The State's inability to adopt a budget for Fiscal Years 2016 and 2017 resulted in economic uncertainty and disruptions in the distribution of State revenues and the payment of State contracts. Continued budget problems of the State may impact State appropriations of State Aid and State Grants to the Board and could impact the level and timing of payments of State revenues to the Board. Any failure of the State to resolve its current and future deficits or resolve them by budget cuts and/or increases in taxes, could have an adverse effect on the local and State 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. Further information regarding the State may be obtained on its website.

Financial Condition of the City

The City has experienced structural deficits in recent years. As part of its process to address such ongoing structural budget deficits, the City adopted a substantial increase in property taxes that began in Tax Year 2015 and will continue through Tax Year 2018. In addition, the City may increase property taxes in the future to address budget needs and the City is not currently subject to the PTELL limit on property tax increases. The City has an overlapping taxing base with the Board and, from time to time, provides certain funding to the Board, including the Intergovernmental Agreement Revenues. The failure of the City to resolve any future deficits or resolving them by budget cuts and/or continued increases in property taxes, could have an adverse effect on the local economy and/or property tax base, including the Intergovernmental Agreement Revenues. Such actions may therefore have an adverse impact on the operations of the Board and the revenues it receives, including the Pledged Taxes if extended for collection, and including the Intergovernmental Agreement Revenues.

Local and State Economy

The financial health of the Board is in part dependent on the strength of the local economy, which in turn is a component of the State economy. Many factors affect both economies, including rates of employment and economic growth and the level of residential and commercial development. Actions of local governments and the State may also have an economic impact to the extent such actions foster or impede economic growth and development. In addition, financial difficulties experienced by the State and by the Overlapping Taxing Districts may place stress on the same sources of revenue from which the Board derives the funds for its operations and debt service. It is not possible to predict whether any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur or to quantify what impact such changes would have on the finances of the Board.

Credit Ratings, Investment Illiquidity and Market Prices

S&P Global Ratings, Fitch Ratings, and Kroll Bond Rating Agency, Inc. have each provided ratings with respect to the Bonds. For a description of such ratings, see "RATINGS" herein. Each rating of the Bonds does not constitute a recommendation to purchase, hold or sell the Bonds and such rating does not address the marketability of the Bonds, any market price or suitability for a particular investor. There is no assurance that any such rating will remain for any given period of time or that any such rating will not be downgraded, suspended or withdrawn entirely by the respective Rating Agency if, in such Rating Agency's judgment, circumstances so warrant based on factors prevailing at the time. Any such downgrade, suspension or withdrawal of any such rating, if it were to occur, could adversely affect the existence of a market or the market price of the Bonds.

Beginning in 2012, the Board's credit ratings were downgraded pursuant to various rating actions from investment grade to below investment grade by each of Moody's Investors Service, S&P Global Ratings (formerly known as Standard & Poor's Ratings Services), and Fitch Ratings. Kroll Bond Rating Agency first rated the Board's credit in 2015. The interest rates the Board pays on new issuances of long and short–term debt are heavily impacted by the Board's credit ratings, and downward changes in the Board's ratings have resulted and may continue to result in higher interest rates payable by the Board on bond issuances and other borrowings. In connection with the issuance of the Bonds, the Board's credit rating issued by Fitch Ratings was upgraded, and the 'outlook' assigned by each of S&P Global Ratings, Fitch Ratings and Kroll Bond Rating Agency was modified upward from negative to stable in the cases of S&P Global Ratings and Fitch Ratings and from stable to positive in the case of Kroll Bond Rating Agency.

Numerous factors may impact the liquidity of the Bonds, including any loss of value of the Bonds as a result of downgrades to the credit ratings of the Bonds or the debt of the Board, additional downgrades to the credit ratings of the City or State, any deterioration of the Board's financial condition, or as a result of market or other factors. There is no assurance that the secondary market for the Bonds will provide the Bondholders with sufficient liquidity for their investment or that such secondary market will continue through the final maturity of the Bonds. The Underwriters are not obligated under the Bond Purchase Agreement with the Board or otherwise to make a market for the Bonds. Such market–making by the Underwriters, if any, may be discontinued at any time at the sole discretion of the Underwriters.

The secondary market for the Bonds may be limited and the market prices of the Bonds will be determined by factors including relative supply of, and demand for, the Bonds and other debt obligations of the Board, general market and economic conditions in the School District, the Overlapping Taxing Districts, the State, the United States and globally, and other factors beyond the Board's control. Market price risk may increase as a result of downgrades to the credit ratings of the Board.

Change in Laws

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the Board, including the Board's ability to raise taxes and other revenues, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, change in the interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, change in interpretation, or addition may have a material adverse effect, either directly or indirectly, on the Board or the taxing authority of the Board, which could materially adversely affect the Board's operations or financial condition.

The School Code provides for the Board, as the governing body of the School District, to be appointed by the Mayor and with no required approval by the City Council. From time to time, legislation has been introduced in the

Illinois General Assembly, to provide for election of the Board by the voters within the School District. In addition under the School Code, the Board is currently exempted from State statutes that authorize ISBE under certain extraordinary circumstances including "financial difficulty" to remove the governing body of a school district, and replace the governing body with an "independent authority" appointed by the State Superintendent to operate the school district until the next election at which a governing board would be elected. The Board cannot predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted. See "—Bankruptcy of the Board" and "SECURITY FOR THE BONDS – Bankruptcy of the Board."

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 the boundaries of 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. 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 $651 billion in 2016. 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 is ranked sixth worldwide and third in the United States in 2016 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. See APPENDIX M – "ECONOMIC AND DEMOGRAPHIC INFORMATION."

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. 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 Board has one vacancy and 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.

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 Board has one vacancy.

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

Member	Term Expires
Frank M. Clark, President	June 30, 2018
Jaime Guzman, Vice President	June 30, 2018
Mark F. Furlong	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2018
Arnaldo (Arnie) Rivera	June 30, 2019
Gail D. Ward	June 30, 2019
Vacancy	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 enrollment for the Board for Fiscal Years 2013 through 2018. Enrollment has declined since 2013, 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 2017 (occurring in Fiscal Year 2018) school enrollment was 371,382 students and reflects a 9,967 student decrease (approximately negative 2.61%) from the Fall enrollment for 2016 based on numerous factors including, but not limited to, a decline in the birth rate and migration of students to private schools and suburban districts. The Board cannot project enrollment beyond Fiscal Year 2018 and declines in enrollment may continue and may be greater than historical trends. See "BONDHOLDERS' RISKS – Enrollment Declines, Budget Actions, Spending Cuts, Staff Reductions." For a discussion of school year 2017-2018 school actions see "—School Year 2017-2018 School Actions."

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Chicago Board of Education
Number of Schools and School Enrollment

Number of Schools	**Fiscal Year 2013**	**Fiscal Year 2014**	**Fiscal Year 2015**	**Fiscal Year 2016**	**Fiscal Year 2017**	**Fiscal Year 2018 (estimated)**
Elementary (1)	468	422	426	425	423	422
Special (4)	12	5	-	-	-	-
High School	98	109	121	122	113	108
Vocational/Technical (4)	8	-	-	-	-	-
Charter Schools	95	126	131	129	134	131
Kindergarten to H.S. (3) (4)	-	5	-	-	-	-
Total Schools	681	667	678	676	670	661
School Enrollment (2)						
Elementary (1)	261,638	254,864	251,554	247,487	238,793	230,718
Special (4)	1,961	907	-	-	-	-
High School	81,735	86,184	88,183	86,208	81,854	80,699
Vocational/Technical (4)	7,927	-	-	-	-	-
Charter Schools	50,200	54,572	56,946	58,590	60,702	59,965
Kindergarten to H.S. (3) (4)	-	4,018	-	-	-	-
Total School Enrollment	403,461	400,545	396,683	392,285	381,349	371,382

Source: Chicago Public Schools. Number of Schools Includes Alternative Learning Opportunities Programs (ALOPs).
(1) Elementary schools include the traditional classification of middle schools.
(2) Includes the number of students in each type of school regardless of the students' grades.
(3) The Kindergarten to High School (K-12) school was a new category presented in Fiscal Year 2014. The numbers are inclusive of both elementary and high school data which was not presented in prior years.
(4) The governance and school types were changed in Fiscal Year 2014. As a result, there is no longer a category for "*Vocational/Technical*" and beginning in Fiscal Year 2015 there is no longer a category for "*Special*" or *"Kindergarten to H.S."*

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
Senior Vice President of Finance.................... Ronald DeNard
Chief Financial Officer .... Jennie Huang Bennett
General Counsel... Ronald Marmer
Chief Administrative Officer .... Jorge Macias

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.

Senior Vice President of Finance. **Ronald DeNard** is the Senior Vice President of Finance of the Board and oversees treasury management, budget, payroll, grants, 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 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.

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 17 years of municipal finance experience. 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.

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 Administrative Officer. **Jorge Macias** is the Chief Administrative Officer of the Board and oversee all operations of Chicago Public Schools including; Capital Planning, Facility Operations, Transportation, Safety and Security, Nutrition, and Procurement. He was appointed on August 28, 2017. Jorge previously served as the Chief of the Office of Language and Cultural Education. Under his leadership, the achievement gap for English Learners was closed by 48% in Math and 28% in Reading. CPS increased the number of Dual Language programs from 15 to 27, as well as increasing bilingual education funding by $13 million in FY 18. When he was principal of Galileo Scholastic Academy, the school was consistently named to the Illinois Honor Roll. He has also served on district leadership committees related to school budgeting and grant administration for Chicago Public Schools. Jorge holds a Bachelor of Arts from DePaul University, Master's Degree from Saint Xavier University, School Principal graduate endorsement from Lewis University, and Superintendent graduate endorsement from Concordia University.

Capital Improvement Program

The "Capital Budget" is assembled as part of the Board's Five-Year Capital Plan and Ten-Year Master Education Facility Plan pursuant to State law. In Fiscal Year 2018, the Board approved a Capital Plan in conjunction with the release and approval of the Board's Fiscal Year 2018 proposed budget. The Board's Fiscal Year 2018 Capital Plan includes $136 million of capital project investments in school buildings, technology, and equipment. The overall plan includes: (i) $79 million for facility needs of priority maintenance and mechanical projects, (ii) $30 million for contingencies for emergency repairs that may arise throughout the course of the year, (iii) $5.3 million for information technology investments, (iv) $2 million for security equipment, (v) $12.9 million for capital project support services, and (vi) $7 million for potential projects funded by outside sources. Funding for these projects will come from the sale of real estate as well as prior year bond funding. The Board intends to use a portion of the proceeds from sale of the Series 2017H Bonds to fund costs of the Fiscal Year 2018 Capital Plan projects.

The Fiscal Year 2017 Capital Plan totaled $938 million and was funded with prior bond financings, funding provided by the City, federal grants, revenues from the Capital Improvement Tax (CIT) and proceeds of the 2016 CIT Bonds. An original budget was passed for $337.5 million and followed with a supplemental capital plan of $600.3 million. Of the $938 million in the Fiscal Year 2017 capital plan over $700 million in capital projects are underway at over 142 schools, each supporting the Board's vision of expanding high-quality academic options for families across the city. Some projects have been completed and work on others will be beginning soon.

School Year 2017–2018 School Actions

A State–mandated process governs the annual timing for school action proposals, including co–locations, re–assignment boundary changes, consolidations and closures. Pursuant to this process, by October 1st each year the Board creates and releases any updated Guidelines for School Actions ("Guidelines") that outline the academic and non–academic criteria for a school action. All proposed school actions to be taken at the close of a current academic year must be consistent with the Guidelines and must be announced by the following December 1st. These proposals are also subject to requirements of notice, two community meetings, and one public hearing prior to being put to a vote by the Board. Proposed school actions are typically voted on by the Board in the February–May timeframe.

Over the last several years, the Board's school actions have begun to reduce the overall school count. This reduction is the net result of lower enrollment figures, consolidating several Board–operated schools that were located in the same building as other Board–operated schools, closing of other Board–operated schools, and the opening of several new charter schools.

The Board currently expects to close three additional schools during the 2017-18 academic year that currently have no enrollment. One such closure of a middle school would result from transitioning such students to a nearby high school. In September 2017, the Board released its new draft of Guidelines for School Actions. These are expected to be finalized in the upcoming months in order to formerly announce all 2017-18 academic year actions by December 1st as required by State law. These actions would then only take place after the proposals are discussed at multiple public hearings and vote of the Board. Any effected school would then be closed when the school year ends in June 2018.

After continuous declining enrollment, four Englewood high schools will merge into one new $75 million facility in the same neighborhood, with community leaders involved in the planning and development process. Four Englewood neighborhood high schools have seen an average enrollment decline of 26.8 percent since last school year. Englewood has the sixth largest community population in the City and has had 41 percent of its students traveling four miles or more to go to schools outside the community. The new building will be on the site of Robeson High School and will welcome its first freshmen class in 2019. The Board has formed a 13-person steering committee of local leaders to provide input on potential curriculum, staff recommendations, recruitment strategies and safety strategies with help from the local police district.

Educational Highlights

In 2017, the University of Chicago's "UChicago Consortium on School Research" released reports on college enrollment and college degree attainment for CPS graduates. The number of CPS graduates who enrolled in either a 2- or 4-year college immediately after high school increased, from 50 percent in 2006 to 63 percent in 2015, and three in four CPS graduates enrolled in college within six years of graduating from high school. The reports also show college graduation rates have remained fairly flat over the last seven years, and college degree attainment gaps by race, gender, and disability status persist. The UChicago Consortium also studied the educational attainment of students with disabilities, which varies by disability category. In 2015, 68 percent of students with learning disabilities graduated from high school in six years, a significant increase from 50 percent in 2006. Rates of six-year high school graduation for students with physical and cognitive disabilities remained relatively consistent between 2006 and 2015. However, across all disability categories, 2015 high school graduates were much more likely to enroll in college than 2006 high school graduates.

In addition in recent years, the Board has experienced improved academic results on multiple measures and across multiple age categories as described below. The following is not intended to be a comprehensive description of the Board's educational results or comparison of the performance of the Board's schools with other educational institutions.

- *Math and Reading Gains*: In recent years CPS students achieved record scores on the Northwest Evaluation Association Measure of Academic Progress (NWEA-MAP). In 2017, a record 61.4 percent of students met or exceeded the national testing average in reading and 55.9 percent of students met or exceeded the average in math. For the fifth year in a row, CPS students have outscored national averages for all test takers in both subjects.

- *Freshman-on-Track Rates*: The University of Chicago developed a system to measure course grades and credits of students in the first year of high school to predict their likelihood to graduate from high school in four years. The freshmen on-track rate is highly correlated to graduation rates. The Board began tracking the freshman on-track to graduate rate in 2008. The 2016-17 school year's rate of freshmen on-track to graduate is the highest measure on record at 88.7 percent, up more than 28 percent since 2011.

- *ACT scores*: The average ACT score of CPS students has improved over the past five years and was the highest measure on record for the Board in the 2015-16 school year with an 18.4 composite score.

- *Graduation rates:* The percentage of students graduating achieved an all-time high of 77.5 percent in 2017 – a 4-point improvement from the previous year. This is CPS' highest graduation rate on record and the highest year-over-year improvement in memory. The graduation rate has steadily risen over the past six years, growing from 56.9 percent in 2011 to 77.5 percent – a 36 percent increase.

- *First Day of School Attendance:* The 2017-18 school year recorded a first day of attendance for grades K-12 of 94.7%. This marked the fourth consecutive year of first day attendance over 93%.

- *Scholarship Dollars Earned:* The class of 2017 earned more than $1.24 billion in scholarship offers – $80 million more than 2016 and triple the amount of scholarship dollars earned in 2013.

- *CPS School Rankings*. Several Board high schools are locally and nationally ranked by US News and World Report, recognizing academic performance on state assessments and student preparation for college as measured by Advanced Placement tests. In 2017, out of the 107 Board high schools analyzed in the report, 24 received a gold, silver or bronze achievement level, and seven Board schools were ranked among the "Top 10" schools in the State. Also in 2017, out of more than 21,000 high schools nationally surveyed, the Board's Northside College Prep, Walter Payton College Prep and Jones College Prep were ranked among the "Top 100" schools nationally.

Educational Initiatives

Since 2014, the Board has implemented a series of educational initiatives to support student learning, including the following:

- Expansion of kindergarten from half-day to full day in every public school.

- Schools and community-based provider locations were funded to provide high-quality early-learning programs with the ability to serve approximately 44,600 children 5 years of age or younger.

- Funding of pre-K education over four years through innovative financing under a $16 million Social Impact Bond issued by the City that provides early childhood education through a half-day Child-Parent Center (CPC) model, a program that works with both students and their parents to improve educational outcomes.

- The Office of Early Childhood Education (OECE), in collaboration with the City and Department of Family Support Services (DFSS), started a new and innovative universal online application process for preschool parents to apply for the 2016-2017 school year. During the first year of implementation, over 11,000 families applied and were placed through the universal application process across school and community-based programs.

- Since 2011, CPS added more than 100 schools to the Safe Passage program to help ensure that more than 75,000 CPS students from 145 schools are able to travel safely to and from school every day. To date, there have been no serious incidents involving a student during operational hours while Safe Passage workers are present, and crime along these routes has decreased 32 percent since 2012.

- U.S. Department of Health and Human Services (HHS) renewed Chicago's Head Start Funding providing $600 million for early childhood education programming over five years.

- More than $10 million in City funding for arts education for the 2015-2016 school year.

- CPS has improved its social and emotional learning programming, training and initiatives in recent years to better support the needs of our students. As part of these efforts, CPS created the supportive schools certification to recognize schools have prioritized supportive school environments. In 2017, 335 schools earned the supportive school certification – an increase of more than one-third since 2016.

- The Board is refining its recognition platform for top performers in school leadership and teacher quality, tying rewards and recognition to performance.

- In addition to implementing Common Core State standards, the Board has implemented reforms designed to make students college-ready including: (i) expanding college/dual enrollment programs that give high school juniors and seniors exposure to college-level courses; (ii) expanding high school options that have a strong track record of college readiness and persistence; (iii) establishing the award of a State Seal of Biliteracy to graduating seniors who demonstrate proficiency in English and in a secondary language; (iv) partnering with leaders in higher education to form the Chicago Higher Education Compact, a collaboration dedicated to developing solutions to increase college enrollment and success; and (v) expanding student awareness of the Chicago Star Scholarship program, which provides eligible CPS students with a free education at City Colleges of Chicago.

- The Board has adopted a single streamlined application process for eighth grade students to evaluate available high school options and to be matched to the school that fits their needs known as "GoCPS." GoCPS provides a one-stop source of information on available options, as well as housing the application system to Chicago schools, and it has improved equity for disadvantaged students providing access to school options.

Chicago Teachers Union and Other Employee Groups

Overview. The Board currently employs approximately 36,196 persons. Approximately 93.0% of the Board's employees are represented by six unions that engage in collective bargaining with the Board. As of June 13, 2017, approximately 67% of the Board's employees were represented by the Chicago Teacher's Union ("CTU") and approximately 26% were represented by other unions. The unions, percentage of employees represented and effective dates of the Board's most recent collective bargaining agreements are as follows:

Labor Organization	Number of Covered Employees	Agreement Start Date	Agreement End Date
CTU	24,269	July 1, 2015	June 30, 2019
IUOE Local 143 and 143B	454	July 1, 2016	June 30, 2021
SEIU Local 1	377	July 1, 2016	June 30, 2020
UNITE-HERE Local 1	2,264	July 1, 2012	June 30, 2017
IB of T Local 700	23	July 1, 2012	June 30, 2017
SEIU Local 73	6,225	July 1, 2015	June 30, 2018

CTU. The Board's agreement with CTU expired on June 30, 2015 and a new agreement was entered into in December 2016 (retroactive to July 1, 2015) following extended negotiations and a threatened teacher's strike. The agreement covers the terms and conditions of employment for teachers, school clerks, teacher assistants and other paraprofessionals and provides for the following:

- Changes in employee benefits that will increase employee costs for deductibles, co-pays and contributions.

- Automatic salary increases for a teacher's years of service and education level, also known as "*Steps and Lanes*," will not be paid retroactively for Fiscal Year 2016 but will be restored in Fiscal Year 2017 for the contract term. There are no cost of living adjustment (COLA) salary increases for Fiscal Years 2016 and 2017. COLA salary increases of 2.0% and 2.5% will be paid for Fiscal Years 2018 and 2019, respectively.

- The Board has historically funded a portion (7% of salary) of a teacher's required contribution (9% of salary) to the Pension Fund, known as "pension pickup." This Board funding is eliminated effective January 1, 2017 for new employees who will receive salary increases of 3.5% effective January 1, 2017 and 3.5% effective July 1, 2017 as an offset. This "pension pickup" will be retained for existing employees.

- The Board offered a one-time, non-pensionable lump sum payment to non-teacher members of CTU (with 10 or more years of service) and retirement eligible teachers who resigned by June 30, 2017. This retirement incentive was $1,500 and $750 for each year of service, for teachers and non-teacher members of CTU, respectively. The offer was conditioned on the resignation of a minimum of 1,500 teachers and 600 non-teacher members of CTU. This level of resignations was not achieved. The Board estimates CTU retirements in Fiscal Year 2017 to be consistent with retirements in prior years.

IUOE Local 143 and IUOE Local 143B. The Board reached new agreements with IUOE Local 143 (covering building engineers) and IUOE Local 143B (covering payroll and finance employees) in December 2016, retroactive to July 1, 2016. These agreements include the same employee benefit structure, cost of living adjustments and "pension pickup" provisions as the CTU Agreement. Cost of living adjustments to bargaining units' respective salary schedules for Fiscal Year 2020 and Fiscal Year 2021 are left to future negotiation. Additionally, Local 143 agreed to a program whereby all Board building engineering services will be provided through vendor services in a privatized integrated facilities management model by the start of Fiscal Year 2019.

SEIU Local 1. The Board reached a new agreement with the SEIU Local 1 (covering lunchroom managers) which became effective in January 2017, retroactive to July 1, 2016. The labor costs associated with the agreement are paid exclusively from grant funds generated from the U.S. Department of Agriculture's nutrition grant.

SEIU Local 73. The Board's agreement with SEIU Local 73 (covering custodians, security officers, special education classroom assistants and bus aides) became effective July 1, 2015 and provides a 2% salary increase each year, but in two of those years the increases are contingent on the Board's ability to balance its budget. Additionally, the Board agreed to a “me-too” provision that gives employees the same general wage increase as CTU and also agreed to maintain the same staffing level of public custodians and agreed not to subcontract certain bargaining unit work. Pursuant to the agreement, SEIU Local 73 did not receive the scheduled 2% salary increase in Fiscal Year 2017 is scheduled to receive a 2% cost of living adjustment in Fiscal Year 2018. These employees also receive the same revised benefit structure as CTU effective January 1, 2017.

Other Employee Groups. The Board’s agreements with Unite Here Local 1 (covering lunchroom workers) and IB of T Local 700 (covering truck drivers) expired June 30, 2017 and the Board is currently in the process of negotiations for new contracts, but cannot predict the timing of renewal or terms of such contracts.

PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS

Employees of the Board participate in one of two defined benefit retirement funds (the **“Retirement Funds”**) which provide benefits upon retirement, death or disability to Board employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Illinois Pension Code (the **“Pension Code”**) as separate legal entities and for the benefit of the members of the Retirement Funds. The Pension Code requires certain statutorily-mandated contributions by the Board to the Retirement Funds for each Fiscal Year, as well as required contributions by employees and the State. The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. The two Retirement Funds are: (i) the Public School Teachers’ Pension and Retirement Fund of Chicago (the **“Pension Fund”**), which covers teachers, educational, administrative, professional and other certified individuals employed by the Board, and (ii) the Municipal Employees’ Annuity and Benefit Fund of Chicago (the **“Annuity Fund”**), which covers non–teacher employees of the Board and most civil servant employees of the City.

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consist of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, employees and in certain instances the Board, the City and the State make contributions to the Retirement Funds. The Retirement Funds invest these contributions with the goal of achieving projected investment returns over time and increasing the assets of the Retirement Funds.

The Retirement Funds’ actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer contributions, assets and liabilities of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by the actuary have a significant impact on the measures of financial position of the Retirement Funds and may change from time to time.

In 2016, Public Act 099–0521 became effective and authorized the Board to annually levy a new property tax on all real property within the boundaries of the School District to be paid directly to the Pension Fund and to be credited to the Board’s annual required contribution. The Board authorized the levy of this Pension Fund Property Tax in 2016. On August 31, 2017, P.A. 100-465 became effective that authorized the Board to increase the annual Pension Property Tax Levy to a maximum rate of 0.567% and the Board authorized the increase of the levy to the maximum rate for Tax Year 2017 which is expected to increase revenues by approximately $130 million in Collection Year 2018.

The Pension Fund certifies the amount of the Board’s Statutory Contribution to the Board annually. For Fiscal Years 2015 through 2017, the amount certified reflected an offset of the State Statutory Contribution. In addition, the amount of the property tax levies to be credited to the Board’s annual contribution include the amounts collected pursuant to the collection of the second installment of property taxes, due on August 1 in the past several years. The receipt of those amounts therefore occurs after the June 30 date on which the Board is required to make its annual contribution. The Board and the Pension Fund have been in discussions since the summer of 2016 regarding the mechanisms by which the amounts of the tax levy attributable to the second installment may be credited to the Board's annual contribution due on June 30 of the year in which the tax is collected. The mutual objective is to enter an agreement under which addresses this aspect of the determination of the Board's annual contribution as well as the Pension Fund's position that the State Statutory Contribution should be treated as an offset to the amount certified to the Board as its required contribution. As part of those negotiations, the Pension Fund is proposing to amend the certifications for Fiscal Years 2015 and 2016 retroactively to reflect an offset of the State Statutory Contribution. The Board disputes the ability of the Pension Fund to retroactively amend such certifications under the Pension Code. Negotiations on the proposed agreement continue and in the interim, the Pension Fund has not formally taken any position on whether the Board has satisfied its contribution requirement in the Fiscal Years at issue.

In addition, P.A. 100-465 provides for an increase in the required State Contribution to the Pension Fund in an approximate amount of $221 million to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that is provided to other school districts in the State for teachers' pensions. This increase in the State Contribution will bring the total contribution for Fiscal Year 2018 to $233 million.

For a discussion of the Board's employee retirement funds and plans, including specifically the Board's Pension Fund, Annuity Fund and other post–employment obligations, and the Board's required contributions see APPENDIX J – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS." For a discussion of certain risks related to the Board's pension and other post–employment obligations see "BONDHOLDERS' RISKS – Unfunded Pensions and Required Statutory Contributions." For a discussion of the timing of pension contributions and the availability of certain revenue sources therefor, see "CASH FLOW AND LIQUIDITY – Timing of Expenditures – Pension Contributions."

DEBT STRUCTURE

Overview

The Board's debt structure includes both short and long-term obligations as described under this heading. Short-term debt includes both tax and grant anticipation notes payable respectively from a pledge of specified ad valorem property tax and State grant receipts. The Board's primary source of debt funding is long-term general obligation bonds secured by the full faith and credit of the Board and consists of Alternate Revenue Bonds secured by a pledge of Pledged Revenues, including the Bonds, and PBC Leases (as defined herein). The Board also has outstanding its long-term Dedicated Capital Improvement Tax Bonds which are not general obligations and are secured by a pledge of revenues from the Board's Capital Improvement Tax.

Long–Term General Obligation Debt

Prior to the issuance of the Bonds and the refunding of the Refunded Bonds, as of November 1, 2017 the Board has approximately $7.1 billion aggregate principal amount of outstanding long–term general obligation debt, consisting of approximately $6.1 billion aggregate principal amount of fixed rate debt and approximately $1.0 billion of variable rate debt. See "PLAN OF FINANCE – Future Financings" and see "–Board's Long–Term Debt Service Schedule" and "– Board's Variable Rate Bonds."

Additionally, the $7.1 billion aggregate principal amount of outstanding long–term general obligation debt consists of approximately $7.0 billion aggregate principal amount of Alternate Revenue Bonds (excluding the Bonds and the refunding of the Refunded Bonds) and approximately $117 million aggregate principal amount of leases with the Public Building Commission (the "PBC Leases"). See "–Board's Long–Term Debt Service Schedule." The lease rentals due under the PBC Leases are supported by separate unlimited property tax levies of the Board. For additional information on the Public Building Commission, see "– Overlapping Taxing Districts and Overlapping Debt." To provide for payment of the lease rentals under the PBC Leases, the Board has established lease payment debt service fund accounts with a lease payment trustee. Under the School Code and resolutions of the Board establishing those trust accounts, the Board has levied a separate tax unlimited as to rate or amount on real property within the School District to pay the lease rentals under the PBC Leases. Tax receipts of the Board attributable to the Board's PBC Leases are required to be paid by the County Collectors directly to the lease payment trustee and deposited in a fund account to be used for the payment of the applicable lease rentals under the PBC Leases when due. Investment income on deposits in the fund accounts established to make lease rentals under the PBC Leases is paid to the Board to the extent not needed to meet the lease obligations for which the particular fund account is established.

Board's Long-Term Debt Service Schedule

The following table sets forth the debt service requirements on the Board's long–term general obligation debt secured by ad valorem property tax levies unlimited as to rate or amount, including outstanding Alternate Revenue Bonds. The table includes debt service on the Bonds and the refunding of the Refunded Bonds. See "PLAN OF FINANCE." Debt service is shown on a calendar year basis (rather than on the basis of the Board's Fiscal Year) to be consistent with the Tax Year used for the levy and collection of the taxes that secure the Board's general obligation bonds. The table does not include any obligations of the Board which are not general obligations and are not secured by the unlimited taxing power of the Board, including any Tax Anticipation Notes, Grant Anticipation Notes or Dedicated Capital Improvement Tax Bonds.

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Board's Long–Term General Obligation Debt Service Schedule[1]
(Dollars in Thousands)

Calendar Year	Outstanding Alternate Revenue Bonds[2]	PBC Leases	The Bonds[3]	(Less) Refunded Bonds	Total Annual Debt Service
2018	$515,195	$51,954	$37,938	$(52,017)	$553,070
2019	599,843	29,877	82,596	(176,836)	535,480
2020	655,315	28,505	102,102	(116,631)	669,291
2021	672,944	-	123,440	(116,362)	680,022
2022	666,620	-	99,212	(91,499)	674,333
2023	652,413	-	111,499	(95,672)	668,240
2024	658,626	-	109,949	(102,061)	666,514
2025	712,562	-	66,416	(62,125)	716,853
2026	710,579	-	59,256	(56,043)	713,792
2027	647,413	-	58,348	(47,388)	658,373
2028	678,595	-	57,189	(46,340)	689,444
2029	669,569	-	56,125	(45,135)	680,559
2030	643,002	-	64,721	(43,919)	663,804
2031	614,488	-	84,052	(42,650)	655,890
2032	377,920	-	64,316	(39,195)	403,041
2033	352,736	-	63,794	(14,506)	402,024
2034	367,194	-	63,232	(13,936)	416,490
2035	364,794	-	34,031	(13,334)	385,491
2036	370,197	-	33,906	-	404,103
2037	371,766	-	10,543	-	382,309
2038	372,127	-	10,543	-	382,670
2039	372,438	-	10,543	-	382,981
2040	373,253	-	10,543	-	383,796
2041	373,257	-	10,543	-	383,800
2042	373,647	-	10,543	-	384,190
2043	207,750	-	72,718	-	280,468
2044	207,340	-	72,225	-	279,565
2045	172,505	-	45,120	-	217,625
2046	172,584	-	45,124	-	217,708

Source: Chicago Public Schools.

(1) Excludes debt service payable on December 1, 2017, for which amount have been deposited to make such payments.

(2) Reflects debt service on outstanding Alternate Revenue Bonds of the Board as of November 1, 2017, prior to the issuance of the Bonds and the refunding of the Refunded Bonds, and includes approximately $1.0 billion of variable rate bonds (a portion of which are Refunded Bonds) and interest on such bonds is calculated at 4.5%, 5%, 7.5% or 9% depending on the applicable requirements of the indenture securing such bonds; actual rates may vary. See "PLAN OF FINANCE." The calculation of debt service on variable rate bonds includes assumptions regarding the increase in interest rates based on the expected Board election not to remarket such bonds. See "– Board's Variable Rate Bonds" for a discussion of the interest rate assumptions used to calculate debt service.

(3) Net of capitalized interest.

Additional Bonds

The Board may issue Alternate Revenue Bonds secured by Pledged Revenues made available by the Board under current and future Authorizations and pursuant to separate trust indentures, in accordance with the provisions of the Debt Reform Act as in existence on the date of issuance of such Alternate Revenue Bonds, including the Board's determination as to the availability of the required coverage of Pledged Revenues pursuant to the Debt Reform Act. Subject only to compliance with such provisions of the Debt Reform Act, including coverage requirements, there is no limit on the aggregate principal amount of Alternate Revenue Bonds secured by Pledged Revenues that may be issued by the Board. See "PLAN OF FINANCE – Future Financings." For a discussion of the risks associated with the Board's expected increased debt levels see "BONDHOLDERS' RISKS – Structural Deficit" and "-Cash Flow and Liquidity and Future Borrowings."

The Board may also issue general obligation bonds secured by ad valorem property taxes under future bond authorizations and pursuant to separate trust indentures, in accordance with the provisions of the School Code and the Debt Reform Act as in existence on the date of issuance of such bonds. For a discussion of certain statutory restrictions on the issuance of general obligation bonds by the Board see "– Board's Borrowing Authority and Legal Debt Margin."

Board's Variable Rate Bonds

Prior to the issuance of the Bonds and the refunding of the Refunded Bonds, as of November 1, 2017 the Board has approximately $1.0 billion in outstanding general obligation bonds or other borrowings that are structured in a variable rate mode. The refunding plan includes the refunding of the Refunded Bonds as shown below and following its implementation only the 2008A, 2008B and 2013A-3 Bonds will remain outstanding. Certain of such obligations are in short-term rate modes which are established by remarketing of such bonds based on interest rates established pursuant to an index on fixed rollover dates. Beginning in 2016 the Board elected not to reoffer certain of such bonds for remarketing and as a result the interest rate on such bonds increased to a fixed rate. None of these variable rate bonds have acceleration rights or immediate tender rights for the holders of such variable rate bonds. The following table sets forth the outstanding principal amount, interest rate index, the fixed rate at which such bonds are currently accruing interest, if applicable, and the maturity or next remarketing date for each series of the Board's variable rate bonds.

Series	Outstanding Principal	Variable Rate Index	Expiration / Remarketing Date	Fixed Interest Rate Currently Applicable
2008 A	$ 262,785,000	LIBOR-based	3/01/2034 maturity	Not Applicable
2008 B	169,425,000	LIBOR-based	3/01/2031 maturity	Not Applicable
2011 C–1	40,300,000*	SIFMA-based	2/29/2016(1)	9.0%
2011 C–2	39,700,000*	SIFMA-based	2/28/2017(1)	9.0%
2013 A–1	71,685,000*	LIBOR-based	6/01/2016(1)	9.0%
2013 A–2	124,320,000*	SIFMA-based	6/01/2017(1)	9.0%
2013 A–3	157,055,000	SIFMA-based	6/01/2018	Not Applicable(2)
2015 A	80,300,000*	SIFMA-based	3/01/2017(1)	9.0%
2015 G	79,800,000*	SIFMA-based	3/01/2017(1)	9.0%
Total	**$1,025,370,000**			

Source: Chicago Public Schools.
*Refunded Bonds.
(1) The bonds were not remarketed on this remarketing date.
(2) On the remarketing date for the 2013A-3 Bonds, if the Board does not offer the 2013A-3 Bonds for remarketing the bonds will accrue interest at the fixed rate of 7.5% beginning June 1, 2018, increasing to 9% September 1, 2018.

Debt Management Policy

The Board has adopted a Debt Management Policy ("Debt Policy") to provide guidance for debt management and capital planning and to enhance the Board's ability to manage its debt.

Board's Borrowing Authority and Legal Debt Margin

As a non–home rule governmental entity, the Board's authority to borrow is limited to authority granted under State statutes. These legislative authorizations set forth the terms and conditions under which the Board issues its short–term and long–term debt, the security the Board can pledge to the repayment of such debt, and the procedures the Board must follow in exercising its borrowing authority, including, in certain circumstances, a requirement of voter approval for the issuance of general obligation bonds payable from unlimited ad valorem taxes.

Pursuant to Illinois law, the statutory "Debt Limit" for general obligation debt of the Board is 13.80% of the equalized assessed value of real property within the School District. The Board's Alternate Revenue Bonds do not count against the Debt Limit so long as the ad valorem property tax levy to pay debt service on such bonds is abated annually and not extended for collection. In the event the sources of Pledged Revenues securing Alternate Revenue Bonds in any year are not sufficient to pay debt service on such bonds, and as a result the tax levy to pay debt service is extended for collection in the amount of such shortfall, such Alternate Revenue Bonds would count against the Debt Limit. The following table sets forth the calculation of the debt margin of the Board for the last five Fiscal Years.

Legal Debt Margin Information of the Board
Last Five Available Fiscal Years
(Dollars in Thousands)
As of Fiscal Years Ending June 30

	2013	2014	2015	2016	2017
Equalized Assessed Value[1]	$65,257,093	$62,370,205	$64,913,774	$70,968,533	$74,020,998
Debt Limit (13.80% of EAV)	$ 9,005,479	$ 8,607,088	$ 8,958,101	$ 9,793,658	$ 10,214,898
General Obligation Debt[2]	$ 342,830	$ 290,849	$ 238,820	$ 186,823	$ 134,803
Less: Amount set aside for repayment of debt[2]	$ (34,790)	$ (35,201)	$ (34,684)	$ (34,885)	$ (32,761)
Total Net Applicable Debt[2]	$ 308,040	$ 255,648	$ 204,136	$ 151,938	$ 102,042
Legal Debt Margin	$ 8,697,439	$ 8,351,440	$ 8,753,965	$ 9,641,720	$ 10,112,856
Total Net Applicable Debt as a percentage of Debt Limit	3.42%	2.97%	2.28%	1.55%	1.00%

Source: Chicago Public Schools.

(1) Includes taxable property within the School District located in Cook County and DuPage County.

(2) Includes only PBC Lease obligations that are secured by and payable from property taxes. Does not include the Board's outstanding Alternate Revenue Bonds, the Bonds or refunding of the Refunded Bonds, or the Board's Dedicated Capital Improvement Tax Bonds. Alternate Revenue Bonds would be included and would reduce the Board's borrowing capacity under the Legal Debt Margin if the Pledged Taxes were extended for collection to pay such bonds as the result of the unavailability of sufficient Alternate Revenues (including State Aid Revenues) to abate such taxes.

Bond Issue Notification Act

The Bond Issue Notification Act (30 ILCS 352) requires a public hearing to be held by any non–home rule governmental unit, including the Board, proposing to sell non–referendum general obligation bonds or limited bonds (other than refunding bonds) subject to backdoor referendum. The public hearing is intended to require the governing body approving the bond issue to explain the reasons for the proposed issuance and allow persons desiring to be heard an opportunity to present written or oral testimony. Such a public hearing was held by the Board in connection with the issuance of the Bonds.

Overlapping Taxing Districts and Overlapping Debt

There are six major units of local government located in whole or in part within the boundaries of the School District, 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 Overlapping Taxing Districts 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 Overlapping Taxing District shares, to varying degrees, a common property tax base with the Board. Each of the Overlapping Taxing Districts levies taxes upon property located in the School District, and, in some cases, in other parts of Cook County. See APPENDIX J – "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS – Overlapping Taxing Districts," "FINANCIAL INFORMATION – Property Tax Revenues" and "BONDHOLDERS' RISKS – Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues." However, the Overlapping Taxing Districts are all separate legal and financial units, and the financial conditions or circumstances of any one unit do not necessarily imply similar financial conditions or circumstances for the Board. Information about these Overlapping Taxing Districts is set forth below and additional information may be obtained on their respective websites.

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 consists of 50 members elected for four–year terms and each representing one of the City's 50 wards.

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.

Cook County 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 seventeen–member Board of Commissioners, each elected for four–year terms from one of 17 districts. 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") has boundaries 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 of Commissioners.

The **Metropolitan Water Reclamation District of Greater Chicago** (the "Water Reclamation District" or "MWRD") 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.

In addition to the Overlapping Taxing Districts, there are also other governmental bodies in the geographical boundaries of the School District that are authorized to issue debt obligations, but which are not authorized to levy real property taxes and as such do not share an overlapping tax base with the Board. Among such other public bodies, 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. See the table "Board's Overlapping Debt Schedule." Other such public bodies include the Chicago Transit Authority (the "CTA"), is a municipal corporation which owns, operates and maintains a public mass transportation system in the City and portions of the County; the Regional Transportation Authority (the "RTA"), a municipal corporation which provides planning, funding, coordination and fiscal oversight of separately governed operating entities, including the CTA, which provide public mass transportation services in a six–county area of northeastern Illinois, including Cook County; and the Metropolitan Pier and Exposition Authority (the "MPEA"), a municipal corporation which owns the McCormick Place convention and exposition facilities and Navy Pier, both located in the City.

The following table sets forth the Board's long-term debt secured by ad valorem property taxes of the Board and that of the Overlapping Taxing Districts as of November 1, 2017, including the Board's outstanding Alternate Revenue Bonds, the Dedicated Capital Improvement Tax Bonds, the Bonds, and the refunding of the Refunded Bonds.

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Board's Overlapping Debt Schedule

(Dollars in Thousands)

Direct Debt	
The Bonds	$1,025,000
Total Outstanding General Obligation Bonds	6,320,939*
Dedicated Capital Improvement Tax Bonds	794,480†
PBC Leases (principal component)	116,850
Total Direct Debt[1]	$8,257,269

Overlapping Debt[1][2]	**Debt Outstanding**	**Estimated Percentage Applicable**	**Estimated Share of Overlapping Debt**
City of Chicago	$9,805,104	100.00%	$9,805,104
Community College District[3]	241,830	100.00%	241,830
Chicago Park District[4]	822,045	100.00%	822,045
Cook County[5]	3,213,142	53.47%	1,718,067
Forest Preserve District	159,440	53.47%	85,253
MWRD	2,750,357	54.46%	1,497,844
Total Overlapping Debt			$14,170,143
Total Direct and Overlapping Debt			$22,427,412

Population (2016 estimate)	2,704,958[6]
Equalized Assessed Valuation (2016)	$74,020,998[7]
Estimated Fair Market Value (2015)	$278,076,449[8]

	Per Capita[9]	% EAV	% FMV
Direct Debt	$3,052.64	11.16%	2.97%
Total Direct and Overlapping Debt	$8,291.12	30.30%	8.07%

Source: Chicago Public Schools.

(1) Excludes outstanding tax and grant anticipation notes and warrants.

(2) Debt of Overlapping Taxing Districts.

(3) All $241,830,000 of outstanding general obligation bonds were issued as alternate bonds under the Debt Reform Act for which the alternate revenue source is tuition, fees and State grant revenues.

(4) Includes $289,490,000 of outstanding general obligation bonds issued as alternate bonds under the Debt Reform Act for which the alternate revenue source is personal property replacement tax revenues, harbor fees and other specific revenues.

(5) Excludes outstanding sales tax-backed bonds.

(6) Source: United States Census Bureau.

(7) Source: Cook County Clerk's Office. Total Equalized Assessed Value is net of exemptions and includes assessment of pollution control facilities. Includes Equalized Assessed Value of property in DuPage County.

(8) Source: The Civic Federation Report September 20, 2017.

(9) Per Capita amounts are not expressed as dollars in thousands.

* Reflects refunding of the Refunded Bonds.

† Includes the 2017 CIT Bonds.

Dedicated Capital Improvement Tax Bonds

In August 2015, the Board approved for the first time a statutorily–authorized annual levy of a capital improvement property tax (the "Capital Improvement Tax") in the initial amount of $45 million to aid in funding its ongoing Capital Improvement Program. The statute establishing the levy authorizes annual increases to the amount of the levy based on inflation, and further provides for the amount of the levy to increase by an additional $142.5 million in Tax Year 2031. The Capital Improvement Tax levy is not subject to the limitations of PTELL. In December 2016, the Board issued and has outstanding its Dedicated Capital Improvement Tax Bonds, Series 2016 (the "2016 CIT Bonds") in the aggregate principal amount of $729,580,000 payable from and secured by a lien on the revenues from the Capital Improvement Tax pursuant to a master indenture securing bonds issued by the Board secured by the Capital Improvement Tax ("Dedicated Capital Improvement Tax Bonds"). Dedicated Capital Improvement Tax Bonds are not general obligations of and are not secured by the unlimited taxing power of the Board. The Board will issue the 2017 CIT Bonds in the principal amount of $64,900,000 contemporaneously with the issuance of the Bonds. See "PLAN OF FINANCE – Future Financings." From time to time, the Board may issue additional Dedicated Capital Improvement Tax Bonds.

Tax Anticipation Notes

To finance cash flow in Fiscal Years 2015, 2016 and 2017, the Board relied on short-term borrowing to fund operations and liquidity. The Board is authorized to issue its tax anticipation notes in an amount equal to 85% of its operating tax levy. The Board anticipates that it will continue to borrow in subsequent Fiscal Years, including in Fiscal Year 2018, to fund operations and annual cash flow. For Fiscal Year 2018, the Board levied in calendar year 2017 for collection in calendar year 2018 ad valorem property taxes of approximately $2.42 billion for educational purposes and authorized the issuance of not to exceed $1.55 billion principal amount of 2017 TANs in anticipation of the collection of the 2017 Tax Levy in calendar year 2018. See "PLAN OF FINANCE – Future Financings," "FINANCIAL INFORMATION–Fiscal Year 2018 Budget" and "CASH FLOW AND LIQUIDITY."

Grant Anticipation Notes

To finance cash flow in Fiscal Years 2017, the Board issued its Grant Anticipation Notes (the "2017 GANs") in the aggregate principal amount of $387 million payable from State Grants for Fiscal Year 2017. For a discussion of delays in receipt of State Grant payments see "CASH FLOW AND LIQUIDITY" The 2017 GANs have been paid in full. The Board may issue grant anticipation notes, from time to time, in the future to address its cash flow needs. See "PLAN OF FINANCE – Future Financings" and "FINANCIAL INFORMATION–Fiscal Year 2018 Budget."

FINANCIAL INFORMATION

Accounting and Financial Statements

The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance–related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All Board funds are reported in the governmental funds consisting of the General Operating Fund, Capital Project Fund, and Debt Service Fund. The General Operating Fund includes the General and Special Revenue Programs.

The Board's fund financial statements provide detailed information about the most significant funds. The Board's governmental funds use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. All of the Board's services are reported in governmental funds, showing how money flows into and out of funds and the balances left at year–end that are available for spending. The governmental fund statements provide a detailed short–term view of the Board's operations and the services it provides. The Board maintains three governmental funds: General Operating (the "General Operating Fund"), Capital Projects, and Debt Service.

Property Tax Revenues

Overview. Revenues from *ad valorem* property taxes are estimated to be approximately $2.6 billion and make up approximately 54.6% of the General Operating Fund revenues of the Board in Fiscal Year 2017. The Board's educational fund property tax levy has had a compounded annual growth rate of approximately 4% per year. For Fiscal Year 2018 the Board estimates the tax revenue to be $2.8 billion and accounts for 49.8% of the General Operating Fund revenues of the Board. The new operating tax revenues for pensions are described below. As a part of its Fiscal Year 2018 Budget, the Board increased its property tax levy in two categories: (1) the maximum levy allowable under PTELL (increased revenues of approximately $45 million are estimated for Fiscal Year 2018), and (2) the Pension Property Tax Levy (as defined herein) was implemented in the amount of $425.8 million, from which the Board anticipates collecting approximately $405 million. In addition to the operating property tax revenues described above, the Board also recently levied taxes for capital improvements as described under Capital Improvement Tax Levy below. In Tax Year 2017, this Capital Improvement Tax Levy was increased by $3.6 million. For a discussion of the real property tax system see APPENDIX E – "THE REAL PROPERTY TAX SYSTEM." For an overview of the historic and budgeted property tax revenues, see the tables under the subheadings "– General Operating Fund" and "—Board's Fiscal Year 2018 Budget." For a discussion of the timing of receipt of property tax revenues see "CASH FLOW AND LIQUIDITY—Timing of Receipt of Revenues" and APPENDIX E – "THE REAL PROPERTY TAX SYSTEM."

Capital Improvement Tax Levy. In August 2015, the Board approved for the first time a statutorily–authorized annual levy of a Capital Improvement Tax in the initial amount of $45 million to aid in funding its ongoing capital improvement program. For the Fiscal Year 2018 Budget, the Capital Improvement Tax is estimated to increase revenues by approximately $3.6 million over Fiscal Year 2017. For a discussion of the Capital Improvement Tax and the CIT Bonds, see "DEBT STRUCTURE – Dedicated Capital Improvement Tax Bonds."

Pension Property Tax Levy. In 2016, Public Act 099–0521 became effective that authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383% to be paid directly to the Pension Fund to be credited to the Board's annual required contribution (the "Pension Property Tax Levy"). This tax is not subject to PTELL. The Board authorized the levy of this additional tax for Tax Year 2016. On August 31, 2017, P.A. 100-465 became effective that authorized the Board to increase the annual Pension Property Tax Levy to a rate not to exceed 0.567% and the Board authorized the increase of the levy to the maximum rate for Tax Year 2017. The increase from 0.383% to 0.567% is expected to increase revenues by approximately $130 million in Collection Year 2018. In addition, the 0.383% levy is expected to increase by $24 million from Collection Year 2017 for a total of $154 million total increase in the Pension Property Tax Levy.

Property Tax Base, Tax Extensions and Collections. The tables on the following pages provide 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 Education Fund) for the Board. The tables reflect 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 Tax Levy 2006–2016

(Dollars in Thousands)

Tax Year Levy[1]	Assessed Values					State Equalization Factor	Total Equalized Assessed Value	Total Estimated Fair Cash Value	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value
	Class 2[2]	Class 3[3]	Class 5[4]	Other[5]	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	278,076,449	25.52
2016	Not Available	Not Available	Not Available	Not Available	Not Available	2.8032	74,016,506[6]	Not Available	Not Available

Source: Chicago Public Schools.

(1) Triennial updates of assessed valuation occurred in years 2006, 2009, 2012 and 2015.
(2) Residential, six units and under.
(3) Residential, seven units and over and mixed–use.
(4) Industrial/Commercial.
(5) Vacant, not–for–profit and industrial/commercial incentive classes.
(6) Source: Cook County Clerk's Offices. Calculation is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.

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The table below sets forth the Board's *ad valorem* property tax extensions and collections for the Education Fund for Tax Collection Years 2012 – 2017, as of October 27, 2017.

Board of Education of City of Chicago Education Fund Property Tax Collections
(As of October 27, 2017)
(Dollars in Thousands)

			Amounts Collected within the Collection Year of Extension[1]				All Collections to Date[1]	
Tax Levy Year	Collection Year	Education Fund Total Tax Extension	1/1 to 6/30	7/1 to 12/31	1/1 to 12/31	Percentage of Extension	Amount[2]	Percentage of Extension
2011	2012	$2,006,181	$1,009,917	$916,526	$1,926,443	96%	$1,964,515	98%
2012	2013	2,159,263	1,057,494	993,986	2,051,480	95%	2,076,552	96%
2013	2014	2,193,826	1,096,823	1,018,120	2,114,943	96%	2,148,923	98%
2014	2015	2,212,422	1,096,988	1,040,217	2,137,205	97%	2,178,518	98%
2015	2016	2,274,161	1,148,340	1,063,987	2,212,327	97%	2,254,997	99%
2016	2017	2,305,534	1,174,181	1,059,763	2,233,945	97%	2,233,945	97%

Source: Chicago Public Schools and Cook Country Treasurer. Only Education Fund extensions and collections are included in the figures shown above. Excludes all other property tax levies of the Board.
[1] All collections are net of refunds.
[2] Includes all amounts including those received during and after the calendar year of the extension.

Tax Rates of the Board and Overlapping Taxing Districts. The following table sets forth the tax rates that were extended by the Board and the Overlapping Taxing Districts for collection in calendar years 2006–2016. For a discussion of these Overlapping Taxing Districts see "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt." These Overlapping Taxing Districts share in varying degrees a common property tax base with the Board.

In addition to the tax rates extended (as reflected in the table below), the Board and certain of the Overlapping Taxing Districts have levied taxes to secure long–term general obligation bonds (including the Board's Alternate Revenue Bonds) which have not been extended because the debt service on such bonds has been paid from other sources. In the event in any year the debt service on the Alternate Revenue Bonds of the Board or any of the Overlapping Taxing Districts was not fully funded by the dedicated revenue source securing such bonds, and as a result the taxes levied to secure such bonds were extended for collection in the amount of such shortfall, the tax rates of the Board or the Overlapping Taxing Districts would be increased by the amount extended for collection. See "BONDHOLDERS' RISKS – Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues." The tax rates in the table below do not reflect taxes that have been levied to pay such debt but have not been extended. For a discussion of the outstanding long–term general obligation bonds of the Board and the Overlapping Taxing Districts, see "DEBT STRUCTURE – Overlapping Taxing Districts and Overlapping Debt."

Real Property Tax Rates of Overlapping Major Units of Government
2007–2016 Tax Levy Year
(per $100 equalized assessed valuation)

Year of Levy (Taxes Extended for Collection in Following Calendar Year)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Tax Rates by Board Fund:										
Educational[1]	$2.377	$2.426	$2.204	$2.449	$2.671	$3.309	$3.519	$3.409	$3.205	$3.115
Workers' and Unemployment Compensation Tort Immunity	0.190	0.031	0.148	0.067	0.133	0.031	0.067	0.169	0.111	0.107
PBC Operation and Maintenance [1]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PBC Lease Rentals	0.016	0.015	0.014	0.065	0.071	0.081	0.085	0.082	0.075	0.072
Capital Improvement Tax[3]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.064	0.065
Teacher Pension[4]	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.367
Board Subtotal	$2.583	$2.472	$2.366	$2.581	$2.875	$3.421	$3.671	$3.660	$3.455	$3.726
Other Major Government Units:										
City of Chicago	$1.044	$1.147	$1.098	$1.132	$1.229	1.425	1.496	1.473	$1.806	$1.880
Community College District	0.159	0.156	0.150	0.151	0.165	0.190	0.199	0.193	0.177	0.169
School Finance Authority[2]	0.091	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Chicago Park District	0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382	0.362
Water Reclamation District	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426	0.406
Cook County	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552	0.533
Cook County Forest Preserve	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069	0.063
Other Unit Subtotal	$2.411	$2.344	$2.260	$2.350	$2.580	$2.974	$3.161	$3.148	$3.412	$3.413
TOTAL	$4.994	$4.816	$4.630	$4.931	$5.455	$6.395	$6.832	$6.808	$6.867	$7.139

Source: Cook County Clerk's Office – tax rates by levy year.
(1) Beginning Fiscal Year 2007, the tax levy for PBC Operations & Maintenance has been consolidated with the Educational tax rate.
(2) Beginning Fiscal Year 2008, the School Finance Authority was no longer in existence.
(3) The Capital Improvement Tax was levied for the first time in 2015.
(4) The Pension Property Tax was levied for the first time in 2016.

Application of PTELL to Overlapping Taxing Districts and the Board. In 1995, the Board became subject to PTELL, that limits the ability of the Board to increase property taxes for operations. PTELL specifically limits the annual growth in property tax extensions for 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 or with voter approval. PTELL requires the Cook County Clerk, in extending taxes for the Board, to use the Equalized Assessed Valuation of all property within the School District for the levy year prior to the levy year for which taxes are then being extended. PTELL does not limit the rate or amount of the Capital Improvement Tax levy or the Pledged Taxes extended by the Board with respect to its Alternate Revenue Bonds, including the Bonds. See APPENDIX E – "THE REAL PROPERTY TAX SYSTEM."

PTELL specifically limits the annual growth in certain property tax extensions for certain of the Overlapping Taxing Districts. The City is not subject to the restrictions of PTELL and can impose property taxes without limit as to rate or amount for its governmental purposes.

Certain Property Tax Increases of the City. The City's Fiscal Year 2016 budget called for a phased–in property tax increase starting in Tax Year 2015 through 2018 of $543 million to fund the City's Police and Fire pensions. Property taxes were increased by $318 million in Tax Year 2015, $109 million in Tax Year 2016, $53 million in Tax Year 2017 and are expected to increase an additional $63 million in Tax Year 2018. See "BONDHOLDERS' RISKS – Availability of Property Tax Revenues Impacting Pledged Taxes, Board General Fund Revenues, and Intergovernmental Agreement Revenues."

State Aid Revenues

For a discussion of the calculation, funding and payment of State Aid to the Board under the EBF Formula and the Historical State Aid Formula, see "STATE FUNDING OF THE BOARD UNDER PUBLIC ACT 100-465" and "STATE AID REVENUES." For an overview of the historical and budgeted State Aid Revenues see "STATE AID REVENUES."

State Grant Revenues

For Fiscal Year 2018 the State's grant funding for the Board has changed as a result of P.A. 100-465. See "STATE FUNDING OF THE BOARD UNDER PUBLIC ACT 100-465." For Fiscal Year 2018, Board revenues from State Grants are budgeted to be approximately $287 million and make up approximately 5.1% of the budgeted General Operating Fund Revenues. See the discussion under the heading "CASH FLOW AND LIQUIDITY – Timing of Receipt of Revenues" for a discussion of historical and expected receipt of State Grant revenues.

PPRT Revenues

For a discussion of the calculation, funding and payment of PPRT Revenues to the Board and historical and budgeted PPRT Revenues, see "PERSONAL PROPERTY REPLACEMENT TAX REVENUES."

Federal Revenues

For Fiscal Year 2018, revenues from federal grants are budgeted to be approximately $773.0 million and make up approximately 13.7% of the budgeted General Operating Fund revenues of the Board in Fiscal Year 2017. The Board receives Federal Revenue in the form of grants that are dedicated to specific purposes and may not be used for other expenditures. Grants are linked to overarching federal programs including the Elementary and Secondary Education Act (also referred to as No Child Left Behind), the largest of which is geared toward a district's poverty count, or Title 1–A; the Individuals with Disabilities Education Act; the National School Lunch Program and Child and Adult Care Food Program; Medicaid Reimbursement; and other federal competitive grants such as Head Start (the largest competitive program), Carl D. Perkins (job training), and Race to the Top funds. In Fiscal Year 2018, Title 1–A is funded at $283 million, the Individuals with Disabilities Education Act is funded at $96.5 million, the National School Lunch Program and Child and Adult Care Food Program is funded at $206 million, and Head Start is funded at $41 million. In addition to these federal grants, the Board receives federal subsidies on debt service related to its Build America Bonds and Qualified School Construction Bonds. For an overview of the historical and budgeted Federal Revenues, see the tables under the subheadings "– General Operating Fund." A decline in total receipts of Federal Revenues by year-end typically indicates offsetting expenditures that were less than expected. For a discussion of the timing of receipt of Federal Revenues see "CASH FLOW AND LIQUIDITY—Timing of Receipt of Revenues."

The State administers federal grants to the Board on behalf of the federal government and federal grant revenues are distributed to the Board only after the grants for these funds have been approved by the State. Upon this approval, the Board submits for reimbursement of qualified expenditures which drives the timing of Federal Revenues for cash flow purposes.

Investment Policy

The Board has adopted an Investment Policy (the "Investment Policy"). The objectives of the Investment Policy are to invest public funds in a manner which is consistent with all State and local statutes governing the investment of public funds and which will provide for the safety of principal, diversification and maximization of the rate of return. The Investment Policy specifically prohibits any purchase of financial futures, any leveraged investment lending securities and any collateralized mortgage obligations. All investments of the moneys on deposit in the Funds and Accounts established under each Indenture are subject to the provisions of the Investment Policy as in effect from time to time. A copy of the Investment Policy is available on the Board's website. The Investment Policy may be subsequently amended or modified by the Board, without notice to or consent of the registered owners of the Bonds subject, in all respects, to the provisions of the Public Funds Investment Act of the State of Illinois, as amended.

Budgeting and Auditing Procedures

By law, the Board must adopt a budget no later than 60 days after the beginning of its Fiscal Year July 1. In addition, the Board is required to have an annual independent audit of its financial statements. The Comprehensive Annual Financial Report of the Board for the year ended June 30, 2016 is attached hereto as APPENDIX B.

Financial Forecasting and Projections

From time to time, including in Fiscal Years 2016 - 2017, the Board has retained independent consultants to review the Board's overall financial situation, major revenue sources, expenditure categories, and to provide projections with respect thereto. The purpose of such engagements is to help the Board provide independent verification of the magnitude of the Board's structural deficit and the main drivers thereof, and discuss factors which might exacerbate or mitigate present and future deficits. Such reviews have assisted the Board in providing a more in depth cash flow forecasting model. See "CASH FLOW AND LIQUIDITY."

Historical Financial Performance and Structural Deficit (Fiscal Years 2015–2017)

For Fiscal Years 2015 through 2016, the Board experienced General Operating Fund structural deficits, with expenditures exceeding revenues and drawing from and depleting the Board's General Operating Fund reserves. See "BONDHOLDERS' RISKS – Structural Deficit" and "– Bankruptcy of the Board."

Fiscal Year 2015. The Board reported General Operating Fund revenues of approximately $4.91 billion and expenses and net transfers in of approximately $5.62 billion, resulting in a shortfall of approximately $723 million. The Board adopted a change in its revenue recognition policy in Fiscal Year 2015, which changed the revenue recognition period from 30 days to 60 days. This change resulted in a restatement of the General Operating Fund balance in Fiscal Year 2014 from $436 million to $1.08 billion due to a one–time increase of $648 million. The General Operating Fund deficit of approximately $711 million resulted in a decline in the General Operating Fund balance from approximately $1.08 billion at the beginning of Fiscal Year 2015 to approximately $360 million at the end of the Fiscal Year 2015. Approximately $102 million of the $360 million General Operating Fund balance is unassigned fund balance, representing the improved financial performance in Fiscal Year 2015 as compared to budget projections at the time of the development of the Fiscal Year 2016 budget. General Operating Fund revenues decreased by approximately $32 million in Fiscal Year 2015. This decrease was the net result of an approximately $102 million increase in property taxes, an approximately $100 million decrease due to the timing of the receipt of federal aid, an approximately $51 million decrease in State Aid and an approximately $10 million increase in other revenues due largely to increased surplus tax increment financing (TIF) funds. Overall General Operating Fund expenses increased in Fiscal Year 2015 by approximately $170 million over Fiscal Year 2014, largely due to an approximately $34 million increase in salaries due to cost of living increases, an approximately $152 million increase in benefits due to increasing pension contributions and an approximately $57 million increase in the Student–Based Budgeting Rate as well as charter school funding.

Fiscal Year 2016. The Board reported General Operating Fund revenues of approximately $4.88 billion and expenses of approximately $5.41 billion, resulting in an operating deficit of approximately $537 million. The Board utilized transfers into the General Operating Fund of $50.2 million as a result of debt restructuring and decreased its General Operating Fund balance by $486.9 million to reconcile the deficit. This resulted in a decline in the General Operating Fund balance from $360.3 million at the beginning of Fiscal Year 2016 to negative $126.6 million at the end of the Fiscal Year. Operating revenues decreased slightly by approximately $31.8 million in Fiscal Year 2016. The decrease was largely driven by a decline in State revenues available for operations which was $180.5 million lower than the prior year, due primarily to a delay in the payment of State Grants offset by an increase in property tax and tax increment financing revenues. Operating expenses were approximately $5.41 billion and represented a decrease of $206 million versus Fiscal Year 2015 expenses, despite the $42 million increase in the statutorily–required Board Pension Fund contribution, largely due to budget cuts and central office layoffs and a $66 million non-personnel spending freeze.

Fiscal Year 2017. The Board estimates it will report General Operating Fund revenues of approximately $5.13 billion and expenses of approximately $5.33 billion, resulting in an operating deficit of approximately $203 million. In order to address the Fiscal Year 2017 budget gap, the Board implemented approximately $200 million in management efficiencies and expenditure reductions. The Board estimates transfers into the General Operating Fund of $58.4 million from debt service funds, primarily as a result of a termination of investment agreements and excess budgeted debt service, and a decrease to its General Operating Fund balance by $144.7 million to reconcile the deficit. This will result in a decline in the General Operating Fund balance from negative $126.6 million at the beginning of Fiscal Year 2017 to negative $271.3 million at the end of the Fiscal Year. Operating revenues are estimated to increase by approximately $249.7 million in Fiscal Year 2017. The increase was largely due to an increase in property tax revenues over the prior year. Operating expenses estimated at approximately $5.33 billion represent a decrease of $84.3 million versus Fiscal Year 2016 expenses. See "CASH FLOW AND LIQUIDITY."

Overview of Board's Budget Process

The Board is required by the School Code to adopt an annual balanced budget for each Fiscal Year no later than 60 days after the beginning of the Fiscal Year on July 1. The Board's budget process is nearly a year long and includes the preparation of projected revenues and expenditures, strategic planning with departments at the central office to develop preliminary budgets based on critical initiatives identified by senior leadership and the Board, preparation of initiatives and proposed budgets by each school, and the preparation of a proposed budget for presentation to the public and for consideration by the Board. Under the School Code, a proposed budget must be prepared and made available for public review at least 15 days prior to its finalization and the Board is required to advertise notice of and hold at least two public hearings at least five days after copies of the proposed budget are made available for review and not less than five days prior to the Board action.

In Fiscal Year 2014, the Board introduced "student–based budgeting" ("SBB"), a funding model that allocates core instructional funds to schools on a per–pupil basis. SBB replaced the quota formulas that were used by the Board in the past to allocate teachers and school administrative positions to most schools. However, SBB does not affect how schools receive Supplemental General State Aid, Title I funds, special education resources, early childhood programs, supplemental bilingual/ELL funding, and positions for magnet, selective enrollment, International Baccalaureate, or STEM programs. "Student–

based budgeting" creates greater consistency in funding to schools across the School District, ensuring that funding is equitable. Additionally, schools are given more autonomy to decide where the dollars are applied within the school and how the school manages the total level of educational funding.

P.A. 100-465 requires the Board to set charter tuition rates between 97 and 103 percent of the Board's per capital tuition charge (or "PCTC"). Before this change, the range was between 75 and 125 percent of PCTC. The Board previously used a student based budgeting model where charters received funding at a per-pupil rate equivalent to district schools. Charters also received non-SBB funding based on the funding for services provided to district schools, such as operations and maintenance, security and central offices services. The change in funding will increase charter school funding by an estimated $37 million for the change in funding methodology for Fiscal Year 2018. Charter schools also receive an equitable share of categorical funding sources, including State grant payments and federal grant revenues.

Board's Fiscal Year 2018 Budget

The Fiscal Year 2018 deficit was addressed in the Fiscal Year 2018 budget primarily through approximately $450 million of additional revenue that results from the implementation of P.A. 100-465 as described below in this section. In addition, the Board anticipates approximately $55 million in savings from debt refunding, as well as $80 million in additional City funding for school security and student safety costs. The enactment of P.A. 100-465 and other events described herein assisted in providing revenues to greatly reduce the Board's structural deficit.

In August 2017, the Board adopted its Fiscal Year 2018 budget to provide the framework for funding the District's operations (the "Original Budget"). Subsequent to the enactment of P.A. 100-465, providing the Board with the more than $450 million in new State and local resources to further support the Fiscal Year 2018 Budget, the Board adopted an amended Fiscal Year 2018 budget in October 2017 to include these changes (the "Amended Budget"). The Amended Budget includes approximately $5.64 billion in revenues and $5.70 billion in expenditures. New resources available in the Amended Budget were a major step to significantly address and close the structural budget deficit. The Board projects a negative fund balance of approximately $2 million assuming the Amended Budget which is a $239 million improvement from Fiscal Year 2017. With the return to timely payment of all State Block Grants, fund balance would improve by an additional $180 million for a projected ending fund balance of $178 million.

Taken collectively, the increased revenues made available to the Board together with expense management efficiencies undertaken by the Board have resulted in an estimated approximately $1.1 billion reduction in the Board's structural deficit over the course of Fiscal Years 2017 and 2018, including (1) approximately $454 million in new recurring revenues during Fiscal Year 2017, comprised of $250 million from a new pension property tax levy, $102 million from a State equity grant, $74 million from a State agreement to hold State Aid harmless to the previous Fiscal Year, and $28 million from a State early childhood grant; (2) approximately $450 million in new recurring revenues, incremental to Fiscal Year 2017, during Fiscal Year 2018 due to the adoption of P.A. 100-465, comprised of $221 million in State funding of the Board's annual pension contribution, $76 million in additional State Aid Revenues, increased Pension Property Tax revenues of approximately $130 million, $19 million in State Grants and $4 million of other additional State revenues; and (3) approximately $200 million of expense management efficiencies achieved during Fiscal Year 2017.

General Operating Fund

The following table presents a summary of the General Operating Fund for the Fiscal Years ending June 30, 2012 to June 30, 2016. The table depicts the amount of revenues versus expenditures, other financing resources and changes in fund balance to prior years.

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General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances of the Board[1]

(Dollars in Thousands)

Fiscal Years	2012	2013	Restated 2014[2]	2015	2016
Revenue:					
Property Taxes	$ 2,295,178	$ 2,157,777	$ 2,152,753	$ 2,252,828	$ 2,313,469
Replacement Taxes (PPRT)	126,786	128,212	131,075	143,867	115,961
State Aid	1,757,166	1,599,424	1,629,892	1,579,324	1,398,855
Federal Aid	890,987	805,983	867,512	767,548	776,277
Interest and investment income	4,363	2,207	4,458	198	1,347
Other	142,160	132,717	156,115	165,819	271,858
Total Revenue	$ 5,216,640	$ 4,826,320	$ 4,941,805	$ 4,909,584	$ 4,877,767
Expenditures:					
Salaries:					
Teachers	$ 2,026,832	$ 1,942,007	$ 1,921,969	$ 1,953,938	$ 1,869,683
Career Services / Education Services Personnel	618,265	633,489	619,462	622,591	605,817
Commodities:					
Energy	73,409	76,559	87,547	74,516	70,227
Food	104,245	106,650	96,816	99,573	98,777
Other Commodities	95,251	122,302	108,742	106,299	102,235
Services:					
Professional Services	412,072	398,064	441,667	395,221	314,732
Charter schools	424,423	498,162	580,652	662,553	704,981
Transportation	109,368	106,861	104,430	103,891	104,450
Other	130,400	150,360	173,576	194,057	147,485
Building and sites	33,955	26,524	31,679	27,296	19,988
Fixed Charges:					
Teachers' pension	335,657	374,567	740,419	826,304	811,051
Career Services / Education Services Personnel pension	100,026	102,342	101,885	102,012	102,762
Hospitalization and dental insurance	324,918	319,792	343,308	357,124	348,083
Other Benefits	78,083	69,505	78,023	70,621	64,599
Other Fixed Charges	21,424	19,186	19,956	24,370	49,497
Total Expenditures	$ 4,888,328	$ 4,946,370	$ 5,450,131	$ 5,620,366	$ 5,414,846
Revenue (less than) Expenditure	$ 328,374	$ (120,050)	$ (508,326)	$ (710,782)	$ (537,079)
Transfers in	0	439	161	(12,915)	50,162
Net Change in Fund Balance	328,374	(119,611)	(508,165)	(723,697)	(486,917)
Fund Balance, beginning of period	740,380	1,068,754	1,592,147	1,083,982	360,285
Fund Balance, end of period	$ 1,068,754	$ 949,143	$ 1,083,982	$ 360,285	$ (126,632)
Composition of Fund Balance					
Non–Spendable	$ 3,329	$ 1,720	$ 429	$ 429	$ 429
Restricted	162,553	128,419	80,860	105,528	99,970
Assigned for educational services	–		–		
Assigned for appropriated fund balance	348,900	562,682	861,952	79,225	-
Assigned for encumbrances	110,397	105,664	140,741	73,101	-
Unassigned	443,575	150,658	–	102,002	(227,031)
Total Ending Fund Balance	$ 1,068,754	$ 949,143	$ 1,083,982	$ 360,285	$ (126,632)

Source: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Year ended June 30, 2016. See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2016."

(1) The Board reports its financial activities through the use of fund accounting and follows the modified accrual basis of accounting for its Governmental Funds. See the subheading "–Accounting and Financial Statements" and APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2016."

(2) Fiscal Year 2014 includes $648 million of restated fund balance for use in Fiscal Year 2015 resulting from a 30 day increase in the period of revenue recognition for accounting purposes. This results in a restated Fiscal Year 2014 "Fund Balance, end of period" of $1,084 million.

The following table presents a summary of the General Operating Fund for the Fiscal Year ending June 30, 2017 showing the final Fiscal Year 2017 Amended Budget amounts, estimated year-end Fiscal Year 2017 totals, and the variance between such budgeted and year-end totals and the Amended Budget for Fiscal Year 2018.

Fiscal Year 2017 Budgeted and Year-end Estimated with Fiscal Year 2018 Amended Budgeted General Operating Fund Revenues, Expenditures, Other Financing Sources and Changes in Fund Balances of the Board[1]

(Dollars in Thousands) (as of June 30)

	Amended Budget 2017	Estimated Year-end 2017[2]	Variance Estimated vs. Amended Budget	Amended Budget 2018[3]
Revenues:				
Property Taxes	$ 2,607,809	$ 2,613,890	$ 6,081	$2,808,707
Replacement Taxes (PPRT)	130,531	169,637	39,106	90,438
State Aid [4]	1,498,897	1,316,100	(182,797)	1,699,411
Federal Aid	829,839	761,800	(68,039)	772,979
Other	263,148	266,068	2,920	270,500
Total Revenue	$5,330,224	$5,127,495	$(202,729)	$5,642,035
Expenditures:				
Salaries	2,349,877	2,398,543	48,666	2,409,267
Benefits	1,361,218	1,367,408	6,190	1,399,989
Contracts	1,129,334	1,123,799	(5,535)	1,220,759
Commodities	248,867	273,619	24,752	242,823
Equipment	24,451	30,534	6,083	17,061
Transportation	98,439	98,811	372	106,681
Contingencies/Other	198,889	37,801	(161,088)	302,712
Total Expenditures	$5,411,075	$5,330,515	$ (80,560)	$5,699,293
Revenue (less Than) Expenditure	(80,851)	(203,020)	(122,169)	(57,257)
Other Financing Sources[4]	0	58,350	58,350	326,600
Estimated Fund Balance Use	$ 80,851	$ 144,670	$ (63,819)	$ 0
Fund Balance, beginning of period[5]	6,900	(126,632)	(133,532)	(271,302)
Fund Balance, end of period[5]	$ (73,951)	$ (271,302)	$ (197,351)	$ (1,959)
Composition of Fund Balance[5]				
Restricted	20,700	64,854	44,154	64,854
Unassigned	$ (94,651)	$ (336,156)	$ (241,505)	$ (1,959)

Source: Chicago Public Schools.

(1) The Board reports its financial activities through the use of fund accounting and follows the modified accrual basis of accounting for its Governmental Funds.

(2) Unaudited.

(3) To the extent the State returns to timely payment of Fiscal Year 2018 State Grants, Fiscal Year 2018 year end fund balance would improve by $180 million.

(4) In Fiscal Year 2018, the Board issued its Series 2017AB Bonds. $326.6 million of net proceeds from the transaction are expected to be recorded as an Other Financing Source in the Board's operating fund in Fiscal Year 2018.

(5) Updated based on Fiscal Year 2017 Year End Estimate.

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CASH FLOW AND LIQUIDITY

Overview

The Board's cash flow experiences peaks and valleys throughout the year depending on when revenues are received and expenditures paid. Most revenues are received in the second half of the Fiscal Year and most expenditures, largely payroll and vendor expenses, are paid equally throughout the Fiscal Year. Also, the Board's required annual debt service deposit and large pension payment are each made immediately prior to the receipt of an installment of property tax revenues, the largest revenue source of the Board. The impact of these patterns in revenues and expenditures creates natural cash flow pressures for the Board within the Fiscal Year.

The liquidity position of the Board's operating funds has also declined during recent Fiscal Years because operating expenses have exceeded operating revenues. The Board's operating fund balance has declined over recent Fiscal Years from approximately \$1.08 billion at the beginning of Fiscal Year 2015 to approximately negative \$126.6 million at the beginning of Fiscal Year 2017. The Board expects a negative fund balance to total approximately negative \$271 million at the end of Fiscal Year 2017. For Fiscal Year 2018, as a result of the funds made available in P.A. 100-465, certain additional local resources and other debt refunding and purchasing savings identified in the Fiscal Year 2018 Budget, the Board estimates that the operating fund balance will end at negative \$2 million. Additionally, to the extent there is no delay in the collection of State Grants, revenues would increase by up to \$180 million and the operating fund balance at the end of Fiscal Year 2018 would be approximately \$178 million as a result. See "BONDHOLDERS' RISKS – Structural Deficit" and "FINANCIAL INFORMATION – General Operating Fund" and "—Board's Fiscal Year 2018 Budget." With its operating reserves depleted, the Board spent the majority of Fiscal Years 2015, 2016 and 2017 in a negative cash flow position. In order to address these liquidity issues, the Board has issued from time to time, tax anticipation notes and grant anticipation notes to provide needed operating funds. See "DEBT STRUCTURE – Tax Anticipation Notes" and "– Grant Anticipation Notes."

Timing of Receipt of Revenues

The paragraphs below describe the timing of receipt of the Board's three main sources of operating revenues: property taxes, State revenues and Federal revenues.

Property Taxes. Property taxes historically make up approximately 50% of budgeted operating revenues and are predominantly received in two installments. The first installment is typically received in late February and March. Receipt of the second installment revenues depends on the due date established by the County, which has been on or about August 1 since 2012, and are expected to be received by the Board in the July and August timeframe assuming an August 1 second installment due date. See "FINANCIAL INFORMATION – Property Tax Revenues."

State Revenues. State revenues are largely made up of State Aid Revenues and State Grant revenues. On August 31, 2017, P.A. 100-465 became effective and replaced the State's previous method of allocating operating dollars to schools in Illinois. Prior to P.A. 100-465, State Aid Revenues were historically 18% of budgeted operating revenues and received from August through June in equal semi-monthly installments. P.A. 100-0465 is expected to provide over \$450 million in new revenue to the Board for Fiscal Year 2018, including \$320 million in new State Aid Revenues and State Grant revenues, as well as \$130 million in increased Pension Property Tax revenues. The timing of the Board's receipt of State Grant payments (historically approximately 12% of budgeted operating revenues) varied and was often dependent on the State's financial condition and cash flow. In Fiscal Year 2017, the amount of

State Grants appropriated but unpaid by June 30 was $330.4 million, the highest amount delayed since the inception of the State Grants payments to the Board. Prior to Fiscal Year 2017, the unpaid but appropriated State Grants by June 30 was $129.1 million and $158.0 million for Fiscal Year 2015 and 2016 respectively. The State is currently delayed $15 million in Fiscal Year 2017 State Block Grants. From a cash flow perspective, the Board expects significantly more State revenue to flow through as State Aid Revenues, as described herein, which will be paid to the Board on a more timely basis twice a month similar to the former Historical State Aid Revenues and improve cash flows. This has the impact of improving the Board's overall cash position as compared to Fiscal Year 2017.

Federal Revenues. Federal revenues are historically approximately 15% of total budgeted operating revenues. The State administers federal grants to the Board on behalf of the federal government and federal grant revenues are distributed to the Board only after the grants for these funds have been approved by the State. Upon this approval, which historically occurs approximately half way through the Fiscal Year, the Board submits for reimbursement of qualified expenditures which drives the timing of Federal revenues for cash flow purposes. A decline in total receipts of Federal Revenues by year-end typically indicates offsetting expenditures were also less than expected. See "FINANCIAL INFORMATION – Federal Revenues."

Timing of Expenditures

The timing of the Board's expenditures is relatively stable and can be broken down into three categories: payroll and vendor, debt service and pensions.

Payroll and Vendor Expenses. Historically, approximately 44% of the Board's budgeted expenditures are for payroll and associated taxes, withholding and employee contributions. These payments occur every other week and occur primarily during the school year from September through June. In addition, the Board's recurring expenses for textbooks, educational materials, charter school payments, healthcare, transportation, facilities and commodities total approximately 39% of the Board's budgeted expenditures, the timing of such payments is relatively predictable and spread throughout the Fiscal Year.

Debt Service Deposits. Debt service payments on the Board's Alternate Revenue Bonds backed by State Aid are deposited into debt service funds once a year by February 15, prior to when the Board receives the first installment of property tax revenues. In Fiscal Year 2018, the budgeted debt service deposit in February 2018 relative to the Outstanding State Aid Revenue Bonds is approximately $395 million. Deposits for debt service paid by PPRT in Fiscal Year 2018 are budgeted at approximately $58.2 million.

Pension Contributions. In Fiscal Year 2018, the Board expects total pension contributions to be approximately $784 million, as certified by the Pension Fund as the necessary contribution to achieve 90% funded status by 2059 as prescribed by statute. See "PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS" herein. In Fiscal Year 2018, approximately $405 million of this pension contribution will be funded through the Pension Property Tax Levy and $233 million will be funded by the State contribution, as provided for under P.A. 100-465. These funds are directly intercepted to the Pension Fund. In the aggregate, $638 million or 81% will be funded by a dedicated revenue source other than the Board's unrestricted general operating funds, and is credited against the Board's required pension contribution. The remaining contribution by the Board is projected to be approximately $146 million. The historical annual growth in equalized assessed valuation of property within the School District for the period 1997-2016 has averaged approximately 4% based upon Cook County Clerk records. The Board's required pension contribution is currently projected by the Pension Fund's actuaries to grow by an average of approximately 2% annually through 2059. The majority of the

Board's required contributions to the Retirement Funds are required to be made in late June, before the Board receives the distribution of the second installment of property tax revenues in July and August. Prior to this, periodically, during the Fiscal Year, the Board will make smaller pension contributions that coincide with the payroll for employees paid with federal funds totaling approximately $13 million.

In Fiscal Year 2017, the State made an approximately $12 million pension contribution in Fiscal Year 2017. The remaining amount of the required Pension Fund Statutory Contribution for Fiscal Year 2017 was $458 million net of the $250 million credit for the Pension Property Tax levy to be collected in the second installment of tax-year 2016.

Fiscal Years 2016 to 2018 Short-Term Borrowing to Fund Liquidity

The Board's overall trend of declining liquidity reflects a continued draw-down of general fund balances to fund recurring structural budget deficits. Continued structural budget deficits would create further downward pressures on cash flow. For Fiscal Years 2016 and 2017, the Board relied on short-term borrowing to fund liquidity. In Fiscal Year 2016, the Board spent most of the year in a negative cash flow position. To finance cash flow deficits in Fiscal Year 2016, the Board issued $1.07 billion principal amount of 2015 TANs in anticipation of the collection of the 2015 tax levy in the amount of approximately $2.31 billion. The Board repaid the 2015 TANs. In Fiscal Year 2017, the Board issued $1.55 billion principal amount of 2016 TANs in anticipation of the collection of the 2016 tax levy in the amount of approximately $2.34 billion. The Board has repaid the 2016 TANs.

For Fiscal Year 2018, the Board has levied in Tax Year 2017, for collection in calendar year 2018, the 2017 Tax Levy and the Board has authorized the issuance of tax anticipation notes up to $1.55 billion to be issued in tranches to fund its cash flow needs. As of November 1, 2017, the Board has issued the first tranches of 2017 TANs in the aggregate amount of $550 million and expects to issue an additional $50 million of 2017 TANs in calendar year 2017. The Board expects to issue additional TANs throughout Fiscal Year 2018 to fund its cash flow needs in an amount up to the authorized amount of $1.55 billion. The maximum amount of TANs outstanding in Fiscal Year 2018 is projected to be $1.3 billion, or a $250 million reduction from the Fiscal Year 2017 amount of $1.55 billion. See "PROJECTED CASH FLOW TABLE."

The Board issued its 2017 GANs in the aggregate principal amount of $387 million, payable from State Grants for Fiscal Year 2017. The Board has repaid the 2017 GANs. For a description of the 2017 TANs and the 2017 GANs see "DEBT STRUCTURE – Tax Anticipation Notes" and "- Grant Anticipation Notes." In addition, depending on the timing of State Grants, the Board may determine to authorize and issue GANs.

Forecasted Liquidity

The following table reflects the Board's forecasted liquidity profile by month from July 2017 to August 2018. The table shows the use of proceeds of the 2017 TANs to provide needed operating funds. Financings in addition to the 2017 TANs are expected to be issued during Fiscal Year 2018. Forecasting future results is inherently subject to uncertainty. The forecasts in the table below are based upon various judgments (many of which are subjective), estimates and assumptions relating to the timing and amount of revenues and expenses of the Board, many of which are outside the control of the Board and may not materialize. These assumptions include (but are not limited to) the following: (i) the timing and amount of revenues and expenses of the Board will be consistent with current expectations for its Fiscal Year 2018 in consideration of the adoption of P.A. 100-465, and (ii) the issuance of the 2017 TANs providing net funding to the Board of up to the authorized $1.55 billion. The following table also assumes a delay in the receipt of $287 million of State Grants, which would be addressed through the issuance of up to $244 million of GANs. If the State Grants are received on a timely basis, the GANs will not be issued and the resulting cash balance will be higher than forecast. The Board could also address any shortfall in State Grant receipts through the issuance of TANs, and the inclusion of GANs in the following table is not meant to create an implication that the Board will issue GANs. The Board expects that the proceeds of other financings, not reflected in the table below, may further improve the Board's projected cash flows and the Board may have other options for addressing cash flow needs.

There can be no assurance that the assumptions, estimates and judgments made in preparing the forecasts will prove accurate or that any of the forecasts will be realized. The inclusion of the forecasts in this document should not be regarded as an indication that the Board considered or considers the forecasts to be a prediction of actual future events, and the forecasts should not be relied upon as such.

Throughout this Official Statement are discussions of various matters that may impact the realization of the assumptions and estimates underlying the forecasts, and investors should read this entire Official Statement. The information under this heading constitutes Forward-Looking Statements. Accordingly, investors are cautioned not to place undue reliance upon the following forecasts. See "BONDHOLDERS' RISKS – Cash Flow and Liquidity and Future Borrowings." The forecasts also were not prepared in compliance with generally accepted accounting principles or the published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants, including guidelines regarding projections or forecasts. The Board's independent registered public accounting firm has not examined, compiled or otherwise applied procedures to the forecasts and, accordingly, assumes no responsibility for them.

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Projected Cash Flow Table

($ in millions)

		Fiscal Year 2018												Total Fiscal Year 2018	Fiscal Year 2019	
		Jul-17	**Aug-17**	**Sep-17**	**Oct-17**	**Nov-17**	**Dec-17**	**Jan-18**	**Feb-18**	**Mar-18**	**Apr-18**	**May-18**	**Jun-18**		**Jul-18**	**Aug-18**
Beginning cash balance	**A**	$188.1	$299.7	$169.9	$196.0	$415.5	$361.1	$368.6	$262.1	$219.2	$737.5	$449.2	$279.7	$188.1	$307.5	$176.1
Operating receipts																
Property taxes		$236.3	$838.6	$7.6	$(10.9)	$25.8	$14.5	$8.8	$514.5	$692.4	$12.7	$21.7	$0.0	$2,361.9	$234.8	$832.7
TIF		-	-	12.9	-	-	-	-	22.3	-	-	-	-	35.1	66.0	-
Other local revenue		36.9	20.6	10.8	28.6	32.2	10.0	6.6	5.4	5.5	28.8	25.2	5.3	215.7	35.6	6.9
State block grants		25.9	134.0	4.1	148.9	-	-	26.5	-	-	-	-	-	339.4	-	-
General State Aid		-	-	228.3	114.1	114.1	152.8	169.1	152.8	152.8	152.8	152.8	156.3	1,545.8	-	139.0
Federal revenue		56.5	23.0	10.8	24.5	40.9	42.7	85.8	181.5	56.0	63.7	75.2	94.5	755.2	55.2	12.1
Total operating receipts		355.6	1,016.2	274.3	305.2	212.9	220.0	296.8	876.4	906.7	258.1	274.9	256.1	5,253.2	391.6	990.7
Operating expenditures																
Payroll		(104.2)	(68.0)	(138.9)	(221.5)	(252.9)	(225.8)	(257.5)	(225.5)	(226.4)	(225.1)	(252.8)	(225.0)	(2,423.6)	(114.5)	(79.3)
Health Insurance		(87.4)	(29.9)	(34.7)	(34.2)	(35.1)	(34.1)	(35.1)	(34.1)	(34.1)	(34.1)	(35.1)	(34.1)	(461.7)	(34.1)	(35.2)
Employer pension payment		-	-	-	(0.3)	-	(4.6)	(2.0)	(1.5)	(2.7)	(1.9)	(2.0)	(135.6)	(150.7)	-	-
Pension Pick-up		(5.3)	(1.4)	(4.4)	(14.0)	(20.6)	(12.2)	(11.8)	(13.3)	(13.3)	(13.4)	(20.0)	(13.3)	(143.1)	(5.8)	(1.8)
Charter School		(68.9)	(51.1)	(55.5)	(151.5)	(2.8)	(10.8)	(175.7)	(3.4)	(8.7)	(172.4)	(8.4)	(4.5)	(713.7)	(61.0)	(59.2)
AP disbursements		(74.2)	(92.3)	(63.5)	(67.9)	(154.6)	(108.8)	(76.3)	(79.5)	(90.8)	(97.0)	(126.4)	(58.0)	(1,089.5)	(74.3)	(81.7)
Total operating expenditures		(340.0)	(242.7)	(297.1)	(489.4)	(466.0)	(396.3)	(558.4)	(357.3)	(376.0)	(543.8)	(444.7)	(470.6)	(4,982.2)	(289.8)	(257.2)
Net operating cash flows		**15.6**	**773.5**	**(22.8)**	**(184.2)**	**(253.0)**	**(176.3)**	**(261.6)**	**519.1**	**530.7**	**(285.7)**	**(169.8)**	**(214.5)**	**271.0**	**101.8**	**733.5**
Financing cash flows																
TANs drawdown / (repayment)		(228.3)	(721.7)	149.3	399.8	199.8	199.8	174.8	(175.2)	-	-	-	-	(1.7)	(234.8)	(715.2)
GAN Drawdown / (repayment)		(25.9)	(134.0)	(91.0)	-	-	-	-	-	-	-	-	244.0	(6.9)	-	-
Debt service and transfers		348.9	(28.0)	(6.6)	-	25.6	-	-	(383.4)	(6.0)	-	-	-	(75.1)	-	(37.0)
Financing cash flows		94.6	(883.8)	51.8	399.8	225.4	199.8	174.8	(558.6)	(6.0)	-	-	244.0	(83.7)	(234.8)	(752.2)
Capital cash flows																
Capital reimbursements		14.1	12.2	36.2	35.5	29.0	12.2	16.4	31.9	33.1	33.9	33.8	33.3	321.8	34.8	30.6
Capital expenditures		(12.8)	(31.7)	(39.1)	(31.7)	(30.2)	(28.2)	(36.2)	(38.1)	(39.5)	(36.4)	(33.5)	(35.0)	(392.5)	(33.3)	(30.1)
Net capital cash flows		1.3	(19.5)	(2.9)	3.8	(1.1)	(15.9)	(19.8)	(6.2)	(6.4)	(2.5)	0.3	(1.7)	(70.7)	1.5	0.5
Net cash flows	**B**	**$111.6**	**$(129.8)**	**$26.1**	**$219.4**	**$(54.4)**	**$7.5**	**$(106.5)**	**$(42.9)**	**$518.3**	**$(288.2)**	**$(169.5)**	**$27.8**	**$119.4**	**$(131.4)**	**$(18.2)**
Ending cash balance	**A+B=C**	**$299.7**	**$169.9**	**$196.0**	**$415.5**	**$361.1**	**$368.6**	**$262.1**	**$219.2**	**$737.5**	**$449.2**	**$279.7**	**$307.5**	**$307.5**	**$176.1**	**$157.9**
Minimum cash balance		*$87.1*	*$165.6*	*$149.3*	*$152.1*	*$253.7*	*$281.5*	*$115.7*	*$68.9*	*$180.1*	*$398.2*	*$266.4*	*$188.6*	*$188.6*	*$173.6*	*$129.2*
Maximum TANs Outstanding		1,200.1	421.6	150.0	550.0	750.0	950.0	1,125.0	1,300.0	1,073.1	950.0	950.0	1,194.0	1,194.0	1,194.0	948.5

TAX MATTERS

Summary of Co-Bond Counsel Opinions. Katten Muchin Rosenman LLP and Cotillas and Associates, Co–Bond Counsel, are of the opinion that under existing law, interest on the Bonds 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"), Co–Bond Counsel are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the Bonds 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 when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from Illinois income taxes.

Exclusion from Gross Income: Requirements. The Code contains certain requirements that must be satisfied from and after the date of issuance of the Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions*. Except during certain "temporary periods," proceeds of the Bonds 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 than the yield on the Bonds.

(b) *Rebate of Permissible Arbitrage Earnings*. Earnings from the investment of the "gross proceeds" of the Bonds 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 Bonds 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 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Bonds.

(c) *Restrictions on Ownership and Use*. The Code includes restrictions on the ownership and use of the facilities financed with the proceeds of the Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the Bonds.

Covenants to Comply. The Board covenants in each Indenture to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Risk of Non Compliance. In the event that the Board fails to comply with the requirements of the Code, interest on the Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, each Indenture does not require acceleration of payment of principal of or interest on the Bonds or payment of any additional interest or penalties to the owners of the Bonds.

Federal Income Tax Consequences. Pursuant to Section 103 of the Code, interest on the Bonds 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 Bonds 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 BONDS.

(a) *Cost of Carry*. Owners of the Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the Bonds.

(b) *Corporate Owners*. Interest on the Bonds is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Bonds is taken into account in computing the alternative minimum tax for corporations, 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.

(c) *Individual Owners*. Receipt of interest on the Bonds 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.

(d) *Certain Blue Cross or Blue Shield Organizations*. Receipt of interest on the Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

(e) *Property or Casualty Insurance Companies*. Receipt of interest on the Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

(f) *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 Bonds held by such a company is properly allocable to the shareholder.

Change of Law. The opinions of Co–Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Bonds were 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 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

Bonds Purchased at a Premium or at a Discount. The difference (if any) between the "issue price" of the Bonds as determined for federal tax purposes (the "Offering Price") and the principal amount payable at maturity of such Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a bond, the difference between the two is known as *"bond premium,"* if the Offering Price is lower than the maturity value of a bond, the difference between the two is known as *"original issue discount."*

Bond premium and original issue discount are amortized over the term of a Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight–line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as an offset against interest paid on the Bonds and is subtracted from the owner's tax basis in the Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Bond. A Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Bond).

Owners who purchase Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Bonds. In addition, owners of Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds. Under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

CERTAIN LEGAL MATTERS

Opinions Related to the Bonds

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the respective approving legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, as Co–Bond Counsel ("Co–Bond Counsel"), who have been retained by, and act as Co–Bond Counsel to, the Board. The proposed forms of such opinions are included herein as APPENDIX N. 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 Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their respective capacities as Co–Bond Counsel, Katten Muchin Rosenman LLP and Cotillas and Associates, at the request of the Board, reviewed those sections of this Official Statement involving the description of the Bonds, the security for the Bonds and the description of the federal tax exemption of interest on the Bonds. 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. In connection with the issuance of the Bonds, certain legal matters were passed upon for the Board by its General Counsel, Ronald Marmer, by its Co-Issuer's Counsel, Miller, Canfield, Paddock and Stone, P.L.C., Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois and in connection with the preparation of this Official Statement by its Co–Disclosure Counsel, Thompson Coburn LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel Mayer Brown LLP, Chicago, Illinois.

Counsel Opinion Regarding Certain Bankruptcy-Related Matters Relating to the Bonds

Katten Muchin Rosenman LLP ("Katten"), as special bankruptcy counsel to the Board, has prepared opinion letters for the Bonds (the "Special Revenues Opinions"), each of which sets forth the bases of Katten's opinion that, in a hypothetical Chapter 9 bankruptcy case filed by the Board, a federal bankruptcy court, acting reasonably and after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, would determine that the Pledged Taxes securing each Series of the Bonds are "special revenues" as that term is defined in Section 902(2)(E) of the U.S. Bankruptcy Code. Consequently, (i) application of the Pledged Taxes securing the respective Series of the Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board, and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the each Indenture securing the respective Bonds.

At the request of the Board and with Katten's consent, a copy of the form of each Special Revenues Opinion is attached hereto as APPENDIX K to this Official Statement, subject to the following: (i) each Special Revenues Opinion is being issued to and may be relied upon solely by the Board and may not be relied upon, published, circulated or otherwise referred to by any other party, including Bondholders, for any purpose without Katten's express prior written consent; (ii) the opinions expressed in each Special Revenues Opinion are subject to all assumptions and qualifications set forth therein; (iii) currently, there is no State law authorizing the Board to file for protection under Chapter 9 of the U.S. Bankruptcy Code, and it is not possible to predict the impact that such a State law, if enacted, might have in connection with any Chapter 9 proceeding filed by the Board; (iv) there are no judicial decisions that would be binding precedents in a Chapter 9 case filed by the Board concerning the opinions expressed in each Special Revenues Opinion; and (v) the opinions expressed in each Special Revenues Opinion are not predictions or guaranties as to what a court would actually hold in a given case but rather are opinions as to the decision a court would reach if the issues were properly presented to it and the court, acting reasonably and after full consideration of all relevant factors, followed existing legal precedents applicable to the subject matter of the opinions.

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 Official Statement. 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 attached hereto as APPENDIX B, 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 the Property Tax Extension Limitation Law of the State, as amended.

On October 5, 2016, certain individuals, in their capacity as citizens of the City, filed two complaints against the Board. The first complaint (No. 16-cv-9514), was filed in federal court and named as defendants the Board, certain individuals in their respective capacities as members of the Illinois State Board of Education, and the State of Illinois (the "State"). The second complaint (2016-CH-13159) was filed in the Circuit Court of Cook County and named as defendants the Board, the Illinois State Board of Education, and the State. The plaintiffs challenged, under several federal and State constitutional provisions, the manner in which Board members are selected, principally by Mayoral appointment. The various plaintiffs argued that the selection process constituted what they characterize as the denial of their right to vote for members of the Board and requested various forms of relief, including injunctive relief. Without limitation, in case number 2016-CH-13159, the plaintiffs further requested that the collection of property taxes levied by the Board be conditioned on the General Assembly of the State 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. On March 15, 2017, plaintiffs filed their notice of appeal in the Seventh Circuit Court of Appeals. Plaintiffs filed their notice of appeal in the First Judicial District of the Appellate Court of Illinois on March 29, 2017.

The Attorney General has requested and obtained several extensions of time to file response briefs. The Board's response briefs are due at the same time as the Attorney General's briefs. Those briefs were timely filed in the Seventh Circuit by the appellees, including the Board, on October 16, 2017. The plaintiff-appellants' filed a reply brief. Oral arguments have not yet been scheduled by the Seventh Circuit Court of Appeals. The response briefs of the Attorney General and the Board in the state court proceedings are due in the Illinois Appellate Court on November 28, 2017. 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 Bonds.

Upon delivery of the Bonds to the Underwriters, the Board will furnish a certificate to the effect that, among other things, except as disclosed in this Official Statement, there is no litigation pending in any court seeking to restrain or enjoin the issuance or delivery of the Bonds, or in any way contesting the validity or enforceability of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the Board of Education of the City of Chicago as of and for the Fiscal Year ended June 30, 2016, included in APPENDIX B to this Official Statement have been audited by RSM US LLP (formerly known as McGladrey & Pullen, LLP), independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RSM US LLP also has not performed any procedures relating to this Official Statement.

The Board has retained the firm of Baker Tilly Virchow Krause, LLP, Chicago, Illinois, to provide external auditing services for a three year term beginning April 1, 2017 with two, one year renewal options. The contract award was based on a competitive procurement.

In accordance with its existing continuing disclosure agreements relating to bonds previously issued by the Board, the Board is obligated to file its audited annual financial statements with EMMA on or prior to 210 days after the last day of the Board's Fiscal Year.

FINANCIAL ADVISOR

The Board has engaged PFM Financial Advisors LLC and Acacia Financial Group, Inc. (collectively the "Financial Advisor") in connection with the authorization, issuance and sale of the Bonds. The Financial Advisor has provided advice on the plan of financing and structure of the Bonds and has reviewed certain legal documents, including this Official Statement, with respect to financial matters. Unless indicated to the contrary, the Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Board and other sources. The Financial Advisor is a **"***municipal advisor***"** as defined in the Dodd–Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111–203.

RATINGS

The Bonds have been assigned the ratings of "B" (stable) by S&P Global Ratings, "BB-" (stable) by Fitch Ratings and "BBB" (positive) by Kroll Bond Rating Agency, Inc. The ratings reflect only the view of such rating agencies at the time such ratings are given, and the Underwriters and the Board make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the rating agencies. The Board has furnished the rating agencies with certain information and materials relating to the Bonds and the Board that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. The above ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Except as described under the heading captioned "CONTINUING DISCLOSURE UNDERTAKING," neither the Underwriters nor the Board have undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the Bonds.

The Board previously engaged Moody's Investors Service to assign ratings for prior bond issues. The Board has elected not to obtain a rating from such rating agency for the Bonds.

UNDERWRITING

The Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters"), led by J.P. Morgan Securities LLC. The Underwriters have agreed to purchase the Bonds as follows: (i) Series 2017C Bonds at an aggregate purchase price of $360,922,708.74 (representing an aggregate principal amount of $351,485,000, plus $12,320,547.75 original issue premium and less $2,882,839.01 of Underwriters' discount); (ii) Series 2017D Bonds at an aggregate purchase price of $81,456,484.96 (representing an aggregate principal amount of $79,325,000, plus $2,782,101.50 original issue premium and less $650,616.54 of Underwriters' discount); (iii) Series 2017E Bonds at an aggregate purchase price of $22,860,543.04 (representing an aggregate principal amount of $22,180,000, plus $862,580.20 original issue premium and less $182,037.16 of Underwriters' discount); (iv) Series 2017F Bonds at an aggregate purchase price of $170,687,056.76 (representing an aggregate principal amount of $165,510,000, plus $6,535,580.05 original issue premium and less $1,358,523.29 of Underwriters' discount); (v) Series 2017G Bonds at an aggregate purchase price of $128,139,973.31 (representing an aggregate principal amount of $126,500,000, plus $2,675,044 original issue premium and less $1,035,070.69 of Underwriters' discount); and (vi) Series 2017H Bonds at an aggregate purchase price of $282,879,988.01 (representing an aggregate principal amount of $280,000,000, plus $5,170,000 original issue premium and less $2,290,011.99 of Underwriters' discount). The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public.

The obligation of the Underwriters to accept delivery of and pay for the Bonds is subject to various conditions set forth in the Bond Purchase Agreement to be entered into in connection with the Bonds, including, among others, the delivery of specified opinions of counsel and a certificate of the Board that there has been no material adverse changes in its conditions (financial or otherwise) from that set forth in this Official Statement.

CERTAIN RELATIONSHIPS

The Underwriters and their respective affiliates comprise full service securities firms and commercial banks engaged in securities trading and brokerage activities, as well as providing investment banking, asset management, financing, and financial advisory services and other commercial and investment banking products and services to a wide range of corporations and individuals. Underwriters and their respective affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Board and any affiliates thereof.

In the ordinary course of their respective businesses, Underwriters and their respective affiliates have engaged, and may in the future engage, in transactions with, and perform services for, the Board and any affiliates thereof for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the Board and any affiliates thereof in connection with such transactions and/or services.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Board (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Board. The Underwriters and their respective affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CONTINUING DISCLOSURE UNDERTAKING

The Board will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the Bonds for the benefit of the Beneficial Owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2–12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended. The MSRB has designated its Electronic Municipal Market Access system ("EMMA") as the system to be used for continuing disclosure to investors.

A failure by the Board to comply with the Undertaking will not constitute an event of default under the Bond Resolutions or the Indentures, and Beneficial Owners of the Bonds are limited to the remedies described in the Undertaking. See "Consequences of Failure to Provide Information."

The following is a brief summary of certain provisions of the Undertaking and does not purport to be complete. The statements made under this heading are subject to the detailed provisions of the Undertaking, copies of which are available upon request from the Board.

Annual Financial Information Disclosure

The Board covenants in the Undertaking that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below) in electronic format to the MSRB. The

Board is required to deliver such information so the MSRB receives the information by the dates specified in the Undertaking.

"Annual Financial Information" means historical information generally consistent with information of the type set forth in this Official Statement under the headings "CHICAGO PUBLIC SCHOOLS – School System and Enrollment," "DEBT STRUCTURE – Long–Term General Obligation Debt" and "– Board's Borrowing Authority and Legal Debt Margin," and "FINANCIAL INFORMATION – General Operating Fund," and in APPENDIX J - "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS." Except however, the information in APPENDIX J - "PENSION AND OTHER POST–EMPLOYMENT OBLIGATIONS" (except for the section therein entitled "– Recent Reports Regarding the Pension Fund" and information expressly derived from the Chicago Public Schools Comprehensive Annual Financial Reports) is sourced primarily from documents published by the Pension Fund and/or parties other than the Board (such information is collectively referred to as the "Third–Party Source Pension Information") and the Board takes no responsibility for the accuracy or completeness of the Third–Party Source Pension Information. If the Third–Party Source Pension Information or any information contained therein is no longer publicly available or is not publicly available in a form or manner or by the time that the Annual Financial Information is required to be disseminated by the Board, the Board shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and state that it will promptly file such information as it becomes available.

The Undertaking for the Bonds requires that Annual Financial Information be provided to the MSRB not more than 210 days after the last day of the Board's Fiscal Year. The Board has covenanted to give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due pursuant to the Undertaking.

"Audited Financial Statements" means the audited general purpose financial statements of the Board prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time (i.e., as subject to pronouncements of the Governmental Standards Accounting Board) and subject to any requirements of the laws of the State of Illinois. The Undertaking for the Bonds requires that Audited Financial Statements will be provided to the MSRB on a date which is the earlier of 30 days after availability to the Board or 210 days after the last day of the Board's Fiscal Year.

Events Notification; Material Events Disclosure

The Board covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the "Reportable Event" (as described below), to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, the disclosure of the occurrence of a Reportable Event. Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The "Reportable Events," certain of which may not be applicable to the Bonds, are:

(a) principal and interest payment delinquencies;

(b) non–payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) modifications to rights of Bond holders, if material;

(h) Bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Board (such an event will be considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if the jurisdiction of the Board has been assumed by leaving the Board and the Board's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board);

(m) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure to Provide Information

The Board agrees in the Undertaking to give notice in a timely manner to the MSRB of any failure to provide disclosure of the Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

A default under the Undertaking shall not be deemed an event of default under the Bond Resolutions or the Indentures, and the sole remedy in the event of any failure of the Board to comply with the Undertaking shall be an action to compel performance. A failure by the Board to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the Board may amend the Undertaking, and any provision thereof may be waived, if:

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Board, or type of business conducted;

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Beneficial Owners of a Series of the Bonds, as determined by a party unaffiliated with the Board (such as the Trustee or Co-Bond Counsel), or by the approving vote of the owners of such Series of the Bonds pursuant to the terms of the applicable Indenture at the time of the amendment; or

(b) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking shall be terminated if the Board no longer has any legal liability relating to repayment of the Bonds. If a termination of this Undertaking occurs prior to the final maturity of the Bonds, the Board shall give notice in a timely manner to the MSRB.

Dissemination Agent

The Board may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the Board chooses to include any information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the Board shall have no obligation under the Undertaking to update such information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event.

Corrective Action Related to Certain Bond Disclosure Requirements

Except as described below, with respect to the previous five years, the Board has been, and is currently, in material compliance with respect to its undertakings to file Annual Financial Information and notices of Reportable Events relating to previously issued bonds and notes in accordance with the Rule.

In 2014 and 2015 the Board filed its Annual Financial Information later than 210 days after the last day of the Board's Fiscal Year (243 days with respect to Fiscal Year 2013 and 224 days with respect to Fiscal Year 2014) as required by its undertakings, which in each case was due to the fact that its Annual Financial Statements were not yet available. The Board gave notice in a timely manner to EMMA of such failure as required by its undertakings and the Board promptly filed such Annual Financial Information with the MSRB for disclosure on EMMA when available.

The rating agencies took certain actions with respect to the ratings of MBIA Insurance Corp., MBIA, Inc. and National Public Finance Guarantee Corp. (collectively, "MBIA"). MBIA provided municipal bond insurance policies relating to certain series of the Board's bonds. Event notices with respect to these rating actions in March 2014 were not filed with EMMA. The Board has since filed these reports on EMMA.

Certain required continuing disclosure filings, while made generally in a timely manner, were not properly linked on EMMA for all relevant series of bonds. In particular, the following filings were not properly linked to the noted series: (i) the Board's Audited Financial Statements for Fiscal Year 2012 were not linked to the Series 2003A Bonds; and (ii) a Reportable Event filing concerning a downgrade by Fitch in July 2015 was not linked to the Series 1997A Bonds, the Series 1998B–1 Bonds and the Series 1999A Bonds. In each case, the noted filings were otherwise made in a timely manner and properly linked on EMMA to other obligations of the Board, and the Board has since updated the filings to link the noted filings with the relevant series of bonds.

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AUTHORIZATION

The Board has authorized the distribution of this Official Statement. This Official Statement 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

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

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APPENDIX A-1

CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURES FOR THE SERIES 2017C AND SERIES 2017D INDENTURES

Each Series of the Bonds is secured under a separate and distinct Indenture. The security provided under one Indenture does not provide security for a different Series of Bonds, unless and only to the extent of pledged revenues secured on a parity basis. The following is a composite summary of certain provisions of the Series 2017C and Series 2017D Indentures, does not purport to be complete or definitive and is qualified in its entirety by the Series 2017C and Series 2017D Indentures to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. Copies of the Series 2017C and Series 2017D Indentures are on file with the Trustee. Summaries of the Indentures in regard to the Series 2017E Bonds, Series 2017 F Bonds, Series 2017G Bonds and the Series 2017H Bonds are described in separate Appendices.

Definitions of Certain Terms

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means, with respect to a Series, any Alternate Bonds issued in the future in accordance with the provisions of the Act on a parity with and sharing ratably and equally in all or any portion of the Pledged State Aid Revenues with any applicable Prior Authorization Bonds and Bonds of that Series secured by such Pledged State Aid Revenues.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act, particularly Section 15 thereof.

"*Annual Debt Service Requirement*" means, with respect to a Series and for any Bond Year, the sum of the interest on and principal of such Series that will become due and payable, whether at maturity or upon mandatory sinking fund redemption, during such Bond Year.

"*Authorized Denominations*" means $100,000 or any multiple of $5,000 in excess thereof.

"*Authorized Officer*" means (i) any Designated Official, (ii) the Controller and the Chief Operating Officer of the Board acting together or (iii) any other officer or employee of the Board authorized to perform specific acts or duties under the Indentures 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, created and established pursuant to Article 34 of the School Code.

"*Bond Authorization*" means (a) the 2006 Authorization with respect to the 2017C-3 Bonds, the 2008 Authorization with respect to the 2017C-2 Bonds and the 2009 Authorization with respect to the 2017C-1 Bonds and (b) the 1998 Authorization with respect to the Series 2017D Bonds.

"*Bond Counsel*" means any nationally recognized firm(s) of municipal bond attorneys approved by the Board.

"*Bond Payment Account*" means the Bond Payment Account established in each Indenture.

"*Bonds*" means the Series 2017 C Bonds and the Series 2017D Bonds

"*Bond Year*" means, each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

"*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 designated corporate trust office of any Fiduciary is located are authorized by law or executive order to close (and such Fiduciary is in fact closed).

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Code and Regulations*" means the Code and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Counsel's Opinion*" or "*Opinion of Counsel*" 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 to the Board) or Bond Counsel.

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

"*County Collectors*" means, collectively, the County Treasurers of The Counties of Cook and DuPage, Illinois, in their respective capacities as county collector, or, respectively, such other officer as may be lawfully appointed in the future to serve as county collector in either of said counties.

"*Debt Service Fund*" means the Debt Service Fund established in each Indenture.

"*Defeasance Obligations*" means (i) Government Obligations, (ii) Federal Agencies and (iii) Pre-refunded Municipal Obligations which are not subject to redemption other than at the option of the holder thereof.

"*Deposit Date*" means February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the relevant Indenture.

"*Deposit Notice*" means the annual certification provided by the Trustee to the Board pursuant to an Indenture following each Deposit Date as to whether sufficient funds are on deposit in the Pledged State Aid Revenues Account, of the respective Indenture, as the case may be, to provide for the payment of the interest on and principal of the Series of Bonds secured under the Indenture that will become due and payable during such year in order to authorize the annual abatement of Pledged Taxes, as more fully described in the body of this Official Statement under the heading "SECURITY FOR THE BONDS - Pledged Taxes - Annual Determination of Abatement or Extension of Pledged Taxes."

"*Designated Official*" means (i) the President of the Board, (ii) the Senior Vice President of Finance, (iii) the Chief Financial Officer, (iv) the Treasurer or (v) any other officer of the Board authorized to perform specific acts and duties hereunder by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"*Event of Default*" means any event so designated and specified in the respective Indenture.

"*Federal Agencies*" means senior debt obligations issued or guaranteed by, or otherwise stripped from senior debt obligations issued or guaranteed by, any U.S. federal agency, including but not limited to

Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, the Tennessee Valley Authority and the Resolution Funding Corporation;

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

"*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.

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, including but not limited to Treasury Bills, Bonds, Notes, and STRIPS; Resolution Funding Corporation Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities), *provided* that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"*Indenture*" means, with respect to the Series 2017C Bonds means the Trust Indenture, dated as of November 1, 2017 by and between the Board and the Trustee securing the Series 2017C Bonds, and with respect to the Series 2017D Bonds, means the Trust Indenture, dated as of November 1, 2017 by and between the Board and the Trustee securing the Series 2017D Bonds.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2018

"*Interest Sub-Account*" means the sub-account of that name in the Bond Payment Account established in each Indenture.

"*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:

(a) Government Obligations;

(b) 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;

(c) Federal Agencies;

(d) U.S. dollar denominated certificates of deposit, deposit accounts, federal funds and banker's acceptances with domestic commercial banks insured by the Federal Deposit Insurance Corporation (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 "A-1" or "A-1+" by S&P and "P-1" by Moody's;

(e) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-1+" or above by S&P and "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(f) Obligations issued by any county, township, city, village, incorporated town, municipal corporation, or school district of the State or any other state and having a rating at the time of purchase within the four highest general classifications by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

(g) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" (or its equivalent) or better by any Rating Agency, including those for which the Trustee or an affiliate performs services for a fee whether as a custodian, transfer agent, investment advisor or otherwise;

(h) 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;

(i) Pre-refunded Municipal Obligations;

(j) Any Forward Supply Contract; and

(k) Any other investment securities authorized by law and the Investment Policy as permitted investments of Board funds.

"*Outstanding*" means, with respect to a Series of Bonds, as of any date, all such Bonds theretofore or thereupon being authenticated and delivered under the related Indenture except:

(a) Any Bonds canceled by the Trustee at or prior to such date;

(b) Bonds (or portions of Bonds) 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 the related Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in such Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the related Indenture; and

(d) Bonds deemed to have been paid as provided in the related Indenture.

"*Owner*" means any Person who shall be the registered owner of any Bond or Bonds.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official as paying agent for a Series and any successor or successors appointed by a Designated Official under the related Indenture.

"*Person*" means and includes an association, unincorporated organization, a corporation, a limited liability company, a partnership, 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.

"*Pledged State Aid Revenues*" means

(a) with respect to the Series 2017C Bonds (i) for the 2017C-1 Bonds, that amount of State Aid Revenues, not in excess of the amount available pursuant to the 2009 Authorization in any year, as shall provide for the payment of (a) the Prior 2009 Authorization Bonds, (b) the 2017C-1 Bonds, and (c) any Additional Bonds issued pursuant to the 2009 Authorization and (d) the provision of not less than an additional .10 times debt service on all such bonds in each such year (ii) for the 2017C-2 Bonds, that amount of State Aid Revenues, not in excess of the amount available pursuant to the 2008 Authorization in any year, as shall provide for the payment of (a) the Prior 2008 Authorization Bonds, (b) the 2017C-2 Bonds (c) any Additional Bonds issued pursuant to the 2008 Authorization and (d) for the provision of not less than an additional .10 times debt service on all such bonds in each such year and (iii) and for the s 2017C-3 Bonds, that amount of State Aid Revenues, not in excess of the amount available pursuant to the 2006 Authorization in any year, as shall provide for (a) the payment of the Prior 2006 Authorization Bonds, (b) the 2017C-3 Bonds, (c) any Additional Bonds issued pursuant to the 2006 Authorization and for the provision of not less than an additional .10 times debt service on all such bonds in each such year.

(b) with respect to the Series 2017D Bonds, that amount of State Aid Revenues, not in excess of the amount available pursuant to the 1998 Authorization in any year, as shall provide for the payment of (a) the Prior 1998 Authorization Bonds, (b) the Series 2017D Bonds, (c) any Additional Bonds issued under the 1998 Authorization and for the provision of not less than an additional 0.25 times debt service on all such bonds in each such year.

"*Pledged State Aid Revenues Account*" means the account of that name in the Debt Service Fund established in the Indentures for the Series 2017C Bonds and the Series 2017D Bonds.

"*Pledged Taxes*" means the *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount and pledged under each Indenture as security for the applicable Series of Bonds.

"*Pledged Taxes Account*" means the account of that name in the Debt Service Fund established in each Indenture.

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the applicable Series of Bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal Sub-Account*" means the sub-account of that name in the Bond Payment Account established in each Indenture.

"*Prior Authorization Bonds*" means (A) with respect to the 2017C-1 Bonds, the 2009 Authorization Bonds; with respect to the 2017C-2 Bonds, the 2008 Authorization Bonds; and with respect to the 2017C-3 Bonds, the Prior 2006 Authorization Bonds.

"*Prior Authorizations*" means

(a) with respect to the 2017C-1 Bonds, the 2009 Authorization; with respect to the 2017C-2 Bonds, the 2008 Authorization; and with respect to the 2017C-3 Bonds, the 2006 Authorization.

(b) with respect to the Series 2017D Bonds, the 1998 Authorization.

"*1998 Authorization* with respect to the Series 2017D Bonds, means the authorization adopted by the Board pursuant to a Resolution adopted by the Board on August 28, 1998 authorizing the issuance of Alternate Bonds, in an amount not to exceed $900,000,000.

"*Prior 1998 Authorization Bonds,* with respect to the Series 2017D Bonds, means the 4,585,000 Unlimited Tax General Obligation Bonds, Series 2003C of the Board, the $8,975,375 Unlimited Tax General Obligation Bonds, Series 2004A of the Board and the $245,415,475 Unlimited General Obligation Bonds, Series 2005A.

"*2006 Authorization*" means the authorization adopted by the Board on June 28, 2006 pursuant to Resolution No. 06-0628-RS78 authorizing the issuance of Alternate Bonds, in an amount not to exceed $750,000,000.

"*Prior 2006 Authorization Bonds*" means the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2006B Bond, the Outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), the Outstanding Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2007D Bonds, and the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2009D Bonds.

"*2008 Authorization*" means the authorization adopted by the Board on February 27, 2008 pursuant to Resolution No. 08-0227-RS13 authorizing the issuance of Alternate Bonds, in an amount not to exceed $1,900,000,000.

"*Prior 2008 Authorization Bonds*" means the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008B Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2008C Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2009E Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2009G Bonds.

"*2009 Authorization*" means the authorization adopted by the Board on July 22, 2009 pursuant to Resolution 09-0722-RS11 authorizing the issuance of Alternate Bonds, in an amount not to exceed $2,300,000,000.

"*Prior 2009 Authorization Bonds*" means the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2010C Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2010D Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2010F Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2010G Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2011A Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2011C Bonds, the Outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2012A Bonds and the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2015G Bonds

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Bonds of a Series as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, with respect to any Interest Payment Date for Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Redemption Price*" means, with respect to any Bond, the amount payable upon the date fixed for redemption.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under each Indenture and designated as registrar for a Series, and its successor or successors.

"*School Code*" means 105 Illinois Compiled Statutes 5.

"*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.

"*Senior Vice President of Finance*" means the Senior Vice President of Finance (including any interim Senior Vice President of Finance) of the Board.

"*Series*" means any one of the following Series of Bonds: the Series 2017C Bonds and the Series 2017D Bonds. When the term "Series" is used, it shall mean such Series in connection with the applicable Indenture.

"*Series 2004A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2004A, of the Board.

"*Series 2005A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005A, of the Board.

"*Series 20011C-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2011C-1, of the Board.

"*Series 2011C-2 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2011C-2, of the Board.

"*Series 2011C Indenture*" means the Trust Indenture dated as of December 1, 2011 between the Board and the Series 2011A Trustee providing for the issuance of the Series 2011C-1 Bonds and the Series 2011C-2 Bonds.

"*Series 2011C Trustee*" means Amalgamated Bank of Chicago as trustee under the Series 2011C Indenture.

"*Series 2015G Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2015G, of the Board, currently outstanding in the aggregate principal amount of $126,500,000.

"*Series 2015G Indenture*" means the Trust Indenture dated as of March 1, 2015 between the Board and the Series 2015 Trustee providing for the issuance of the Series 2015G Bonds.

"*Series 2015G Trustee*" means Zions First National Bank, as trustee under the Series 2015G Indenture.

"*Series 2017C Bonds*" means the $351,485,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017, of the Board, consisting of the 2017C-1 Bonds, the 2017C-2 Bonds, and the 2017C-3 Bonds.

"*2017C-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C-1, of the Board allocated to principal installments of refunded bonds as set forth in Exhibit L to the Official Statement.

"*2017C-2 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C-2, of the Board allocated to principal installments of refunded bonds as set forth in Exhibit L to the Official Statement.

"*2017C-3 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C-3 allocated to principal installments of refunded bonds as set forth in Exhibit L to the Official Statement.

"*Series 2017D Bonds*" means the $79,325,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D, of the Board.

"*Series 2017E Bonds*" means the $22,180,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017E, of the Board.

"*Series 2017F Bonds*" means the $165,510,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017F, of the Board.

"*Series 2017H Bonds*" means the $280,000,0000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, of the Board

"*Series 2013A-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2013A-1, of the Board.

"*Series 2013A-2 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2013A-2. *Series 2013A Indenture*" means the Trust Indenture dated as of May 1, 2013 between the Board and the Series 2013 Trustee providing for the issuance of the Series 2013A-2 Bonds and the Series 2013A-1 Bonds.

"*Series 2013A Trustee*" means The Bank of New York Mellon Trust Company, N.A., as trustee under the Series 2010A Indenture.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds — State and Local Government Series.

"*State*" means the State of Illinois.

"*State Aid Revenues*" means those State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement fund or act as may be enacted from time to time.

"*State Aid Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Indenture for the Series 2017C Bonds and for the Series 2017D Bonds.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the respective Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under an Indenture. The "designated corporate trust office" of the Trustee means 30 North LaSalle Street, 38th Floor, Chicago, Illinois 60602 or such other address as is provided by the Trustee.

"*Trust Estate*" means the Pledged State Aid Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the applicable Indenture.

"*Year*" or "*year*" means a calendar year.

Pledge of Trust Estate

In order to secure the payment of the principal of, premium, if any, and interest on each Series issued under an Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in such Indenture and in the Bonds of such Series contained, the Board pledges and grants in the applicable Indenture a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, for the benefit of the Owners, to the extent provided in such Indenture:

(a) The Pledged State Aid Revenues and the Pledged Taxes, *provided* that

(i) With respect to the 2017C-1 Bonds, the Pledged State Aid Revenues as set forth in the 2009 Authorization, *provided* that the pledge of the Pledged State Aid Revenues to the 2017C-1 Bonds is on a parity with the pledge of such revenues to the Prior 2009 Authorization Bonds and any Additional Bonds of the Board issued pursuant to the 2009 Authorization from time to time in the future and payable from such Pledged State Aid Revenues;

(ii) With respect to the 2017C-2 Bonds, the Pledged State Aid Revenues as set forth in the 2008 Authorization, *provided* that the pledge of Pledged State Aid Revenues with respect to the 2017C-2 Bonds is on a parity with the pledge of revenues to the Prior 2008 Authorization Bonds and any Additional Bonds of the Board issued pursuant to the 2008 Authorization from time to time in the future and payable from such Pledged State Aid Revenues;

(iii) With respect to the 2017C-3 Bonds, the Pledged State Aid Revenues as set forth in the 2006 Authorization, *provided* that the pledge of State Aid Revenues with respect to the 2017C-3 Bonds is on a parity with the pledge of such revenues to the Prior 2006 Authorization Bonds and any Additional Bonds of the Board issued pursuant to the 2006 Authorization from time to time in the future and payable from such Pledged State Aid Revenues;

(b) With respect to the Series 2017D Bonds, the Pledged State Aid Revenues; *provided* that the pledge of the Pledged State Aid Revenues to the payment of the Series 2017D Bonds is on a parity with the pledge of such revenues to the Prior 1998 Authorization Bonds and any Additional Bonds (as hereinafter defined) that may be hereafter issued.

(i) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the applicable Indenture; and

(ii) Any and all other moneys, securities and property 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 applicable Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under each Indenture and received by the Board, shall immediately be subject to the lien and pledge of such Indenture without any physical delivery or further act, and the lien and pledge under said Indenture 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 of the lien and the pledge.

Except as provided in the related Indenture, each and all of the Bonds of a Series shall have the same right, lien and privilege under such Indenture and shall be equally secured thereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery of such Indenture.

The Bonds are General Obligations

Bonds of each Series are, at all times Outstanding, the general obligation of the Board, for the payment of which its full faith and credit are irrevocably pledged, and are payable from, in addition to the Pledged State Aid Revenues as set forth in each Indenture, the Pledged Taxes, as described in the related Indenture. The Bonds of each Series do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Bonds of such Series shall, to the extent required by law, be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Bonds of such Series have been paid from the Pledged State Aid Revenues for a complete fiscal year of the Board.

Additional Bonds Payable From Pledged State Aid Revenues

Except as described in the following two paragraphs, the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the applicable Series, which are secured by a pledge of or lien on the Pledged State Aid Revenues, the Pledged Taxes or the moneys, securities, or funds held or set aside by the Board or by the Trustee under an Indenture, and shall not, except as expressly authorized in the applicable Indenture, create or cause to be created any lien or charge on such Pledged State Aid Revenues, such Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds under each Indenture from time to time payable from (i) all or any portion of the Pledged State Aid Revenues securing such Indenture or any other source of payment which may be pledged under the Act, and (ii) any such Additional Bonds shall share ratably and equally in the Pledged State Aid Revenues with the Bonds secured under the same Indenture and Bond Authorization.

The Board reserves the right under each Indenture to issue bonds or other evidences of indebtedness payable from Pledged State Aid Revenues subordinate to and available to the related Series. Such subordinate obligations will be paid from Pledged State Aid Revenues available to the Board in each year in excess of those required to be deposited in the related Pledged State Aid Revenues Account during such Year.

Provisions Regarding Transfer and Exchange of Bonds

Subject to the operation of the global book-entry-only system described in the "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Bonds of each Series under the applicable Indenture. Each Bond shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the applicable 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 Bond, the Board shall issue in the name of the transferee a new Bond or Bonds in Authorized Denominations of the same Series and aggregate principal amount. The Board and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond 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 Bond 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 Bond 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.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the applicable Indenture. All Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Bonds, 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. Neither the Trustee nor any Registrar shall be required to make any registration, transfer or exchange of any Bond after such Bond has been called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

Establishment and Application of Debt Service Fund and Accounts

A Debt Service Fund and the following Accounts within the Debt Service Fund are established under each Indenture with the Trustee to be held and applied in accordance with the provisions of each Indenture as more fully described in the body of this Official Statement: Pledged State Aid Revenues Account, consisting of (i) the Interest Deposit Sub-Account and (ii) a Pledged State Aid Revenues Sub-Account; b) Pledged Taxes Account; (c) Bond Payment Account, consisting of (i) the Interest Sub-Account and (ii) the Principal Sub-Account.

The Trustee shall deposit to the credit of the Interest Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit. All or a portion of such amounts so deposited to the credit of the Interest Deposit Sub-Account shall be transferred no later than the next succeeding Interest Payment Date to the Interest Sub-Account and applied to pay up to the amount of interest then due on the Bonds on such Interest Payment Date.

On or prior to each Deposit Date, the Board shall deposit to the credit of the Pledged State Aid Revenues Sub-Account such amounts derived from Pledged State Aid Revenues as shall be necessary and sufficient to cause the amount on deposit in said Sub-Account to equal the Annual Debt Service Requirement for the applicable Bond Year. Once such deposit has been made, the Board shall take such actions as are necessary to abate in full the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date. The Board shall make the deposits required pursuant to this paragraph on such earlier date as may be necessary in the future to permit the Board to make the abatement of taxes described in the preceding sentence.

In the event that on any Deposit Date there has been deposited to the credit of the Pledged State Aid Revenues Sub-Account, an amount insufficient to satisfy the Annual Debt Service Requirement for the applicable Bond Year, the Board shall take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit in the Pledged State Aid Revenues Sub-Account, to satisfy such Annual Debt Service Requirement.

All amounts on deposit in the Pledged State Aid Revenues Sub-Account on December 2 of each Year, following the transfers required to be made to the Bond Payment Account pursuant to the applicable Indentures, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of such Indenture and the Trustee shall provide notice to the Board that such amounts constitute State Aid Revenues.

If, on any Business Day, the amount on deposit in Pledged State Aid Revenues Sub-Account is in excess of the unpaid Annual Debt Service Requirement for the then current Bond Year then, pursuant to a written direction of the Board signed by an Authorized Officer and filed with the Trustee, all or part of such excess may be withdrawn by the Board free and clear of the lien of this Indenture.

As described in each Indenture, the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the applicable Indenture. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the related Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Bonds of a Series due during the Year in which said Pledged Taxes are collected. All amounts remaining in the Pledged Taxes Account on December 2 of any Year shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

There shall be transferred *first* from moneys on deposit in the related Pledged Taxes Account, *second* from moneys on deposit in the related Interest Deposit Sub-Account and *third* from moneys on deposit in the related Pledged State Aid Revenues Sub-Account: (i) first, to the related Interest Sub-Account on or before each applicable Interest Payment Date for any of the Outstanding Bonds of a Series, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and available for such payment and (ii) second, to the related Principal Sub-Account on or before each December 1 on which Bonds of a Series mature or are subject to mandatory sinking fund redemption pursuant to the applicable Indenture, the amount required for the payment of the principal or the principal portion of the Redemption Price of the Bonds then to be paid or redeemed less the amount then on deposit in the related Principal Sub-Account and available for such payment.

Board Payments to Cure Deficiencies. If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on a Series on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the applicable Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the applicable Principal Sub-Account is less than the amount required to pay the principal amount of Outstanding Bonds of a Series maturing on that December 1 or the principal portion of the Redemption Price of Outstanding Bonds of a Series required to be redeemed on that December 1 by the application of sinking fund installments pursuant to the respective Indenture, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency.

Notice Regarding Deposit of Pledged State Aid Revenues. On or before the Deposit Date of each Year, (i) whenever funds are on deposit in a Pledged State Aid Revenues Account in an amount sufficient to meet the applicable Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes with respect to the applicable Series and (ii) whenever the funds on deposit in a Pledged State Aid Revenues Account are not sufficient to meet the applicable Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice setting forth the deficiency of such deposit for such purpose and directing the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection in the Applicable Bond Year in an amount sufficient when added to the amount held on deposit in such Pledged Revenues Sub-Account to provide funds sufficient to satisfy the applicable Annual Debt Service Requirement for the Applicable Bond Year.

Investment of Funds

Moneys held in the several Accounts and Sub-Accounts of each Debt Service Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the applicable Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon the Designated Official'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 under an Indenture fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested. Nothing contained in an Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois 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 in connection with the initial delivery of the Bonds 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.

Valuation and Sale of Investments

Investment Securities in any Fund, Account or Sub-Account created under an Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account. Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under an Indenture 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, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in the following paragraph.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all SLGS 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.

Except as otherwise provided in an Indenture, the Trustee at the written direction of a Designated Official shall sell at the best price reasonably obtainable, or present for redemption, any Investment Securities held in any 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, Account or Sub-Account as the case may be.

Particular Covenants and Representations of the Board

Covenants Regarding Pledged State Aid Revenues. Pursuant to Section 15(e) of the Act, the Board covenants under the Indenture securing each Series, to provide for, collect and apply the Pledged State Aid Revenues, to the payment of such Series, the applicable Prior Authorization Bonds and any Additional Bonds (i), in regard to the Series 2017C Bonds, and the provision of not less than (i) with respect to the

Series 2017C Bonds, an additional .10 times annual debt service on all such bonds and (ii) with respect to the Series 2017D Bonds, an additional 1.25 times annual debt service on all such bonds. The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged State Aid Revenues may be allocated and paid to the Board for application as provided in the applicable Indenture.

Covenants Regarding Pledged Taxes. The Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of each Indenture (the "Deposit Direction"). As long as any of the Bonds of a Series remain Outstanding, the Board will not modify or amend the applicable Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of ad valorem property taxes; *provided* that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any Year. The Board will deliver an executed copy of any modification or amendment to the Deposit Direction permitted by the preceding sentence to the Trustee at the same time such modification or amendment is provided to the County Collectors.

As described in this Official Statement under the heading "SECURITY FOR THE BONDS — Pledged Taxes – Annual Determination of Abatement or Extension of Pledged Taxes," the Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by an Indenture, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

As long as there are Outstanding Bonds of a Series, The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied and extended and collected and deposited to the Pledged Taxes Account under each Indenture as described above.

In furtherance of the general obligation, full faith and credit promise of the Board to pay the principal and Redemption Price of and interest on the Bonds, the Board will take all actions necessary to (i) cause the levy and extension of Pledged Taxes, including any Pledged Taxes required to be levied in excess of those levied pursuant to the applicable Bond Resolution (as defined in the Official Statement), for collection on a timely basis to make all such payments and (ii) to cause such Pledged Taxes when extended for collection to be deposited directly with the Trustee for application pursuant to the applicable Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to an Indenture a Deposit Notice evidencing that the amount on deposit to the credit of the Pledged State Aid Revenues Account is insufficient to meet the Annual Debt Service Requirement for the applicable Series during the applicable Bond Year, the Trustee will, promptly after delivering such Deposit Notice to the Board, confirm with the County Collectors that the Deposit Direction remains in full force and effect. In the event the Trustee learns that the Deposit Direction has been modified or amended in a manner contrary to that described in the first paragraph under the subheading "**Covenants Regarding Pledged Taxes**" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-1, the Trustee shall be deemed to have taken notice of the resulting Event of Default and shall take such actions to remedy such Event of Default as shall be permitted under the applicable Indenture. See "Events Of Default And Remedies" in this APPENDIX A-1.

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 Pledged State Aid Revenues, the Pledged Taxes and the Funds, Accounts and Sub-Accounts established by each 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 applicable Series or their representatives duly authorized in writing.

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 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof.

The Board shall not permit any of the proceeds of the Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond 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 Bonds or other moneys to be invested in any manner that would cause any Bond 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.

Events of Default and Remedies

Events of Default. Each of the following events constitutes an Event of Default as to the Series secured under the applicable Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Bond of a Series issued under such Indenture when and as such interest shall become due and payable;

(b) If a default shall occur in the due and punctual payment of the principal or Redemption Price of any Bond of a Series issued under such Indenture when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(c) If a default (other than a default resulting from an action described in paragraph (4) below) shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in the applicable Indenture or in the applicable Bonds of a Series contained, and such default shall continue for a period of 60 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 aggregate principal amount of the Outstanding Bonds of the applicable Series, *provided* that if the nature of the default is such that it cannot be cured within the 60-day period but can be cured within a longer period, no event of default shall occur if the Board institutes corrective action within the 60-day period and diligently pursues such action until the default is corrected (*provided* such default is correctable);

(d) If the Board shall modify or amend the applicable Deposit Direction in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-1; or

(e) 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.

Proceedings Brought by Trustee

THERE IS NO PROVISION FOR THE ACCELERATION OF THE BONDS IF AN EVENT OF DEFAULT OCCURS UNDER THE INDENTURE.

If an Event of Default shall happen under an Indenture 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 Bonds of the applicable Series Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners under such Bonds or the applicable Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power granted therein, 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 such Indenture or enforcing any of the rights on interests of the Owners of the applicable Bonds under such Bonds or the applicable Indenture.

All rights of action under an Indenture may be enforced by the Trustee without the possession of any of the Bonds 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.

All actions against the Board under an Indenture shall be brought in the State or federal court located in the State.

The Owners of not less than a majority in aggregate principal amount of Bonds of a Series at the time 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 the applicable Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise of 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 such Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but, unless requested in writing by the Owners of a majority in aggregate principal amount of Bonds of a Series then Outstanding and furnished with reasonable security and indemnity, 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 the applicable Indenture and to preserve or protect its interests and the interest of such Owners.

Application of Trust Estate and Other Moneys on Default

During the continuance of an Event of Default under an Indenture, the Trustee shall apply all moneys, securities, funds, Pledged State Aid Revenues, and the Pledged Taxes to the extent any of them secure the Series of Bonds issued under such Indenture and the income therefrom (other than any amounts not constituting part of the Trust Estate) under such Indenture as follows and in the following order:

(a) 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; and

(b) To the payment of the principal of, Redemption Price and interest on the Bonds of the applicable Series then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds of such Series in the order of the maturity of such installments, together with accrued and unpaid interest on such Bonds 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 Bonds of such Series which shall have become due, whether at maturity or by call for redemption and, if the amount available shall not be sufficient to pay in full all such Bonds 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; and

If and whenever all overdue installments of principal and Redemption Price of and interest on all Bonds of a Series together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the applicable Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the applicable Indenture or Bonds of a Series 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 such 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 such Indenture. No such payment 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 such Indenture or impair any right consequent thereon.

Restriction on Owners' Actions. No Owner of any Bond of a Series shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the applicable Indenture or the execution of any trust under such Indenture or for any remedy under said Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the Bonds of such Series 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 the relevant 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 adequate security and indemnity 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 60 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 such Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by such Indenture or to enforce any right thereunder, except in the manner provided therein; and that all proceedings at law or in equity to enforce any provision of such Indenture shall be instituted, had and maintained in the manner provided therein and shall be for the equal benefit of all Owners of the Outstanding Bonds of a Series.

Remedies Conferred By the Act. The Board and the Trustee each acknowledge that Section 15(e) of the Act provides that all covenants of the Board relating to the issuance of each Series of Bonds as Alternate Bonds pursuant to Section 15 of the Act and the conditions and obligations imposed by said Section 15 are enforceable by any Owner of such Bonds, any taxpayer of the Board and the people of the

State acting through the Attorney General of the State or any designee, and in the event that any such action results in an order finding that the Board has not properly collected and applied the Pledged State Aid Revenues as required by the Act, the plaintiff in any such action shall be awarded reasonable attorneys' fees.

Remedies Not Exclusive. No remedy by the terms of any Indenture conferred upon or reserved to the Trustee or the Owners of Bonds of a Series 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 such Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery thereof.

Waiver. The Owners of not less than two-thirds in aggregate principal amount of Bonds of a Series at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Bonds of such Series, waive any past default under the applicable Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of such Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Provisions Relating to Trustee

Resignation and Removal of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the applicable Indenture by giving not less than 60 days written notice to the Board, all Owners of the Bonds of such Series and the other Fiduciaries with respect to such Series, 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 such Indenture and accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by 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 and accepted such appointment 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 described below under "– *Appointment of Successor Trustee*."

The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the Board and delivered to the Trustee; *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 the Bonds of such Series then Outstanding (excluding any Bonds 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 Bonds of the applicable Series then Outstanding, excluding any such Bonds 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.

Appointment of Successor Trustee. In case at any time the Trustee shall resign, be removed or 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, the Board shall appoint a successor Trustee. The Board shall cause notice of any such appointment made by it to be mailed to all Owners of the Bonds of a Series.

If no appointment of a Trustee shall be made by the Board within 60 days following such resignation or renewal, the Trustee or the Owner of any Bond Outstanding of that Series may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of an Indenture in succession to the Trustee shall be a bank, trust company or national banking association, doing business and having a corporate trust office in the State, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary 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 such Indenture.

Supplemental Indentures

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

(a) To impose additional covenants or agreements to be, observed by the Board;

(b) To impose other limitations or restrictions upon the Board;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by such Indenture;

(d) To confirm, as further assurance, any pledge of or lien upon the Pledged State Aid Revenues, , the Pledged Taxes or any other moneys, securities or funds;

(e) To make any necessary amendments to or to supplement such Indenture in connection with the issuance of Additional Bonds as authorized in such Indenture;

(f) To cure any ambiguity, omission or defect in such Indenture;

(g) To provide for the appointment of a successor securities depository;

(h) To provide for the appointment of any successor Fiduciary; and

(i) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners of the Bonds of such Series.

Supplemental Indentures Effective Upon Consent of Owners. Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner described below under the heading "Amendments".

Amendments

General. Exclusive of Supplemental Indentures as described above under the subheading "*Supplemental Indentures not requiring the Consent of Owners*", and subject to the provisions described below under subheading "*Consent of Owners*", the Owners of not less than a majority in aggregate principal amount of the Bonds of a Series then Outstanding shall have the right, from time to time, anything contained in the applicable Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to such Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein or in any supplemental indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of such Indenture or of any indenture supplemental thereto; *provided*, *however*, that nothing in any Indenture permits or may be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the payment or redemption of any Bond, without the consent of the Owner of such Bond, (b) a reduction in the amount of, or extension of the time of, any payment required by any sinking fund applicable to any Bonds without the consent of the Owners of all the Bonds which would be affected by the action to be taken, (c) except for the pledge of the Pledged State Aid Revenues in connection with the issuance of Additional Bonds, the creation of any lien prior to or on a parity with the lien of this Indenture, without the consent of the Owners of all the Bonds at the time Outstanding, (d) a reduction in the aforesaid aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, (e) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (f) the loss of the exclusion from federal gross income of the Owners of the interest paid on such Bonds held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Consent of Owners. The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment described in the preceding paragraph, to take effect when and as described in this paragraph. 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 of the Bonds affected thereby. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to such 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 described below. 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 aggregate principal amount of Outstanding Bonds of the related Series, 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 the applicable Indenture, is authorized or permitted by such Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as described below. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Owner has notice thereof, *provided*, *however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described in this paragraph referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the applicable Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee (and not theretofore revoked) shall be sufficient under the applicable Indenture, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Bonds of such Series 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 Bonds of such Series and will be effective as provided in this paragraph, 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). A record, consisting of the information required or permitted by this paragraph to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Additionally, each Indenture and the rights and obligations of the Board and of the Owners of the Bonds 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 of the Outstanding Bonds of the applicable Series. 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 the preceding paragraph and (b) with the Board of the Trustee's written statement that the consents of the Owners of all of the Outstanding Bonds of the applicable Series 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 consent thereto.

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Bonds of a Series 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 the related Indenture, then the pledge of the Trust Estate under such 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 Paying Agent shall pay over or deliver to the Board all moneys and securities held by it pursuant to such Indenture which are not required for the payment of Bonds 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 or a portion of the Outstanding Bonds of 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 the applicable Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under such Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds 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 as described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any such Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due without further reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time are sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (d) if Defeasance Obligations are used, an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and moneys will be sufficient to provide for the payment when due of the interest on and principal or Redemption Price, if applicable, of said Bonds, and (e) if any of said Bonds are not to be redeemed within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the applicable Indenture 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 Bonds. 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 Bonds, 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 said Bonds, at maturity or upon redemption, as the case may be.

The Defeasance Obligations (or any portion thereof) held for the payment of the principal and Redemption Price of and interest on said Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the applicable Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "*Subsequent Action*") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the Board authorizing the Subsequent Action, or (b) an Opinion of Counsel for the Board to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of such Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal and Redemption Price of and interest on said Bonds at or prior to their maturity in the manner provided in the preceding paragraph; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on such Bonds to which such Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

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APPENDIX A-2

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE FOR THE SERIES 2017E BONDS

The Series 2017E Bonds are secured by the Series 2017E Indenture. The following is a summary of certain provisions of the Series 2017E Indenture, does not purport to be complete or definitive and is qualified in its entirety by the Indenture to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. Copies of the Series 2017E Indenture are on file with the Trustee. Summaries of the Indentures in regard to the Series 2017C Bonds, Series 2017D Bonds, Series 2017F Bonds, Series 2017G Bonds and the Series 2017H Bonds are described in separate Appendices.

Definitions of Certain Terms

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means with respect to the Series 2017E Bonds, any Alternate Bonds issued in the future in accordance with the provisions of the Act on a parity with and sharing ratably and equally in all or any portion of the Pledged PPRT Revenues with the Series 2017E Bonds and the Prior PPRT Bonds, the Series 2017F Bonds, the Series 2017G Bonds, and the Series 2017H Bonds as authorized by the Series 2017E Indenture.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act, particularly Section 15 thereof.

"*Annual Debt Service Requirement*" means, with respect to the Series 2017E Bonds and for any Bond Year, the sum of the interest on and principal of such Series that will become due and payable, whether at maturity or upon mandatory sinking fund redemption, during such Bond Year.

"*Applicable Bond Year*" means, in determining on a Deposit Date the sufficiency of amounts held in the Pledged PPRT Revenues Account to satisfy any Annual Debt Service Requirement, the then current Bond Year.

"*Authorized Denominations*" means $100,000 or any multiple of $5,000 in excess thereof.

"*Authorized Officer*" means (i) any Designated Official, (ii) the Controller and the Chief Operating Officer of the Board acting together or (iii) any other officer or employee of the Board authorized to perform specific acts or duties under the 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, created and established pursuant to Article 34 of the School Code.

"*Bond Counsel*" means any nationally recognized firm(s) of municipal bond attorneys approved by the Board.

"*Bond Payment Account*" means the Bond Payment Account established in the Series 2017E Indenture.

"*Bond Year*" means, each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

"*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 designated corporate trust office of any Fiduciary is located are authorized by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Improvement Program*" means the Capital Improvement Program of the Board, as from time to time approved and amended by the Board and on file in the office of the Secretary of the Board.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Code and Regulations*" means the Code and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Counsel's Opinion*" or "*Opinion of Counsel*" 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 to the Board) or Bond Counsel.

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

"*County Collectors*" means, collectively, the County Treasurers of The Counties of Cook and DuPage, Illinois, in their respective capacities as county collector, or, respectively, such other officer as may be lawfully appointed in the future to serve as county collector in either of said counties.

"*Debt Service Fund*" means the Debt Service Fund established in the Series 2017E Indenture.

"*Defeasance Obligations*" means (i) Government Obligations, (ii) Federal Agencies and (iii) Pre-refunded Municipal Obligations which are not subject to redemption other than at the option of the holder thereof.

"*Deposit Date*" means February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the Series 2017E Indenture.

"*Designated Official*" means (i) the President of the Board, (ii) the Senior Vice President of Finance, (iii) the Chief Financial Officer, (iv) the Treasurer or (v) any other officer of the Board authorized to perform specific acts and duties hereunder by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"*Escrow Agent*" means Amalgamated Bank of Chicago.

"*Escrow Agreement*" means the Seventh Restated Master Alternate Bonds Escrow Agreement, dated as of November 1, 2017, between the Board and the Escrow Agent providing for the segregation and distribution of the Pledged PPRT Revenues and the Intergovernmental Agreement Revenues (as defined in Appendices A-3 to this Official Statement) delivered in connection with the issuance of the Series 2017E Bonds and other Alternate Bonds of the Board secured by the Pledged PPRT Revenues, as from time to time hereafter supplemented and amended as provided therein.

"*Event of Default*" means any event so designated and specified in the Series 2017E Indenture.

"*Federal Agencies*" means senior debt obligations issued or guaranteed by, or otherwise stripped from senior debt obligations issued or guaranteed by, any U.S. federal agency, including but not limited to Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, the Tennessee Valley Authority and the Resolution Funding Corporation;

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

"*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.

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, including but not limited to Treasury Bills, Bonds, Notes, and STRIPS; Resolution Funding Corporation Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities), *provided* that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2018.

"*Interest Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017E Indenture.

"*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:

(a) Government Obligations;

(b) 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;

(c) Federal Agencies;

(d) U.S. dollar denominated certificates of deposit, deposit accounts, federal funds and banker's acceptances with domestic commercial banks insured by the Federal Deposit Insurance Corporation (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 "A-1" or "A-1+" by S&P and "P-1" by Moody's;

(e) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-1+" or above by S&P and "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(f) Obligations issued by any county, township, city, village, incorporated town, municipal corporation, or school district of the State or any other state and having a rating at the time of purchase within the four highest general classifications by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

(g) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" (or its equivalent) or better by any Rating Agency, including those for which the Trustee or an affiliate performs services for a fee whether as a custodian, transfer agent, investment advisor or otherwise;

(h) 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;

(i) Pre-refunded Municipal Obligations;

(j) Any Forward Supply Contract; and

(k) Any other investment securities authorized by law and the Investment Policy as permitted investments of Board funds.

"*Outstanding*" means, with respect to the Series 2017E Bonds, as of any date, all such Series 2017E Bonds theretofore or thereupon being authenticated and delivered under the Series 2017E Indenture except:

(a) Any Series 2017E Bonds canceled by the Trustee at or prior to such date;

(b) Series 2017E Bonds (or portions of Series 2017E Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount thereof with interest to the date of maturity are held in trust under the Series 2017E Indenture and set aside for such payment (whether at or prior to the maturity or redemption date), ;

(c) Series 2017E Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Series 2017E Indenture; and

(d) Series 2017E Bonds deemed to have been paid as provided in the Series 2017E Indenture.

"*Owner*" means any Person who shall be the registered owner of any Series 2017E Bond.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official as paying agent for the Series 2017E Bonds and any successor or successors appointed by a Designated Official under the Series 2017E Indenture.

"*Person*" means and includes an association, unincorporated organization, a corporation, a limited liability company, a partnership, 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.

"*Personal Property Replacement Tax Revenues*" or "*PPRT Revenues*" means the amounts allocated and paid to the Board from the Personal Property Tax Replacement Fund of the State pursuant to Section 12 of the State Revenue Sharing Act (as defined in 30 ILCS 115) of the State as amended, or from such successor or replacement fund or act as may be enacted from time to time.

"*Pledged PPRT Revenues*" means Personal Property Replacement Tax Revenues received or to be received by the Board in any Year remaining after any required allocation thereof to provide for the payment of the Statutory Claims in amounts each year as shall provide for the annual debt service payments on the Series 2017E Bonds and the provision of not less than an additional .25 times such amount in each such year and pledged, in conjunction with the lien on the Pledged PPRT Revenues imposed by and arising under the Act and under the Series 2017E Indenture as security for the Series 2017E Bonds.

"*Pledged PPRT Revenues Account*" means the account of that name in the Debt Service Fund established in the Series 2017E Indenture.

"*Pledged Taxes*" means the *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount and pledged under the Series 2017E Indenture as security for the Series 2017E Bonds.

"*Pledged Taxes Account*" means the account of that name in the Debt Service Fund established in the Series 2017E Indenture.

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest on the t Series 2017E

Bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017E Indenture.

"*Prior PPRT Bonds*" means the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 1998B-1, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 1999A, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005B, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B and Series 2007C and the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A.

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Series 2017E Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, with respect to any Interest Payment Date for the Series 2017E Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under the Series 2017E Indenture and designated as registrar for the Series 2017E Indenture, and its successor or successors.

"*School Code*" means 105 Illinois Compiled Statutes 5.

"*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.

"*Senior Vice President of Finance*" means the Senior Vice President of Finance (including any interim Senior Vice President of Finance) of the Board.

"*Series 1997A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1997A, of the Board.

"*Series 1998 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998, of the Board.

"*Series 1998B-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998B-1, of the Board.

"*Series 1999A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1999A, of the Board.

"*Series 2017C Bonds*" means the $351,485,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017, of the Board. The Series 2017C Bonds

"*Series 2017D Bonds*" means the $79,325,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017D, of the Board.

"*Series 2017E Bonds*" or "*Bonds*" means the $22,180,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E, of the Board.

"*Series 2017E Indenture*" means the Indenture, dated as of November 1, 2017, by and between the Board and the Trustee securing the 2017E Bonds.

"*Series 2017F Bonds*" means the $165,510,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F, of the Board.

"*Series 2017G Bonds*" means the $126,500,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G, of the Board

"*Series 2017H Bonds*" means the $280,000,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, of the Board

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds — State and Local Government Series.

"*State*" means the State of Illinois.

"*Statutory Claims*" mean those claims, currently for pension or retirement obligations previously levied and collected from extensions of taxes against personal property, that are required to be paid from the Personal Property Replacement Tax Revenues prior to any other application or use thereof pursuant to Section 12 of the State Revenue Sharing Act, or such successor or replacement act as may be enacted from time to time.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the Series 2017E Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the Series 2017E Indenture. The "designated corporate trust office" of the Trustee means 30 North LaSalle Street, 38th Floor, Chicago, Illinois 60602 or such other address as is provided by the Trustee.

"*Trust Estate*" means the Pledged PPRT Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Series 2017E Indenture.

"*Year*" or "*year*" means a calendar year.

Pledge of Trust Estate

In order to secure the payment of the principal of, premium, if any, and interest on each Series issued under the Series 2017E Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in such Series 2017E Indenture and in the Series 2017E Bonds contained, the Board pledges and grants in the Series 2017E Indenture a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, for the benefit of the Owners, to the extent provided in such Series 2017E Indenture:

(a) The Pledged PPRT Revenues and the Pledged Taxes, *provided* that the pledge of the Pledged PPRT Revenues to the payment of the Series 2017E Bonds is secured on a parity with the pledge of such revenues to the Prior PPRT Bonds, the Series 2017F Bonds, the Series 2017G Bonds, the Series 2017H Bonds and any Additional Bonds (as defined in the Indenture) that may be hereafter issued;

(b) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the Series 2017E Indenture; and

(c) Any and all other moneys, securities and property 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 Series 2017E Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Series 2017E Indenture and received by the Board, shall immediately be subject to the lien and pledge of such Series 2017E Indenture without any physical delivery or further act, and the lien and pledge under said Series 2017E Indenture 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 of the lien and the pledge.

Except as provided in the Series 2017E Indenture, each and all of the Series 2017E Bonds shall have the same right, lien and privilege under such Series 2017E Indenture and shall be equally secured thereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery of such Series 2017E Indenture.

The Bonds are General Obligations

The 2017E Bonds are, at all times Outstanding, the general obligation of the Board, for the payment of which its full faith and credit are irrevocably pledged, and are payable from, in addition to the Pledged PPRT Revenues and the Pledged Taxes, as described in the Series 2017E Indenture. The Series 2017 E Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Series 2017E Bonds shall, to the extent required by law, be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Bonds of such Series have been paid from the Pledged State Aid Revenues for a complete fiscal year of the Board.

Additional Bonds Payable From Pledged PPRT Revenues

Except as described in the following two paragraphs, the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the Series 2017E Bonds, which are secured by a pledge of or lien on the Pledged PPRT Revenues, the Pledged Taxes or the moneys, securities, or funds held or set aside by the Board or by the Trustee under the Series 2017E Indenture, and shall not, except as expressly authorized in the Series 2017E Indenture, create or cause to be created any lien or charge on such Pledged PPRT Revenues, such Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds from time to time payable from (i) all or any portion of the Pledged PPRT Revenues or (ii) any other source of payment which may be pledged under the Act, and any such Additional Bonds shall share ratably and equally in the Pledged PPRT Revenues with the Series 2017E Bonds, the Prior PPRT Bonds and the Series 2017F Bonds, the Series 2017G Bonds and the Series 2017H Bonds; *provided, however*, that no Additional Bonds shall be issued except in accordance with the provisions of the Act as in existence on the date of issuance of the Additional Bonds.

The Board reserves the right to issue bonds or other evidences of indebtedness payable from Pledged PPRT Revenues subordinate to the Series 2017E Bonds. Such subordinate obligations will be paid from Pledged PPRT Revenues available to the Board in each year in excess of those required to be deposited in the Pledged PPRT Revenues Sub-Account hereunder during such Year.

Provisions Regarding Transfer and Exchange of Bonds

Subject to the operation of the global book-entry-only system described in the "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Series 2017E Bonds of each Series under the Series 2017E Indenture. Each Series 2017E Bond 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 Series 2017E Bond, the Board shall issue in the name of the transferee a new Series 2017E Bond or Series 2017E Bonds in Authorized Denominations of the same Series and aggregate principal amount. The Board and each Fiduciary may deem and treat the person in whose name any Series 2017E Bond shall be registered upon the registration books of the Board as the absolute owner of such Series 2017E Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, of and interest on, such Series 2017E Bond 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 Series 2017E Bond 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.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Series 2017E Indenture. All Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 2017E Bonds, 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.

Establishment and Application of Debt Service Fund and Accounts

A Debt Service Fund and the following Accounts within the Debt Service Fund are established under the 2017E Indenture with the Trustee to be held and applied in accordance with the provisions of the 2017E Indenture as more fully described in the body of this Official Statement: Pledged PPRT Revenues Account, consisting of a Deposit Account and a Pledged PPRT Revenues Sub-Account; (b) Pledged Taxes Account; (c) Bond Payment Account, consisting of (i) the Interest Sub-Account and (ii) the Principal Sub-Account.

Pledged PPRT Revenues Account. The Trustee shall deposit to the credit of the Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit. All or a portion of such amounts so deposited to the credit of the Deposit Sub-Account shall be transferred no later than the next succeeding Interest Payment Date to the Interest Sub-Account and applied to pay up to the amount of interest then due on the Series 2017E Bonds on such Interest Payment Date as described in the Series 2017E Indenture.

Pursuant to the Escrow Agreement, the Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agent will deposit certain Personal Property

Replacement Tax Revenues with the Trustee as described below in accordance with the provisions of the Series 2017E Indenture.

Pledged PPRT Revenues received by the Trustee from the Escrow Agent in each Year shall be deposited promptly upon receipt into the Deposit Sub-Account, until there shall be on deposit in said Sub-Account an amount of Pledged PPRT Revenues sufficient to pay all of the interest on and principal of the Series 2017E Bonds scheduled to be paid during the Bond Year beginning on December 2 of such Year. *Provided* the amount on deposit is sufficient to pay all of the interest on and principal of the Series 2017E Bonds scheduled to be paid during the Bond Year beginning on December 2 of such Year, the Board shall take such actions as are necessary to abate in full the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date. The Board shall make the deposits required pursuant to this paragraph on such earlier date as may be necessary in the future to permit the Board to make the abatement of taxes described in the preceding sentence.

In the event that as of the last Business Day of any Year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount to satisfy the requirement set forth in the preceding subparagraph (i), the Trustee shall (A) notify the Board of that fact and the amount of the shortfall and the Board shall take such actions pursuant to the Series 2017E Indenture as are necessary to cause the extension of the Pledged Taxes levied for such Year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the interest on and principal of the Series 2017E Bonds due during the Bond Year beginning on December 2 of the then-current Year; and (B) on such last Business Day of such Year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the PPRT Revenues Sub-Account.

All amounts on deposit in the Pledged PPRT Revenues Sub-Account on December 2 of each Year, following the transfers required to be made to the Bond Payment Account), shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017E Indenture and the Trustee shall provide notice to the Board that such amounts constitute PPRT Revenues.

If, on any Business Day, the amount on deposit in Pledged PPRT Revenues Sub-Account is in excess of the unpaid Annual Debt Service Requirement for the then current Bond Year then, pursuant to a written direction of the Board signed by an Authorized Officer and filed with the Trustee, all or part of such excess may be withdrawn by the Board free and clear of the lien of the Series 2017E Indenture.

Pledged Taxes Account. As described in the Series 2017E Indenture, the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017E Indenture. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the related Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Series 2017 E Bonds due during the Year in which said Pledged Taxes are collected. All amounts remaining in the Pledged Taxes Account on December 2 of any Year shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

Bond Payment Account. The Trustee shall deposit to the credit of the Interest Sub-Account any amounts directed by the Board to be deposited into such Sub-Account. The Trustee shall also transfer, from time to time, to the credit of the Interest Sub-Account all other amounts so directed by the Board to be transferred into such Sub-Account. There shall be transferred *first* from moneys on deposit in the related Pledged Taxes Account, *second* from moneys on deposit in the related Interest Deposit Sub-Account and *third* from moneys on deposit in the Pledged PPRT Revenues Sub-Account: (i) first, to the related Interest Sub-Account on or before each applicable Interest Payment Date for any of the Outstanding Series 2017E

Bonds, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and available for such payment and (ii) second, to the related Principal Sub-Account on or before each December 1 on which Series 2017E Bonds mature the amount required for the payment of the principal of the Series 2017E Bonds then to be paid less the amount then on deposit in the related Principal Sub-Account and available for such payment.

Board Payments to Cure Deficiencies. If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on the Outstanding Series 2017E Bonds on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the Principal Sub-Account is less than the amount required to pay the principal amount of Outstanding Series 2017E Bonds maturing on that December 1, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency

Notice Regarding Deposit of Pledged PPRT Revenues. On or before the Deposit Date of each Year, (i) whenever funds are on deposit in the Pledged PPRT Revenues Account in an amount sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes with respect to the Series 2017E Bonds and (ii) whenever the funds on deposit in the Pledged PPRT Revenues Account are not sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice setting forth the deficiency of such deposit for such purpose and directing the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection in the Applicable Bond Year in an amount sufficient when added to the amount held on deposit in the Pledged PPRT Revenues Sub-Account to provide funds sufficient to satisfy the Annual Debt Service Requirement for the Applicable Bond Year.

Investment of Funds

Moneys held in the several Accounts and Sub-Accounts of each Debt Service Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the Series 2017E Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon the Designated Official'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 under the Series 2017E Indenture fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested. Nothing contained in the Series 2017E Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois 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 in connection with the initial delivery of the Bonds 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.

Valuation and Sale of Investments

Investment Securities in any Fund, Account or Sub-Account created under the Series 2017E Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account. Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Series 2017E Indenture 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, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in the following paragraph.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all SLGS 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.

Except as otherwise provided in the Series 2017E Indenture, the Trustee at the written direction of a Designated Official shall sell at the best price reasonably obtainable, or present for redemption, any Investment Securities held in any 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, Account or Sub-Account as the case may be.

Particular Covenants and Representations of the Board

Covenants Regarding the Pledged PPRT Revenues. Pursuant to Section 15(e) of the Act the Board covenants, so long as there are any Outstanding Series 2017E Bonds, to provide for, collect and apply the Pledged PPRT Revenues to the payment of the Series 2017E Bonds, the Prior PPRT Bonds, the Series 2017F Bonds, the Series 2017G Bonds, the Series 2017H Bonds and any Additional Bonds, and the provision of not less than an additional .25 times debt service on such bonds in each such year. The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged PPRT Revenues may be allocated and paid to the Board for application as herein provided.

Covenants Regarding Pledged Taxes. The Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017E Indenture (the "*Deposit Direction*"). As long as any of the Series 2017E Bonds remain Outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; *provided* that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any Year. The Board will deliver an executed copy of any modification or amendment to the Deposit Direction permitted by the preceding sentence to the Trustee at the same time such modification or amendment is provided to the County Collectors.

As described in this Official Statement under the heading "SECURITY FOR THE BONDS — Pledged Taxes – Annual Determination of Abatement or Extension of Pledged Taxes," the Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by the Series 2017E Indenture, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

For so long as there are any Outstanding 2017E Bonds, The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied and extended and collected and deposited to the Pledged Taxes Account as described above.

In furtherance of the general obligation, full faith and credit promise of the Board to pay the principal of and interest on the Series 2017E Bonds, the Board will take all actions necessary to (i) cause the levy and extension of Pledged Taxes, including any Pledged Taxes required to be levied in excess of those levied pursuant to the Bond Resolution (as defined in the Official Statement), for collection on a timely basis to make all such payments and (ii) to cause such Pledged Taxes when extended for collection to be deposited directly with the Trustee for application pursuant to the Series 2017E Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to the Series 2017E Indenture a Deposit Notice evidencing that the amount on deposit to the credit of the Pledged PPRT Revenues Account is insufficient to meet the Annual Debt Service Requirement for the Series 2017E Bonds during the Applicable Bond Year, the Trustee will, promptly after delivering such Deposit Notice to the Board, confirm with the County Collectors that the Deposit Direction remains in full force and effect. In the event the Trustee learns that the Deposit Direction has been modified or amended in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-2, the Trustee shall be deemed to have taken notice of the resulting Event of Default and shall take such actions to remedy such Event of Default as shall be permitted under the Series 2017E Indenture. See "*Events Of Default And Remedies*" in this APPENDIX A-2.

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 Pledged PPRT Revenues, the Pledged Taxes and the Funds, Accounts and Sub-Accounts established by the Series 2017E 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 the Series 2017E Bonds or their representatives duly authorized in writing.

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 Series 2017E Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2017E Bond is subject on the date of original issuance thereof.

The Board shall not permit any of the proceeds of the Series 2017E Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond 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 Series 2017E Bonds or other moneys to be invested in any manner that would cause any Series 2017E Bond 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.

Events of Default and Remedies

Events of Default. Each of the following events constitutes an Event of Default as to the Series secured under the Series 2017E Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Series 2017E Bond issued under such Series 2017E Indenture when and as such interest shall become due and payable;

(b) If a default shall occur in the due and punctual payment of the principal of any Series 2017E Bond issued under such Series 2017E Indenture when and as the same shall become due and payable, whether at maturity or otherwise;

(c) If a default (other than a default resulting from an action described in paragraph (4) below) shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in the Series 2017E Indenture or in the Series 2017E Bonds contained, and such default shall continue for a period of 60 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 aggregate principal amount of the Outstanding Series 2017E Bonds, *provided* that if the nature of the default is such that it cannot be cured within the 60-day period but can be cured within a longer period, no event of default shall occur if the Board institutes corrective action within the 60-day period and diligently pursues such action until the default is corrected (*provided* such default is correctable);

(d) If the Board shall modify or amend the applicable Deposit Direction in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-2; or

(e) 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.

Proceedings Brought by Trustee

THERE IS NO PROVISION FOR THE ACCELERATION OF THE BONDS IF AN EVENT OF DEFAULT OCCURS UNDER THE SERIES 2017E INDENTURE.

If an Event of Default shall happen under the Series 2017E Indenture 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 Bonds of the Series 2017E Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners under such Bonds or the Series 2017E Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power granted therein, 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 such Series 2017E Indenture or enforcing any of the rights on interests of the Owners of the Series 2017E Bonds under such Series 2017E Bonds or the Series 2017E Indenture.

All rights of action under the Series 2017E Indenture may be enforced by the Trustee without the possession of any of the Series 2017E Bonds 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.

All actions against the Board under the Series 2017E Indenture shall be brought in the State or federal court located in the State.

The Owners of not less than a majority in aggregate principal amount of Bonds of a Series at the time 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 the Series 2017E Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise of 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 such Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but, unless requested in writing by the Owners of a majority in aggregate principal amount of Series 2017E Bonds then Outstanding and furnished with reasonable security and indemnity, 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 the Series 2017E Indenture and to preserve or protect its interests and the interest of such Owners.

Application of Trust Estate and Other Moneys on Default

During the continuance of an Event of Default under the Series 2017E Indenture, the Trustee shall apply all moneys, securities, funds, the PPRT Revenues and the Pledged Taxes to the extent any of them secure the Series 2017E Bonds issued under such Series 2017E Indenture and the income therefrom (other than any amounts not constituting part of the Trust Estate) under such Series 2017E Indenture as follows and in the following order:

(a) 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; and

(b) To the payment of the principal of and interest on the Series 2017E Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Series 2017E Bonds in the order of the maturity of such installments, 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 of any Series 2017E Bonds which shall have become due, and, if the amount available shall not be sufficient to pay in full all such Series 2017E Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due on such date, to the Persons entitled thereto, without any discrimination or preference; and

If and whenever all overdue installments of principal of and interest on all Series 2017E Bonds together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the Series 2017E Indenture, including the overdue principal and of and accrued unpaid interest on all such Series 2017E Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Series 2017E Indenture or the Series 2017E Bonds 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 such Series 2017E 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 such Series 2017E Indenture. No such payment 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 such Series 2017E Indenture or impair any right consequent thereon.

Restriction on Owners' Actions. No Owner of any Series 2017E Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Series 2017E Indenture or the execution of any trust under such Series 2017E Indenture or for any remedy under said Series 2017E Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the 2017E Bonds.

Bonds of such Series 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 the Series 2017E 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 adequate security and indemnity 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 60 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 such 2017E Bonds.

Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by such Series 2017E Indenture or to enforce any right thereunder, except in the manner provided therein; and that all proceedings at law or in equity to enforce any provision of such Series 2017E Indenture shall be instituted, had and maintained in the manner provided therein and shall be for the equal benefit of all Owners of the Outstanding Series 2017E Bonds.

Remedies Conferred By the Act. The Board and the Trustee each acknowledge that Section 15(e) of the Act provides that all covenants of the Board relating to the issuance of Series 2017E Bonds as Alternate Bonds pursuant to Section 15 of the Act and the conditions and obligations imposed by said Section 15 are enforceable by any Owner of such Series 2017E Bonds, any taxpayer of the Board and the people of the State acting through the Attorney General of the State or any designee, and in the event that any such action results in an order finding that the Board has not properly collected and applied the Pledged PPRT Revenues as required by the Act, the plaintiff in any such action shall be awarded reasonable attorneys' fees.

Remedies Not Exclusive. No remedy by the terms of the Series 2017E Indenture conferred upon or reserved to the Trustee or the Owners of the Series 2017E Bonds 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 the Series 2017E Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery thereof.

Waiver. The Owners of not less than two-thirds in aggregate principal amount of Series 2017E Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Series 2017E Bonds, waive any past default under the Series 2017E Indenture and its consequences, except a default in the payment of interest on or principal of any of such Series 2017E Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Provisions Relating to Trustee

Resignation and Removal of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the Series 2017E Indenture by giving not less than 60 days written notice to the Board, all Owners of the Series 2017E Bonds and the other Fiduciaries with respect to such Series, 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 such Series 2017E Indenture and accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by 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 and accepted such appointment 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 described below under "– **Appointment of Successor Trustee**."

The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the Board and delivered to the Trustee; *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 the Series 2017E Bonds (excluding any Series 2017E Bonds 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 Series 2017E Bonds then Outstanding, excluding any Series 2017E Bonds 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.

Appointment of Successor Trustee

In case at any time the Trustee shall resign, be removed or 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, the Board shall appoint a successor Trustee. The Board shall cause notice of any such appointment made by it to be mailed to all Owners of the Series 2017E Bonds.

If no appointment of a Trustee shall be made by the Board within 60 days following such resignation or renewal, the Trustee or the Owner of any Series 2017E Bond Outstanding may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Series 2017E Indenture in succession to the Trustee shall be a bank, trust company or national banking association, doing business and having a corporate trust office in the State, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary 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 such Series 2017E Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The Board and the Trustee may without the consent of, or notice to, any of the Owners of the Series 2017E Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Series 2017E Indenture for any one or more of the following purposes:

(a) To impose additional covenants or agreements to be, observed by the Board;

(b) To impose other limitations or restrictions upon the Board;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by such Series 2017E Indenture;

(d) To confirm, as further assurance, any pledge of or lien upon the Pledged PPRT Revenues, the Pledged Taxes or any other moneys, securities or funds;

(e) To make any necessary amendments to or to supplement such Series 2017E Indenture in connection with the issuance of Additional Bonds as authorized in such Series 2017E Indenture;

(f) To cure any ambiguity, omission or defect in such Series 2017E Indenture;

(g) To provide for the appointment of a successor securities depository;

(h) To provide for the appointment of any successor Fiduciary; and

(i) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners of the Series 2017E Bonds.

Supplemental Indentures Effective Upon Consent of Owners. Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner described below under the heading "Amendments".

Amendments

General. Exclusive of Supplemental Indentures as described above under the subheading "*Supplemental Indentures not requiring the Consent of Owners*", and subject to the provisions described below under subheading "*Consent of Owners*", the Owners of not less than a majority in aggregate principal amount of the Series 2017E Bonds then Outstanding shall have the right, from time to time, anything contained in the Series 2017E Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to such Series 2017E Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein or in any supplemental indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of such Indenture or of any indenture supplemental thereto; *provided, however*, that nothing in the Series 2017E Indenture permits or may be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on without the consent of the Owner of such Series 2017E Bond, (b) except for the pledge of the Pledged PPRT Revenues in connection with the issuance of Additional Series 2017E Bonds as permitted under the Series 2017E Indenture, the creation of any lien prior to or on a parity with the lien of the Series 2017E Indenture, without the consent of the Owners of all the Series 2017E Bonds at the time Outstanding, (c) a reduction in the aforesaid aggregate principal amount of the Series 2017E Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all of the Series 2017E Bonds at the time Outstanding which would be affected by the action to be taken, (d) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (e) the loss of the exclusion from federal gross income of the Owners of the interest paid on the Bonds of such Series held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Consent of Owners. The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment described in the preceding paragraph, to take effect when and as described in this paragraph. 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 of the Series 2017E Bonds affected thereby. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to such 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 described below. 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 aggregate principal amount of Outstanding Series 2017E Bonds, 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 the Series 2017E Indenture, is authorized or permitted by such Series 2017E Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as described below. Any such consent shall be binding upon the Owner of the Series 2017E Bonds giving such consent and upon any subsequent Owner of such Series 2017E Bonds and of any Series 2017E Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Owner has notice thereof, *provided, however*, that any consent may be revoked by any Owner of such Series 2017E Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described in this paragraph referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the Series 2017E Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee (and not theretofore revoked) shall be sufficient under the Series 2017E Indenture, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Series 2017E Bonds 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 Series 2017E Bonds and will be effective as provided in this paragraph, 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). A record, consisting of the information required or permitted by this paragraph to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Additionally, the Series 2017E Indenture and the rights and obligations of the Board and of the Owners of the Bonds 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 of the Outstanding Bonds of the Series 2017E Bonds. 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 the preceding paragraph and (b) with the Board of the Trustee's written statement that the consents of the Owners of all of the Outstanding Series 2017E Bonds 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 consent thereto.

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Series 2017E Bonds the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Series 2017E Indenture, then the pledge of the Trust Estate under such Series 2017E 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 Paying Agent shall pay over or deliver to the Board all moneys and securities held by it pursuant to such Series 2017E Indenture which are not required for the payment of Series 2017E Bonds 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 or a portion of the Outstanding Series 2017E Bonds, the principal thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the e Series 2017E Indenture, such Series 2017E Bonds shall cease to be entitled to any lien, benefit or security under such Series 2017E Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Series 2017E Bonds or interest installments for the payment of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity shall be deemed to have been paid as described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay all of said Series 2017E Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due without further reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time are sufficient, to pay when due the principal, and interest due and to become due on said Series 2017E Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (c) if Defeasance Obligations are used, an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and moneys will be sufficient to provide for the payment when due of the interest on and principal of said Series 2017E Bonds, and (d) if any of said Series 2017E Bonds are not to be paid within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Series 2017E Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Series 2017E Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of said Series 2017E Bonds. 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 of or interest on said Series 2017E Bonds, 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 and interest on said Series 2017E Bonds, at maturity..

The Defeasance Obligations (or any portion thereof) held for the payment of the principal of and interest on said Series 2017E Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Series 2017E Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "*Subsequent Action*") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the Board authorizing the Subsequent Action, or (b) an Opinion of Counsel for the Board to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of such Series 2017E Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal of and interest on said Series 2017E Bonds at their maturity in the manner provided in the preceding paragraph; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on such Series 2017E Bonds to which such Series 2017E Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

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APPENDIX A-3

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE FOR THE SERIES 2017F BONDS

The Series 2017F Bonds offered through the attached Official Statement is secured under the 2017F Indenture. The following is a summary of certain provisions of the 2017F Indenture; it does not purport to be complete or definitive and is qualified in its entirety by the Series 2017F Indenture to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. Copies of the Series 2017F Indenture are on file with the Trustee. Summaries of the Indentures in regard to the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds, the Series 2017G Bonds and the Series 2017 H Bonds are described in separate Appendices.

Definitions of Certain Terms

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means any Alternate Bonds issued in the future in accordance with the provisions of the Act on a parity with and sharing ratably and equally in all or any portion of the Pledged Revenues with the Series 2017F Bonds; and the Series 2017H Bonds and the Prior IGA Bonds, with respect to the Pledged IGA Revenues; and the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017G Bonds and the Series 2017H Bonds with respect to the Pledged PPRT Revenues), as authorized by the Series 2017 F Indenture.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act, particularly Section 15 thereof.

"*Annual Debt Service Requirement*" means, with respect to the Series 2017F Bonds and for any Bond Year, the sum of the interest on and principal of the Series 2017F Bonds that will become due and payable during such Bond Year.

"*Applicable Bond* Year" means, in determining on a Deposit Date the sufficiency of amounts held in the Pledged Revenues Account for the Series 2017F Bonds to satisfy any Annual Debt Service Requirement, the then current Bond Year.

"*Authorized Denominations*" means $100,000 or any multiple of $5,000 in excess thereof.

"*Authorized Officer*" means (i) any Designated Official, (ii) the Controller and the Chief Operating Officer of the Board acting together or (iii) any other officer or employee of the Board authorized to perform specific acts or duties under the Indentures 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, created and established pursuant to Article 34 of the School Code.

"*Bond Counsel*" means any nationally recognized firm(s) of municipal bond attorneys approved by the Board.

"*Bond Payment Account*" means the Bond Payment Account established in the Series 2017F Indenture.

"*Bond Year*" means, each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

"*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 designated corporate trust office of any Fiduciary is located are authorized by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Improvement Program*" means the Capital Improvement Program of the Board, as from time to time approved and amended by the Board and on file in the office of the Secretary of the Board.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Code and Regulations*" means the Code and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Counsel's Opinion*" or "*Opinion of Counsel*" 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 to the Board) or Bond Counsel.

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

"*County Collectors*" means, collectively, the County Treasurers of The Counties of Cook and DuPage, Illinois, in their respective capacities as county collector, or, respectively, such other officer as may be lawfully appointed in the future to serve as county collector in either of said counties.

"*Debt Service Fund*" means the Debt Service Fund established in the Series 2017F Indenture.

"*Defeasance Obligations*" means (i) Government Obligations, (ii) Federal Agencies and (iii) Pre-refunded Municipal Obligations which are not subject to redemption other than at the option of the holder thereof.

"*Deposit Date*" means February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the 2017F Indenture.

"*Designated Official*" means (i) the President of the Board, (ii) the Senior Vice President of Finance, (iii) the Chief Financial Officer, (iv) the Treasurer or (v) any other officer of the Board authorized to perform specific acts and duties hereunder by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"*Escrow Agent*" means Amalgamated Bank of Chicago.

"*Escrow Agreement*" means the Seventh Restated Master Alternate Bonds Escrow Agreement, dated as of November 1, 2017, between the Board and the Escrow Agent, providing for the segregation and distribution of the Pledged PPRT Revenues and the Intergovernmental Agreement Revenues, delivered in connection with the issuance of the Series 2017F Bonds and other Alternate Bonds of the Board secured by the Pledged PPRT Revenues and Pledged IGA Revenues, as from time to time hereafter supplemented and amended as provided therein.

"*Event of Default*" means any event so designated and specified in the Series 2017F Indenture.

"*Federal Agencies*" means senior debt obligations issued or guaranteed by, or otherwise stripped from senior debt obligations issued or guaranteed by, any U.S. federal agency, including but not limited to Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, the Tennessee Valley Authority and the Resolution Funding Corporation;

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

"*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.

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, including but not limited to Treasury Bills, Bonds, Notes, and STRIPS; Resolution Funding Corporation Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities), *provided* that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2018.

"*Interest Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017F Indenture.

"*Intergovernmental Agreement*" means the Intergovernmental Agreement dated as of October 1, 1997, by and between the Board and the City of Chicago, as from time to time amended and supplemented.

"*Intergovernmental Agreement Revenues*" means the amounts paid to the Board pursuant to the Intergovernmental Agreement.

"*Intergovernmental Agreement Revenues Sub-Account*" means the sub-account of that name in the Payment Sub-Account of the Pledged Revenues Account established by the Series 2017F Indenture.

"*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:

(a) Government Obligations;

(b) 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;

(c) Federal Agencies;

(d) U.S. dollar denominated certificates of deposit, deposit accounts, federal funds and banker's acceptances with domestic commercial banks insured by the Federal Deposit Insurance Corporation (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 "A-1" or "A-1+" by S&P and "P-1" by Moody's;

(e) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-1+" or above by S&P and "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(f) Obligations issued by any county, township, city, village, incorporated town, municipal corporation, or school district of the State or any other state and having a rating at the time of purchase within the four highest general classifications by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

(g) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" (or its equivalent) or better by any Rating Agency, including those for which the Trustee or an affiliate performs services for a fee whether as a custodian, transfer agent, investment advisor or otherwise;

(h) 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;

(i) Pre-refunded Municipal Obligations;

(j) Any Forward Supply Contract; and

(k) Any other investment securities authorized by law and the Investment Policy as permitted investments of Board funds.

"*Net Annual Debt Service Requirement*" means, for any Bond Year, the sum of the interest on and principal of the Series 2017F Bonds that will become due and payable during such Bond Year, less the amounts of principal and interest payable from Pledged IGA Revenues as set forth in Exhibit D to the Official Statement .

"*Outstanding*" means, with respect to the Series 2017F Bonds, as of any date, all such Bonds theretofore or thereupon being authenticated and delivered under the Series 2017F Indenture except:

(a) Any Series 2017F Bonds canceled by the Trustee at or prior to such date;

(b) Series 2017F Bonds (or portions of Series 2017F Bonds) for the payment of which moneys and/or Defeasance Obligations, equal to the principal amount thereof, with interest to the date of maturity are held in trust under the Series 2017F Indenture and set aside for such payment (whether at or prior to the maturity date)

(c) Series 2017F Bonds in lieu of or in substitution for which other Series 2017F Bonds shall have been authenticated and delivered pursuant to the Series 2017F Indenture; and

(d) Series 2017F Bonds deemed to have been paid as provided in the Series 2017F Indenture.

"*Owner*" means any Person who shall be the registered owner of any Series 2017F Bond or Series 2017F Bonds.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official as paying agent for the Series 2017F Bonds and any successor or successors appointed by a Designated Official under the Series 2017F Indenture.

"*Person*" means and includes an association, unincorporated organization, a corporation, a limited liability company, a partnership, 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.

"*Personal Property Replacement Tax Revenues*" *or* "*PPRT Revenues*" means the amounts allocated and paid to the Board from the Personal Property Tax Replacement Fund of the State pursuant to Section 12 of the State Revenue Sharing Act, as amended, or from such successor or replacement fund or act as may be enacted from time to time.

"*Pledged IGA Revenues*" means Intergovernmental Agreement Revenues pledged under the Indenture for the payment of debt service on the Series 2017F Bonds.

"*Pledged PPRT Revenues*" means Personal Property Replacement Tax Revenues received or to be received by the Board in any Year remaining after any required allocation thereof to provide for the payment of the Statutory Claims in amounts each year as shall provide for the provision of not less than .25 times such amount in each such year and pledged, in conjunction with the lien on the Pledged PPRT Revenues imposed by and arising under the Act and under the Series 2017F Indenture as security for the Series 2017F Bonds.

"*Pledged Revenues*" means collectively, the Pledged PPRT Revenues and the Pledged IGA Revenues pledged under the Series 2017F Indenture for the payment of the Series 2017F Bonds.

"*Pledged Revenues Account*" means the account of that name in the Debt Service Fund established under the Series 2017F Indenture. The Pledged Revenues Account contains a separate PPRT Revenues Sub-Account" for PPRT Revenues and a separate IGA Revenues Sub-Account for Intergovernmental Agreement Revenues.

"*Pledged Taxes*" means the *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount and pledged under the 2017F Indenture as security for the Series 2017F Bonds.

"*Pledged Taxes Account*" means the account of that name in the Debt Service Fund established in the Indenture.

"*PPRT Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Sub-Account established by the 2017F Indenture.

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest on the Series 2017F Bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017F Indenture.

"*Prior IGA Bonds*" means the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998B-1, the outstanding Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1999A, the Series 2007B Bonds, the Series 2007C Bonds, and the outstanding Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2008A.

"*Prior PPRT Bonds*" means the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 1998B-1, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 1999A, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005B, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B and 2007C and the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A.

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Series 2017F Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, with respect to any Interest Payment Date for the Series 2017F Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under the Series 2017F Indenture and designated as registrar for the Series 2017F Bonds, and its successor or successors.

"*School Code*" means 105 Illinois Compiled Statutes 5.

"*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.

"*Senior Vice President of Finance*" means the Senior Vice President of Finance (including any interim Senior Vice President of Finance) of the Board.

"*Series 1997A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1997A, of the Board.

"*Series 1998 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998, of the Board.

"*Series 1998B-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998B-1, of the Board.

"*Series 1999A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1999A, of the Board.

"*Series 2004A Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A of the Board.

"*Series 2007B Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2007B of the Board

"*Series 2007C Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007C of the Board.

"*Series 2008A Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A of the Board

"*Series 2017B Bonds*" means the $215,000,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017B of the Board.

"*Series 2017C Bonds*" means the $351,485,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C, of the Board.

"*Series 2017D Bonds*" means the $79,325,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D, of the Board.

"*Series 2017E Bonds*" means the $22,180,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E, of the Board.

"*Series 2017F Bonds*" or "*Bonds*" means the $165,510,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F, of the Board.

"*Series 2017F Indenture*" means the Indenture, dated as of November 1, 2017, by and between the Board and the Trustee securing the 2017F Bonds.

"*Series 2017G Bonds*" or "*Bonds*" means the $126,500,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G, of the Board.

"*Series 2017H Bonds*" means the $280,000,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, of the Board.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds — State and Local Government Series.

"*State*" means the State of Illinois.

"*Statutory Claims*" mean those claims, currently for pension or retirement obligations previously levied and collected from extensions of taxes against personal property, that are required to be paid from the Personal Property Replacement Tax Revenues prior to any other application or use thereof pursuant to Section 12 of the State Revenue Sharing Act, or such successor or replacement act as may be enacted from time to time.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the Series 2017F Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Series 2017F Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the Series 2017F Indenture. The "designated corporate trust office" of the Trustee means 30 North LaSalle Street, 38th Floor, Chicago, Illinois 60602 or such other address as is provided by the Trustee.

"*Trust Estate*" means the Pledged Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Series 2017F Indenture.

"*Year*" or "*year*" means a calendar year.

Pledge of Trust Estate

In order to secure the payment of the principal of, and interest on each Series issued under the Series 2017F Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in such Indenture and in the Series 2017F Bonds contained, the Board pledges and grants in the Series 2017F Indenture a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, for the benefit of the Owners, to the extent provided in such Indenture:

(a) The Pledged Revenues and the Pledged Taxes; *provided* that (i) the pledge of the Intergovernmental Agreement Revenues to the payment of the Series 2017F Bonds is on a parity with the pledge of such revenues to the payment of the Prior IGA Bonds, the Series 2017H Bonds and any Additional Bonds that may be hereafter issued and (ii) the pledge of the PPRT Revenues to the payment of the Series 2017F Bonds is on a parity with the pledge of such revenues to the payment of the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017G Bonds, the Series 2017H Bonds and any Additional Bonds that may be hereafter issued that are secured by the Pledged PPRT Revenues;

(b) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the Series 2017F Indenture; and

(c) Any and all other moneys, securities and property 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 Series 2017F Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Series 2017F Indenture and received by the Board, shall immediately be subject to the lien and pledge of such Indenture without any physical delivery or further act, and the lien and pledge under said Indenture 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 of the lien and the pledge.

Except as provided in the Series 2017F Indenture, each and all of the Series 2017F Bonds shall have the same right, lien and privilege under such Indenture and shall be equally secured thereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery of such Indenture.

The Series 2017F Bonds are General Obligations

The Series 2017F Bonds are, at all times Outstanding, the general obligation of the Board, for the payment of which its full faith and credit are irrevocably pledged, and are payable from, in addition to the Pledged Revenues, the Pledged Taxes, as described in the Series 2017F Indenture. The Series 2017F Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Series 2017F Bonds shall, to the extent required by law, be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Series 2017F Bonds have been paid from the Pledged Revenues for a complete fiscal year of the Board.

Additional Bonds Payable From Pledged Revenues

Except as described in the following two paragraphs, the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the Series 2017F Bonds, which are secured by a pledge of or lien on the Pledged Revenues, the Pledged Taxes or the moneys, securities, or funds held or set aside by the Board or by the Trustee under the Series 2017F Indenture, and shall not, except as expressly authorized in the Series 2017F Indenture, create or cause to be created any lien or charge on such Pledged Revenues, Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds from time to time payable from (i) all or any portion of the Pledged Revenues or (ii) any other source of payment which may be pledged under the Act, and any such Additional Bonds shall share ratably and equally in the Pledged IGA Revenues with the Series 2017F Bonds, the Series 2017H Bonds and the Prior IGA Bonds and in such Pledged PPRT Revenues with the Prior PPRT Bonds, the Series 2017 E Bonds, the Series 2017F Bonds, the Series 2017G Bonds and the Series 2017H Bonds; *provided, however*, that no Additional Bonds shall be issued except in accordance with the provisions of the Act as in existence on the date of issuance of the Additional Bonds.

The Board reserves the right under the Series 2017F Indenture to issue bonds or other evidences of indebtedness payable from Pledged Revenues subordinate to Series 2017F Bonds. Such subordinate obligations will be paid from Pledged IGA Revenues and Pledged PPRT Revenues available to the Board in each year in excess of those required to be deposited in the related Pledged Revenues Sub-Account hereunder during such Year.

Provisions Regarding Transfer and Exchange of Series 2017F Bonds

Subject to the operation of the global book-entry-only system described in the "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Bonds of each Series under the Series 2017F Indenture. Each Series 2017F Bond shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the applicable 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 Bond, the Board shall issue in the name of the transferee a new Series 2017F Bond or Series 2017F Bonds in Authorized Denominations of the same Series and aggregate principal amount. The Board and each Fiduciary may deem and treat the person in whose name any Series 2017F Bond shall be registered upon the registration books of the Board as the absolute owner of such Series 2017F Bond, whether such Series 2017F Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on, such Series 2017F Bond 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 Series 2017F Bond 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.

In all cases in which the privilege of transferring or exchanging Series 2017F Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Series 2017F Bonds in accordance with the provisions of the Series 2017F Indenture. All Series 2017F Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 2017F Bonds, 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.

Establishment and Application of Debt Service Fund and Accounts

A Debt Service Fund and the following Accounts within the Debt Service Fund are established under the 2017F Indenture with the Trustee as more fully described in the body of this Official Statement: (i) Pledged Revenues Account, consisting of (a) (i) the Deposit Sub-Account and (ii) the Payment Sub-Account which Payment Sub-Account shall further consist of (i) the Intergovernmental Agreement Revenues Sub-Account and (ii) the PPRT Revenues Sub-Account; (b) the Pledged Taxes Account; and (c) the Bond Payment Account, consisting of (i) the Interest Sub-Account and (ii) the Principal Sub-Account.

Pledged Revenues Account. The Trustee shall deposit to the credit of the Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit. All or a portion of such amounts so deposited to the credit of the Deposit Sub-Account shall be transferred no later than the next succeeding Interest Payment Date to the Interest Sub-Account and applied to pay up to the amount of interest then due on the Series 2017F Bonds on such Interest Payment Date as described in the 2017F Indenture.

As provided in the Intergovernmental Agreement, the Chief Financial Officer of the City of Chicago has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agent will deposit a portion of the Intergovernmental Agreement Revenues with the Trustee for application in accordance with the provisions of the 2017F Indenture.

Pursuant to the Escrow Agreement, the Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each

Year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agent will deposit certain Personal Property Replacement Tax Revenues with the Trustee as described below in accordance with the provisions of the 2017F Indenture.

The Pledged Revenues received by the Trustee pursuant to the 2017F Indenture shall be applied as follows:

(a) All Pledged PPRT Revenues received by the Trustee from the Escrow Agent in each calendar year shall be deposited promptly upon receipt into the Deposit Sub-Account, until there shall be on deposit in said Sub-Account an amount of Pledged PPRT Revenues sufficient to pay all of the interest on and principal of the Bonds scheduled to be paid from Pledged PPRT Revenues during the Bond Year beginning on December 2 of such Year, as set forth in Exhibit D to the Official Statement with respect to the Series 2017F Bonds..

(b) All Intergovernmental Agreement Revenues received by the Trustee from the Escrow Agent in each Bond Year shall be deposited promptly upon receipt in the Intergovernmental Agreement Revenues Sub-Account.

(c) Promptly after there shall have been deposited to the credit of the Deposit Sub-Account in any Year an amount sufficient to satisfy the requirement set forth in the preceding subparagraph (i), the Trustee shall (A) notify the Board of that fact, and the Board shall take such actions as are necessary to abate the Pledged Taxes levied for the then-current calendar year to the extent of the amount of the interest on and principal of the Series 2017F Bonds scheduled to be paid from PPRT Revenues during the Bond Year beginning on December 2 of such calendar year; and (B) not earlier than December 3 of the then-current calendar year nor later than the last Business Day of the then-current calendar year, transfer all amounts on deposit in the Deposit Sub-Account into the Pledged PPRT Revenues Sub-Account.

(d) In the event that as of the last Business Day of any calendar year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount to satisfy the Net Annual Debt Service Requirement, the Trustee shall (A) notify the Board of that fact and the amount of the shortfall and the Board shall take such actions as are necessary to cause the extension of the Pledged Taxes levied for such calendar year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the Net Annual Debt Service Requirement; and (B) on such last Business Day of such calendar year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the Pledged PPRT Revenues Sub-Account.

All amounts on deposit in the Pledged PPRT Revenues Sub-Account on December 2 of each Year shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017F Indenture, which withdrawal shall be made prior to any deposit to the Pledged PPRT Revenues Sub-Account pursuant to each of the preceding subparagraphs

All amounts on deposit in the Intergovernmental Agreement Revenues Sub-Account on December 2 of each calendar year shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017F Indenture and the Trustee shall provide notice to the Board that such amounts paid constitute Intergovernmental Agreement Revenues.

Pledged Taxes Account. As described in the Series 2017F Indenture and the Official Statement under the heading "SECURITY FOR THE BONDS—Pledged Taxes—Annual Determination or Abatement or Extension of Pledged Taxes", the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017F Indenture. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Series 2017F Bonds due during the Year in which said Pledged Taxes are collected. All amounts remaining in the Pledged Taxes Account on December 2 of any Year shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

Bond Payment Account. The Trustee shall deposit to the credit of the Interest Sub-Account any amounts directed by the Board to be deposited into such Sub-Account. The Trustee shall also transfer, from time to time, to the credit of the Interest Sub-Account all other amounts so directed by the Board to be transferred into such Sub-Account.

There shall be transferred *first* from moneys on deposit in the Pledged Taxes Account, *second* from moneys on deposit in the Interest Deposit Sub-Account, *third* from the moneys on deposit in the Intergovernmental Agreement Revenues Sub-Account and *last* from the moneys on deposit in the PPRT Revenues Sub-Account (i) to the Interest Sub-Account on or before each Interest Payment Date for any of the Outstanding Series 2017F Bonds, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and available for such payment; (ii) to the Principal Sub-Account on or before June 1, an amount equal to the sum of one-half of the principal amount of the Outstanding Series 2017F Bonds, if any, which mature on the next December 1 and (iii) to the Principal Sub-Account after June 1 and on or prior to December 1, an amount sufficient so that the aggregate amount held in the Principal Sub-Account will equal the sum of (A) the principal amount of the Outstanding Series 2017F Bonds, if any, which mature on that December 1. (

The Trustee shall pay to the respective Paying Agents in immediately available funds on or before each date on which interest or principal is due on the Series 2017F Bonds the respective amounts on deposit in the Interest Sub-Account and the Principal Sub-Account described in clauses (i), (ii) and (iii) above necessary to pay such debt service. Such amounts shall be paid to the Owners of the Outstanding Series 2017F Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof.

Board Payments to Cure Deficiencies. If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on the Outstanding Series 2017F Bonds on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the Principal Sub-Account is less than the amount required to pay the principal amount of Outstanding Series 2017F Bonds maturing on that December 1, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency.

Notice Regarding Deposit of Pledged PPRT Revenues. On or before the Deposit Date of each Year,(i) whenever funds are on deposit in the Pledged PPRT Revenues Account in an amount sufficient to meet the Net Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes with respect to the Series 2017F Bonds and (ii) whenever the funds on deposit in the Pledged PPRT Revenues Account are not sufficient to meet the Net Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice setting forth the deficiency of such deposit for such purpose and directing the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection in the Applicable Bond Year in an amount sufficient when added to the amount held on deposit in the Pledged PPRT Revenues Sub-Account to provide funds sufficient to satisfy the Net Annual Debt Service Requirement for the Applicable Bond Year.

Investment of Funds

Moneys held in the several Accounts and Sub-Accounts of each Debt Service Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the Series 2017F Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon the Designated Official'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 under the Series 2017F Indenture fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested. Nothing contained in the Series 2017F Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois 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 in connection with the initial delivery of the Series 2017F Bonds 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.

Valuation and Sale of Investments

Investment Securities in any Fund, Account or Sub-Account created under the Series 2017F Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account. Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Series 2017F Indenture 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, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in the following paragraph.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all SLGS 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.

Except as otherwise provided in the Series 2017F Indenture, the Trustee at the written direction of a Designated Official shall sell at the best price reasonably obtainable, or present for redemption, any Investment Securities held in any 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, Account or Sub-Account as the case may be.

Particular Covenants and Representations of the Board

Covenants Regarding Pledged Revenues

Pursuant to the Intergovernmental Agreement, the Chief Financial Officer of the City of Chicago has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues in each Year, directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. So long as any of the Series 2017F Bonds remain Outstanding, the Board will not agree to amend or supplement the Intergovernmental Agreement so as to authorized the modification or amendment of such direction, except for such modifications or amendments as may be (i) necessitated by changes in State law or (ii) necessary in connection with the issuance of Additional Bonds; *provided*, that no such modification or amendment shall provide for the deposit with the Escrow Agent of less than all of the Intergovernmental Agreement Revenues to be paid to the Board during any Year.

The Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. As long as any of the Series 2017F Bonds remain Outstanding, the Board will not modify or amend such direction, except for such modifications or amendments as may be (i) necessitated by changes in State law or procedures with respect to the allocation and distribution of the Personal Property Replacement Tax Revenues or (ii) necessary in connection with the issuance of Additional Bonds; *provided* that no such modification or amendment shall provide for the deposit with the Escrow Agent of less than all of the Personal Property Replacement Tax Revenues to be allocated and paid to the Board during the Year.

Pursuant to Section 15(e) of the Act the Board covenants, so long as there are any Outstanding Series 2017F Bonds, to provide for, collect and apply the Pledged Revenues to the payment of the Series 2017F Bonds, the Prior IGA Bonds, the Prior PPRT Bonds, the Series 2017E Bonds, and the Series 2017H Bonds and an additional .25 times debt service on such bonds. The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Revenues may be allocated and paid to the Board for application as herein provided.

Covenants Regarding Pledged Taxes

The Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017F Indenture (the "*Deposit Direction*"). As long as any of the Series 2017F Bonds remain Outstanding, the Board will not modify or amend the applicable Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; *provided* that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any Year. The Board will deliver an executed copy of any modification or amendment to the Deposit Direction permitted by the preceding sentence to the Trustee at the same time such modification or amendment is provided to the County Collectors.

As described in this Official Statement under the heading "SECURITY FOR THE SERIES 2017F BONDS SERIES 2017F BONDS — Pledged Taxes – Annual Determination of Abatement or Extension of Pledged Taxes," the Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by the Series 2017F Indenture, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

For as long as there are any Outstanding Series 2017F Bonds, the Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied and extended and collected and deposited to the Pledged Taxes Account as described above.

In furtherance of the general obligation, full faith and credit promise of the Board to pay the principal and interest on the Series 2017F Bonds, the Board will take all actions necessary to (i) cause the levy and extension of Pledged Taxes, including any Pledged Taxes required to be levied in excess of those levied pursuant to the Bond Resolution (as defined in the Official Statement), for collection on a timely basis to make all such payments and (ii) to cause such Pledged Taxes when extended for collection to be deposited directly with the Trustee for application pursuant to the Series 2017F Indenture.

In the event the Trustee learns that the Deposit Direction has been modified or amended in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-3, the Trustee shall be deemed to have taken notice of the resulting Event of Default and shall take such actions to remedy such Event of Default as shall be permitted under the Series 2017F Indenture. See "*Events Of Default And Remedies*" in this APPENDIX A-3.

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 Pledged Revenues, the Pledged Taxes and the Funds, Accounts and Sub-Accounts established by the Series 2017F 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 the Series 2017F Bonds or their representatives duly authorized in writing.

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 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2017F Bond is subject on the date of original issuance thereof.

The Board shall not permit any of the proceeds of the Series 2017F Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2017F Bond 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 Series 2017F Bonds or other moneys to be invested in any manner that would cause any Series 2017F Bond 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.

Events of Default and Remedies

Events of Default

Each of the following events constitutes an Event of Default under the Series 2017F Indenture.

(a) If a default shall occur in the due and punctual payment of interest on any Series 2017F Bond when and as such interest shall become due and payable;

(b) If a default shall occur in the due and punctual payment of the principal of any Series 2017F Bond issued under such Indenture when and as the same shall become due and payable, whether at maturity or otherwise;

(c) If a default (other than a default resulting from an action described in paragraph (4) below) shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in the Series 2017F Indenture or in the Series 2017F Bonds contained, and such default shall continue for a period of 60 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 aggregate principal amount of the Outstanding Series 2017F Bonds of the Series 2017F Bonds, *provided* that if the nature of the default is such that it cannot be cured within the 60-day period but can be cured within a longer period, no event of default shall occur if the Board institutes corrective action within the 60-day period and diligently pursues such action until the default is corrected (*provided* such default is correctable);

(d) If the Board shall modify or amend the applicable Deposit Direction in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-3; or

(e) 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.

Proceedings Brought by Trustee

There is no provision for the acceleration of the Series 2017F Bonds if an Event of Default occurs under the SERIES 2017F Indenture.

If an Event of Default shall happen under the Series 2017F Indenture 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 Series 2017F Bonds and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners under such Series 2017F Bonds or the Series 2017F Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power granted therein, 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 such Indenture or enforcing any of the rights on interests of the Owners of the Series 2017F Bonds under such Series 2017F Bonds or the Series 2017F Indenture.

All rights of action under the Series 2017F Indenture may be enforced by the Trustee without the possession of any of the Series 2017F Bonds 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.

All actions against the Board under the Series 2017F Indenture shall be brought in the State or federal court located in the State.

The Owners of not less than a majority in aggregate principal amount of Series 2017F Bonds at the time 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 the Series 2017F Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise of 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 such Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but, unless requested in writing by the Owners of a majority in aggregate principal amount of the Series 2017F Bonds then Outstanding and furnished with reasonable security and indemnity, 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 the Series 2017F Indenture and to preserve or protect its interests and the interest of such Owners.

Application of Trust Estate and Other Moneys on Default

During the continuance of an Event of Default under the Series 2017F Indenture, the Trustee shall apply all moneys, securities, funds, Pledged Revenues and the Pledged Taxes to the extent any of them secure the Series 2017F Bonds issued under the Series 2017F Indenture and the income therefrom (other than any amounts not constituting part of the Trust Estate) under such Indenture as follows and in the following order:

(a) 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; and

(b) To the payment of the principal of and interest on the Series 2017F Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Series 2017F Bonds in the order of the maturity of such installments, 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 of any Series 2017F Bonds which shall have become due at maturity and, if the amount available shall not be sufficient to pay in full all such Series 2017F Bonds 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; and

If and whenever all overdue installments of principal of and interest on all the Series 2017F Bonds together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the Series 2017F Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Series 2017F Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Series 2017F Indenture or the Series 2017F Bonds 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 such 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 such Indenture. No such payment 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 such Indenture or impair any right consequent thereon.

Restriction on Owners' Actions

No Owner of any Bond of the Series 2017F Bonds shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Series 2017F Indenture or the execution of any trust under the Series 2017F Indenture or for any remedy under said Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the Series 2017F Bonds 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 the relevant 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 adequate security and indemnity 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 60 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 such Series 2017F Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Series 2017F Indenture or to enforce any right thereunder, except in the manner provided therein; and that all proceedings at law or in equity to enforce any provision of such Indenture shall be instituted, had and maintained in the manner provided therein and shall be for the equal benefit of all Owners of the Outstanding Series 2017F Bonds.

Remedies Conferred By the Act

The Board and the Trustee each acknowledge that Section 15(e) of the Act provides that all covenants of the Board relating to the issuance of the Series 2017F Bonds as Alternate Bonds pursuant to Section 15 of the Act and the conditions and obligations imposed by said Section 15 are enforceable by any Owner of such Series 2017F Bonds, any taxpayer of the Board and the people of the State acting through the Attorney General of the State or any designee, and in the event that any such action results in an order finding that the Board has not properly collected and applied the Pledged Revenues as required by the Act, the plaintiff in any such action shall be awarded reasonable attorneys' fees.

Remedies Not Exclusive

No remedy by the terms of any Indenture conferred upon or reserved to the Trustee or the Owners of the Series 2017F Bonds 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 such Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery thereof.

Waiver

The Owners of not less than two-thirds in aggregate principal amount of the Series 2017F Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Series 2017F Bonds, waive any past default under the Series 2017F Indenture and its consequences, except a default in the payment of interest on or principal of any of such Series 2017F Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Provisions Relating to Trustee

Resignation and Removal of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the Series 2017F Indenture by giving not less than 60 days written notice to the Board, all Owners of the Series 2017F Bonds and the other Fiduciaries with respect to such Series, 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 such Indenture and accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by 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 and accepted such appointment 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 described below under "– *Appointment of Successor Trustee*."

The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the Board and delivered to the Trustee; *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 the Series 2017F Bonds then Outstanding (excluding any 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 Series 2017F Bonds then Outstanding, excluding any such Series 2017F Bonds 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.

Appointment of Successor Trustee

In case at any time the Trustee shall resign, be removed or 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, the Board shall appoint a successor Trustee. The Board shall cause notice of any such appointment made by it to be mailed to all Owners of the Series 2017F Bonds.

If no appointment of a Trustee shall be made by the Board within 60 days following such resignation or renewal, the Trustee or the Owner of any Series 2017F Bond Outstanding may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Series 2017F Indenture in succession to the Trustee shall be a bank, trust company or national banking association, doing business and having a corporate trust office in the State, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary 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 such Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners

The Board and the Trustee may without the consent of, or notice to, any of the Owners of the Series 2017F Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Series 2017F Indenture for any one or more of the following purposes:

(a) To impose additional covenants or agreements to be, observed by the Board;

(b) To impose other limitations or restrictions upon the Board;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by such Indenture;

(d) To confirm, as further assurance, any pledge of or lien upon the Pledged PPRT Revenues, the Pledged IGA Revenues, the Pledged Taxes or any other moneys, securities or funds;

(e) To make any necessary amendments to or to supplement such Indenture in connection with the issuance of Additional Bonds as authorized in such Indenture;

(f) To cure any ambiguity, omission or defect in such Indenture;

(g) To provide for the appointment of a successor securities depository;

(h) To provide for the appointment of any successor Fiduciary; and

(i) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners of the Series 2017F Bonds.

Supplemental Indentures Effective Upon Consent of Owners

Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner described below under the heading "Amendments".

Amendments

General

Exclusive of Supplemental Indentures as described above under the subheading "*Supplemental Indentures not requiring the Consent of Owners*", and subject to the provisions described below under subheading "*Consent of Owners*", the Owners of not less than a majority in aggregate principal amount of the Series 2017F Bonds then Outstanding shall have the right, from time to time, anything contained in the Series 2017F Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to such Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein or in any supplemental indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of such Indenture or of any indenture supplemental thereto; *provided, however*, that nothing in any Indenture permits or may be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, any Series 2017F Bond, without the consent of the Owner of such Series 2017F Bond, (b) except for the pledge of the Pledged Revenues in connection with the issuance of Additional Bonds, the creation of any lien prior to or on a parity with the lien of this Indenture, without the consent of the Owners of all the Series 2017F Bonds at the time Outstanding, (c) a reduction in the aforesaid aggregate principal amount of Series 2017F Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all the Series 2017F Bonds at the time Outstanding which would be affected by the action to be taken, (d) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (e) with respect to the Series 2017F Bonds, the loss of the exclusion from federal gross income of the Owners of the interest paid on such Series 2017F Bonds held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Consent of Owners

The Series 2017F Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment described in the preceding paragraph, to take effect when and as described in this paragraph. 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 of the Series 2017F Bonds affected thereby. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to such 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 described below. 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 aggregate principal amount of Outstanding Series 2017F Bonds, 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 the Series 2017F Indenture, is authorized or permitted by such Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as described below. Any such consent shall be binding upon the Owner of the Series 2017F Bonds giving such consent and upon any subsequent Owner of such Series 2017F Bonds and of any Series 2017F Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Owner has notice thereof, *provided, however*, that any consent may be revoked by any Owner of such Series 2017F Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described in this paragraph referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the Series 2017F Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee (and not theretofore revoked) shall be sufficient under the Series 2017F Indenture, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Series 2017F Bonds of such Series 2017F Bonds 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 Series 2017F Bonds and will be effective as provided in this paragraph, 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). A record, consisting of the information required or permitted by this paragraph to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Additionally, the Series 2017F Indenture and the rights and obligations of the Board and of the Owners of the Series 2017F Bonds 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 of the Outstanding Series 2017F Bonds. 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 the preceding paragraph and (b) with the Board of the Trustee's written statement that the consents of the Owners of all of the Outstanding Series 2017F Bonds of the Series 2017F Bonds 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 consent thereto.

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all the Series 2017F Bonds the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Series 2017F Indenture, then the pledge of the Trust Estate under such

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 Paying Agent shall pay over or deliver to the Board all moneys and securities held by it pursuant to such Indenture which are not required for the payment of Bonds 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 or a portion of the Outstanding Series 2017F Bonds, the principal thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Series 2017F Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under such Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Series 2017F Bonds or interest installments for the payment of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity shall be deemed to have been paid as described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Series 2017F Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due without further reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time are sufficient, to pay when due the principal and interest due and to become due on said Series 2017F Bonds on and prior to each specified maturity date thereof, as the case may be, (c) if Defeasance Obligations are used, an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and moneys will be sufficient to provide for the payment when due of the interest on and principal of said Series 2017F Bonds, and (d) if any of said Series 2017F Bonds are not to be paid within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Series 2017F Bonds a notice that such deposit has been made with the Trustee and that said Series 2017F Bonds are deemed to have been paid in accordance with the Series 2017F Indenture and stating the maturity date upon which moneys are to be available for the payment of the principal of said Series 2017F Bonds. 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 of or interest on said Series 2017F Bonds, 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 and interest on said Series 2017F Bonds, at maturity.

The Defeasance Obligations (or any portion thereof) held for the payment of the principal of and interest on said Series 2017F Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Series 2017F Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "*Subsequent Action*") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the Board authorizing the Subsequent Action, or (b) an Opinion of Counsel for the Board to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of such Series 2017F Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal and interest on said Series 2017F Bonds at their maturity in the manner provided in the preceding paragraph; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on such Series 2017F Bonds to which such Series 2017F Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

APPENDIX A-4

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE FOR THE SERIES 2017G BONDS

The Series 2017G Bonds offered through the attached Official Statement are secured under the Series 2017G Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by the Series 2017G Indenture to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. Copies of the Series 2017G Indenture are on file with the Trustee. Summaries of the Indentures in regard to the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds and the Series 2017F Bonds and the Series 2017H Bonds are described in separate Appendices.

Definitions of Certain Terms

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means" any Alternate Bonds issued in the future in accordance with the provisions of the Act on a parity with and sharing ratably and equally in all or any portion of the Pledged Revenues with the Series 2017G Bonds and with respect to the Pledged State Aid Revenues, the Series 2017B Bonds and the Series 2017H Bonds, and with respect to the Pledged PPRT Revenues, the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017H Bonds, as authorized by the Series 2017G Indenture.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act, particularly Section 15 thereof.

"*Annual Debt Service Requirement*" means, with respect to the Series 2017G Bonds and for any Bond Year, the sum of the interest on and principal of the Series 2017G Bonds that will become due and payable, whether at maturity or upon mandatory sinking fund redemption, during such Bond Year.

"*Applicable Bond Year*" means, in determining on a Deposit Date the sufficiency of amounts held in the Pledged Revenues Account for the Series 2017G Bonds to satisfy any Annual Debt Service Requirement, the then current Bond Year.

"*Authorized Denominations*" means $100,000 or any multiple of $5,000 in excess thereof.

"*Authorized Officer*" means (i) any Designated Official, (ii) the Controller and the Chief Operating Officer of the Board acting together or (iii) any other officer or employee of the Board authorized to perform specific acts or duties under the 2017 H 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, created and established pursuant to Article 34 of the School Code.

"*Bond Counsel*" means any nationally recognized firm(s) of municipal bond attorneys approved by the Board.

"*Bond Payment Account*" means the Bond Payment Account established in the Series 2017G Indenture.

"*Bond Year*" means, each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

"*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 designated corporate trust office of any Fiduciary is located are authorized by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Improvement Program*" means the Capital Improvement Program of the Board, as from time to time approved and amended by the Board and on file in the office of the Secretary of the Board.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Code and Regulations*" means the Code and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Counsel's Opinion*" or "*Opinion of Counsel*" 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 to the Board) or Bond Counsel.

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

"*County Collectors*" means, collectively, the County Treasurers of The Counties of Cook and DuPage, Illinois, in their respective capacities as county collector, or, respectively, such other officer as may be lawfully appointed in the future to serve as county collector in either of said counties.

"*Debt Service Fund*" means the Debt Service Fund established in the Series 2017G Indenture.

"*Defeasance Obligations*" means (i) Government Obligations, (ii) Federal Agencies and (iii) Pre-refunded Municipal Obligations which are not subject to redemption other than at the option of the holder thereof.

"*Deposit Date*" means February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the Series 2017G Indenture.

"*Designated Official*" means (i) the President of the Board, (ii) the Senior Vice President of Finance, (iii) the Chief Financial Officer, (iv) the Treasurer or (v) any other officer of the Board authorized to perform specific acts and duties hereunder by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"*Escrow Agent*" means Amalgamated Bank of Chicago.

"*Escrow Agreement*" means the Seventh Restated Master Alternate Bonds Escrow Agreement, dated as of November 1, 2017, between the Board and the Escrow Agent (as defined in the Escrow Agreement), providing for the segregation and distribution of the Pledged PPRT Revenues and the Intergovernmental Agreement Revenues, delivered in connection with the issuance the Series 2017G Bonds and other Alternate Bonds of the Board secured by the Pledged PPRT Revenues or IGA Revenues.

"*Event of Default*" means any event so designated and specified in the Series 2017G Indenture.

"*Federal Agencies*" means senior debt obligations issued or guaranteed by, or otherwise stripped from senior debt obligations issued or guaranteed by, any U.S. federal agency, including but not limited to Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, the Tennessee Valley Authority and the Resolution Funding Corporation;

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

"*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.

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, including but not limited to Treasury Bills, Bonds, Notes, and STRIPS; Resolution Funding Corporation Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities), *provided* that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2018.

"*Interest Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017G Indenture.

"*IGA Revenues*" means the amounts paid to the Board pursuant to the Intergovernmental Agreement, dated as of October 1, 1997, by and between the Board and the City of Chicago, 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:

(a) Government Obligations;

(b) 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;

(c) Federal Agencies;

(d) U.S. dollar denominated certificates of deposit, deposit accounts, federal funds and banker's acceptances with domestic commercial banks insured by the Federal Deposit Insurance Corporation (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 "A-1" or "A-1+" by S&P and "P-1" by Moody's;

(e) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-1+" or above by S&P and "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(f) Obligations issued by any county, township, city, village, incorporated town, municipal corporation, or school district of the State or any other state and having a rating at the time of purchase within the four highest general classifications by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

(g) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" (or its equivalent) or better by any Rating Agency, including those for which the Trustee or an affiliate performs services for a fee whether as a custodian, transfer agent, investment advisor or otherwise;

(h) 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;

(i) Pre-refunded Municipal Obligations;

(j) Any Forward Supply Contract; and

(k) Any other investment securities authorized by law and the Investment Policy as permitted investments of Board funds.

"*Outstanding*" means, with respect to the Series 2017G Bonds, as of any date, all such Bonds theretofore or thereupon being authenticated and delivered under the Series 2017G Indenture except:

(a) Any Series 2017G Bonds canceled by the Trustee at or prior to such date;

(b) Series 2017G Bonds (or portions of Series 2017G Bonds) 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 the Series 2017G Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Series 2017G Bonds (or portions of Series 2017G

Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the 2017 H Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(c) Series 2017G Bonds in lieu of or in substitution for which other Series 2017G Bonds shall have been authenticated and delivered pursuant to the Series 2017G Indenture; and

(d) Series 2017G Bonds deemed to have been paid as provided in the Series 2017G Indenture.

"*Owner*" means any Person who shall be the registered owner of any Series 2017G Bond or Series 2017G Bonds.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official as paying agent for the Series 2017G Bonds and any successor or successors appointed by a Designated Official under the Series 2017G Indenture.

"*Person*" means and includes an association, unincorporated organization, a corporation, a limited liability company, a partnership, 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.

"*Personal Property Replacement Tax Revenues*" or "*PPRT Revenues*" means the amounts allocated and paid to the Board from the Personal Property Tax Replacement Fund of the State pursuant to Section 12 of the State Revenue Sharing Act, as amended, or from such successor or replacement fund or act as may be enacted from time to time.

"*Pledged PPRT Revenues*" means PPRT Revenues received or to be received by the Board in any Year remaining after any required allocation thereof to provide for the payment of the Statutory Claims in amounts each year as shall provide for the annual debt service payments set forth in Exhibit D to the Official Statement with respect to the Series 2017G Bonds and the provision of not less than an additional .25 times such amount in each such year and pledged, in conjunction with the lien on the Pledged PPRT Revenues as set forth in Exhibit D to the Official Statement with respect to the Series 2017G Bonds under the heading "PPRT Revenues" imposed by and arising under the Act and under the 2017G Indenture as security for the Series 2017G Bonds.

"*Pledged Revenues*" means collectively, the Pledged PPRT Revenues and the Pledged State Aid Revenues pledged under the Series 2017G Indenture for the payment of the Series 2017G Bonds.

"*Pledged Revenues Account*" means the account of that name in the Debt Service Fund established under the Series 2017G Indenture. The Pledged Revenues Account contains a separate PPRT Revenues Sub-Account" for PPRT Revenues and a separate State Aid Revenues Sub-Account for State Aid Revenues.

"*Pledged State Aid Revenues*" means State Aid Revenues, available in the specific annual amounts provided for under the 2016 Authorization, and in amounts each year as shall provide for the annual debt service payments set forth in an exhibit to the Series 2017G Indenture, and the provision of not less than an additional 0.25 times such amount in each such year, and pledged, in conjunction with the lien on such Pledged State Aid Revenues as set forth in the Series 2017G Indenture imposed by and arising under the Act, under the Series 2017G Indenture as security for the Series 2017G Bonds.

"*Pledged Taxes*" means the *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount and pledged under the Series 2017G Indenture as security for the Series 2017G Bonds.

"*Pledged Taxes Account*" means the account of that name in the Debt Service Fund established in the Series 2017G Indenture.

"*PPRT Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Series 2017G Indenture

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the Series 2017G Bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017G Indenture.

"*Prior PPRT Bonds*" means the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 1998B-1, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 1999A, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005B, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B and Series 2007C and the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A.

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Series 2017G Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, with respect to any Interest Payment Date for the Series 2017G Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Redemption Price*" means, with respect to any Series 2017G Bond, the amount payable upon the date fixed for redemption.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under the Series 2017G Indenture and designated as registrar for the Series 2017G Bonds, and its successor or successors.

"*School Code*" means 105 Illinois Compiled Statutes 5.

"*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.

"*Senior Vice President of Finance*" means the Senior Vice President of Finance (including any interim Senior Vice President of Finance) of the Board.

"*Series*" or "*Series of Bonds*" means the Series 2017G Bonds. When the term "Series" is used without any other description, it shall mean the Series 2017G.

"*Series 1997A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1997A, of the Board.

"*Series 1997B Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1997B, of the Board.

"*Series 1998B-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998B-1, of the Board.

"*Series 1999A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1999A, of the Board.

"*Series 2004A Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A of the Board.

"*Series 2007B Bonds*" means the $197,765,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B, of the Board.

"*Series 2007C Bonds*" means the $6,870,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007C, of the Board.

"*Series 2008A Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues) Series 2008A of the Board.

"*Series 2017B Bonds*" means the $215,000,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017B of the Board.

"*Series 2017E Bonds*" means the $22,180,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E, of the Board.

"*Series 2017F Bonds*" means the $165,000,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F, of the Board.

"*Series 2017G Bonds*" or "*Bonds*" means the $126,500,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G, of the Board.

"*Series 2017G Indenture*" means the Indenture securing and under which the Series 2017G Bonds are issued, dated as of November 1, 2017 by and between the Board and the Trustee.

"*Series 2017H Bonds*" means the $280,000,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, of the Board.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds — State and Local Government Series.

"*State*" means the State of Illinois.

"*State Aid Revenues*" means those State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement fund or act as may be enacted in the from time to time.

"*State Aid Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Series 2017G Indenture.

"*Statutory Claims*" mean those claims, currently for pension or retirement obligations previously levied and collected from extensions of taxes against personal property, that are required to be paid from the Personal Property Replacement Tax Revenues prior to any other application or use thereof pursuant to Section 12 of the State Revenue Sharing Act, or such successor or replacement act as may be enacted from time to time.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the Series 2017G Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Series 2017G Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the Series 2017G Indenture. The "designated corporate trust office" of the Trustee means 30 North LaSalle Street, 38th Floor, Chicago, Illinois 60602 or such other address as is provided by the Trustee.

"*Trust Estate*" means the Pledged Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Series 2017G Indenture.

"*2016 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 16-0824-RS5 on August 24, 2016, authorizing the issuance of alternate bonds pursuant to the Act in an amount not to exceed $945,000,000.

"*Year*" or "*year*" means a calendar year.

Pledge of Trust Estate

In order to secure the payment of the principal of, premium, if any, and interest on each Series issued under the Series 2017G Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in such Indenture and in the Series 2017G Bonds contained, the Board pledges and grants in the Series 2017G Indenture a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, for the benefit of the Owners, to the extent provided in such Indenture:

(a) The Pledged Revenues and the Pledged Taxes, *provided* that (i) the pledge of the Pledged State Aid Revenues to the payment of the Series 2017G Bonds is on a parity with the pledge of such revenues to the payment of the Series 2017B Bonds, the Series 2017H Bonds and any Additional Bonds and (ii) the pledge of the PPRT Revenues to the payment of the Series 2017G Bonds is on a parity with the pledge of such revenues to the payment of the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017H Bonds and any Additional Bonds;

(b) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the Series 2017G Indenture; and

(c) Any and all other moneys, securities and property 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 Series 2017G Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Series 2017G Indenture and received by the Board, shall immediately be subject to the lien and pledge of such Indenture without any physical delivery or further act, and the lien and pledge under said Indenture 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 of the lien and the pledge.

Except as provided in the Series 2017G Indenture, each and all of the Series 2017G Bonds shall have the same right, lien and privilege under such Indenture and shall be equally secured thereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery of such Indenture.

The Series 2017G Bonds are General Obligations

The Series 2017G Bonds are, at all times Outstanding, the general obligation of the Board, for the payment of which its full faith and credit are irrevocably pledged, and are payable from, in addition to the Pledged Revenues, the Pledged Taxes, as described in the Series 2017G Indenture. The Series 2017G Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Series 2017G Bonds shall, to the extent required by law, be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Series 2017G Bonds have been paid from the Pledged Revenues for a complete fiscal year of the Board.

Additional Bonds Payable From Pledged Revenues

Except as described in the following two paragraphs, the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the Series 2017G Bonds, which are secured by a pledge of or lien on the Pledged Revenues, the Pledged Taxes or the moneys, securities, or funds held or set aside by the Board or by the Trustee under the Series 2017G Indenture, and shall not, except as expressly authorized in the Series 2017G Indenture, create or cause to be created any lien or charge on such Pledged Revenues, Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds under the Series 2017G Indenture from time to time payable from (i) all or any portion of the Pledged Revenues or any other source of payment which may be pledged under the Act (ii) any such Additional Bonds shall share ratably and equally in the Pledged State Aid Revenues with the Series 2017G Bonds, the Series 2017H Bonds and the Series 2017B Bonds and (iii) any such Additional Bonds shall share ratably and equally in the Pledged PPRT Revenues with the Series 2017G Bonds, the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017H Bonds; *provided, however*, that no Additional Bonds shall be issued except in accordance with the provisions of the Act as in existence on the date of issuance of the Additional Bonds.

The Board reserves the right under the Series 2017G Indenture to issue bonds or other evidences of indebtedness payable from Pledged Revenues subordinate to Series 2017G Bonds. Such subordinate obligations will be paid from various Pledged State Aid Revenues or Pledged PPRT Revenues available to the Board in each year in excess of those required to be deposited in the related Pledged Revenues Sub-Account during such Year.

Provisions Regarding Transfer and Exchange of Series 2017G Bonds

Subject to the operation of the global book-entry-only system described in the "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Bonds of each Series under the Series 2017G Indenture. Each Bond shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the applicable 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 Bond, the Board shall issue in the name of the transferee a new Series 2017G Bond or Series 2017G Bonds in Authorized Denominations of the same Series and aggregate principal amount. The Board and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond 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 Bond 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 Bond 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.

In all cases in which the privilege of transferring or exchanging Series 2017G Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Series 2017G Bonds in accordance with the provisions of the Series 2017G Indenture. All Series 2017G Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 2017G Bonds 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. Neither the Trustee nor any Registrar shall be required to make any registration, transfer or exchange of any Bond after such Bond has been called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

Establishment and Application of Debt Service Fund and Accounts

A Debt Service Fund with the following Accounts within the Debt Service Fund is established with the Trustee to be held and applied in accordance with the provisions of the Series 2017G Indenture: Pledged Revenues Account consisting of (1) the Deposit Sub-Account and (2) the Payment Sub-Account which Payment Sub-Account shall further consist of (i) the State Aid Revenues Sub-Account) and (ii) the PPRT Revenues Sub-Account;

Pledged Revenues Account. The Trustee shall deposit to the credit of the Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit. All or a portion of such amounts so deposited to the credit of the Deposit Sub-Account shall be transferred no later than the next succeeding Interest Payment Date to the Interest Sub-Account and applied to pay up to the amount of interest then due on the Series 2017G Bonds on such Interest Payment Date as described in the Series 2017G Indenture.

The Board receives State Aid Revenues directly from the State. Pursuant to the Escrow Agreement, the Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement

Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agent will deposit certain Personal Property Replacement Tax Revenues with the Trustee as described below in accordance with the provisions of the Series 2017G Indenture.

The Pledged Revenues received by the Trustee pursuant to the Series 2017G Indenture shall be applied as follows:

(a) Pledged PPRT Revenues received by the Trustee from the Escrow Agent in each Year shall be deposited promptly upon receipt into the Deposit Sub-Account, until there shall be on deposit in said Sub-Account an amount of Pledged PPRT Revenues sufficient to pay all of the interest on and principal of the Series 2017G Bonds scheduled to be paid from Pledged PPRT Revenues during the Bond Year beginning on December 2 of such Year, as set forth in Exhibit D to this Official Statement under the caption Series 2017G Bonds Pledged PPRT Revenues.

(b) In the event that as of the last Business Day of any Year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount to satisfy the requirement set forth in the preceding subparagraph (i), the Trustee shall (A) notify the Board of that fact and the amount of the shortfall and the Board shall take such actions as are necessary, pursuant to the Series 2017G Indenture, to cause the extension of the Pledged Taxes levied for such Year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the interest on and principal of the Bonds due during the Bond Year beginning on December 2 of the then-current Year and scheduled to be paid from Pledged PPRT Revenues as set forth in paragraph (i) above and (B) on such last Business Day of such Year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the PPRT Revenues Sub-Account.

(c) On or before each Deposit Date, the Board shall deposit to the credit of the State Aid Revenues Sub-Account such amounts derived from Pledged State Aid Revenues as shall be necessary to cause the amount on deposit in said Sub-Account to equal the interest on and principal of the Series 2017G Bonds scheduled to be paid from Pledged State Aid Revenues during the then-current Bond Year as set forth in Exhibit D to this Official Statement with respect to the Series 2017G Bonds under the caption Pledged State Aid Revenues. Once such deposit has been made, the Board shall take such actions as are necessary to abate in full the Pledged Taxes levied to otherwise provide funds for the payment of the debt service on the Series 2017G Bonds during the then-current Bond Year. The Board shall make the deposit required pursuant to this paragraph on such earlier date as may be necessary in the future to permit the Board to make the abatement of taxes described in the preceding sentence.

In the event that on any Deposit Date there has been deposited to the credit of the State Aid Revenues Sub-Account an insufficient amount to satisfy the amount described in the preceding paragraph, the Board shall take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit in the State Aid Revenues Sub-Account, to provide funds sufficient to satisfy such amount described in the preceding paragraph.

All amounts on deposit in the State Aid Revenues Sub-Account on December 2 of each Year, following the transfers required to be made to the Bond Payment Account, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017G Indenture and the Trustee shall provide notice to the Board that such amounts constitute State Aid Revenues.

All amounts on deposit in the Pledged PPRT Revenues Sub-Account on December 2 of each Year following the transfers required to be made to the Bond Payment Account pursuant to the Series 2017G

Indenture, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017G Indenture, which withdrawal shall be made prior to any deposit to the Pledged PPRT Revenues Sub-Account pursuant to each of the preceding subparagraphs.

If, on any Business Day, the amount on deposit in Payment Sub-Account is in excess of the unpaid Annual Debt Service Requirement for the then current Bond Year then, pursuant to a written direction of the Board signed by an Authorized Officer and filed with the Trustee, all or part of such excess may be withdrawn by the Board free and clear of the lien of the Series 2017G Indenture.

Pledged Taxes Account. As described in the Series 2017G Indenture, the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017G Indenture. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Series 2017G Bonds due during the Year in which said Pledged Taxes are collected. All amounts remaining in the Pledged Taxes Account on December 2 of any Year shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

Bond Payment Account. The Trustee shall deposit to the credit of the Interest Sub-Account any amounts directed by the Board to be deposited into such Sub-Account. The Trustee shall also transfer, from time to time, to the credit of the Interest Sub-Account all other amounts so directed by the Board to be transferred into such Sub-Account.

There shall be transferred *first* from moneys on deposit in the Pledged Taxes Account, *second* from moneys on deposit in the State Aid Revenues Sub-Account and *last* from moneys on deposit in the PPRT Revenues Sub-Account (i) to the Interest Sub-Account on or before each interest payment date for any of the Outstanding Bonds, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and available for such payment; and (ii) to the Principal Sub-Account on or before each December 1, an amount equal to the principal amount of the Outstanding Series 2017G Bonds, if any, which mature on such date.

The Trustee shall pay to the respective Paying Agents in immediately available funds on or before each date on which interest or principal is due on the Series 2017G Bonds the respective amounts on deposit in the Interest Sub-Account and the Principal Sub-Account described in clauses (i) and (ii) above necessary to pay such debt service. Such amounts shall be paid to the Owners of the Outstanding Series 2017G Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof.

Board Payments to Cure Deficiencies. If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on the Outstanding Series 2017G Bonds on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the Principal Sub-Account is less than the amount required to pay the principal amount of Outstanding Series 2017G Bonds maturing on that December 1 or the principal portion of the Redemption Price of Outstanding Series 2017G Bonds required to be redeemed on that December 1 by the application of sinking fund installments pursuant to Series 2017G Indenture, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency.

Notice Regarding Deposit of Pledged State Aid Revenues. On or before the Deposit Date of each Year, (i) whenever funds are on deposit in the Pledged Revenues Account in an amount sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes with respect to the Series 2017G Bonds and (ii) whenever the funds on deposit in the Pledged Revenues Account are not sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice setting forth the deficiency of such deposit for such purpose and directing the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection in the Applicable Bond Year in an amount sufficient when added to the amount held on deposit in the Pledged Revenues Sub-Account to provide funds sufficient to satisfy the Annual Debt Service Requirement for the Applicable Bond Year.

Investment of Funds

Moneys held in the several Accounts and Sub-Accounts of each Debt Service Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the Series 2017G Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon the Designated Official'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 under the Series 2017G Indenture fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested. Nothing contained in the Series 2017G Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois 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 in connection with the initial delivery of the Bonds 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.

Valuation and Sale of Investments

Investment Securities in any Fund, Account or Sub-Account created under the Series 2017G Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account. Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Series 2017G Indenture 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, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in the following paragraph.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all SLGS 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.

Except as otherwise provided in the Series 2017G Indenture, the Trustee at the written direction of a Designated Official shall sell at the best price reasonably obtainable, or present for redemption, any

Investment Securities held in any 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, Account or Sub-Account as the case may be.

Particular Covenants and Representations of the Board

Covenants Regarding Pledged Revenues. The Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. As long as any of the Series 2017G Bonds remain Outstanding, the Board will not modify or amend such direction, except for such modifications or amendments as may be (i) necessitated by changes in State law or procedures with respect to the allocation and distribution of the Personal Property Replacement Tax Revenues or (ii) necessary in connection with the issuance of Additional Bonds; *provided* that no such modification or amendment shall provide for the deposit with the Escrow Agent of less than all of the Personal Property Replacement Tax Revenues to be allocated and paid to the Board during the Year.

Pursuant to Section 15(e) of the Act, the Board covenants under the Series 2017G Indenture, for so long as there are any Outstanding Series 2017G Bonds, to provide for, collect and apply the Pledged Revenues to the payment of Series 2017B Bonds (with respect to Pledged State Aid Revenues only), the Series 2017G Bonds the Series 2017E Bonds, the Series 2017F Bonds, the Series 2017H Bonds, the Prior PPRT Bonds, the Series 2017E Bonds, and the Series 2017F Bonds and an additional .25 times debt service on the Series 2017G Bonds, the Series 2017H Bonds, the Series 2017E Bonds, the Series 2017F Bonds, and any Additional Bonds and an additional .10 times debt service on the Series 2017B Bonds. The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Revenues may be allocated and paid to the Board for application as herein provided.

Covenants Regarding Pledged Taxes

The Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017G Indenture (the "*Deposit Direction*"). As long as any of the Series 2017G Bonds remain Outstanding, the Board will not modify or amend the applicable Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; *provided* that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any Year. The Board will deliver an executed copy of any modification or amendment to the Deposit Direction permitted by the preceding sentence to the Trustee at the same time such modification or amendment is provided to the County Collectors.

As described in this Official Statement under the heading "SECURITY FOR THE SERIES 2017G BONDS — Pledged Taxes – Annual Determination of Abatement or Extension of Pledged Taxes," the Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by the Series 2017G Indenture, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

For as long as there are any Outstanding Series 2017G Bonds, the Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied and extended and collected and deposited to the Pledged Taxes Account as described above.

In furtherance of the general obligation, full faith and credit promise of the Board to pay the principal and Redemption Price of and interest on the Series 2017G Bonds, the Board will take all actions necessary to (i) cause the levy and extension of Pledged Taxes, including any Pledged Taxes required to be levied in excess of those levied pursuant to the applicable Bond Resolution (as defined in the Official Statement), for collection on a timely basis to make all such payments and (ii) to cause such Pledged Taxes when extended for collection to be deposited directly with the Trustee for application pursuant to the Series 2017G Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to the Series 2017G Indenture a Deposit Notice evidencing that the amount on deposit to the credit of the Pledged Revenues Account is insufficient to meet the Annual Debt Service Requirement for the Series 2017G Bonds during the Applicable Bond Year, the Trustee will, promptly after delivering such Deposit Notice to the Board, confirm with the County Collectors that the Deposit Direction remains in full force and effect. In the event the Trustee learns that the Deposit Direction has been modified or amended in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-4, the Trustee shall be deemed to have taken notice of the resulting Event of Default and shall take such actions to remedy such Event of Default as shall be permitted under the Series 2017G Indenture. See "*Events Of Default And Remedies*" in this APPENDIX A-4.

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 Pledged Revenues, the Pledged Taxes and the Funds, Accounts and Sub-Accounts established by the Series 2017G 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 Series 2017G Bonds or their representatives duly authorized in writing.

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 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof.

The Board shall not permit any of the proceeds of the Series 2017G Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond 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 Series 2017G Bonds or other moneys to be invested in any manner that would cause any Bond 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.

Events of Default and Remedies

Events of Default. Each of the following events constitutes an Event of Default as to the Series secured under the Series 2017G Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Series 2017G Bond issued under such Indenture when and as such interest shall become due and payable;

(b) If a default shall occur in the due and punctual payment of the principal or Redemption Price of any Series 2017G Bond issued under such Indenture when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(c) If a default (other than a default resulting from an action described in paragraph (4) below) shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in the Series 2017G Indenture or in the Series 2017G Bonds contained, and such default shall continue for a period of 60 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 aggregate principal amount of the Outstanding Series 2017G Bonds, *provided* that if the nature of the default is such that it cannot be cured within the 60-day period but can be cured within a longer period, no event of default shall occur if the Board institutes corrective action within the 60-day period and diligently pursues such action until the default is corrected (*provided* such default is correctable);

(d) If the Board shall modify or amend the applicable Deposit Direction in a manner contrary to that described in the first paragraph under the subheading "**Covenants Regarding Pledged Taxes**" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-4; or

(e) 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.

Proceedings Brought by Trustee

THERE IS NO PROVISION FOR THE ACCELERATION OF THE SERIES 2017G BONDS IF AN EVENT OF DEFAULT OCCURS UNDER THE SERIES 2017G INDENTURE.

If an Event of Default shall happen under the Series 2017G Indenture 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 Series 2017G Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners under such Series 2017G Bonds or the Series 2017G Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power granted therein, 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 such Indenture or enforcing any of the rights on interests of the Owners of the Series 2017G Bonds under such Series 2017G Bonds or the Series 2017G Indenture.

All rights of action under the Series 2017G Indenture may be enforced by the Trustee without the possession of any of the Series 2017G Bonds 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.

All actions against the Board under the Series 2017G Indenture shall be brought in the State or federal court located in the State.

The Owners of not less than a majority in aggregate principal amount of Series 2017G Bonds at the time 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 the Series 2017G Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise of 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 such Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but, unless requested in writing by the Owners of a majority in aggregate principal amount of the Series 2017G Bonds then Outstanding and furnished with reasonable security and indemnity, 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 the Series 2017G Indenture and to preserve or protect its interests and the interest of such Owners.

Application of Trust Estate and Other Moneys on Default

During the continuance of an Event of Default under the Series 2017G Indenture, the Trustee shall apply all moneys, securities, funds, Pledged State Aid Revenues, the Pledged PPRT Revenues and the Pledged Taxes to the extent any of them secure the Series 2017G Bonds issued under such Indenture and the income therefrom (other than any amounts not constituting part of the Trust Estate) under such Indenture as follows and in the following order:

(a) 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; and

(b) To the payment of the principal of, Redemption Price and interest on the Series 2017G Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Series 2017G Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on such Series 2017G Bonds 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 Series 2017G Bonds which shall have become due, whether at maturity or by call for redemption and, if the amount available shall not be sufficient to pay in full all such Series 2017G Bonds 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; and

If and whenever all overdue installments of principal and Redemption Price of and interest on all the Series 2017G Bonds together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the Series 2017G Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Series 2017G Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Series 2017G Indenture or the Series 2017G Bonds 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 such 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 such Indenture. No such payment 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 such Indenture or impair any right consequent thereon.

Restriction on Owners' Actions. No Owner of any Series 2017G Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Series 2017G Indenture or the execution of any trust under such Indenture or for any remedy under said Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the Series 2017G Bonds 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 the relevant 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 adequate security and indemnity 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 60 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 such Series 2017G Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by such Indenture or to enforce any right thereunder, except in the manner provided therein; and that all proceedings at law or in equity to enforce any provision of such Indenture shall be instituted, had and maintained in the manner provided therein and shall be for the equal benefit of all Owners of the Outstanding Series 2017G Bonds.

Remedies Conferred By the Act. The Board and the Trustee each acknowledge that Section 15(e) of the Act provides that all covenants of the Board relating to the issuance of the Series 2017G Bonds as Alternate Bonds pursuant to Section 15 of the Act and the conditions and obligations imposed by said Section 15 are enforceable by any Owner of such Series 2017G Bonds, any taxpayer of the Board and the people of the State acting through the Attorney General of the State or any designee, and in the event that any such action results in an order finding that the Board has not properly collected and applied the Pledged Revenues as required by the Act, the plaintiff in any such action shall be awarded reasonable attorneys' fees.

Remedies Not Exclusive. No remedy by the terms of the Series 2017G Indenture conferred upon or reserved to the Trustee or the Owners of the Series 2017G Bonds 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 such Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery thereof.

Waiver. The Owners of not less than two-thirds in aggregate principal amount of the Series 2017G Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Series 2017G Bonds, waive any past default under the Series 2017G Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of such Series 2017G Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Provisions Relating to Trustee

Resignation and Removal of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the Series 2017G Indenture by giving not less than 60 days written notice to the Board, all Owners of the Series 2017G Bonds and the other Fiduciaries with respect to such Series, 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 such Indenture and accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by 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 and accepted such appointment 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 described below under "*– Appointment of Successor Trustee*."

The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the Board and delivered to the Trustee; *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 the Series 2017G Bonds then Outstanding (excluding any 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 Series 2017G Bonds then Outstanding, excluding any such Series 2017G Bonds 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.

Appointment of Successor Trustee

In case at any time the Trustee shall resign, be removed or 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, the Board shall appoint a successor Trustee. The Board shall cause notice of any such appointment made by it to be mailed to all Owners of the Series 2017G Bonds.

If no appointment of a Trustee shall be made by the Board within 60 days following such resignation or renewal, the Trustee or the Owner of any Series 2017G Bond Outstanding may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Series 2017G Indenture in succession to the Trustee shall be a bank, trust company or national banking association, doing business and having a corporate trust office in the State, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary 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 such Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners. The Board and the Trustee may without the consent of, or notice to, any of the Owners of the Series 2017G Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Series 2017G Indenture for any one or more of the following purposes:

(a) To impose additional covenants or agreements to be, observed by the Board;

(b) To impose other limitations or restrictions upon the Board;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by such Indenture;

(d) To confirm, as further assurance, any pledge of or lien upon the Pledged State Aid Revenues, the Pledged PPRT Revenues, the Pledged Taxes or any other moneys, securities or funds;

(e) To make any necessary amendments to or to supplement such Indenture in connection with the issuance of Additional Bonds as authorized in such Indenture;

(f) To cure any ambiguity, omission or defect in such Indenture;

(g) To provide for the appointment of a successor securities depository;

(h) To provide for the appointment of any successor Fiduciary; and

(i) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners of the Series 2017G Bonds.

Supplemental Indentures Effective Upon Consent of Owners. Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner described below under the heading “Amendments”.

Amendments

General. Exclusive of Supplemental Indentures as described above under the subheading “*Supplemental Indentures not requiring the Consent of Owners*”, and subject to the provisions described below under subheading “*Consent of Owners*”, the Owners of not less than a majority in aggregate principal amount of the Series 2017G Bonds then Outstanding shall have the right, from time to time, anything contained in the Series 2017G Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to such Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein or in any supplemental indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of such Indenture or of any indenture supplemental thereto; *provided, however*, that nothing in the Series 2017G Indenture permits or may be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the payment or redemption of any Series 2017G Bond, without the consent of the Owner of such Series 2017G Bond, (b) a reduction in the amount of, or extension of the time of, any payment required by any sinking fund applicable to any Series 2017G Bonds without the consent of the Owners of all the Bonds which would be affected by the action to be taken, (c) except for the pledge of the Pledged Revenues in connection with the issuance of Additional Bonds, the creation of any lien prior to or on a parity with the lien of this Indenture, without the consent of the Owners of all the Series 2017G Bonds at the time Outstanding, (d) a reduction in the aforesaid aggregate principal amount of Series 2017G Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all the Series 2017G Bonds at the time Outstanding which would be affected by the action to be taken, (e) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (f) the loss of the exclusion from federal gross income of the Owners of the interest paid on the Series 2017G Bonds held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Consent of Owners. The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment described in the preceding paragraph, to take effect when and as described in this paragraph. 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 of the Series 2017G Bonds affected thereby. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to such 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 described below. 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 aggregate principal amount of Outstanding Series 2017G Bonds, 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 the Series 2017G Indenture, is authorized or permitted by such Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as described below. Any such consent shall be binding upon the Owner of the Series 2017G Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Series 2017G Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Owner has notice thereof, *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described in this paragraph referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the Series 2017G Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee (and not theretofore revoked) shall be sufficient under the Series 2017G Indenture, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Bonds of such Series 2017G Bonds 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 Bonds of such Series 2017G Bonds and will be effective as provided in this paragraph, 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). A record, consisting of the information required or permitted by this paragraph to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Additionally, the Series 2017G Indenture and the rights and obligations of the Board and of the Owners of the Bonds 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 of the Outstanding Series 2017G Bonds. 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 the preceding paragraph and (b) with the Board of the Trustee's written statement that the consents of the Owners of all of the Outstanding Series 2017G Bonds 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 consent thereto.

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all the Series 2017G Bonds 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 the Series 2017G Indenture, then the pledge of the Trust Estate under such Series 2017G 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 Paying Agent shall pay over or deliver to the Board all moneys and securities held by it pursuant to such Indenture which are not required for the payment of Bonds 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 or a portion of the Outstanding Series 2017G Bonds, 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 the Series 2017G Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under such Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds 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 as described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any such Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due without further reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time are sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (d) if Defeasance Obligations are used, an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and moneys will be sufficient to provide for the payment when due of the interest on and principal or Redemption Price, if applicable, of said Series 2017G Bonds, and (e) if any of said Series 2017G Bonds are not to be redeemed within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Series 2017G Bonds a notice that such deposit has been made with the Trustee and that said Series 2017G Bonds are deemed to have been paid in accordance with the Series 2017G Indenture 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 Series 2017G Bonds. 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 Series 2017G Bonds, 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 said Series 2017G Bonds, at maturity or upon redemption, as the case may be.

The Defeasance Obligations (or any portion thereof) held for the payment of the principal and Redemption Price of and interest on said Series 2017G Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Series 2017G Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "*Subsequent Action*") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the Board authorizing the Subsequent Action, or (b) an Opinion of Counsel for the Board to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of such Series 2017G Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal and Redemption Price of and interest on said Series 2017G Bonds at or prior to their maturity in the manner provided in the preceding paragraph; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on such Series 2017G Bonds to which such Series 2017G Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

APPENDIX A-5

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE FOR THE SERIES 2017H BONDS

The Series 2017H Bonds offered through the attached Official Statement are secured under the Series 2017H Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by the Series 2017H Indenture to which reference is made for a complete statement of the provisions and contents thereof. The discussion herein is qualified by such reference. Copies of the Series 2017H Indenture are on file with the Trustee. Summaries of the Indentures in regard to the Series 2017C Bonds, the Series 2017D Bonds, the Series 2017E Bonds, the Series 2017 F Bonds and the Series 2017G Bonds are described in separate Appendices.

Definitions of Certain Terms

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means any Alternate Bonds issued in the future in accordance with the provisions of the Act on a parity with and sharing ratably and equally in all or any portion of the Pledged Revenues with the Series 2017H Bonds; the Series 2017G Bonds and the Series 2017B Bonds with respect to the Pledged State Aid Revenues; the Prior IGA Bonds and the Series 2017F Bonds with respect to the Prior IGA Revenues: and the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017G Bonds with respect to the Pledged PPRT Revenues, as authorized by the Series 2017H Indenture.

"*Alternate Bonds*" means general obligation bonds payable from any revenue source as provided by the Act, particularly Section 15 thereof.

"*Annual Debt Service Requirement*" means, with respect to the Series 2017H Bonds and for any Bond Year, the sum of the interest on and principal of the Series 2017H Bonds that will become due and payable, whether at maturity or upon mandatory sinking fund redemption, during such Bond Year.

"*Applicable Bond Year*" means, in determining on a Deposit Date the sufficiency of amounts held in the Pledged Revenues Account for the Series 2017H Bonds to satisfy any Annual Debt Service Requirement, the then current Bond Year.

"*Authorized Denominations*" means $100,000 or any multiple of $5,000 in excess thereof.

"*Authorized Officer*" means (i) any Designated Official, (ii) the Controller and the Chief Operating Officer of the Board acting together or (iii) any other officer or employee of the Board authorized to perform specific acts or duties under the 2017 H 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, created and established pursuant to Article 34 of the School Code.

"*Bond Counsel*" means any nationally recognized firm(s) of municipal bond attorneys approved by the Board.

"*Bond Payment Account*" means the Bond Payment Account established in the Series 2017H Indenture.

"*Bond Year*" means, each annual period beginning on December 2 of a calendar year to and including December 1 of the next succeeding calendar year.

"*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 designated corporate trust office of any Fiduciary is located are authorized by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Improvement Program*" means the Capital Improvement Program of the Board, as from time to time approved and amended by the Board and on file in the office of the Secretary of the Board.

"*Capitalized Interest Sub-Account*" means the Sub-Account of that name in the Pledged Revenue Account established in the Series 2017H Indenture.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Code and Regulations*" means the Code and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Counsel's Opinion*" or "*Opinion of Counsel*" 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 to the Board) or Bond Counsel.

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

"*County Collectors*" means, collectively, the County Treasurers of The Counties of Cook and DuPage, Illinois, in their respective capacities as county collector, or, respectively, such other officer as may be lawfully appointed in the future to serve as county collector in either of said counties.

"*Debt Service Fund*" means the Debt Service Fund established in the Series 2017H Indenture.

"*Defeasance Obligations*" means (i) Government Obligations, (ii) Federal Agencies and (iii) Pre-refunded Municipal Obligations which are not subject to redemption other than at the option of the holder thereof.

"Deposit *Date*" means February 15 of each year or such earlier date as may be necessary to permit the Board to lawfully make the abatement of taxes described in the Series 2017H Indenture.

"*Designated Official*" means (i) the President of the Board, (ii) the Senior Vice President of Finance, (iii) the Chief Financial Officer, (iv) the Treasurer or (v) any other officer of the Board authorized to perform specific acts and duties hereunder by resolution duly adopted by the Board.

"*DTC*" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"*Escrow Agent*" means Amalgamated Bank of Chicago.

"*Escrow Agreement*" means the Seventh Restated Master Alternate Bonds Escrow Agreement, dated as of November 1, 2017, between the Board and the Escrow Agent (as defined in the Escrow Agreement), providing for the segregation and distribution of the Pledged PPRT Revenues and the Pledged

IGA Revenues, delivered in connection with the issuance the Series 2017H Bonds and other Alternate Bonds of the Board secured by the Pledged PPRT Revenues or the Pledged IGA Revenues.

"*Event of Default*" means any event so designated and specified in the Series 2017H Indenture.

"*Federal Agencies*" means senior debt obligations issued or guaranteed by, or otherwise stripped from senior debt obligations issued or guaranteed by, any U.S. federal agency, including but not limited to Fannie Mae, Freddie Mac, the Federal Home Loan Banks, the Federal Farm Credit System, the Tennessee Valley Authority and the Resolution Funding Corporation;

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Registrar and any Paying Agent, or any or all of them, as may be appropriate.

"*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.

"*Government Obligations*" means (i) any direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, including but not limited to Treasury Bills, Bonds, Notes, and STRIPS; Resolution Funding Corporation Interest STRIPS; and United States Agency for International Development ("US AID") guaranteed notes (including stripped securities), *provided* that any US AID security shall mature at least 10 business days prior to any cash flow or escrow requirement and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2018.

"*Interest Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017H Indenture.

"*Intergovernmental Agreement*" means the Intergovernmental Agreement dated as of October 1, 1997, by and between the Board and the City of Chicago, as from time to time amended and supplemented.

"*Intergovernmental Agreement Revenues*" means the amounts paid to the Board pursuant to the Intergovernmental Agreement.

"*Intergovernmental Agreement Revenues Sub-Account*" means the sub-account of that name in the Payment Sub-Account of the Pledged Revenues Account established by the Series 2017H Indenture.

"*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:

(a) Government Obligations;

(b) 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;

(c) Federal Agencies;

(d) U.S. dollar denominated certificates of deposit, deposit accounts, federal funds and banker's acceptances with domestic commercial banks insured by the Federal Deposit Insurance Corporation (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 "A-1" or "A-1+" by S&P and "P-1" by Moody's;

(e) Commercial paper which is rated at the time of purchase no less than "A-1" or "A-1+" or above by S&P and "P-1" by Moody's and which matures not more than 180 days after the date of purchase;

(f) Obligations issued by any county, township, city, village, incorporated town, municipal corporation, or school district of the State or any other state and having a rating at the time of purchase within the four highest general classifications by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

(g) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" (or its equivalent) or better by any Rating Agency , including those for which the Trustee or an affiliate performs services for a fee whether as a custodian, transfer agent, investment advisor or otherwise;

(h) 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;

(i) Pre-refunded Municipal Obligations;

(j) Any Forward Supply Contract; and

(k) Any other investment securities authorized by law and the Investment Policy as permitted investments of Board funds.

"*Net Annual Debt Service Requirement*" means, for any Bond Year, the sum of the interest on and principal of the Series 2017H Bonds that will become due and payable, whether at maturity or upon mandatory sinking fund redemption, during such Bond Year, less the amounts of principal and interest payable from Pledged IGA Revenues, as set forth in Exhibit D to the Official Statement with respect to the Series 2017H Bonds under Pledged IGA Revenues.

"*Outstanding*" means, with respect to the Series 2017H Bonds, as of any date, all such Bonds theretofore or thereupon being authenticated and delivered under the Series 2017H Indenture except:

(a) Any Series 2017H Bonds canceled by the Trustee at or prior to such date;

(b) Series 2017H Bonds (or portions of Series 2017H Bonds) 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 the Series 2017H Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Series 2017H Bonds (or portions of Series 2017H Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the 2017 H Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(c) Series 2017H Bonds in lieu of or in substitution for which other Series 2017H Bonds shall have been authenticated and delivered pursuant to the Series 2017H Indenture; and

(d) Series 2017H Bonds deemed to have been paid as provided in the Series 2017H Indenture.

"*Owner*" means any Person who shall be the registered owner of any Series 2017H Bond or Series 2017H Bonds.

"*Paying Agent*" means the Trustee and any other bank, national banking association or trust company designated by a Designated Official as paying agent for the Series 2017H Bonds and any successor or successors appointed by a Designated Official under the Series 2017H Indenture.

"*Person*" means and includes an association, unincorporated organization, a corporation, a limited liability company, a partnership, 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.

"*Personal Property Replacement Tax Revenues*" or "*PPRT Revenues*" means the amounts allocated and paid to the Board from the Personal Property Tax Replacement Fund of the State pursuant to Section 12 of the State Revenue Sharing Act, as amended, or from such successor or replacement fund or act as may be enacted from time to time.

"*Pledged IGA Revenues*" means Intergovernmental Agreement Revenues pledged hereunder for the payment of annual debt service on the Series 2017H Bonds in amounts each year as shall provide for the annual debt service payments set forth in an Exhibit D to the Official Statement under the heading Pledged IGA Revenues.

"*Pledged PPRT Revenues*" means PPRT Revenues received or to be received by the Board in any Year remaining after any required allocation thereof to provide for the payment of the Statutory Claims in amounts each year as shall provide for the annual debt service payment and coverage set forth in Exhibit D to the Official Statement under the heading "PPRT Revenues" and pledged, in conjunction with the lien on the Pledged PPRT Revenues as set forth in the Series 2017H Indenture imposed by and arising under the Act and under the 2017 H Indenture as security for the Series 2017H Bonds.

"*Pledged Revenues*" means collectively, the Pledged PPRT Revenues, the Pledged State Aid Revenues and the Pledged IGA Revenues under the Series 2017H Indenture for the payment of the Series 2017H Bonds.

"*Pledged Revenues Account*" means the account of that name in the Debt Service Fund established under the Series 2017H Indenture. The Pledged Revenues Account contains a separate PPRT Revenues Sub-Account" for PPRT Revenues, a separate State Aid Revenues Sub-Account for State Aid Revenues and a separate IGA Revenues Sub-Account for the Intergovernmental Agreement Revenues.

"*Pledged State Aid Revenues*" means State Aid Revenues, available in the specific annual amounts provided for under the 2016 Authorization, and in amounts each year as shall provide for the annual debt service payments and coverage on the Series 2017H Bonds set forth in Exhibit D to the Official Statement and pledged, in conjunction with the lien on such Pledged State Aid Revenues imposed by and arising under the Act, under the Series 2017H Indenture as security for the Series 2017H Bonds.

"*Pledged Taxes*" means the *ad valorem* taxes levied against all of the taxable property in the School District without limitation as to rate or amount and pledged under the Series 2017H Indenture as security for the Series 2017H Bonds.

"*Pledged Taxes Account*" means the account of that name in the Debt Service Fund established in the Series 2017H Indenture.

"*PPRT Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Series 2017H Indenture

"*Pre-refunded Municipal Obligations*" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the Series 2017H Bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Principal Sub-Account*" means the sub-account of that name in the Bond Payment Account established in the Series 2017H Indenture.

"*Prior IGA Bonds*" means the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998B-1, the outstanding Unlimited Tax General Obligation Bonds

(Dedicated Tax Revenues), Series 1999A, the Series 2007B Bonds and the Series 2007C Bonds, and the outstanding Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 2008A.

"*Prior PPRT Bonds*" means the outstanding Unlimited Tax General Obligation Refunding Bonds (Dedicated Tax Revenues), Series 1998B-1, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 1999A, the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005B, the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), the outstanding Unlimited Tax General Obligation Refunding Bonds(Dedicated Revenues), Series 2007B and Series 2007C and the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2008A.

"*Project*" means the construction, acquisition and equipping of school and administrative buildings, site improvements and other real and personal property in and for the School District, all in accordance with the estimate of cost, including the Capital Improvement Program.

"*Project Costs* means the acquisition, construction and equipping of the Project, including the cost of acquisition of all land, rights of way, property, rights, easements and interests acquired by the Board for such construction, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery and equipment determined to be necessary and desirable by the Board, the costs of issuance of the Series 2017H Bonds, financing charges, financial advisory fees, consultant fees, the cost of engineering and legal expenses, plans, specifications, estimates of cost and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing any portion of the Project, administrative expenses and such other costs, expenses and funding as may be necessary or incident to the construction of the Project, the financing of such construction and the placing of the Project in operation.

"*Rating Services*" means the nationally recognized rating services, or any of them, that shall have assigned ratings to any Outstanding Series 2017H Bonds as requested by or on behalf of the Board, and which ratings are then currently in effect.

"*Record Date*" means, with respect to any Interest Payment Date for the Series 2017H Bonds, the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Redemption Price*" means, with respect to any Series 2017H Bond, the amount payable upon the date fixed for redemption.

"*Registrar*" means the Trustee and any other bank, national banking association or trust company appointed by a Designated Official under the Series 2017H Indenture and designated as registrar for the Series 2017H Bonds, and its successor or successors.

"*School Code*" means 105 Illinois Compiled Statutes 5.

"*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.

"*Senior Vice President of Finance*" means the Senior Vice President of Finance (including any interim Senior Vice President of Finance) of the Board.

"*Series*" or "*Series of Bonds*" means the Series 2017H Bonds. When the term "Series" is used without any other description, it shall mean the Series 2017H.

"*Series 1998B-1 Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1998B-1, of the Board.

"*Series 1999A Bonds*" means the Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 1999A, of the Board.

"*Series 2004A Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004A of the Board.

"*Series 2007B Bonds*" means the $197,765,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007B, of the Board.

"*Series 2007C Bonds*" means the $6,870,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2007C, of the Board.

"*Series 2008A Bonds*" means the Unlimited Tax General Obligation Bonds (Dedicated Revenues) Series 2008A of the Board.

"*Series 2017B Bonds*" means the $215,000,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017B of the Board.

"*Series 2017E Bonds*" means the $22,180,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E, of the Board.

"*Series 2017F Bonds*" means the $165,510,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F, of the Board.

"*Series 2017G Bonds*" or "*Bonds*" means the $126,500,000 aggregate principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G, of the Board.

"*Series 2017H Bonds*" or "*Bonds*" means the $280,000,000 aggregate principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, of the Board.

"*Series 2017H Indenture*" means the Indenture securing and under which the Series 2017H Bonds are issued, dates as of November 1, 2017 by and between the Board and the Trustee.

"*SLGS*" means United States Treasury Certificates of Indebtedness, Notes and Bonds — State and Local Government Series.

"*State*" means the State of Illinois.

"*State Aid Revenues*" means those State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement fund or act as may be enacted in the from time to time.

"*State Aid Revenues Sub-Account*" means the sub-account of that name in the Pledged Revenues Account established by the Series 2017H Indenture.

"*Statutory Claims*" mean those claims, currently for pension or retirement obligations previously levied and collected from extensions of taxes against personal property, that are required to be paid from the Personal Property Replacement Tax Revenues prior to any other application or use thereof pursuant to

Section 12 of the State Revenue Sharing Act, or such successor or replacement act as may be enacted from time to time.

"*Supplemental Indenture*" means a Supplemental Indenture between the Board and the Trustee authorized pursuant to the Series 2017H Indenture.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Series 2017H Bonds.

"*Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the Series 2017H Indenture. The "designated corporate trust office" of the Trustee means 30 North LaSalle Street, 38th Floor, Chicago, Illinois 60602 or such other address as is provided by the Trustee.

"*Trust Estate*" means the Pledged Revenues, the Pledged Taxes and all other property pledged to the Trustee pursuant to the Granting Clauses of the Series 2017H Indenture.

"*2016 Authorization*" means the authorization adopted by the Board pursuant to Resolution No. 16-0824-RS5 on August 24, 2016, authorizing the issuance of alternate bonds pursuant to the Act in an amount not to exceed $945,000,000.

"*Year*" or "*year*" means a calendar year.

Pledge of Trust Estate

In order to secure the payment of the principal of, premium, if any, and interest on each Series issued under the Series 2017H Indenture, according to the import thereof, and the performance and observance of each and every covenant and condition in such Indenture and in the Series 2017H Bonds contained, the Board pledges and grants in the Series 2017H Indenture a lien upon the following Trust Estate to the Trustee and its successors in trust and assigns, for the benefit of the Owners, to the extent provided in such Indenture:

(a) The Pledged Revenues and the Pledged Taxes, *provided* that (i) the pledge of the Pledged State Aid Revenues to the payment of the Series 2017H Bonds is on a parity with the pledge of such revenues to the payment of the Series 2017B Bonds , the Series 2017G Bonds and any Additional Bonds (ii) the pledge of the Intergovernmental Agreement Revenues to the payment of the Series 2017H Bonds is on a parity with the pledge of such revenues to the payment of the Prior IGA Bonds, the Series 2017F Bonds and any Additional Bonds and (iii) the pledge of the PPRT Revenues to the payment of the Series 2017H Bonds is on a parity with the pledge of such revenues to the payment of the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017F Bonds and the Series 2017G Bonds;

(b) All moneys and securities and earnings thereon in all Funds, Accounts and Sub-Accounts established pursuant to the Series 2017H Indenture; and

(c) Any and all other moneys, securities and property 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 Series 2017H Indenture.

Pursuant to Section 13 of the Act, the moneys, securities and funds pledged under the Series 2017H Indenture and received by the Board, shall immediately be subject to the lien and pledge of such Indenture without any physical delivery or further act, and the lien and pledge under said Indenture 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 of the lien and the pledge.

Except as provided in the Series 2017H Indenture, each and all of the Series 2017H Bonds shall have the same right, lien and privilege under such Indenture and shall be equally secured thereby, with the same effect as if the same had all been made, issued and negotiated upon the delivery of such Indenture.

The Series 2017H Bonds are General Obligations

The Series 2017H Bonds are, at all times Outstanding, the general obligation of the Board, for the payment of which its full faith and credit are irrevocably pledged, and are payable from, in addition to the Pledged Revenues, the Pledged Taxes, as described in the Series 2017H Indenture. The Series 2017H Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the Pledged Taxes shall have been extended for collection, in which case the Outstanding Series 2017H Bonds shall, to the extent required by law, be included in the computation of indebtedness of the Board for purposes of all statutory provisions or limitations until such time as an audit of the Board shows that the Series 2017H Bonds have been paid from the Pledged Revenues for a complete fiscal year of the Board.

Additional Bonds Payable From Pledged Revenues

Except as described in the following two paragraphs, the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the Series 2017H Bonds, which are secured by a pledge of or lien on the Pledged Revenues, the Pledged Taxes or the moneys, securities, or funds held or set aside by the Board or by the Trustee under the Series 2017H Indenture, and shall not, except as expressly authorized in the Series 2017H Indenture, create or cause to be created any lien or charge on such Pledged Revenues, Pledged Taxes or such moneys, securities or funds.

The Board reserves the right to issue Additional Bonds under the Series 2017H Indenture from time to time payable from all or any portion of the Pledged Revenues or any other source of payment which may be pledged under the Act and any such Additional Bonds shall share ratably and equally in (i) the Pledged State Aid Revenues with the Series 2017B Bonds, the Series 2017G Bonds and the Series 2017H Bonds;(ii) the Pledged IGA Revenues with the with the Series 2017F Bonds, the Series 2017H Bonds and the Prior IGA Bonds and (iv) (iii) the Pledged PPRT Revenues with the Prior PPRT Bonds, the Series 2017E Bonds, the Series 2017F Bonds, the Series 2017G Bonds and the Series 2017H Bonds; *provided, however*, that no Additional Bonds shall be issued except in accordance with the provisions of the Act as in existence on the date of issuance of the Additional Bonds.

The Board reserves the right under the Series 2017H Indenture to issue bonds or other evidences of indebtedness payable from Pledged Revenues subordinate to Series 2017H Bonds. Such subordinate obligations will be paid from various Pledged IGA Revenues, Pledged State Aid Revenues and Pledged PPRT Revenues available to the Board in each year in excess of those required to be deposited in the related Pledged Revenues Sub-Account during such Year.

Provisions Regarding Transfer and Exchange of Series 2017H Bonds

Subject to the operation of the global book-entry-only system described in the "Appendix C—Book-Entry Only System" in this Official Statement, the following provisions apply to the transfer and exchange of Bonds of each Series under the Series 2017H Indenture. Each Bond shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the applicable 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 Bond, the Board shall issue in the name of the transferee a new Series 2017H Bond or Series 2017H Bonds in Authorized Denominations of the same Series and aggregate principal amount. The Board and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond 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 Bond 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 Bond 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.

In all cases in which the privilege of transferring or exchanging Series 2017H Bonds is exercised, the Board shall execute and the Trustee shall authenticate and deliver Series 2017H Bonds in accordance with the provisions of the Series 2017H Indenture. All Series 2017H Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 2017H Bonds 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. Neither the Trustee nor any Registrar shall be required to make any registration, transfer or exchange of any Bond after such Bond has been called for redemption or, in the case of any proposed redemption of Bonds, during the 15 days next preceding the date of first giving notice of such redemption.

Establishment and Application of Debt Service Fund and Accounts

A Debt Service Fund with the following Accounts within the Debt Service Fund are established with the Trustee to be held and applied in accordance with the provisions of the Series 2017H Indenture: Pledged Revenues Account consisting of the (i) the Deposit Sub-Account, (2) the Capitalized Interest Sub-Account and (3) a Payment Sub-Account which Payment Sub-Account shall further consist of (i) the State Aid Revenues Sub-Account, (ii) the IGA Revenues Sub-Account and (iii) the PPRT Revenues Sub-Account; (ii) Pledged Taxes Account; and (3) (iii) Bond Payment Account, consisting of (i) the Interest Sub-Account and (ii) the Principal Sub-Account.

Pledged Revenues Account. The Trustee shall deposit to the credit of the Deposit Sub-Account any amounts paid by the Board to the Trustee from time to time with instructions for such deposit. All or a portion of such amounts so deposited to the credit of the Deposit Sub-Account shall be transferred no later than the next succeeding Interest Payment Date to the Interest Sub-Account and applied to pay up to the amount of interest then due on the Series 2017H Bonds on such Interest Payment Date as described in the Series 2017H Indenture.

The Board receives State Aid Revenues directly from the State. Pursuant to the Escrow Agreement, the Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agent will deposit certain Personal Property Replacement Tax Revenues with the Trustee as described below in accordance with the provisions of the Series 2017H Indenture.

As provided in the Intergovernmental Agreement, the Chief Financial Officer of the City of Chicago has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrow Agent will deposit a portion of the Intergovernmental Agreement Revenues with the Trustee for application in accordance with the provisions of the Series 2017H Indenture.

The Pledged Revenues received by the Trustee pursuant to the Series 2017H Indenture shall be applied as follows:

(a) Pledged PPRT Revenues received by the Trustee from the Escrow Agent in each Year shall be deposited promptly upon receipt into the Deposit Sub-Account, until there shall be on deposit in said Sub-Account an amount of Pledged PPRT Revenues sufficient to pay all of the interest on and principal of the Series 2017H Bonds scheduled to be paid from Pledged PPRT Revenues during the Bond Year beginning on December 2 of such Year, as set forth in an exhibit to the Series 2017H Indenture.

(b) All Intergovernmental Agreement Revenues received by the Trustee from the Escrow Agent in each Bond Year shall be deposited promptly upon receipt in the Intergovernmental Agreement Revenues Sub-Account.

(c) In the event that as of the last Business Day of any Year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount to satisfy the requirement set forth in the preceding subparagraph (i), the Trustee shall (A) notify the Board of that fact and the amount of the shortfall and the Board shall take such actions as are necessary, pursuant to the Series 2017H Indenture, to cause the extension of the Pledged Taxes levied for such Year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the interest on and principal of the Bonds due during the Bond Year beginning on December 2 of the then-current Year and scheduled to be paid from Pledged PPRT Revenues as set forth on an Exhibit to the Series 2017H Indenture and (B) on such last Business Day of such Year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the PPRT Revenues Sub-Account.

(d) On or before each Deposit Date, the Board shall deposit to the credit of the State Aid Revenues Sub-Account such amounts derived from Pledged State Aid Revenues as shall be necessary to cause the amount on deposit in said Sub-Account to equal the interest on and principal of the Series 2017H Bonds scheduled to be paid from Pledged State Aid Revenues during the then-current Bond Year. Once such deposit has been made, the Board shall take such actions as are necessary to abate in full the Pledged Taxes levied to otherwise provide funds for the payment of the debt service on the Series 2017H Bonds during the then-current Bond Year. The Board shall make the deposit required pursuant to this paragraph on such earlier date as may be necessary in the future to permit the Board to make the abatement of taxes described in the preceding sentence.

In the event that on any Deposit Date there has been deposited to the credit of the State Aid Revenues Sub-Account an insufficient amount to satisfy the amount described in the preceding paragraph, the Board shall take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit in the State Aid Revenues Sub-Account, to provide funds sufficient to satisfy such amount described in the preceding paragraph.

All amounts on deposit in the State Aid Revenues Sub-Account on December 2 of each Year, following the transfers required to be made to the Bond Payment Account, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017H Indenture and the Trustee shall provide notice to the Board that such amounts constitute State Aid Revenues.

All amounts on deposit in the Pledged PPRT Revenues Sub-Account on December 2 of each Year following the transfers required to be made to the Bond Payment Account pursuant to the Series 2017H Indenture, shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017H Indenture, which withdrawal shall be made prior to any deposit to the Pledged PPRT Revenues Sub-Account pursuant to each of the preceding subparagraphs

All Intergovernmental Agreement Revenues received by the Trustee from the Escrow Agent in each Bond Year shall be deposited promptly upon receipt in the Intergovernmental Agreement Revenues Sub-Account.

All amounts on deposit in the Intergovernmental Agreement Revenues Sub-Account on December 2 of each calendar year shall be withdrawn from such Sub-Account and paid to the Board free and clear of the lien of the Series 2017H Indenture and the Trustee shall provide notice to the Board that such amounts paid constitute Intergovernmental Agreement Revenues.

If, on any Business Day, the amount on deposit in Payment Sub-Account is in excess of the unpaid Annual Debt Service Requirement for the then current Bond Year then, pursuant to a written direction of the Board signed by an Authorized Officer and filed with the Trustee, all or part of such excess may be withdrawn by the Board free and clear of the lien of the Series 2017H Indenture.

Pledged Taxes Account. As described in the Series 2017H Indenture, the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017H Indenture. All Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Series 2017H Bonds due during the Year in which said Pledged Taxes are collected. All amounts remaining in the Pledged Taxes Account on December 2 of any Year shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

Bond Payment Account. The Trustee shall deposit to the credit of the Interest Sub-Account any amounts directed by the Board to be deposited into such Sub-Account. The Trustee shall also transfer, from time to time, to the credit of the Interest Sub-Account all other amounts so directed by the Board to be transferred into such Sub-Account.

There shall be transferred *first* from moneys on deposit in the Pledged Taxes Account, *second* from money on deposit in the IGA Revenue Sub-Account, *third* from moneys on deposit in the State Aid Revenues Sub-Account and *last* from moneys on deposit in the PPRT Revenues Sub-Account (i) to the Interest Sub-Account on or before each interest payment date for any of the Outstanding Bonds, the amount required for the interest payable on such date, less the amount then on deposit in the Interest Sub-Account and available for such payment; and (ii) to the Principal Sub-Account on or before each December 1, an amount equal to the principal amount of the Outstanding Series 2017H Bonds, if any, which mature on such date.

The Trustee shall pay to the respective Paying Agents in immediately available funds on or before each date on which interest or principal is due on the Series 2017H Bonds the respective amounts on deposit in the Interest Sub-Account and the Principal Sub-Account described in clauses (i) and (ii) above necessary to pay such debt service. Such amounts shall be paid to the Owners of the Outstanding Series 2017H Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof.

Board Payments to Cure Deficiencies. If on any Interest Payment Date the amount held in the Interest Sub-Account is less than the interest payable on the Outstanding Series 2017H Bonds on such Interest Payment Date, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Interest Sub-Account, the sum required to cure such deficiency. If on any December 1, the amount held in the Principal Sub-Account is less than the amount required to pay the principal amount of Outstanding Series 2017H Bonds maturing on that December 1 or the principal portion of the Redemption Price of Outstanding Series 2017H Bonds required to be redeemed on that December 1 by the application of sinking fund installments pursuant to Series 2017H Indenture, then the Board shall immediately pay over to the Trustee for deposit to the credit of the Principal Sub-Account, the sum required to cure such deficiency.

Notice Regarding Deposit of Pledged State Aid Revenues. On or before the Deposit Date of each Year, (i) whenever funds are on deposit in the Pledged Revenues Account in an amount sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice evidencing the sufficiency of such deposit for said purpose and directing the Board to take such actions as are necessary to abate the Pledged Taxes with respect to the Series 2017H Bonds and (ii) whenever the funds on deposit in the Pledged Revenues Account are not sufficient to meet the Annual Debt Service Requirement for the Applicable Bond Year, the Trustee shall deliver to the Board a notice setting forth the deficiency of such deposit for such purpose and directing the Board to take such actions as are necessary to cause the extension of the Pledged Taxes levied for collection in the Applicable Bond Year in an amount sufficient when added to the amount held on deposit in the Pledged Revenues Sub-Account to provide funds sufficient to satisfy the Annual Debt Service Requirement for the Applicable Bond Year.

Capitalized Interest Sub-Account. The Trustee shall withdraw from the Capitalized Interest Sub-Account and transfer into the Interest Sub-Account, on each of the Interest Payment Date Dates set forth in the Series 2017H Indenture, the specified amount set forth in the Series 2017H Indenture and in the Official Statement.

Any amount remaining in the Capitalized Interest Sub-Account on June 2, 2019, shall be withdrawn from the Capitalized Interest Sub-Account and deposited into the Interest Sub-Account.

Investment of Funds

Moneys held in the several Accounts and Sub-Accounts of each Debt Service Fund shall be invested and reinvested by the Trustee at the written direction of a Designated Official in Investment Securities within the parameters of the Series 2017H Indenture and the Investment Policy which mature no later than necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee may conclusively rely upon the Designated Official'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 under the Series 2017H Indenture fully invested in Investment Securities, but shall immediately notify the Board in the event moneys are being held uninvested. Nothing contained in the Series 2017H Indenture shall be construed to prevent such Designated Official from directing the Trustee to make any such investments or reinvestments through the use of a Forward Supply Contract, to the extent permitted by Illinois 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 in connection with the initial delivery of the Bonds 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.

Valuation and Sale of Investments

Investment Securities in any Fund, Account or Sub-Account created under the Series 2017H Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account. Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Series 2017H Indenture 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, Accounts and Sub-Accounts, Investment Securities therein shall be valued as provided in the following paragraph.

The value of Investment Securities shall mean the fair market value thereof, *provided, however*, that all SLGS 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.

Except as otherwise provided in the Series 2017H Indenture, the Trustee at the written direction of a Designated Official shall sell at the best price reasonably obtainable, or present for redemption, any Investment Securities held in any 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, Account or Sub-Account as the case may be.

Particular Covenants and Representations of the Board

Covenants Regarding Pledged Revenues

Pursuant to the Intergovernmental Agreement, the Chief Financial Officer of the City of Chicago has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues in each Year, directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. So long as any of the Series 2017H Bonds remain Outstanding, the Board will not agree to amend or supplement the Intergovernmental Agreement so as to authorized the modification or amendment of such direction, except for such modifications or amendments as may be (i) necessitated by changes in State law or (ii) necessary in connection with the issuance of Additional Bonds; *provided*, that no such modification or amendment shall provide for the deposit with the Escrow Agent of less than all of the Intergovernmental Agreement Revenues to be paid to the Board during any Year.

The Board has directed the Department of Revenue of the State to deposit all Personal Property Replacement Tax Revenues to be allocated and paid to the Board in each year directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. As long as any of the Series 2017H Bonds remain Outstanding, the Board will not modify or amend such direction, except for such modifications or amendments as may be (i) necessitated by changes in State law or procedures with respect to the allocation and distribution of the Personal Property Replacement Tax Revenues or (ii) necessary in connection with the issuance of Additional Bonds; provided that no such modification or amendment shall provide for the deposit with the Escrow Agent of less than all of the Personal Property Replacement Tax Revenues to be allocated and paid to the Board during the Year.

Pursuant to Section 15(e) of the Act the Board hereby covenants, so long as there are any Outstanding Series 2017H Bonds, to provide for, collect and apply the Pledged Revenues to the payment of the Series 2017H Bonds, the Series 2017E Bonds, the Series 2017F Bonds, the Series 2017G Bonds, the Prior PPRT Bonds, the Prior IGA Bonds and any Additional Bonds secured by Pledged PPRT Revenues or Pledged IGA Revenues and the provision of not less than an additional .25 times debt service on the Series 2017H Bonds, the Series 2017E Bonds, the Series 2017F Bonds, the Series 2017G Bonds, the Prior PPRT Bonds, the Prior IGA Bonds, and, with respect to Pledged State Aid Revenues, only, to provide for, collect and apply Pledged State Aid Revenues to the payment of the Series 2017B Bonds and any Additional Bonds secured by Pledged State Aid Revenues and the provision of not less than an additional .10 times debt service on the Series 2017B Bonds and any Additional Bonds secured by such Pledged State Aid Revenues. The Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Revenues may be allocated and paid to the Board for application as provided in the 2017H Indenture.

Covenants Regarding Pledged Taxes

The Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Trustee for application in accordance with the provisions of the Series 2017H Indenture (the "*Deposit Direction*"). As long as any of the Series 2017H Bonds remain Outstanding, the Board will not modify or amend the applicable Deposit Direction, except for such modifications or amendments as may be necessitated by changes in State law, procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; *provided* that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any Year. The Board will deliver an executed copy of any modification or amendment to the Deposit Direction permitted by the preceding sentence to the Trustee at the same time such modification or amendment is provided to the County Collectors.

As described in this Official Statement under the heading "SECURITY FOR THE SERIES 2017H BONDS — Pledged Taxes – Annual Determination of Abatement or Extension of Pledged Taxes," the Board shall direct such abatement of the Pledged Taxes in whole or in part as may be required by the Series 2017H Indenture, and proper notification of any such abatement shall be filed with (i) the County Clerks, in a timely manner to effect such abatement, and (ii) the County Collectors, so as to advise such officers of the amount of the Pledged Taxes to be extended for the relevant levy year.

For as long as there are any Outstanding Series 2017H Bonds, the Board and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied and extended and collected and deposited to the Pledged Taxes Account as described above.

In furtherance of the general obligation, full faith and credit promise of the Board to pay the principal and Redemption Price of and interest on the Series 2017H Bonds, the Board will take all actions necessary to (i) cause the levy and extension of Pledged Taxes, including any Pledged Taxes required to be levied in excess of those levied pursuant to the applicable Bond Resolution (as defined in the Official Statement), for collection on a timely basis to make all such payments and (ii) to cause such Pledged Taxes when extended for collection to be deposited directly with the Trustee for application pursuant to the Series 2017H Indenture.

In the event that in any year the Trustee delivers to the Board pursuant to the Series 2017H Indenture a Deposit Notice evidencing that the amount on deposit to the credit of the Pledged Revenues Account is insufficient to meet the Annual Debt Service Requirement for the Series 2017H Bonds during the Applicable Bond Year, the Trustee will, promptly after delivering such Deposit Notice to the Board, confirm with the County Collectors that the Deposit Direction remains in full force and effect. In the event the Trustee learns that the Deposit Direction has been modified or amended in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-5, the Trustee shall be deemed to have taken notice of the resulting Event of Default and shall take such actions to remedy such Event of Default as shall be permitted under the Series 2017H Indenture. See "*Events Of Default And Remedies*" in this APPENDIX A-5.

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 Pledged Revenues, the Pledged Taxes and the Funds, Accounts and Sub-Accounts established by the Series 2017H 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 Series 2017H Bonds or their representatives duly authorized in writing.

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 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof.

The Board shall not permit any of the proceeds of the Series 2017H Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond 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 Series 2017H Bonds or other moneys to be invested in any manner that would cause any Bond 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.

Events of Default and Remedies

Events of Default

Each of the following events constitutes an Event of Default as to the Series secured under the Series 2017H Indenture:

(a) If a default shall occur in the due and punctual payment of interest on any Series 2017H Bond issued under such Indenture when and as such interest shall become due and payable;

(b) If a default shall occur in the due and punctual payment of the principal or Redemption Price of any Series 2017H Bond issued under such Indenture when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(c) If a default (other than a default resulting from an action described in paragraph (4) below) shall occur in the performance or observance by the Board of any other of the covenants, agreements or conditions in the Series 2017H Indenture or in the Series 2017H Bonds contained, and such default shall continue for a period of 60 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 aggregate principal amount of the Outstanding Series 2017H Bonds, *provided* that if the nature of the default is such that it cannot be cured within the 60-day period but can be cured within a longer period, no event of default shall occur if the Board institutes corrective action within the 60-day period and diligently pursues such action until the default is corrected (*provided* such default is correctable);

(d) If the Board shall modify or amend the applicable Deposit Direction in a manner contrary to that described in the first paragraph under the subheading "*Covenants Regarding Pledged Taxes*" under the caption "*Particular Covenants And Representations Of The Board*" in this APPENDIX A-5; or

(e) 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.

Proceedings Brought by Trustee

There is no provision for the acceleration of the Series 2017H Bonds if an Event of Default occurs under the Series 2017H Indenture.

If an Event of Default shall happen under the Series 2017H Indenture 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 Series 2017H Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners under such Series 2017H Bonds or the Series 2017H Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power granted therein, 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 such Indenture or enforcing any of the rights on interests of the Owners of the Series 2017H Bonds under such Series 2017H Bonds or the Series 2017H Indenture.

All rights of action under the Series 2017H Indenture may be enforced by the Trustee without the possession of any of the Series 2017H Bonds 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.

All actions against the Board under the Series 2017H Indenture shall be brought in the State or federal court located in the State.

The Owners of not less than a majority in aggregate principal amount of Series 2017H Bonds at the time 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 the Series 2017H Indenture or for the enforcement of any remedy available to the Trustee, or for the exercise of 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 such Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but, unless requested in writing by the Owners of a majority in aggregate principal amount of the Series 2017H Bonds then Outstanding and furnished with reasonable security and indemnity, 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 the Series 2017H Indenture and to preserve or protect its interests and the interest of such Owners.

Application of Trust Estate and Other Moneys on Default

During the continuance of an Event of Default under the Series 2017H Indenture, the Trustee shall apply all moneys, securities, funds, Pledged State Aid Revenues, the Pledged PPRT Revenues, the Pledged IGA Revenues and the Pledged Taxes to the extent any of them secure the Series 2017H Bonds issued under such Indenture and the income therefrom (other than any amounts not constituting part of the Trust Estate) under such Indenture as follows and in the following order:

(a) 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; and

(b) To the payment of the principal of, Redemption Price and interest on the Series 2017H Bonds then due, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due on the Series 2017H Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on such Series 2017H Bonds 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 Series 2017H Bonds which shall have become due, whether at maturity or by call for redemption and, if the amount available shall not be sufficient to pay in full all such Series 2017H Bonds 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; and

If and whenever all overdue installments of principal and Redemption Price of and interest on all the Series 2017H Bonds together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Board under the Series 2017H Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all such Series 2017H Bonds held by or for the account of the Board, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Series 2017H Indenture or the Series 2017H Bonds 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 such 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 such Indenture. No such payment 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 such Indenture or impair any right consequent thereon.

Restriction on Owners' Actions

No Owner of any Series 2017H Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Series 2017H Indenture or the execution of any trust under such Indenture or for any remedy under said Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, and the Owners of at least a majority in aggregate principal amount of the Series 2017H Bonds 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 the relevant 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 adequate security and indemnity 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 60 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 such Series 2017H Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by such Indenture or to enforce any right thereunder, except in the manner provided therein; and that all proceedings at law or in equity to enforce any provision of such Indenture shall be instituted, had and maintained in the manner provided therein and shall be for the equal benefit of all Owners of the Outstanding Series 2017H Bonds.

Remedies Conferred By the Act

The Board and the Trustee each acknowledge that Section 15(e) of the Act provides that all covenants of the Board relating to the issuance of the Series 2017H Bonds as Alternate Bonds pursuant to Section 15 of the Act and the conditions and obligations imposed by said Section 15 are enforceable by any Owner of such Series 2017H Bonds, any taxpayer of the Board and the people of the State acting through the Attorney General of the State or any designee, and in the event that any such action results in an order finding that the Board has not properly collected and applied the Pledged Revenues as required by the Act, the plaintiff in any such action shall be awarded reasonable attorneys' fees.

Remedies Not Exclusive

No remedy by the terms of the Series 2017H Indenture conferred upon or reserved to the Trustee or the Owners of the Series 2017H Bonds 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 such Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery thereof.

Waiver

The Owners of not less than two-thirds in aggregate principal amount of the Series 2017H Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Owners of all of the Series 2017H Bonds, waive any past default under the Series 2017H Indenture and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of such Series 2017H Bonds when due. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Provisions Relating to Trustee

Resignation and Removal of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the Series 2017H Indenture by giving not less than 60 days written notice to the Board, all Owners of the Series 2017H Bonds and the other Fiduciaries with respect to such Series, 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 such Indenture and accepted such appointment, in which event such resignation shall take effect immediately on the acceptance of such appointment by 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 and accepted such appointment 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 described below under "– *Appointment of Successor Trustee*."

The Trustee may be removed at any time by an instrument in writing approved by and executed in the name of the Board and delivered to the Trustee; *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 the Series 2017H Bonds then Outstanding (excluding any 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 Series 2017H Bonds then Outstanding, excluding any such Series 2017H Bonds 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.

Appointment of Successor Trustee

In case at any time the Trustee shall resign, be removed or 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, the Board shall appoint a successor Trustee. The Board shall cause notice of any such appointment made by it to be mailed to all Owners of the Series 2017H Bonds.

If no appointment of a Trustee shall be made by the Board within 60 days following such resignation or renewal, the Trustee or the Owner of any Series 2017H Bond Outstanding may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Series 2017H Indenture in succession to the Trustee shall be a bank, trust company or national banking association, doing business and having a corporate trust office in the State, and having capital stock and surplus aggregating at least $15,000,000, or shall be a wholly owned subsidiary of such an entity, if there be such a bank, trust company, national banking association or subsidiary 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 such Indenture.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Owners

The Board and the Trustee may without the consent of, or notice to, any of the Owners of the Series 2017H Bonds, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Series 2017H Indenture for any one or more of the following purposes:

(a) To impose additional covenants or agreements to be, observed by the Board;

(b) To impose other limitations or restrictions upon the Board;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by such Indenture;

(d) To confirm, as further assurance, any pledge of or lien upon the Pledged State Aid Revenues, the Pledged PPRT Revenues, the Intergovernmental Agreement Revenues, the Pledged Taxes or any other moneys, securities or funds;

(e) To make any necessary amendments to or to supplement such Indenture in connection with the issuance of Additional Bonds as authorized in such Indenture;

(f) To cure any ambiguity, omission or defect in such Indenture;

(g) To provide for the appointment of a successor securities depository;

(h) To provide for the appointment of any successor Fiduciary; and

(i) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the rights of the Trustee or the Owners of the Series 2017H Bonds.

Supplemental Indentures Effective Upon Consent of Owners

Any Supplemental Indenture not effective in accordance with the foregoing provisions shall take effect only if permitted and approved and in the manner described below under the heading "Amendments".

Amendments

General

Exclusive of Supplemental Indentures as described above under the subheading *"Supplemental Indentures not requiring the Consent of Owners",* and subject to the provisions described below under subheading "Consent of Owners", the Owners of not less than a majority in aggregate principal amount of the Series 2017H Bonds then Outstanding shall have the right, from time to time, anything contained in the Series 2017H Indenture to the contrary notwithstanding, to (i) consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental to such Indenture as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein or in any supplemental indenture, or (ii) waive or consent to the taking by the Board of any action prohibited, or the omission by the Board of the taking of any action required, by any of the provisions of such Indenture or of any indenture supplemental thereto; *provided, however*, that nothing in the Series 2017H Indenture permits or may be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the payment or redemption of any Series 2017H Bond, without the consent of the Owner of such Series 2017H Bond, (b) a reduction in the amount of, or extension of the time of, any payment required by any sinking fund applicable to any Series 2017H Bonds without the consent of the Owners of all the Bonds which would be affected by the action to be taken, (c) except for the pledge of the Pledged Revenues in connection with the issuance of Additional Bonds, the creation of any lien prior to or on a parity with the lien of this Indenture, without the consent of the Owners of all the Series 2017H Bonds at the time Outstanding, (d) a reduction in the aforesaid aggregate principal amount of Series 2017H Bonds, the Owners of which are required to consent to any such waiver or Supplemental Indenture, without the consent of the Owners of all the Series 2017H Bonds at the time Outstanding which would be affected by the action to be taken, (e) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (f) with respect to the Series 2017H Bonds, the loss of the exclusion from federal gross income of the Owners of the interest paid on such Series 2017H Bonds held by a non-consenting Owner to the extent otherwise afforded under the Code and Regulations.

Consent of Owners

The Board may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment described in the preceding paragraph, to take effect when and as described in this paragraph. 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 of the Series 2017H Bonds affected thereby. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to such 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 described below. 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 aggregate principal amount of Outstanding Series 2017H Bonds, 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 the Series 2017H Indenture, is authorized or permitted by such Indenture and, when effective, will be valid and binding upon the Board and the Trustee, and (b) a notice shall have been delivered as described below. Any such consent shall be binding upon the Owner of the Series 2017H Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Series 2017H Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Owner has notice thereof, *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described in this paragraph referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the Series 2017H Indenture and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee (and not theretofore revoked) shall be sufficient under the Series 2017H Indenture, the Trustee shall make and deliver to the Board a written statement that the consents of the Owners of the required aggregate principal amount of Outstanding Bonds of such Series 2017H Bonds 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 Bonds of such Series 2017H Bonds and will be effective as provided in this paragraph, 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). A record, consisting of the information required or permitted by this paragraph to be delivered by or to the Trustee, shall be proof of the matters therein stated.

Additionally, the Series 2017H Indenture and the rights and obligations of the Board and of the Owners of the Bonds 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 of the Outstanding Series 2017H Bonds. 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 the preceding paragraph and (b) with the Board of the Trustee's written statement that the consents of the Owners of all of the Outstanding Series 2017H Bonds 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 consent thereto.

Defeasance

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Owners of all the Series 2017H Bonds 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 the Series 2017H Indenture, then the pledge of the Trust Estate under such Series 2017H 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 Paying Agent shall pay over or deliver to the Board all moneys and securities held by it pursuant to such Indenture which are not required for the payment of Bonds 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 or a portion of the Outstanding Series 2017H Bonds, 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 the

Series 2017H Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under such Indenture, and all covenants, agreements and obligations of the Board to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds 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 as described in the preceding paragraph if the Board shall have delivered to or deposited with the Trustee (a) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (b) irrevocable instructions to mail the required notice of redemption of any such Bonds so to be redeemed, (c) either moneys in an amount which shall be sufficient or Defeasance Obligations the principal of and the interest on which when due without further reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time are sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (d) if Defeasance Obligations are used, an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and moneys will be sufficient to provide for the payment when due of the interest on and principal or Redemption Price, if applicable, of said Series 2017H Bonds, and (e) if any of said Series 2017H Bonds are not to be redeemed within the next succeeding 45 days, irrevocable instructions to mail to all Owners of said Series 2017H Bonds a notice that such deposit has been made with the Trustee and that said Series 2017H Bonds are deemed to have been paid in accordance with the Series 2017H Indenture 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 Series 2017H Bonds. 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 Series 2017H Bonds, 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 said Series 2017H Bonds, at maturity or upon redemption, as the case may be.

The Defeasance Obligations (or any portion thereof) held for the payment of the principal and Redemption Price of and interest on said Series 2017H Bonds as described in the preceding paragraph may not be sold, redeemed, invested, reinvested or removed from the lien of the Series 2017H Indenture in any manner or other Defeasance Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest, remove or substitute to be referred to as a "*Subsequent Action*") unless prior to the taking of such Subsequent Action, the Trustee shall have received the following: (i) either (a) a certified copy of the proceedings of the Board authorizing the Subsequent Action, or (b) an Opinion of Counsel for the Board to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion from a nationally recognized firm of independent public accountants to the effect that the Defeasance Obligations and cash available or to be available for payment of such Series 2017H Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal and Redemption Price of and interest on said Series 2017H Bonds at or prior to their maturity in the manner provided in the preceding paragraph; (iii) an Opinion of Bond Counsel to the effect that the Subsequent Action will not adversely affect any exemption from federal income tax of the interest paid on such Series 2017H Bonds to which such Series 2017H Bonds are otherwise entitled; and (iv) such other documents and showings as the Trustee may reasonably require.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2016

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Chicago, Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2016

Prepared by the
Department of Finance

Rahm Emanuel, Mayor, City of Chicago
Frank M. Clark, Board President
Forrest Claypool, Chief Executive Officer

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Board of Education
CITY OF CHICAGO

Office of the Board
1 North Dearborn Street, Suite 950, Chicago, Illinois 60602
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FRANK M. CLARK
PRESIDENT

JAIME GUZMAN
VICE PRESIDENT

MEMBERS
MARK F. FURLONG
REV. MICHAEL J. GARANZINI, S.J.
DR. MAHALIA A. HINES
ARNALDO (ARNIE) RIVERA
GAIL D. WARD

January 25, 2017

Dear Stakeholders,

We are pleased to present you with the Chicago Public Schools (CPS) fiscal year 2016 financial results.

One of the most important services this audit provides is an understanding of the strength of CPS' internal financial controls — an issue that is of foremost importance both to this Board and members of the public. We are pleased to report that this audit finds that CPS has instituted significant internal financial controls that provide members of the Board and the public with an additional degree of certainty that appropriate mechanisms are in place to safeguard scarce education dollars.

While CPS continues to lobby for equitable funding from the state and seek out opportunities for new revenue, the District has greatly expanded its Internal Audit department to strengthen internal controls and streamline operations. Through this effort, CPS has increased school audits since last year and identified opportunities to better safeguard District resources. By utilizing sophisticated audits and controls that reach far beyond the resources previously deployed in the District, we are helping to reduce unnecessary spending so that every dollar is maximized. We have also strengthened the policies and procedures in place for the District's financial reporting.

As important as these controls are, CPS still faces significant financial challenges and is doing everything within its control to reduce expenses, streamline operations and minimize disruptions to classrooms.

In FY2016, CPS introduced expenditure reductions and more efficient spending controls to move from a $710 million operating deficit gap in FY2015 to a $537 million deficit gap in FY2016. The District continues to take action to more effectively utilize our limited resources, but the fundamental inequality in state education funding remains an unresolved threat to our district.

Although we have made real progress in working toward fiscal stability, the state of Illinois continues to punish Chicago's students through the perpetuation of an unequitable funding system. On top of the broken funding system, the governor recently cut $215 million in funding promised to CPS to offset the state's pension inequities, which has created unprecedented challenges for the school system.

The bright spot in this situation is that despite Springfield's failure to equitably fund the children of Chicago, CPS students continue to thrive. In 2016, our graduation and attendance rates broke District records, while our dropout rate fell to an all-time low. College enrollment is on the rise, and Chicago students continue to outpace other large urban school districts for growth in reading and math.

In the midst of continued academic progress, our continued financial struggles weigh heavily on our teachers, school leaders, families, and especially our students. But it does not have to be this way. These inequities can be rectified, which is why our fight for equal funding remains ongoing. We will continue to do our part to tighten controls and reduce non-essential spending, and we are confident that 2017 can be the start of a financially stable era for Chicago Public Schools if educators, taxpayers, and elected officials come together in support of our students.

Respectfully submitted,

Frank M. Clark	Forrest Claypool
President	Chief Executive Officer
Chicago Board of Education	Chicago Public Schools

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOARD OFFICIALS AS OF JUNE 30, 2016

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Chicago Public Schools

Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2015

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting Award
is presented to**

Chicago Public Schools

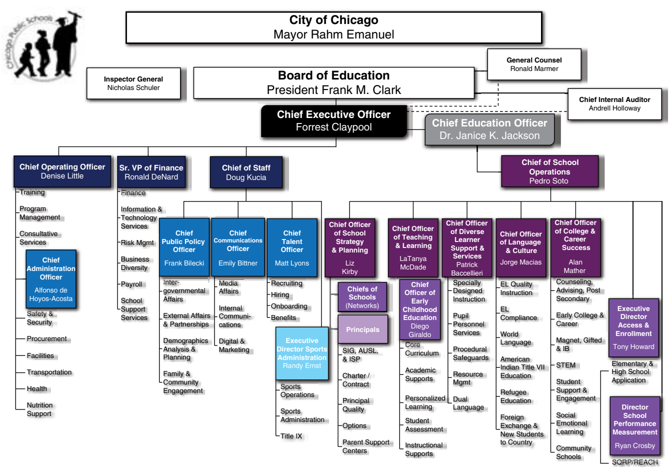
**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

Brenda R. Burkett, CPA, CSBA, SFO	John D. Musso, CAE, RSBA
President	Executive Director

INTRODUCTORY SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
Organizational Chart



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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

Board Member Profiles

Frank M. Clark

Frank M. Clark was appointed to the Chicago Board of Education 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

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 Chicago Board of Education 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.

INTRODUCTORY SECTION

Mark F. Furlong

Mark 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.

Reverend Michael J. Garanzini, S.J.

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 A. Hines

Dr. Mahalia Hines was appointed to the Chicago Board of Education in May of 2011 by Mayor Rahm Emanuel. Dr. Mahalia Hines is the chief executive officer 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. For 15 of those years, Dr. Hines served as principal in the Chicagoland area for grade levels from elementary through high school. Dr. Hines also worked as a coach for first-year principals and a mentor for current principals and prospective principals in Chicago and continues to work with school leaders of public and charter schools in urban areas throughout the country. In addition to working with schools and school leaders, Dr. Hines travels the country speaking to single mothers on raising successful sons. Dr. Hines received her Doctorate from the University of Illinois, her Master's degree from Northeastern University and Bachelor's degree from Central State University.

Gail D. Ward

Gail 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 percent 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:

Member	Term Expires
Frank M. Clark, President	June 30, 2018
Jaime Guzman, Vice President	June 30, 2018
Mark F. Furlong	June 30, 2019
Reverend Michael J. Garanzini, S.J	June 30, 2019
Dr. Mahalia A. Hines	June 30, 2018
Dominique Jordan Turner	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.

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* Dominique Jordan Turner resigned January 11, 2017.

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Telephone: 773-553-2710 · Fax: 773-553-2711

January 23, 2017

Frank M. Clark, President,
Members of the Chicago Board of Education,
And Citizens of the City of Chicago:

The Comprehensive Annual Financial Report (CAFR) of Chicago Public Schools (CPS) for the fiscal year ending June 30, 2016, is hereby submitted. It has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of CPS. Responsibility for the accuracy of the data presented as well as completeness and fairness of presentation of this report rests with CPS management. Management has established a comprehensive framework of internal control to provide a reasonable basis for asserting that the financial statements are fairly presented.

Due to continued declines in state funding – driven by the nation's most inequitable education funding formula – coupled with massive pension obligations, CPS' budget situation has continued to deteriorate over the past several years. CPS ended fiscal year 2016 with a deficit of $126.6 million in operating funds. While CPS has continued to streamline operational costs, and has made some important progress in securing additional funding, the compounding financial challenges of declining state revenues, dramatically increasing pension costs, and limits on federal and local revenues continued to persist over the course of fiscal year 2016.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF CHICAGO PUBLIC SCHOOLS

CPS is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the City of Chicago. The Chicago Board of Education is established under and governed by the Illinois School Code (105 ILCS 5/34-9). The Chicago Board of Education is not a home-rule unit of government and operates a system of schools primarily for grades pre-kindergarten through twelve. CPS has no component units that are legally separate organizations for which CPS is financially accountable.

CPS is governed by a seven-member Board of Education appointed by the Mayor of the City of Chicago. Board members elect one member to serve as President of the Board. In addition, pursuant to amendments to the Illinois School Code initially enacted in 1988, elected Local School Councils, composed of parents, teachers, principals and community representatives, exercise certain powers relating to the operation of individual schools, most notably the selection of principals. Refer to the CPS website for more information on Local School Councils.

As a large urban school district, our schools and students reflect the broad diversity of our city. In fiscal year 2016, CPS had 676 schools, including district-run traditional and options schools, charter and contract schools.

Student enrollment as of September 2015 was 392,285 a decrease of 4,398 from the September 2014 level (396,683). Approximately 81% of our students come from low-income families and 17% are English Language Learners. CPS employs 37,921 workers, including 25,615 teaching positions.

LOCAL ECONOMIC OUTLOOK

The Chicago economy continues to improve and grow. However, it is important to note that CPS revenues are not economically sensitive. Property tax increases are capped at the rate of inflation; and federal and state aid are allocated based on formulas and limited by federal and state appropriations. Therefore, our revenues are not directly affected by changes in the local economy. For more information regarding Chicago's local economy, refer to the City of Chicago budget book at http://www.cityofchicago.org/city/en/depts/obm/supp_info/annual-budget-recommendations---documents.html.

Local revenues included $2,408 million in property taxes and $162 million in personal property replacement taxes in fiscal year 2016. Property taxes support the General Fund, Tort Program and Debt Service Funds. Personal property replacement taxes support the General Fund and Debt Service Funds. In fiscal year 2016, there was $42.6 million in tax revenue for Capital Improvement Tax. This is due to the Chicago City Council authorizing a Capital Improvement Tax, derived from property taxes collected in fiscal year 2016.

CURRENT CONDITION

The General Operating Fund expenditures budget for fiscal year 2016 was $5,692 million, which was $64 million below the fiscal year 2015 budget of $5,756 million. This reduction in budgeted expenditures for 2016 was largely driven by $200 million in reductions announced at the beginning of fiscal year 2016. The reductions were offset by a $24 million increase for interest on short term borrowing, $42 million in pension costs, and other cost increases. Actual General Operating Fund expenditures for fiscal year 2016 were $5,414 million; $278 million less than budgeted.

Total governmental funds revenues for fiscal year 2016 were $5,273 million, which is $164 million less than the $5,437 million fiscal year 2015 revenue. Total expenditures for fiscal year 2016 were $6,163 million, which were $365 million lower than the prior year of $6,528 million.

CPS ended fiscal year 2016 with a fund balance of $450 million in all governmental funds, a decrease of $382 million from fiscal year 2015 fund balance of $832 million. The entire General Operating Fund balance amount is restricted or assigned for specific uses.

CPS continues to reduce administrative, central office and operational expenses, in an effort to protect the classrooms. Although we were able to make our full fiscal year 2016 pension payment of $658 million by the June 30 deadline; we needed to borrow an additional $200 million to do so.

Despite these challenges, CPS continues to prioritize our classrooms. Even as our resources become increasingly limited, we continue to seek more effective and innovative ways to educate our students. The past few years have been some of the most financially challenging in CPS' history, yet we continue to make strides. During this time, we have moved to a full school day, implemented full day kindergarten for all students, and expanded Pre-K programs throughout Chicago. We also successfully expanded Safe Passage so that students can focus on their studies and not their safety.

One-Time Resources: In past years, financial results have benefited from one-time fixes such as federal stimulus funding, bond restructuring and TIF surplus, which helped mask the depth of the structural deficit. In fiscal year 2016, CPS received $107 million in TIF surplus revenues.

State funding is driven by formula and CPS expected to experience a year-over-year decline of $107 million, comprised of $56 million in decreased grants and a $50 million reduction in state contribution for pensions in fiscal year 2016. As a result of this trend, CPS has become increasingly reliant on property tax revenue. Since 2007, the percentage of property tax revenue comprising the total budget has steadily increased from 36.7% in fiscal year 2007 to 45.7% in 2016. However,

property taxes are capped at the rate of inflation. In fiscal year 2016, with inflation at 0.8%, the base property tax increased to $19 million. Though CPS is able to take advantage of new property that is added to the base property values, the annual increase in revenue remains modest and is not sufficient to make up for the continuing declines in state funding nor the dramatic increases in pension costs. In fact, the Board authorized an additional $250 million in revenue for fiscal year 2017 in property taxes via a restored levy dedicated specifically to teacher pensions, which increases taxes on the average Chicago homeowner by nearly $250. However, even with a significant increase in local taxes, CPS expenses continue to outstrip declining overall revenues.

As the District's pension burden has increased, CPS has drawn down its reserves in order to balance the budget. To bridge the ebb and flow of revenue receipt and payments, the District now relies on short-term borrowing. CPS receives its major revenue source, property taxes, in two installments, March and August. However, most payments are made throughout the year, with two exceptions. Debt service is due in February right before the March installment is collected, and the pension payment is due in June, right before the August installment. CPS' cash flow challenges are driven by its calendar. Without reserves or borrowing, CPS does not have the cash on hand to make those large debt service payments in February and March. As a result, CPS needs to draw from the line of credit during the fiscal year. Borrowing against this credit line was necessary in order to make our pension payment by the June 30 due date. Interest on this borrowing added $24 million to our operating budget this year. CPS ended the year with a total interest expense of $365 million compared to $332 million in fiscal year 2015. This represents an increase of $33 million in borrowing expense.

Pension Funding: Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2015, the Pension Fund reported $10,366 million in actuarial assets and $19,951 million in actuarial liabilities, for a funded ratio of 51.8%. In accordance with GASB 68, CPS has recorded a net pension liability of $10,023 million in the accompanying financial statements, 100% of which is recognized by CPS. (For the reasons discussed in Note 13 CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund).

Although the Governor and Illinois General Assembly could not agree on a K-12 Budget for fiscal year 2017 by the scheduled adjournment date of May 31, 2016, a compromise was finally reached in the Special Session that ended on June 30, 2016 (the last day of fiscal year 2016). As part of this compromise, CPS was given a new property tax levy to generate a portion of the yearly employer contribution to the Pension Fund. CPS may levy the new tax annually at a rate not to exceed 0.383%, and it is initially estimated to generate approximately $250 million per year. This new tax is not subject to the Property Tax Extension Limitation Law – more commonly known as "tax caps" – so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom (see Senate Bill 318, Public Act 99-0521, effective 6/1/17). Although the tax does not impact CPS' financial statements for the fiscal year ending June 30, 2016, as a new revenue source, it will have a positive impact on future statements.

Debt Ratings: Investors who purchase municipal bonds use debt ratings as an indicator of the safety and security of the debt sold by that organization. CPS has historically maintained a general obligation (GO) long term bond credit rating from Moody's Investor Service, Standard & Poor's, Kroll Bond Rating Agency and Fitch Rating. In recent fiscal years, the rating agencies have made downgrades to their respective CPS' GO bond rating citing budget concerns as rationale. After the end of fiscal year 2016, further downgrades to the GO bond rating occurred. In addition, CPS' structured an entirely new capital improvement tax (CIT) long term bond credit that received an investment grade. Refer to Note 16 for further information about ratings and the CIT bond structure.

LONG-TERM FINANCIAL PLANNING

CPS continues to face structural budget challenges, with our major revenue sources generally flat or declining at the state and federal level, pension costs increasing and property taxes capped. In addition, CPS remains the only school district in the state that must fund the vast majority of its teacher pension costs.

The structural budget deficit is due in part to the State providing CPS with 76 cents for every dollar it provides other districts on average and escalating teacher pension costs. CPS has, and continues to, use short-term strategies to balance the General Operating Fund budget while simultaneously pursuing State action on funding increases and pension reform. In June 2016, this pursuit led to lawmakers reaching an important compromise, which included a commitment by Governor Rauner to provide $215 million in funding for pensions to CPS in fiscal year 2017. Unfortunately, the Governor has reversed this commitment, and over the objection of many elected leaders, CPS remains burdened by the continued inequity in funding from the State, even as the District continues to press for equitable funding.

RELEVANT FINANCIAL POLICIES

Fund Accounting: CPS reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. *(See Notes 1 and 2 of the Notes to the Basic Financial Statements for a summary of significant accounting policies and a description of fund types and account groups).*

Internal Control Structure: CPS financial management officials are responsible for implementing and enforcing a system of internal controls to protect the assets of CPS from loss, theft, or misuse and to ensure that reliable accounting data is available for the timely preparation of financial statements in accordance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control: Annual budgets are prepared on a basis consistent with GAAP for the General Operating, Capital Projects and Debt Service Funds. The fiscal year begins on July 1 and ends June 30. Individual school units submit budgets based on the school improvement plans and approved by the Local School Councils. Administrative units submit budget requests to the Office of Management and Budget, which analyzes all requests and prepares a comprehensive budget, balancing revenues and appropriations of each fund. The budget is submitted to the Board of Education for appropriation.

The appropriated budget is prepared by fund, unit, and account. The legal level of budgetary control is at the account level, except for school-based discretionary programs. Board approval is required for all funding transfers except school-based discretionary program expenditures, which are governed by specific program policies and procedures. In addition, an amended budget is required for increases in total appropriation.

Budgetary control is maintained by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Capital Projects Funds are budgeted on a project-by-project basis and represent the entire project budget for projects expected to begin in that fiscal year.

MAJOR INITIATIVES

At Chicago Public Schools, our mission is to provide a high-quality public education for every child in every neighborhood that prepares them for success in college, career, and community. Despite budget challenges, this crucial work continues with impressive results from our students. We have implemented cohesive strategies with educational, financial, community, and environmental initiatives, all of which impact our students and their families.

Educational Initiatives

Academic progress is crucial to our success as a District. We are seeing impressive results, with higher test scores, climbing graduation rates, enrollment in and persistence in college. This progress is remarkable and is a tribute to the hard-working educators, parents, and students committed to their classrooms.

We continue to invest in proven programs that expand access to high-quality options like a math tutoring program that improves outcomes for at-risk high school students, or adding comprehensive dual language programming at schools across the District so that more students can be certified as bilingual before taking their post-secondary steps.

We are better preparing our students for the jobs of the future, by implementing a computer science curriculum and requiring a computer science credit to graduate high school. CPS has become a model District for those interested in incorporating computer science, first launching the CS4All Initiative in 2013, and now being the first district in the nation to elevate computer science to a core graduation requirement, separate from math and science.

We also continue to answer the challenge issued by Mayor Emanuel to make sure that 50 percent of graduating seniors earn college and career credit by 2019, by investing in programs like the International Baccalaureate (IB) Programme. While Chicago is already home to the largest network of IB schools in the nation, with a total of 43 schools (22 high schools and 21 elementary schools), CPS continues to add additional opportunities for student participation in IB programming. Results from the IB programme have revealed exceptional outcomes for District students, with graduation rates, college enrollment, and college persistence rates all outpacing their CPS and national peers. By providing access to the IB programme for our students, we are providing better options while allowing high school students to earn college credit, easing their transition to, and financial burden from, their college experience.

Finally, through a commitment to Social Emotional Learning, we are keeping more of our students in school and engaged. Based on research-based preventative structures and targeted interventions to address the root cause of students' behaviors, our students learn the skills they will need to succeed in life (like goal-setting, cooperation, and conflict resolution), as the number of suspensions and expulsions have dropped dramatically. We have also opened Parent Universities at a number of high schools, giving parents the chance to re-engage in our curriculum alongside their students, and enhance the learning process.

All of our children want to succeed, and it is our job to see that they can. We will continue our holistic approach to education to address achievement gaps, and best support our students as they move through our District.

Go Green Initiative

Chicago Public Schools is working to minimize its impact on the environment and teach students to be environmental stewards. The initiative is driven by a 5-year action plan which covers energy, waste and recycling, transportation and air, water and education and engagement.

Every Chicago Public School can recycle paper, cardboard, newspaper, steel cans, plastic bottles, aluminum cans, and now milk cartons. Schools track how much they recycle online through the Weekly Recycling Report. Students have the opportunity to earn Service Learning hours in Recycling Clubs. Some schools compost food waste, outdoors or in worm bins, to reduce waste and teach students about decomposition. Teachers can find and share free items donated to CPS instead of making new purchases.

Our goal is to increase green space and gardens. In order to conserve water, many schools use rain gardens or green roofs for storm water management. Schools can also attach rain barrels to small modular or shed gutters and catch rainwater for reuse in the garden. CPS has also established guidelines on the use of student transportation vehicles, cleaning supplies and other chemicals in an effort to improve air quality and reduce contribution to climate change. For example, idling a diesel school bus is prohibited by law and CPS contract. CPS janitors clean with green cleaning supplies, following the Illinois Green Cleaning Act. Finally, all CPS staff can save 40 percent on public transit commuting cost by taking part in the CPS transit benefits program.

Community Schools Initiative

CPS manages the largest community schools system in the nation, known as the Community Schools Initiative (CSI). Awarded by the Coalition for Community Schools in 2006 with the Community Schools National Award for Excellence, CSI has launched more than 200 schools, in partnership with nearly 50 lead non-profit organizations, that serve as hubs of their communities to meet students' and families' academic and non-academic needs to develop educated citizens and strengthen local neighborhoods. More than 27,000 students participated in CSI activities/services in the 2015-16 school year.

Community Schools bring together the academic and social supports needed to ensure that all students succeed by offering programs before, during and after the school day for students and their families. The programs are designed to support the school's academic program and expand the services offered within the community. Programs and services offered at each community school vary, but most community schools offer some combination of academic enrichment activities for students, adult education and English as a Second Language classes, student and adult technology training, art activities, recreation and health services. Since 2012 the average dropout rate for CSI participants has been at least 60% below the District average, and the graduation rate and graduates identifying a postsecondary plan (including college, apprenticeship, or military service) has increased.

Community Schools assert a strong link between addressing students' psychosocial well-being and effective support for student learning. In particular, the improvement of student learning is linked to the accomplishment of three operational objectives: 1) To broaden and deepen the range of services, resources, and developmental opportunities available to students, in ways that promote student well-being and attachment to school, address academic and psychosocial deficits, and promote positive development; 2) To address the needs of parents and families, and strengthen the parent-school relationship as an asset to student learning; and, 3) To link classrooms and teachers to community resources and professionals in ways that support student learning. Student perception of academic engagement and teacher perception of school outreach to parents have steadily increased from 2012 through 2014 in CSI schools, meeting or exceeding the District average

Capital Improvement Program

The Capital budget plan includes improvement to school facilities as well as support for technology upgrades, major equipment replacement in schools and continuing CPS' efforts to make its facilities accessible to people with disabilities. The Capital budget reflects the funds for large construction, renovation, or investment projects with value that lasts for multiple years and are outside the scope of the District's day-to-day operations. Total expenditures in the Capital projects fund in fiscal year 2016 were $293 million. The projects were funded by bond proceeds, state funds, and City of Chicago tax increment financing.

In addition, the Capital Improvement Tax levy is an annual property tax levy dedicated exclusively to school construction projects. In 2003, the Illinois legislature in Springfield gave Chicago the right to levy a special property tax, or Capital Improvement Tax levy, to help with school modernization. Led by Mayor Emanuel, the City followed through on this levy in the fall of 2015. Beginning in fiscal year 2016, the Capital Improvement Tax levy will generate roughly $45 million annually, which will be used to pay for the school construction projects and repay bonds issued to finance them. The property tax levy is authorized under state law and can be used only to fund capital projects.

Because the CIT bonds can be used only for capital projects, the bonds have no impact on the District's operating budget, which funds staff and other day-to-day expenses. This allows CPS to issue

long-term debt for building projects without impacting classroom funding. CPS issued the first Series of CIT bonds in December 2016. This entirely new bond credit structure, that is separate from the existing CPS general obligation bonds credit, received an investment grade rating from two rating agencies at the initial issuance, allowing CPS to achieve a lower borrowing cost.

AWARDS AND ACKNOWLEDGEMENTS

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Board of Education of the City of Chicago for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. CPS has received this award every year since 1996.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are again submitting it to GFOA.

CPS also received the Certificate of Excellence for Financial Reporting from the Association of School Business Officials International for the 15th consecutive year. We have included this award in the recognition of the importance of fiscal policies on our ability to educate our students and undertake the new initiatives outlined above.

Acknowledgments: This report could not have been prepared without the dedicated and effective help of the entire staff of the Department of Finance, the Chief Executive Office and the Office of the Board. We wish to express our gratitude and appreciation to them for their dedicated efforts and professionalism.

Respectfully submitted,

Ronald DeNard
Senior Vice President of Finance

Melinda M. Gildart, CPA, MBA
Controller

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RSM

RSM US LLP

Independent Auditor's Report

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chicago Public Schools (the Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CPS, as of June 30, 2016, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, management has developed a plan for the future sustainability of CPS. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 - 27, the budgetary comparison for the General Operating Fund on page 79, and pension and other post-employment benefit (OPEB) information on pages 80 - 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended June 30, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise CPS' basic financial statements. The individual fund schedules for the year ended June 30, 2016, the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2016, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2016.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the basic financial statements of CPS as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 16, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The individual fund schedules for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statements. The individual fund schedules have been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017 on our consideration of CPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPS' internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
January 23, 2017

CHICAGO PUBLIC SCHOOLS

Management's Discussion and Analysis (Unaudited)
June 30, 2016

Our discussion and analysis of the financial performance of Chicago Public Schools (CPS) provides an overview of financial activities for the fiscal year ended June 30, 2016. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the transmittal letter, financial statements and notes to the basic financial statements to further enhance their understanding of CPS' financial performance.

FINANCIAL HIGHLIGHTS

The government-wide financial statements and Statement of Net Position shows liabilities and deferred inflows totaling $21.6 billion, an increase of $613.7 million from fiscal year 2015, while assets and deferred outflows equaled $9.7 billion, with a decrease of $145.2 million, respectively. The overall increase in total liabilities and deferred inflows stems from combined increases in the District's line of credit of $170 million and increased long-term debt borrowings of $444 million. The overall decrease in total assets and deferred outflows is derived from a decrease in net capital assets of $47.5 million, lower cash on hand of $132.2 million from prior year and the effect of the termination of derivative instruments and hedging activities of $40.4 million. CPS ended fiscal year 2016 with a deficit in net position of $11.971 billion, an increase in the deficit of $758.9 million or 6.8% from the prior year. The Statement of Activities presents a decrease in total expenses from fiscal year 2015 in governmental activities of $302.9 million, a net decrease of $150.3 million in grants and contributions and an increase in interest and investment earnings of $29 million.

CPS ended fiscal year 2016 with a combined fund balance for its governmental funds of $449.9 million, a decrease of $381.7 million or 45.9%, from fiscal year 2015. The fund balance decreased by $486.9 million in the general operating fund, increased by $238.4 million in the capital project fund, and decreased by $133.1 million in the debt service fund. Total revenues in the general fund for fiscal year 2016 were $4.878 billion, which were $32 million or 0.7% less than the prior year amount of $4.910 billion. Total expenses in the general fund for fiscal year 2016 were $5.414 billion, which decreased by $206 million or 3.7% from fiscal year 2015. The general operating fund ended fiscal year 2016 with a negative fund balance of -$126.6 million. Fund balance decreased in 2015 by $723.7 million, which is $236.8 million higher than the current year's loss. Meanwhile, actual spending results in the general operating fund were $278 million less than projected spending for 2016. See Footnote 17 for further discussion on CPS future sustainability.

In fiscal year 2016, the Board issued $725 million in Unlimited Tax General Obligation Bonds, including discounts of $110 million, to repay debt service obligations, fund the capital improvement program. Total expenditures in the capital projects fund were $293 million and total debt service expenditures totaled $455 million.

CPS debt was downgraded by Moody's Investor Services, Standard and Poor's and Fitch Ratings. Several bond rating changes related to the long term debt of the Board occurred after June 30, 2016. Moody's Investor Service downgraded their general obligation (GO) debt rating of the Board to B3 on September 26, 2016. Standard & Poor's downgraded its long-term bond rating of the Board to "B" on November 9, 2016. Fitch Ratings lowered its rating to "B+" on November 7, 2016. On November 11, 2016, Kroll Bond Rating Agency affirmed its rating of "BBB" on the Board's Series 2016A general obligation bonds and affirmed the "BBB-" rating on the Board's remaining outstanding general obligation bonds. For detailed information, please refer to Note 16 to the basic financial statements

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of Management's Discussion and Analysis and a series of financial statements and accompanying notes, both primarily focusing on the school district as a whole.

The government-wide financial statements including the Statement of Net Position and the Statement of Activities provide both short-term and long-term information about CPS' financial status. The fund financial statements provide a greater level of detail of how services are financed in the short-term as well as the remaining available resources for future spending. The accompanying notes provide essential information that is not disclosed on the face of the financial statements, and as such, are an integral part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the school district's finances in a manner similar to a private sector business. The Statement of Net Position and the Statement of Activities provide information about the activities of the school district as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The ***Statement of Net Position*** presents information on all of CPS' assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, for the resulting net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The ***Statement of Activities*** presents information showing the details of change in net position during the fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of CPS that are principally supported by taxes and inter-governmental revenues (governmental activities).

All of CPS' services are reported in the government-wide financial statements, including instruction, pupil support services, administrative support services, facility support services, instructional support services, food services and community services. Property taxes, replacement taxes, state aid, and interest and investment earnings finance most of these activities. Additionally, capital assets and debt-financing activities are reported here.

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Condensed Statement of Net Position (In millions)

	Governmental Activities 2016	2015	Difference	% Change
Current Assets	$ 2,561	$ 2,635	$ (74)	-2.8%
Capital Assets, net	6,150	6,198	(48)	-0.8%
Non-current Assets	—	7	(7)	-100.0%
Total Assets	$ 8,711	$ 8,840	$ (129)	-1.5%
Total deferred outflows of resources	$ 952	$ 968	$ (16)	-1.7%
Current Liabilities	$ 1,707	$ 1,548	$ 159	10.3%
Long-term Liabilities	19,561	18,695	866	4.6%
Total Liabilities	$ 21,268	$ 20,243	$1,025	5.1%
Total deferred inflows of resources	$ 365	$ 777	$ (412)	-53.0%
Net Position:				
Net investment in capital assets	$ (343)	$ (159)	$ (184)	-115.7%
Restricted for:				
Debt service	511	446	65	14.6%
Grants and donations	65	65	—	0.0%
Workers' comp/tort immunity	35	41	(6)	-14.6%
Unrestricted	(12,239)	(11,605)	(634)	-5.5%
Total net position (deficit)	$(11,971)	$(11,212)	$ (759)	-6.8%

Current assets decreased primarily due to lower cash and investment balances as of June 30, 2016.

Capital assets, net of depreciation, decreased due to the sale of several buildings, including five schools closed as a result of school actions in fiscal year 2013 and the recording of an asset impairment from a 2016 school action. Refer to Note 6 to the basic financial statements for more detailed information.

Non-current assets decreased due to the reduction in long term cash and investments held in escrow.

Deferred outflows of resources decreased overall by $16 million, as the District recorded activity from "year two" of its implementation of GASB Statement No. 68 in fiscal year 2016 (resulting in an increase of $35 million in deferred pension outflows), a decrease of $39 million from the termination of swaps, including accumulated changes in the fair value of swaps and deferred charges on refunding were lower by $12 million from fiscal year 2015. Refer to Note 10 to the basic financial statements for more information on derivatives.

Current liabilities increased primarily as a result of a larger current balance due on the District's line of credit, which was higher by $170 million from prior year and the prioritization of vendor payments that continued from fiscal year 2015.

Long-term liabilities increased due to the issuance of additional long term bonds, a net increase of $444 million from 2015, an increases in the District's net pension liability of $522 million and its OPEB liability of $106 million. Refer to Note 9 to the basic financial statements for more detailed information on long term debt.

Deferred inflows of resources is composed of only deferred pension inflows related to GASB 68 as a result of the District's termination of all of its interest rate swaps, derivative instruments and hedging activities as of 2016.

Net position (deficit) decreased by $759 million to an $11.971 billion deficit. Of this amount, the District recorded a negative net investment in capital assets of $343 million, combined restricted net position of $611 million, including $511 million for debt service, $65 million for grants and donations and $35 million for worker's compensation claims and torts. Restricted net position represents legal constraints from debt covenants and enabling legislation. The $12.239 billion of unrestricted deficit represents the shortfall CPS would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2016.

The following table presents the changes in net position to FY2016 from FY2015:

Changes in Net Position (In millions)

	Governmental Activities 2016	2015	Difference	% Change
Revenues:				
Program revenues:				
Charges for services	$ 2	$ 2	$ —	0.0%
Operating grants and contributions	1,147	1,052	95	9.0%
Capital grants and contributions	110	356	(246)	-69.1%
Total program revenues	$ 1,259	$ 1,410	$ (151)	-10.7%
General revenues:				
Property taxes	$ 2,399	$ 2,303	$ 96	4.2%
Replacement taxes (PPRT)	162	202	(40)	-19.8%
Non-program state aid	1,443	1,492	(49)	-3.3%
Interest and investment earnings	(19)	(48)	29	-60.4%
Other	190	126	64	50.8%
Gain on sale of capital assets	10	—	10	0.0%
Total general revenues	$ 4,185	$ 4,075	$ 110	2.7%
Total revenues	$ 5,444	$ 5,485	$ (41)	-0.7%
Expenses:				
Instruction	$ 3,870	$ 4,218	$ (348)	-8.3%
Support services:				
Pupil support services	470	485	(15)	-3.1%
Administrative support services	319	250	69	27.6%
Facilities support services	455	478	(23)	-4.8%
Instructional support services	469	492	(23)	-4.7%
Food services	211	208	3	1.4%
Community services	37	38	(1)	-2.6%
Interest expense	365	332	33	9.9%
Other	7	6	1	16.7%
Total expenses	$ 6,203	$ 6,507	$ (304)	-4.7%
Change in net position	$ (759)	$ (1,022)	$ 263	-25.7%
Beginning net position (deficit)	(11,212)	(3,959)	(7,253)	183.2%
Implementation of GASB 68	—	(6,231)		
Beginning net position (deficit), as restated	(11,212)	(10,190)		
Ending net position (deficit)	$(11,971)	$(11,212)	$ (759)	6.8%

FINANCIAL SECTION

Pension Funding

Employees of CPS participate in either the Public School Teachers' Pension and Retirement Fund of Chicago ("Pension Fund"), or the Municipal Employees Annuity and Benefit Fund of Chicago ("Annuity Fund"). As of June 30, 2015, the Pension Fund reported $10,344 million in actuarial assets and $19,951 million in actuarial liabilities, for a funded ratio of 51.8%. In accordance with GASB 68, CPS has recorded a net pension liability of $10.023 billion in the accompanying financial statements, 100% of which is recognized by CPS. (For the reasons discussed in Note 13, CPS does not recognize any proportionate share of the net pension liability for the Annuity Fund).

Although the Governor and Illinois General Assembly could not agree on a K-12 Budget for FY 2017 by the scheduled adjournment date of May 31, 2016, a compromise was finally reached in the Special Session that ended on June 30, 2016 (the last day of fiscal year 2016). As part of this compromise, CPS was given a new property tax levy to generate a portion of the yearly employer contribution to the Pension Fund. CPS may levy the new tax annually at a rate not to exceed 0.383%, and it is initially estimated to generate approximately $250 million per year. This new tax is not subject to the Property Tax Extension Limitation Law — more commonly known as "tax caps" — so in the future this portion of CPS' annual employer contribution will not have a negative impact on spending in the classroom (see Senate Bill 318, Public Act 99-0521, effective 6/1/17). Although the tax does not impact CPS' financial statements for the fiscal year ending June 30, 2016, as a new revenue source, it will have a positive impact on future statements.

Capital Assets

At June 30, 2016, CPS had $6.150 billion invested in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease of $47 million or 0.8% over the prior fiscal year.

(In Millions)	2016	2015	Difference	% Change
Land	$ 314	$ 314	$ —	0.0%
Construction in progress	182	446	(264)	-59.2%
Buildings and improvements	9,242	8,752	490	5.6%
Equipment and administrative software	222	224	(2)	-0.9%
Internally developed software	7	8	(1)	-12.5%
Total capital assets	$ 9,967	$ 9,744	$ 223	2.3%
Less: accumulated depreciation	(3,817)	(3,546)	(271)	7.6%
Total capital assets, net	$ 6,150	$ 6,198	$ (48)	-0.8%

Debt and Capitalized Lease Obligations

In February 2016, CPS issued $725.0 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) Series 2016A, at a discount of $110 million. The proceeds of the Bonds were used to reimburse and finance expenditures related to the Board's Capital Improvement Program, refund and restructure certain outstanding obligations of the Board, fund capitalized interest on the Bonds, and pay the cost of issuance on the bonds. A total of $39.5 million was deposited into a capitalized interest account to pay for future debt payments. CPS recorded net proceeds of $357.6 million in the Capital Improvement Fund. In addition, $208.9 million was used to refund outstanding debt. The debt service on this issuance will be paid from General State Aid (GSA).

As of June 30, 2016, CPS had $7.371 billion in total debt, including accreted interest and capitalized lease obligations outstanding versus $6.888 billion last year, an increase of 7%. For more detailed information, please refer to Notes 9 and 10 to the basic financial statements.

Overview of Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CPS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All CPS funds are reported in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the CPS' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CPS' fund financial statements provide detailed information about the most significant funds. CPS' governmental funds use the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. All of CPS' services are reported in governmental funds, showing how money flows into and out of funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of CPS' operations and the services it provides.

CPS maintains three governmental funds: General Operating, Capital Projects, and Debt Service. The following schedules present a summary of the general operating fund, capital projects fund and debt service fund revenues, and other financing sources by type and expenditures by program for the period ended June 30, 2016, as compared with June 30, 2015. They also depict the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

FINANCIAL SECTION

B-18

Governmental Funds
Total Revenues, Other Financing Sources and Expenditures
(In Millions)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Revenues:					
Property taxes	$2,409	$2,305	40.1%	$ 104	4.5%
Replacement taxes	162	202	2.7%	(40)	-19.8%
State aid	1,552	1,847	25.8%	(295)	-16.0%
Federal aid	809	799	13.5%	10	1.3%
Interest and investment earnings	(96)	(93)	-1.6%	(3)	3.2%
Other	437	377	7.3%	60	15.9%
Subtotal	$5,273	$5,437	87.7%	$(164)	-3.0%
Other financing sources	740	599	12.3%	141	23.5%
Total	$6,013	$6,036	100.0%	$ (23)	-0.4%
Expenditures:					
Current:					
Instruction	$2,971	$3,253	46.5%	$(282)	-8.7%
Pupil support services	448	460	7.0%	(12)	-2.6%
General support services	1,045	973	16.3%	72	7.4%
Food services	201	197	3.1%	4	2.0%
Community services	38	38	0.6%	—	0.0%
Teachers' pension and retirement benefits	664	676	10.4%	(12)	-1.8%
Other	7	6	0.1%	1	16.7%
Capital outlay	308	392	4.8%	(84)	-21.4%
Debt service	481	533	7.5%	(52)	-9.8%
Subtotal	$6,163	$6,528	96.4%	$(365)	-5.6%
Other financing uses	231	399	3.6%	(168)	-42.1%
Total	$6,394	$6,927	100.0%	$(533)	-7.7%
Net change in fund balances	$ (381)	$ (891)			

FINANCIAL SECTION

General Operating Fund

The general operating fund supports the day-to-day operation of educational and related activities.

Revenues:
Revenues and Other Financing Sources
(Millions of Dollars)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Property taxes	2,314	2,253	47.0%	61	2.7%
Replacement taxes (PPRT)	116	144	2.4%	(28)	-19.4%
State aid	1,399	1,579	28.4%	(180)	-11.4%
Federal aid	776	768	15.7%	8	1.0%
Interest and Investment earnings	1	0	0.0%	1	100.0%
Other	272	166	5.5%	106	63.9%
Subtotal	4,878	4,910	99.0%	(32)	-0.7%
Other financing sources (uses)	50	(13)	1.0%	63	100.0%
Total	4,928	4,897	100.0%	31	0.6%

Property tax revenues increased by $61 million in fiscal year 2016 as a result of higher collections from the increased tax levy and new property added to the tax base. Fiscal year 2016 is the second year of CPS' 60 day revenue recognition period, as revenues will appear more "normalized" going forward (CPS changed its revenue recognition period from 30 to 60 days in fiscal year 2015). Collections received on or before August 29, 2016 were recognized as revenues under the modified accrual basis of accounting.

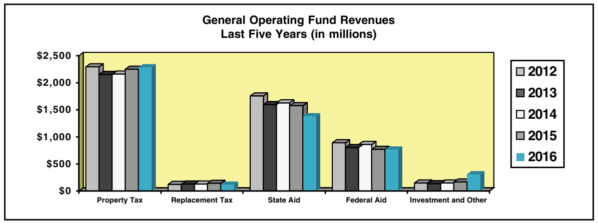
Personal property replacement taxes (PPRT) revenues are primarily composed of additional State income taxes on corporations and partnerships. These revenues decreased by $28 million or 19.4% from fiscal year 2015 due to recognition of CPS' share of the State of Illinois' overpayment to local government agencies in prior years for PPRT revenues ($23.5 million). CPS experienced an additional $5 million decrease in PPRT revenue from reduced collections in fiscal year 2016.

State aid revenues decreased by $180 million or 11.4% as a result of reductions in General State Aid (GSA) from reduced CPS enrollment and the State's unfavorable funding formula (proration of state aid to local districts). CPS had a decrease in the Formula Grant claim due to increasing property tax values and a decrease in the Poverty Grant claim due to a declining low-income student population. These decreases are partially offset by increases in Block Grant Revenue. Overall, expected Block Grant payments of $90 million for State Pre-K and $11 million for Bilingual education were due to CPS prior to the end of its revenue recognition period and thus were not recognized in the current fiscal year.

Federal aid were primarily flat from fiscal year 2015 and registered a small increase of $8 million or 1% in fiscal year 2016.

Interest and investment earnings totaled $1 million for fiscal year 2016. Investments in the operating fund were shorter in duration and generated a lower yield in order to keep the general operating fund liquid for operating purposes.

Other revenues are derived from local sources such as intergovernmental revenues, Tax Increment Financing (TIF) surplus funds and other miscellaneous revenues. Other revenues increased 63.9% in fiscal year 2016 to $272 million from increased TIF surplus funds and IGA revenues.



Expenditures:
(In Millions)

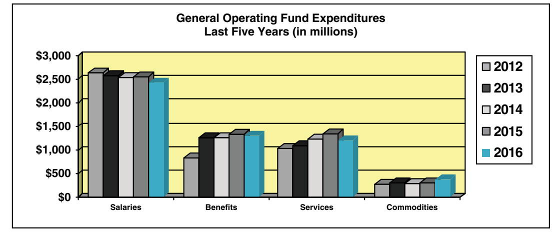
	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Salaries	$2,476	$2,576	45.7%	$(100)	-3.9%
Benefits	1,326	1,356	24.5%	(30)	-2.2%
Services	1,226	1,295	22.6%	(69)	-5.3%
Commodities	271	280	5.0%	(9)	-3.2%
Other	115	113	2.1%	2	1.8%
Total	$5,414	$5,620	100.0%	$(206)	-3.7%

Salaries decreased by $100 million or 3.9% due to a reduction in teacher and ESP employee headcount in the second half of fiscal year 2016, which subsequently resulted in a reduction in salary expense.

Benefits expenses decreased by a total of $30 million in fiscal year 2016. This net decrease is comprised of a decrease of $15 million in pension expense (due to the lower number of active teachers), a $9 million decrease in hospitalization expense and reduced third party administrative fees charged by vendors, such as the $5 million decrease in worker's compensation expenses. In fiscal year 2016, CPS had fewer employee claims and implemented several new cost saving initiatives.

Services expenses decreased by $69 million or 5.3% from the prior year as a result of professional service expenditures related to FY2013-FY2014 school closing logistics occurring in fiscal year 2015, in addition to the elimination of spending on the previously mandated Supplemental Educational Services (SES) program.

Commodities expenses decreased in fiscal year 2016 by 3.2% or 9 million, largely as a result of reduced natural gas purchases as well as lower supplies costs.



Capital Projects Fund

The capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities. The use of capital projects funds is required for major capital acquisition and construction activities financed through borrowing or other financing agreements.

Revenues and Other Financing Sources
(In Millions)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Property Taxes	$ 43	$ —	8.1%	$ 43	100.0%
State aid	39	32	7.3%	7	21.9%
Federal aid	8	6	1.5%	2	33.3%
Other	63	107	11.8%	(44)	-41.1%
Subtotal	$153	$145	28.8%	$ 8	5.5%
Other financing sources	$379	$186	71.2%	$193	103.8%
Total	$532	$331	100.0%	$201	60.7%

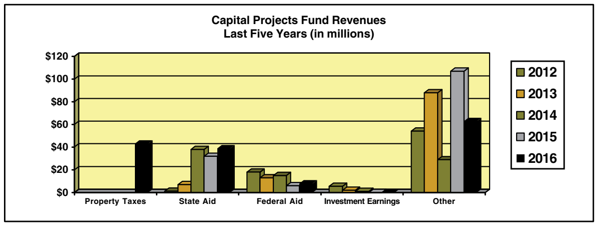
Property tax revenues were collected for the first time in the Capital Projects fund in fiscal year 2016, as a result of the Chicago City Council authorized Capital Improvement Tax. Net collections received were $43 million, which are dedicated to capital project expenditures only.

State aid revenues increased by $7 million from fiscal year 2015 mostly as a result of cash receipts from Department of Transportation grants for noise abatement in the amount of $5.5 million.

Federal aid revenues in fiscal year 2016 slightly showed a slight increase of $2 million from the prior year.

Other revenues were $44 million or $41.1% higher in fiscal year 2016 from 2015. Cash reimbursements were received from Intergovernmental Agreement (IGA) revenues from the City of Chicago, other revenues in relation to the Modern Schools Across Chicago initiative and other projects supported by Tax Incremental Financing (TIF) funds.

Other financing sources increased due to proceeds received from property sales, including buildings closed as a result of Board actions, of $15 million, in addition to proceeds from new debt of $379 million.

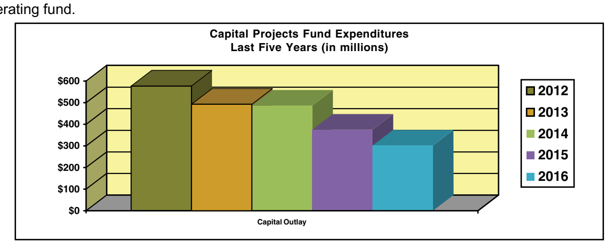


Expenditures:
(in Millions)

	2016 Amount	2015 Amount	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Capital Outlay	$293	$375	$(82)	-22%

Capital outlay

The actual spending on capital outlay decreased due to fewer construction projects initiated in fiscal year 2016 versus the prior years. The issuance of bonds to support the capital improvement program in the current year, will support capital projects previously delayed or initially funded from the general operating fund.

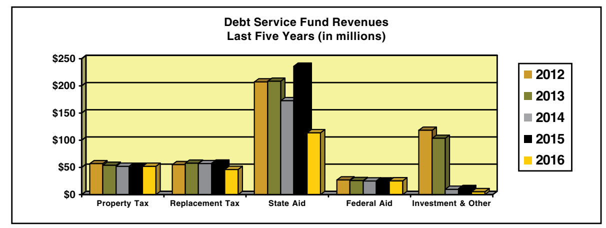


Debt Service Fund

The debt service fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest on bonds and lease obligations.

Revenues and Other Financing Sources
(In Millions)

	2016 Amount	2015 Amount	2016 Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Property taxes	$ 52	$ 52	9.7%	$ —	0.0%
Replacement taxes (PPRT)	46	58	8.6%	$ (12)	-20.7%
State aid	114	236	21.2%	$(122)	-51.7%
Federal aid	25	25	4.6%	$ —	0.0%
Interest and investment earnings	(97)	(93)	-18.0%	$ (4)	-4.3%
Other	102	104	19.0%	$ (2)	-1.9%
Subtotal	$242	$382	45.0%	$(140)	-36.6%
Other financing sources	$296	$426	55.0%	$(130)	-30.5%
Total	$538	$808	100.0%	$(270)	-33.4%



Property taxes revenues remained flat from fiscal year 2015, as there was no change in the levy extension, which drives the collection of these funds used to pay down debt service obligations.

Personal property replacement taxes (PPRT) revenues were reduced by $12 million or 20.7% from fiscal year 2015, as a result of CPS setting aside a lower portion of replacement taxes to pay debt service in fiscal year 2016. As previously noted, CPS experienced a decrease in overall replacement taxes due to an overpayment received in prior years for statewide tax revenues collected on corporate earnings and public utility capital investments.

State aid revenues related to debt service for fiscal year 2016 are comprised of two revenue sources, General State Aid (GSA) and State School Construction funds administered through the Capital Development Board (CDB). A total of $114 million in revenues from these and other sources was allocated to support outstanding debt, a decrease of $122 million from the prior year.

Federal aid totaling $25 million in fiscal year 2016 remained unchanged from fiscal year 2015.

Interest and investment earnings continued to decrease for CPS in fiscal year 2016. We recorded a net investment loss of $97 million, which was a decrease or $4 million or 4.3% from prior year. The decrease was primarily due to the termination of four existing interest rate swap agreements during fiscal year 2016 totaling $110 million. This amount was partially offset by the termination of an investment agreement which netted $4 million to the Board, and recorded market value changes of securities in compliance with applicable GASB standards.

Other revenues account for one-time local revenues and/or the disbursement of property tax revenues from the City of Chicago (based on specific Inter-Governmental Agreements (IGAs)) allocated for debt service. These revenues were $2 million lower than in fiscal year 2015.

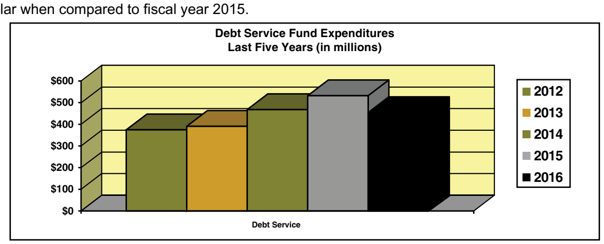
Other financing sources reflect a decrease of $130 million in fiscal year 2016 due to a portion of the net proceeds received from debt issuances in the current year being deposited into the capital projects fund and a discount recorded for $65 million.

Expenditures:
(in Millions)

	2016 Amount	2015 Amount	Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Debt Service	$455	$533	$(78)	-15%

Debt service costs

The overall debt service cost for fiscal year 2016 decreased by $78 million, primarily due to the restructuring of payments in relation to the Series 2016A bond. The amount paid for other fees was similar when compared to fiscal year 2015.



Notes to the Basic Financial Statements

The notes to the basic financial statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Comparative Budgets for General Operating Fund

In July 2014, the Board adopted a balanced budget for fiscal year 2015 that reflected total resources, including $797 million of available fund balances, and appropriations of $5.757 billion.

In August 2015, the Board adopted a balanced budget for fiscal year 2016 that reflected total resources including $79 million of available fund balances, and appropriations of $5.691 billion.

General Operating Fund Budget and Actual

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating Fund. All annual unencumbered appropriations lapse at fiscal year-end.

The following schedule presents a summary of the operating fund revenues, expenditures, and other financing sources in comparison with the final budget for the period ending June 30, 2016.

The General Operating Fund ended fiscal year 2016 with a deficit of $487 million, which compared unfavorably with the budgeted deficit of 79 million. Major budget-to-actual variances are described below:

Revenues, Other Financing Sources & Expenditures
General Operating Fund
Budget to Actual Comparison
(In millions)

	FY2016 Original Budget	Supplemental Appropriations & Tranfers In/(Out)	Final Appropriations	Fiscal FY2016 Actual	Over (under) Budget
Revenues:					
Property taxes	$2,308	$ —	$2,308	$2,314	$ 6
Replacement taxes	150	—	150	116	(34)
State aid	2,057	—	2,057	1,399	(658)
Federal aid	853	—	853	776	(77)
Interest and investment earnings	—	—	—	1	1
Other	245	—	245	272	27
Subtotal	$5,613	—	$5,613	$4,878	$(735)
Other financing sources (uses).	—	—	—	50	50
Total	$5,613	—	$5,613	$4,928	$(685)
Expenditures:					
Current:					
Salaries	$2,553	$ (67)	$2,486	$2,476	$ (10)
Benefits	1,332	(13)	1,319	1,326	7
Services	1,229	100	1,289	1,226	(63)
Commodities	264	18	282	271	(11)
Other	313	(38)	316	115	(201)
Total	$5,692	$ —	$5,692	$5,414	$(278)
Change in fund balances.	$ (79)			$ (486)	

Property taxes revenues received in fiscal year 2016 generated a positive variance of $6 million in property tax revenue and was due to a combination of a higher collections percentage, as compared to original estimates, along with higher than expected prior year receipts.

Personal property replacement taxes received by CPS were $34 million lower than budgeted. This is driven largely by a downward adjustment made to the State's calculation of the PPRT distribution rate. The state informed CPS that the recent years' PPRT distributions statewide were artificially high due to an error in the state's calculation of Corporate Income Tax payments. The estimated PPRT operating revenue of $150 million in CPS's fiscal year 2016 budget was artificially high as a result.

State aid received by CPS in fiscal year 2016 was $658 million lower than anticipated in fiscal year 2016. The fiscal year 2016 budget relied on $480 million in additional pension support from the state which was not received. Additionally, final payments of $90 million in Special Education Transportation Block Grant, $11 million in Bilingual Education, and $6 million in Early Childhood Block Grant were not received and/or recognized within CPS's fiscal year 2016 revenue recognition period. Finally, CPS's operating revenues from GSA were $70 million lower than budgeted due to a larger than anticipated debt service payment.

Federal aid revenues were $77 million below budget due to a lower than expected spend. Lunchroom revenue was $10 million below budget because fewer meals were served, thus reducing CPS' reimbursement (but with an associated cost reduction). Medicaid revenues received were lower by $4 million from payments being received from the State after the District's revenue recognition period. Other reimbursement based federal grant revenues were lower due to reduced spending in those grants. Title I was $30 million below budget because of the mid-year waiver approval for the use of supplemental funding. Title II ($16 million) & Title III ($9 million) were below budget because of lower claim amounts due to slower spending. School Improvement Grants and other submitted expected grants were lower because of $8 million in anticipated grant funding that was not received during the school year.

Other local revenues comprise of miscellaneous or one-time receipts such as appropriated fund-balance, TIF surplus funds, rental income, daycare fees, private foundation grants, school internal account fund transfers, and flow-through employer contributions to the Municipal Employees' Annuity and Benefit Fund of Chicago. Other local revenues were $27 million higher than budget for fiscal year 2016. CPS saw a $19 million increase in TIF revenues due to timing of calendar year 2015 and 2016 receipts, as well as $16 million higher than anticipated school internal fund transfers, rental income, and MEABF contribution revenues.

Expenditures

Actual General Operating Fund expenditures were $278 million under budget. In fiscal year 2015, actual spending was $136 million lower than the budget. The District attributes these results to tighter spending restrictions and mid-year budget cuts to make up for the shortfall in state revenue.

The variance is primarily due to the following:

Salaries expenses for the fiscal year 2016 totaled $2.476 billion and resulted in a $10 million positive variance from budget. Savings of $3 million in teacher salaries, was the result of higher than expected turnover. Career services salaries were $7.7 million below budget mostly due to mid-year cost savings initiatives and higher than anticipated turnover.

Benefits costs are composed of health care (medical, dental, other), unemployment compensation, workers compensation, and pension costs. Benefit costs for fiscal year 2016 were $1.326 billion and were just $7 million over budget due to somewhat higher than expected pharmacy spend. For budgetary purposes, all funding is paid to charters as a "charter tuition" expense (aggregated under Services, below). However, pension payments made on behalf of eligible charter schools teachers are recorded as pension expense (included in this category). Charter schools currently reimburse CPS for this expense and the offsetting revenue is also recognized.

Services related to student transportation, tuition for charter schools and special education purposes, including contractual and professional services, telephone, printing and equipment rental, were budgeted at $1.226 billion for fiscal year 2016. CPS ended the year $63 million below budget in this category. The positive variance to budget primarily consisted of professional and contractual services, at $42 million below budget, as a result of delayed IT implementations, reduced professional development, curriculum/instructional support, attendance services, training, legal and banking services, and contractual programs. Enrollment based projections resulted in savings of $16 million in charter, private special education, and option school tuition. Transportation expenses were $2 million over budget due to a greater than anticipated increases in student ridership.

Commodities expenditures of $271 million are derived from utility, food for school breakfast/lunch, textbooks, and general supplies. Spending on commodities was lower than budget by $11 million. Savings on supplies totaled $8 million and was due primarily to mid-year budget reductions to schools and central office departments. Utilities costs were $1 million lower than budget due to lower than anticipated electric and gas consumption. Savings of $1 million in food costs was the result of fewer meals served than were budgeted.

Other expenditures includes equipment, facility rental, insurance, repairs, and for budgetary purposes, contingencies for new grants. In total, spending for the "other" category ended the year at $201 million below budget. The primary driver for the savings was the mostly untapped contingency that had been set up for new/anticipated grants. While the original budget adopted was $38 million higher than the current budget total, this appropriation remained at the end of the year because potential grants were ultimately not awarded.

Requests for Information

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of CPS' finances and to show CPS' accountability for the money it receives. Additional details can be requested by mail at the following address:

The Chicago Public Schools
Department of Finance
42 West Madison Street, 2nd Floor
Chicago, Illinois 60602

Or visit our website at: http://cps.edu/About_CPS/Financial_information/Pages/Annualreport.aspx for a complete copy of this report and other financial information.

(Please note that some amounts may not tie to the financial statements due to rounding.)

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

STATEMENT OF NET POSITION

June 30, 2016

(Thousands of dollars)

	2016 GOVERNMENTAL ACTIVITIES
Assets:	
Current Assets:	
Cash and investments	$ 33,915
Cash and investments in escrow	519,099
Cash and investments held in school internal accounts	43,520
Property taxes receivable, net of allowance	1,134,583
Other receivables:	
Replacement taxes	33,320
State aid, net of allowance	618,190
Federal aid	115,785
Other	59,730
Other assets	2,913
Total current assets:	$ 2,561,055
Non-current Assets:	
Land and construction in progress	495,916
Buildings, building improvements and equipment, net of accumulated depreciation	5,654,204
Total non-current assets:	$ 6,150,120
Total Assets	$ 8,711,175
Deferred Outflows of Resources:	
Deferred Charge on refunding	152,661
Deferred pension outflows	798,910
Total deferred outflow of resources:	$ 951,571
LIABILITIES:	
Current Liabilities:	
Accounts payable	358,304
Accrued payroll and benefits	212,589
Amount held for student activities	43,520
Tax Anticipation Note	869,996
Other accrued liabilities	2,077
Unearned revenue	34,393
Interest payable	28,972
Current portion of long-term debt and capitalized lease obligations	156,910
Total current liabilities:	$ 1,706,761
Long-term liabilities, net of current portion:	
Debt, net of premiums and discounts	7,071,085
Capitalized lease obligations	117,900
Other accrued liabilities	13,369
Net pension liability	10,023,263
Other postemployment benefits	1,895,045
Other benefits and claims	440,834
Total long-term liabilities:	$ 19,561,496
Total liabilities	$ 21,268,257
Deferred Inflows of Resources:	
Deferred pension inflows	365,264
Total deferred inflow of resources:	$ 365,264
Net position:	
Net investment in capital assets	(342,529)
Restricted for:	
Debt service	510,743
Grants and donations	65,282
Worker's comp/tort immunity	35,116
Unrestricted (deficit)	(12,239,387)
Total Net Position	$(11,970,775)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

(Thousands of dollars)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
Governmental activities:					
Instruction	$3,870,330	$ 612	$ 629,716	$ 72,854	$(3,167,148)
Support services:					
Pupil support services	470,316	—	75,051	8,853	(386,412)
Administrative support services	318,736	—	50,863	6,000	(261,873)
Facilities support services	454,652	—	72,552	8,558	(373,542)
Instructional support services	468,999	—	74,841	8,828	(385,330)
Food services	211,288	1,336	238,828	3,977	32,853
Community services	36,967	—	5,899	696	(30,372)
Interest expense	365,136	—	—	—	(365,136)
Other	7,388	—	—	—	(7,388)
Total governmental activities	$6,203,812	$1,948	$1,147,750	$109,766	$(4,944,348)
General revenues:					
Taxes:					
Property taxes					$ 2,399,287
Replacement taxes					161,535
Non-program state aid					1,442,822
Interest and investment earnings					(18,706)
Other					190,480
Gain on sale of capital assets					10,058
Total general revenues					$ 4,185,476
Change in net position					(758,872)
Net position — beginning (deficit)					(11,211,903)
Net position — ending (deficit)					$(11,970,775)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BALANCE SHEET — GOVERNMENTAL FUNDS

June 30, 2016

(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Totals
Assets:				
Cash and investments	$ 13,450	$ —	$ 20,465	$ 33,915
Cash and investments in escrow	786	44,000	474,313	519,099
Cash and investments held in school internal accounts	43,520	—	—	43,520
Receivables:				
Property taxes, net of allowance	1,067,047	43,425	24,111	1,134,583
Replacement taxes	33,320	—	—	33,320
State aid, net of allowance	611,604	6,586	—	618,190
Federal aid	107,354	5,331	3,100	115,785
Other, net of allowance	4,534	14,556	40,640	59,730
Due from other funds	89,340	76,958	—	166,298
Total assets	$1,970,955	$190,856	$562,629	$2,724,440
Liabilities and fund balances:				
Liabilities:				
Accounts payable	$ 307,512	$ 48,440	$ 2,351	$ 358,303
Accrued payroll and benefits	144,686	—	—	144,686
Amount held for student activities	43,520	—	—	43,520
Due to other funds	76,958	2,968	86,372	166,298
Tax Anticipation Note	869,996	—	—	869,996
Unearned revenue	18,882	15,139	—	34,021
Total liabilities	$1,461,554	$ 66,547	$ 88,723	$1,616,824
Deferred inflows of resources:				
Unavailable property tax revenue	$ 66,749	$ 837	$ 1,499	$ 69,085
Other unavailable revenue	569,285	16,223	3,100	588,608
Total deferred inflows	$ 636,033	$ 17,061	$ 4,599	$ 657,693
Fund balances:				
Nonspendable	$ 429	—	—	$ 429
Restricted for grants and donations	64,854	—	—	64,854
Restricted for workers' comp/tort immunity	35,116	—	—	35,116
Restricted for capital improvement program	—	107,248	—	107,248
Restricted for debt service	—	—	535,116	535,116
Unassigned	(227,031)	—	(65,809)	(292,840)
Total fund balances	$ (126,632)	$107,248	$469,307	$ 449,923
Total liabilities, deferred inflows and fund balances	$1,970,955	$190,856	$562,629	$2,724,440

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2016

(Thousands of dollars)

Total fund balances — governmental funds		$ 449,923
Certain items that are recorded as expenditures in the governmental funds are treated as assets in the Statement of Net Position. These items include:		
Prepaid bond insurance costs		2,913
Deferred outflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements		951,571
The cost of capital assets (land, buildings and improvements, equipment and software) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of CPS as a whole. The cost of those capital assets are allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in the governmental funds.		
Cost of capital assets		9,966,865
Accumulated depreciation		(3,816,745)
Liabilities applicable to CPS' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Debt, interest payable on debt and other long-term obligations are not recorded in the governmental funds but they are reported in the Statement of Net Position. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Other accrued liabilities	$ (15,446)	
Debt, net of premiums and discounts	(7,186,890)	
Capitalized lease obligations	(159,005)	
Net pension liability	(10,023,263)	
Other post-employment benefits obligation	(1,895,045)	
Other benefits and claims	(508,737)	
		(19,788,386)
Interest payable		(28,972)
Certain revenues are deferred inflows of resources in the governmental funds because they are not available but are recognized as revenue in the government-wide financial statements.		
Property tax revenue		69,085
Other		588,235
Deferred inflows of resources applicable to CPS' governmental activities do not involve available financial resources and accordingly are not reported on the fund financial statements		(365,264)
Net position (deficit)		$(11,970,775)

The accompanying notes to the basic financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2016

With Comparative Amounts for the Fiscal Year Ended June 30, 2015

(Thousands of Dollars)

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fiscal Year Ended June 30, 2016	Total Fiscal Year Ended June 30, 2015
Revenues:					
Property taxes	$2,313,470	$ 42,588	$ 52,358	$2,408,416	$ 2,304,656
Replacement taxes	115,961	—	45,574	161,535	202,148
State aid	1,398,854	39,430	114,041	1,552,325	1,847,069
Federal aid	776,277	7,707	25,015	808,999	798,930
Interest and investment earnings	1,347	84	(97,081)	(95,650)	(92,825)
Other	271,858	62,910	102,274	437,042	377,287
Total revenues	$4,877,767	$ 152,719	$ 242,181	$5,272,667	$ 5,437,265
Expenditures:					
Current:					
Instruction	$2,970,553	—	—	$2,970,553	$ 3,253,484
Pupil support services	448,254	—	—	448,254	459,672
Administrative support services	303,785	—	—	303,785	236,748
Facilities support services	380,989	—	—	380,989	356,103
Instructional support services	359,966	—	—	359,966	379,675
Food services	201,377	—	—	201,377	197,084
Community services	37,497	—	—	37,497	38,003
Teachers' pension and retirement benefits	664,123	—	—	664,123	676,078
Other	7,388	—	—	7,388	6,319
Capital outlay	14,780	293,311	—	308,091	391,953
Debt service	26,134	—	455,285	481,419	533,493
Total expenditures	$5,414,846	$ 293,311	$ 455,285	$6,163,442	$ 6,528,612
Revenues in excess of (less than) expenditures	$ (537,079)	$(140,592)	$(213,104)	$ (890,775)	$(1,091,347)
Other financing sources (uses):					
Gross amounts from debt issuances	—	$ 428,892	$ 296,107	$ 724,999	$ 561,880
Discounts	—	(64,953)	(45,118)	(110,071)	(12,502)
Sales of general capital assets	—	15,012	—	15,012	37,504
Payment to refunded bond escrow agent	—	—	(120,856)	(120,856)	(386,710)
Transfers in / (out)	50,162	—	(50,162)	—	—
Total other financing sources (uses)	$ 50,162	$ 378,951	$ 79,971	$ 509,084	$ 200,172
Net change in fund balances	$ (486,917)	$ 238,359	$(133,133)	$ (381,691)	$ (891,175)
Fund balances, beginning of period	360,285	(131,111)	602,440	831,614	1,722,789
Fund balances, end of period	$ (126,632)	$ 107,248	$ 469,307	$ 449,923	$ 831,614

The accompanying notes to the financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2016

(Thousands of dollars)

Total net change in fund balances — governmental funds		$(381,691)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed the depreciation in the period.		
Capital outlay/equipment	$ 253,002	
Depreciation expense	(291,570)	
		(38,568)
In the Statement of Activities, gain or loss on disposal of capital assets is reported, whereas in the governmental funds, the entire proceeds are recorded		(8,939)
Proceeds from sales of bonds are reported in the governmental funds as a source of financing, whereas they are recorded as long-term liabilities in the Statement of Net Position (Net of discount of $110,071)		(614,929)
Payments to refunded escrow agent are reported in the governmental funds as a source of financing use, whereas they are recorded as reductions of long term liabilities in the Statement of Net Position		120,856
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position		139,105
Changes in the fair value of investment derivatives that do not provide current financial resources are not reported in the governmental funds, but are reported in the Statement of Activities		76,944
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities however, interest cost is recognized as the interest accrues, regardless of when it is due		(22,399)
Government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities		(249)
Since some property taxes and intergovernmental amounts will not be collected for several months after CPS' fiscal year end, they are not considered as "available" revenues in the governmental funds and are instead recorded as unavailable revenues. They are, however, recorded as revenues in the Statement of Activities. The following represents the change in related unavailable revenue balances.		
Property taxes		(9,129)
Federal grants		(8,123)
State grants and other revenues		102,524
In the Statement of Activities, pollution remediation obligation, legal settlements, sick pay, vacation pay, workers' compensation and unemployment insurance, general and automobile liability, net pension liability, and other post-employment benefits are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are paid when the amounts become due. The following represents the change during the year for these obligations.		
Pollution remediation obligation		6,043
Vacant property demolition obligation		5,373
Other litigation and claims		3,878
Sick pay		30,915
Vacation pay		7,784
Workers' compensation and unemployment insurance		17,808
General and automobile liability		(5,298)
Net pension liability		(75,173)
Other post-employment benefits — teacher		(105,604)
Change in net position		$(758,872)

The accompanying notes to the financial statements are an integral part of this statement.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education of the City of Chicago, or the Chicago Public Schools (CPS), is a body politic and corporate, and a school district of the State of Illinois having boundaries coterminous with the boundaries of the City of Chicago. The Board of Education of the City of Chicago (the Board) is established under and governed by the Illinois School Code and maintains a system of schools primarily for kindergarten through twelfth grade.

As a result of legislation passed by the Illinois General Assembly, which became effective on June 30, 1995, the Mayor of the City of Chicago appoints the members of the Board. CPS is excluded from the City's reporting entity because it does not meet the financial accountability criteria for inclusion established by the Governmental Accounting Standards Board (GASB).

The City of Chicago, the Public Building Commission of Chicago and the Public School Teachers' Pension and Retirement Fund of Chicago are deemed to be related organizations, but separate entities, and are not included as part of the CPS reporting entity. No fiscal dependency exists between these organizations. These units are excluded from the CPS reporting entity because they do not meet the criteria for inclusion as established by GASB.

New Accounting Standards

During fiscal year 2016, CPS adopted the following GASB Statements:

- GASB 72, *Fair Value Measurement and Application.* The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 4 for additional information on Cash Deposits and Investments.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. This statement will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This statement is also intended to improve implementation guidance by elevating its authoritative status to a level that requires it to be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. The implementation of this statement had no financial impact on the CPS.
- GASB 79, C*ertain External Investment Pools and Pool Participants.* This statement establishes criteria for an external investment pool to qualify for making the elections to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement had no financial impact on the CPS.

Other accounting standards that CPS is currently reviewing for applicability and potential impact on future financial statements include:

- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, which is intended to improve usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability, and establishes requirements for those pensions and pension plans that are not administered through a trust and pensions and pension plans not covered by Statements 67 and 68. This Statement is effective for the fiscal year ending June 30, 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statement No. 43 and addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. This statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. This statement also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for the fiscal year end June 30, 2017.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplemental information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the fiscal year ending June 30, 2018. GASB 75 is expected to have a material impact on the District's financial statements.
- GASB 77, *Tax Abatement Disclosures.* This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for the fiscal year ending June 30, 2017.
- GASB 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost — sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is effective for the fiscal year ending June 30, 2017.

FINANCIAL SECTION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- GASB 80, *Blending Requirements for Certain Component Units — An Amendment of GASB Statement No. 14.* This statement amends the blending requirements for the financial statement presentation of component units for all state and local governments established in paragraph 53 of Statement *No.14, The Financial Reporting Entity, as amended.* This Statement is effective for the fiscal year ending June 30, 2017.
- GASB 81, *Irrevocable Split-Interest Agreements*, which provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement is effective for the fiscal year ending June 30, 2018.
- GASB 82, *Pension Issues — an amendment of GASB Statements No. 67, No. 68 and No.73.* This statement addresses issues with (1) the presentation of payroll-related measures in required supplementary information stated in Statements No. 67 *Financial Reporting for Pension Plans* and No. 68 *Accounting and Financial Reporting for Pensions*, (2) The selection of Assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, stated in Statements No. 67, No. 68, and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and the Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*, and (3) the classification of payments made by employers to satisfy employee contribution requirements as stated by Statements No. 67 and No. 68. This Statement is effective for the fiscal year ending June 30, 2017.
- GASB 83, *Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB 83, establishes criteria for determining the timing and pattern of the recognition of a liability and a corresponding deferred outflow of resources or AROs. This Statement is effective for the fiscal year ending June 30, 2019.

Description of Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. The Statement of Net Position and the Statement of Activities were prepared using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the GASB requirements of accounting and financial reporting for non-exchange transactions. Deferred outflows of resources represent consumption of resources that is applicable to future reporting periods and is reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods and is reported in a separate section after liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not identified as program revenues are reported as general revenues.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside CPS' taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CPS reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of CPS. Interfund balances have been removed from these statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. State and Federal grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, State aid, Federal aid, replacement taxes, IGA, and other revenue are considered to be available if collected within 60 days of fiscal year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to derivatives, compensated absences, claims and judgments, other postemployment benefits, pension benefits and pollution remediation obligations, are recorded only when payment is due.

Funds

CPS reports its financial activities through the use of "fund accounting". This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. A description of the activities of the various funds is provided below.

Governmental Funds

a. General Operating Fund

The General Operating Fund is established in compliance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. This fund is the primary operating fund of CPS and is made up of the following programs:

Educational Program
Supplementary General State Aid Program
School Food Service Program

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Elementary and Secondary Education Act (ESEA) Program
Individuals with Disabilities Education Act (IDEA) Program
Workers' and Unemployment Compensation/Tort Immunity Program
Public Building Commission Operations and Maintenance Program
Other Government-Funded Programs

b. Capital Projects Fund

The Capital Projects Fund includes the following programs:

Capital Asset Program — This program is for the receipt and expenditure of the proceeds from the sale of certain Board real estate and other miscellaneous capital projects revenues from various sources as designated by the Board.

Capital Improvement Program — This program is for the receipt and expenditure of proceeds from the sale of Unlimited Tax General Obligation Bonds, Public Building Commission (PBC) Building Revenue Bonds, State of Illinois Construction Grants, Federal E-rate capital subsidies and other revenues for the purpose of building and improving schools as designated by the Board. The bonds are being repaid in the Debt Service Fund.

c. Debt Service Fund

The Debt Service Fund includes the following programs:

Bond Redemption and Interest Program — This program is for the receipt and expenditure of Replacement Taxes, City of Chicago Intergovernmental Agreement revenue, State of Illinois Construction Grants, General State Aid and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

Public Building Commission Leases Program — Receipts and expenditures of tax levies and State of Illinois Construction Grants for the rental payments due to the Public Building Commission of school buildings are recorded in this program. The title to these properties passes to the City of Chicago, in trust for the use of CPS, at the end of the lease terms.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

Deposits and Investments

CPS' cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. In addition, State statutes authorize CPS to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and the State Treasurer's Investment Pool. CPS' investments are reported at fair value based on quoted Market prices and valuations provided by third party account custodians. As of June 30, 2016 CPS holdings only include debt securities reported at fair value.

Cash and Investments in Escrow

Certain proceeds of CPS' bond issuances, as well as certain assets set aside for their repayment, are classified as cash and investments in escrow on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Property Tax Receivable

CPS records its property tax receivable amounts equal to the current year tax levy net of an allowance for estimated uncollectible amounts. The allowance is recorded at 3.5% of the gross levy.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A calendar year's property tax levies are billed (extended) in two installments in the subsequent calendar year. Calendar year 2015 property taxes were levied for fiscal year 2016 in August 2015 and were billed in fiscal year 2016. In 2016, the installment due dates were March 1 and August 1. Property taxes unpaid after these dates accrue interest at the rate of 1.5% per month. The treasurers of Cook and DuPage counties, who distribute such receipts to CPS, receive collections of property tax installments. CPS' property tax becomes a lien on real property on January 1 of the year for which it is levied. CPS does not record a receivable nor related deferred inflows of resources until the Board passes the levy for the current fiscal year.

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds".

Capital Assets

Capital assets; which include land, construction in progress, buildings, building improvements and equipment are reported in the governmental activities columns in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for equipment is a unit cost of $25,000 or more. Donated capital assets are recorded at acquisition value. CPS also capitalizes internally developed software with a capitalization threshold of $75,000 or more.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Beginning in fiscal year 2005, CPS implemented procedures related to impaired assets. Generally, a capital asset is considered impaired when its service utility has declined significantly and the events or changes in the circumstances are unexpected or outside the normal life cycle. See Note 6 for additional information on impairments.

Depreciation of buildings and building improvements of CPS is calculated using the straight-line method. Equipment is depreciated using the straight-line method. CPS' capital assets have the following estimated useful lives:

Assets	Years
Buildings and building improvements	25-50
Administrative software/systems	20
Internally developed software	3
Equipment	5

Depreciation of buildings and building improvements placed in service prior to fiscal year 2002 was calculated using a composite rate that CPS estimated to be 32 years. For items placed in service subsequent to fiscal year 2001, CPS utilizes the estimated useful lives for specific components within the range noted above.

FINANCIAL SECTION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vacation and Sick Pay

CPS provides vacation and sick pay benefits for substantially all of its employees. Accrued sick pay benefits were computed using the termination payment method. The liability for accrued vacation pay benefits was computed using the employees' actual daily wages. Please refer to Note 12 for accruals.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as prepaid insurance, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable as reported includes the unamortized balances of bond premiums and discounts. Prepaid insurance costs are reported as other assets and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions — In the government-wide financial statements, for purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago and additions to/deductions from the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago fiduciary net position have been determined on the same basis as they are reported by the Public School Teachers' Pension and Retirement Fund of Chicago and the Municipal Employees' Annuity and Benefit Fund of Chicago. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Swaps

CPS enters into interest rate swap agreements to modify interest rates on outstanding debt. CPS reported the swaps according to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Please refer to Note 11 for required disclosures. Swaps are reported at fair value and if they meet the definition of a hedge, then a like amount is reported as a deferred item in the Statement of Net Position. If the swaps are not effective, the change in fair value is reported in the Statement of Activities. Swaps are not reported in the fund financial statements. However, transactions are accounted for if there is the receipt or disbursement of cash. CPS terminated all swap agreements as of June 30, 2016.

Fund Balances

Within the governmental fund types, CPS' fund balances are reported in one of the following classifications:

Nonspendable — includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted — includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed — includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of CPS' highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless CPS removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. CPS' highest level of decision-making authority rests with CPS' Board of Education. CPS passes formal resolutions to commit their fund balances. There are no committed fund balances as of June 30, 2016.

Assigned — includes amounts that are constrained by CPS *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) CPS' Board of Education itself or b) a body or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. As of fiscal year 2016, CPS's Board has not delegated the authority to assign amounts to be used for specific purposes to a body or official. CPS' Board of Education assigns amounts for a specific purpose within the General Operating Fund. Within the other governmental fund types (debt service and capital projects) resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned — includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

In the General Operating Fund and other governmental funds (capital projects and debt service fund types), it is CPS' policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Note: There is a negative fund balance in the General Operating Fund.

Net Position

The Statement of Net Position includes the following:

Net investment in capital assets — the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted for debt service — the component of net position with constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Restricted for grants and donations — the component of net position that reports the difference between assets and liabilities of the certain programs that consists of assets with constraints placed on the use of resources are either: a) externally imposed by creditors, (such as through debt covenants) grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Restricted for workers' compensation/tort immunity — the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on the use of resources are either: a) externally imposed by creditors, (such as through debt covenants) grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted — consists of net position that does not meet the criteria of the four preceding categories.

Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPS' financial statements for the year ending June 30, 2015, from which the summarized information was derived.

Management's Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States for the General Operating, Capital Projects and Debt Service funds. Unencumbered appropriations, in General operating and Debt Service funds, lapse at fiscal year-end.

Certain funding allocations (primarily Federal and State programs, including Supplementary General State Aid) are made to schools but may not be budgeted by account by the schools at the time the budget is adopted. These allocations are included in other fixed charges for budget purposes. During the fiscal year, upon receiving the appropriate approvals from the Office of Management and Budget, transfers are made to the appropriate accounts. Actual expenditures are reflected in the appropriate accounts.

The appropriated budget is prepared by fund, account and unit. The legal level of budgetary control is at the account level except for school-based discretionary programs. School-based discretionary program expenditures are governed by specific program policies and procedures. Board approval is required for all funding transfers. In addition, an amended budget is required for increases in total appropriation.

The Capital Projects Fund is budgeted on a project-by-project basis. Budgeted amounts in the Capital Projects Fund represent the entire project budget for projects that were expected to commence in fiscal year 2016. Actual expenditures in the Capital Projects Fund include expenditures on projects that were budgeted in the current and prior fiscal years.

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE

a. Property Taxes — CPS levies property taxes using tax levy rates established by statute and an equalized assessed valuation (EAV) estimated by CPS. The maximum billing (extension) of property taxes for the rate-limited Educational Levy in any calendar year is limited to the lesser of the tax rate established by statute multiplied by the EAV known at the time the final calendar year tax bills are calculated by the Cook and DuPage County Clerks, or the tax rates established by statute multiplied by the prior year EAV. Property taxes for the levies that are not rate-limited are levied based on the estimated requirements for such funds.

FINANCIAL SECTION

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE (continued)

As part of the annual budgetary process, CPS adopts a resolution each December in which it is determined to levy real estate taxes. In FY16, CPS adopted a resolution for tax levy in August 2015 because that tied public discussion of the tax levy more closely with the budget that the levy was going to fund and CPS needed to do short term borrowing against the levy. This tax levy resolution imposes property taxes in terms of a dollar amount. The Truth in Taxation Law requires that notice in prescribed form must be published and a public hearing must be held if the aggregate annual levy exceeds 105% of the levy of the preceding year.

Since the 1994 levy year, CPS has been subject to the Property Tax Extension Limitation Law (PTELL). The PTELL, commonly known as the property-tax cap, is designed to limit the increases in property taxes billed for non-home rule taxing districts. The growth in a taxing district's aggregate extension base is limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The CPI used is for all urban consumers for all items as published by the U.S. Department of Labor, Bureau of Labor Statistics. This limitation can be increased for a taxing body with voter approval. The PTELL allows a taxing district to receive a limited annual increase in tax extensions on existing property, plus an additional amount for new construction. This limit slows the growth of revenues to taxing districts when property values and assessments are increasing faster than the rate of inflation.

Legal limitations on tax rates and the rates extended in calendar years 2016 and 2015 are shown below.

	Maximum 2016 Legal Limit	Tax Rates Extended Per $100 of EAV 2016	2015
General Operating Fund:			
Educational	(A)	$3.205	$3.409
Workers' and Unemployment Compensation/Tort Immunity	(B)	0.111	0.169
Debt Service Fund:			
Public Building Commission Leases Program	(C)	0.075	0.082
Capital Fund:			
Capital Improvement	(D)	0.064	0.000
		$3.455	$3.660

NOTES:

A. The maximum legal limit for educational purposes under PTELL cannot exceed $4.00 per $100 of EAV (105 ILCS 5/34-53), and the total amount billed (extended) under the General Operating Fund is subject to the PTELL as described above.

B. These tax rates are not limited by law, but are subject to the PTELL as described above.

C. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS to make its lease payments related to the certificates of participation debt obligations.

D. The tax cap limitation contained in the PTELL does not apply to the taxes levied by CPS for the Capital Improvement Tax (CIT). Per (105 ILCS 5/34-53.5), the CIT act became effective in 2002 and requires the initial levy of the CIT made by the Board to be authorized by a one-time approval of the Chicago City Council, which approved the CIT in 2015. The Board authorized the initial levy of the CIT for $45 million in calendar year 2015 for collection in 2016. The CIT Act establishes maximum authorized amounts of the CIT that can be levied each calendar year equal to the cumulative inflationary growth on a base of $142.5 million starting in 2003.

NOTE 3. PROPERTY TAXES AND STATE AID REVENUE (continued)

b. State Aid — The components of State Aid as reported in the financial statements are as follows ($000's):

	Fund Financial Statements	Government Wide-Financial Statements
Revenues:		
General state aid unrestricted	$ 710,642	$ 710,642
Supplementary general state aid	261,000	261,000
Educational services block grant	387,994	471,180
Other restricted state revenue	192,689	203,928
Total state aid	$1,552,325	$1,646,750
Program Revenues:		
Operating grants and contributions		(203,928)
Non-program general state aid		$1,442,822

NOTE 4. CASH DEPOSITS AND INVESTMENTS

Cash and investments held in the name of the CPS are controlled and managed by the CPS' Treasury Department; however, custody is maintained by the Treasurer of the City of Chicago, who is the designated ex-officio Treasurer of the CPS under the Illinois School Code. Custody is not maintained by the Treasurer of the City of Chicago for cash and investments in escrow and the schools' internal accounts. The cash and investments in escrow in the Debt Service Fund represent the amount available for debt service payments on the Unlimited Tax General Obligation Bonds and PBC Leases. The cash and investments in escrow in the Capital Projects Fund represent the unspent proceeds from the Unlimited Tax General Obligation Bonds and other revenues.

Cash and Deposits

With the exception of school internal accounts as designated by the Board, the Municipal Code of Chicago requires that cash be deposited only in chartered banks or savings and loan associations that are on the City of Chicago's approved depository listing. The ordinances allow only regularly organized State or national banks insured by the Federal Deposit Insurance Corporation, and Federal and State savings and loan associations insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation located within the City of Chicago, to be designated depositories.

Custodial Credit Risk — Custodial credit risk for deposits is the risk that in the event of a financial institution failure, CPS deposits may not be returned. The CPS Investment Policy requires collateral with an aggregate market value of not less than 110% of the original acquisition price, including principal and accrued interest, on depository account balances, banker's acceptances and certificates of deposit unless the bank meets certain rating requirements and or asset unless either: 1) the bank has assets exceeding $500,000,000; or 2) the applicable instrument is insured at the time of purchase by an entity with long-term ratings in one of the highest 2 classifications without regard to gradation, in which case collateralization is not required. Collateral for the CPS' bank accounts are held by a third-party custodian in the name of the City of Chicago Treasurer for the benefit of the CPS. Collateral shall be only those securities authorized as allowable investments.

As of June 30, 2016, the book amount of the CPS' deposit accounts was $49.7 million. The bank balances totaled $58.1 million as of June 30, 2016. The difference between the book and bank

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

balances primarily represents checks that have been issued but have not yet cleared as of June 30, 2016. The bank balance was covered by Federal depository insurance and by collateral held by third-party custodians.

Cash and Investments Held in School Internal Accounts, and the corresponding liability, Amounts Held for Student Activities, represent the book balance for checking and investments for individual schools.

Investments

The CPS' investments are authorized under the Illinois Compiled Statutes Finance Investment Act. The CPS' Investment Policy is derived from this Act. The CPS Investment Policy authorizes the CPS to invest in obligations guaranteed by the full faith and credit of the U.S. Government, certificates of deposit constituting direct obligations of banks, commercial paper, money market mutual funds, repurchase agreements that mature within 330 days, certain U.S. Government agency securities, and certain State and municipal securities that are rated at the time of purchase at A1/A+ or better by a rating service of nationally recognized expertise in rating bonds of states and their political subdivision. All mutual funds purchased invest in eligible securities outlined in the parameters of the CPS Investment Policy and meet certain other regulatory requirements.

The CPS' Investment Policy contains the following stated objectives:

- Safety of Principal. Investments shall be undertaken in a manner that provides for the preservation of principal in the overall portfolio.
- Liquidity. The investment portfolio shall be sufficiently liquid to meet all reasonably anticipated operating and cash flow requirements.
- Rate of Return. The investment portfolio shall be constructed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account investment risk constraints and liquidity needs.
- Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable risks associated with specific securities or financial institutions.

Custodial Credit Risk — All CPS investment securities shall be held by a third party custodian in accordance with municipal ordinances to the extent required by state statute. The CPS treasurer shall periodically review the approved depositories to evaluate counterparty risk. In order to further reduce custodial risk, investments are registered and held in the name of CPS. The collateral requirements for investments with depository balances is the same as those for cash and deposits (disclosed above). Repurchase agreement investments are required to have collateral not less than 102% of the acquisition price.

At June 30, 2016, the CPS had the following investments ($000's) and maturities:

Investment Type	Ratings	Carrying Amount	Maturities Less Than 1 Year	Maturities 1-5 Years
Repurchase Agreements	A-/Baa2	$ 46,691	$ 46,691	$ —
U.S. Government Agency Securities	Aaa/AA+/AAA	13,275	11,898	1,377
U.S. Treasury Notes	AA+/Aaa	88,866	—	88,866
Commercial Paper	A-1/P-1/AAAm / Aaa-mf	132,434	132,434	—
Money Market Mutual Funds	AAAm/Aaa-mf	265,605	265,605	—
Total Investments		$546,871	$456,628	$90,243
Cash and CDs		49,662	—	—
Total Cash and Investments		$596,533	$456,628	$90,243

* In order to further reduce custodial risk, investments are registered and held in the name of CPS.

NOTE 4. CASH DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk — The CPS Investment Policy requires maintenance of a two-tiered portfolio which limits the average maturity of the Liquidity Cash Management tier of the portfolio to six months, limits the average maturity of the Enhanced Cash Management tier of the portfolio to five years and limits the maturity of any single issue in the Enhanced Cash Management tier of the portfolio to 10 years.

Credit Risk — CPS' Investment Policy limits investment in commercial paper to the top two ratings issued by at least two standard rating services. As of June 30, 2016, Moody's Investment Service rated the CPS' investments in banker's acceptances and commercial paper A1+ or A1 by Standard and Poor's, and P-1 by Moody's. As of June 30, 2016, Standard and Poor's rated the CPS' investments in money market mutual funds AAAm/Aaa-mf and municipal securities as A1/A+ or better as required by the CPS' Investment Policy.

Concentration of Credit Risk — As of June 30, 2016, no issuer represented over 5% of total investments. Investments issued by the U.S. government and government agencies and investments in mutual funds are excluded from the concentration of credit risk.

CPS categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CPS has the following recurring fair value measurements ($000's) as of June 30, 2016 using a matrix pricing model:

		Fair Value Measurements Using		
	June 30, 2016	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities				
Federal Farm Credit Bank Note	$ 1,377	$ —	$ 1,377	$ —
US Treasury Note	88,866	—	88,866	—
Total debt securities	$90,243	$ —	$90,243	$ —
Total investments measured at fair value	$90,243	$ —	$90,243	$ —

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools are measured at amortized cost and therefore excluded from the above fair value table. This exclusion includes money market funds, commercial paper, repurchase agreements and agency obligations held by CPS in the amount of $456.7 million.

The following table provides a summary of CPS' total cash and investments by fund type as of June 30, 2016 ($000's):

Fund	Amount
General Operating Fund	$ 57,756
Capital Projects Fund	44,000
Debt Service Fund	494,778
Total Cash and Investments	$596,534

NOTE 5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables as of June 30, 2016 for CPS, net of the applicable allowance for uncollectible accounts, are as follows ($000's):

	General Operating Fund	Capital Projects Fund	Debt Service Fund	Total Fund Financial Statements	Government-Wide Financial Statements
Property taxes	$1,149,416	$45,000	$25,972	$1,220,388	$1,220,388
Replacement taxes	33,320	—	—	33,320	33,320
State aid	615,446	6,586	—	622,032	622,032
Federal aid	107,354	5,331	3,100	115,785	115,785
Other	4,534	14,556	40,640	59,730	59,730
Total receivables	$1,910,070	$71,472	$69,713	$2,051,255	$2,051,255
Less: Allowance for uncollectibles — property tax	(82,369)	(1,575)	(1,861)	(85,805)	(85,805)
Less: Allowance for uncollectibles — state aid	(3,842)	—	—	(3,842)	(3,842)
Total receivables, net	$1,823,859	$69,898	$67,851	$1,961,608	$1,961,608

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2016, the components of unavailable revenue reported in the fund financial statements are as follows ($000's):

Unavailable property tax revenue	$ 69,085
Other unavailable Revenue	588,608
Total deferred inflows of resources	$657,693

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows ($000's):

Government-wide activities:	Beginning Balance	Increases	Decreases and Transfers to In-Service	Ending Balance
Capital assets, not being depreciated:				
Land	$ 313,438	$ 1,561	$ (1,470)	$ 313,529
Construction in progress	446,186	170,796	(434,595)	182,387
Total capital assets not being depreciated	$ 759,624	$ 172,357	$(436,065)	$ 495,916
Capital assets being depreciated:				
Buildings and improvements	$ 8,751,512	$ 513,349	$ (23,123)	$ 9,241,738
Equipment and administrative software	223,894	1,558	(3,130)	222,322
Internally developed software	8,359	333	(1,803)	6,889
Total capital assets being depreciated	$ 8,983,765	$ 515,240	$ (28,056)	$ 9,470,949
Total capital assets	$ 9,743,389	$ 687,597	$(464,121)	$ 9,966,865
Less accumulated depreciation for:				
Buildings and improvements	$(3,444,052)	$(273,531)	$ 17,767	$(3,699,816)
Equipment and administrative software	(94,806)	(17,335)	1,292	(110,849)
Internally developed software	(6,904)	(704)	1,528	(6,080)
Total accumulated depreciation	$(3,545,762)	$(291,570)	$ 20,587	$(3,816,745)
Capital assets, net of depreciation	$ 6,197,627	$ 396,027	$(443,534)	$ 6,150,120

Depreciation and impairment expense were charged to functions/programs of CPS as follows ($000's):

Governmental activities:	Depreciation Expense	Impairment Expense
Instruction	$185,667	$2,537
Pupil support services	28,017	383
Administrative support services	18,987	260
Facilities support services	23,813	325
Instructional support services	22,499	307
Food services	12,587	172
Total depreciation expense	$291,570	$3,984

Asset Impairment

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. In the absence of a property appraisal, the book values were adjusted to zero. Management reviews capital assets at year end for impairment.

On February 24, 2016, the CPS Board of Education voted to close the Moses Montefiore Specialty Elementary School, effective July 1, 2016. Because this constitutes a change in the manner or expected duration of use of a capital asset, an impairment has been recognized for the school building. As of June 30, 2016, the net book value of the building was written down from $3.754 million to zero due to this closure.

FINANCIAL SECTION

NOTE 6. CAPITAL ASSETS (continued)

At year end, CPS determined that internally developed software capitalized on June 30, 2012 was no longer in service. As of June 30, 2016, the net book value of the software was written down from $0.230 million to zero due to this impairment.

Construction Commitments

CPS had active construction projects as of June 30, 2016. These projects include new construction and renovations of schools. At year-end, CPS had approximately $97.7 million in outstanding construction commitments.

NOTE 7. INTERFUND TRANSFERS AND BALANCES

Interfund Balances

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due to/from Other Funds" on the accompanying governmental fund financial statements (in thousands).

General Operating Fund:	
Due To Capital Improvement Program	$(76,958)
Due From Capital Asset Program	2,968
Due From Bond Redemption and Interest Program	86,372
Total — Net due from (to) other funds	$ 12,382
Capital Projects Fund:	
Capital Asset Program — Due To General Operating Fund	$ (2,968)
Capital Improvement Program — Due From General Operating Fund	76,958
Total — Net due from (to) other funds	$ 73,990
Debt Service Fund:	
Bond Redemption and Interest Program — Due to General Operating Fund	$(86,372)

The purpose of interfund balances is to present transactions that are to be repaid between major programs at year end. The balances result from operating transactions between funds and are repaid during the fiscal year within the normal course of business.

Interfund Transfers

In fiscal year 2016, CPS transferred to the General Operating Fund $50.2 million of debt restructuring savings from the Bond Redemption and Interest Program.

NOTE 8. SHORT-TERM DEBT

2015 Tax Anticipation Notes

During FY 2016, the Board closed on five series of 2015 Educational Purposes Tax Anticipation Notes (TANS) with a total capacity of $1.065 billion for working capital purposes. Series 2015A1,A2,A3 TANS were issued as a direct placement with JP Morgan, and Series 2015B,B1 were issued as a direct placement with Barclays. The TANS provided liquidity support within the fiscal year.

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FINANCIAL SECTION

NOTE 8. SHORT-TERM DEBT (continued)

The 2015 TANs issued were first issued as follows ($000s)

Description	Initial Advance Date	Amount
Series 2015A1	October 14, 2015	$250,000
Series 2015A2	October 28, 2015	$250,000
Series 2015A3	December 29, 2015	$65,000
Series 2015B	August 28, 2015	$200,000
Series 2015B	November 30, 2015	$88,100
Series 2015B	December 22, 2015	$81,900
Series 2015B1	February 3, 2016	$130,000

Each of the TANS are backed by the Board's 2015 Education Property Tax Levy collected in two installments in 2016. The tax levy collected by the counties are disbursed to a trustee and used to repay the TANS. When balances of the issues are fully repaid, all remaining levy monies are disbursed to the Board. The Series 2015A1,A2 TANS were structured as a single draw repaid the earlier of 60 days after the second installment due date of tax levy year 2015 property taxes or December 27, 2016. 2015B TANS were structured as a revolving facility that can be drawn and repaid until the earlier of 60 days after the second installment due date of tax levy year 2015 property taxes or December 27, 2016. The Series 2015A3 and Series 2015B1 TANS were structured as a single draw repaid on March 31, 2016.

As of June 30, 2016, a total of $870 million in 2015 tax anticipation notes was outstanding. The total amount drawn on the issues is reported as a separate line item on the statement of net position and therefore, none of the issues were included in the Note 9 summarizing the changes in long-term debt. This amount was paid off subsequent to year end and is discussed further in Note 16.

Short-term debt activity for the year ended June 30, 2016 was as follows ($000's):

Balance June 30, 2015	Draws	Repayments	Balance June 30, 2016
$700,000	$1,472,520	($1,302,520)	$870,000

FINANCIAL SECTION

NOTE 9. LONG-TERM DEBT

Long-term Obligations

Long-term Debt activity for the fiscal year ended June 30, 2016 was as follows (in thousands)

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Governmental activities:					
General Obligation Long-term Debt	$ 6,073,049	$ 725,000	$(219,066)	$ 6,578,983	$ 74,148
Add unamortized premium (discount)	93,117	(110,071)	(9,296)	(26,250)	—
Add accretion of capital appreciation bonds	619,171	54,965	(39,979)	634,157	$ 41,657
Subtotal of debt, net of premiums and discounts	$ 6,785,337	$ 669,894	$(268,341)	$ 7,186,890	$115,805
Capitalized lease obligations	197,870	—	(38,865)	159,005	41,105
Total debt and capitalized lease obligations	$ 6,983,207	$ 669,894	$(307,206)	$ 7,345,895	$156,910
Derivative instrument liability	$ 37,818	$ —	(37,818)	$ —	$ —
Swap implicit borrowing	80,753	—	(80,753)	—	—
Other liabilities:					
Other accrued liabilities	18,650	—	(3,204)	15,446	2,077
Net pension liability	9,501,205	522,058	—	10,023,263	—
Net other post-employment benefits obligation	1,789,441	105,604	—	1,895,045	—
Other benefits and claims	563,826	6,055	(61,144)	508,737	67,903
Total other liabilities:	$11,873,122	$ 633,717	$ (64,348)	$12,442,491	$ 69,980
Total long-term obligations:	$18,974,900	$1,303,611	$(490,125)	$19,788,386	$226,890

General Obligation Bonds

CPS issued the following long-term debt in fiscal year 2016.

Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenue) Series 2016A

In 2016, CPS issued $725.0 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) as fixed-rate, Series 2016A. The proceeds of the Bonds were used to reimburse and finance expenditures related to the Board's Capital Improvement Program, refund and restructure certain outstanding obligations of the Board, fund capitalized interest on the Bonds, and pay the cost of issuance on the bonds.

NOTE 9. LONG-TERM DEBT (continued)

The current portion of long-term debt and long-term lease obligations is comprised of the following ($000's):

Bonds	$ (74,148)
Accreted Interest	(41,657)
Subtotal	$(115,805)
Lease Obligations	(41,105)
Total Current Portion	$(156,910)

The Unlimited Tax General Obligation Bonds are being repaid in the Debt Service Fund from Replacement Tax revenue, revenue from Intergovernmental Agreements with the City of Chicago, subsidies from the federal government, General State Aid, and other state funding to the extent possible, and then from a separate tax levy associated with the bonds.

Defeased Debt

Defeased bonds have been removed from the Statement of Net Position because related assets have been placed in irrevocable trust that, together with interest earned, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at June 30, 2016 are as follows ($000's):

Description	Amount Defeased	Amount Outstanding
Unlimited Tax General Obligation Bonds, Series 2006B	$ 8,375	$ 8,375
Unlimited Tax General Obligation Bonds, Series 2007D	9,310	9,310
Unlimited Tax General Obligation Bonds, Series 2009D	1,500	1,500
Unlimited Tax General Obligation Bonds, Series 2009F	6,255	6,255
	$25,400	$25,400

NOTE 9. LONG-TERM DEBT (continued)

Future debt and associated swap payments (see Note 10). Interest rates on fixed rate bonds range from 1.75% to 7.00%, except that CPS does not pay or accrue interest on the Series 2006A, Series 2003C Bonds, or the Series 2001B Bonds. These bond series were issued as "Qualified Zone Academy Bonds" within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended. "Eligible taxpayers," as defined in Section 1397E of the Internal Revenue Code, who own these bonds will be entitled to a credit against taxable income. As of June 30, 2016 there were no hedged variable rate bonds outstanding. Interest rates on unhedged variable rate bonds assume the average monthly variable rate for June, 2016, and remain the same for the life of the bonds. Debt service requirements for the Unlimited Tax General Obligation Bonds are scheduled as follows ($000's):

Future Payments of Unlimited Tax GO Bonds
As of June 30, 2016

	Fixed Rate Bonds		Variable Rate Bonds		
Fiscal Year(s)	Principal	Interest	Principal	Estimated Interest*	Total**
2017	$ 67,748	$ 312,686	$ 6,400	$ 27,931	$ 414,765
2018	127,337	300,585	24,975	27,459	480,356
2019	149,030	295,928	28,555	26,262	499,775
2020	159,381	304,565	30,870	24,914	519,730
2021	182,995	313,972	32,505	23,468	552,940
2022-2026	1,106,759	1,468,314	250,820	92,554	2,918,447
2027-2031	1,063,603	1,405,650	512,580	44,136	3,025,969
2032-2036	739,690	831,113	198,595	5,962	1,775,360
2037-2041	1,130,535	402,500	—	—	1,533,035
2042-2045	766,605	76,828	—	—	843,433
Total	$5,493,683	$5,712,141	$1,085,300	$272,686	$12,563,810

* Interest on variable rate demand notes assumes current interest rates remain the same as of June 30, 2016, calculated at:

Series 2008A — 1.21000% x outstanding principal
Series 2008B — 1.21000% x outstanding principal
Series 2011C-1 — 9.00000% x outstanding principal
Series 2011C-2 — 1.51000% x outstanding principal
Series 2013A-1 — 7.50000% x oustanding principal
Series 2013A-2 — 1.15500% x oustanding princpal
Series 2013A-3 — 1.23500% x oustanding principal
Series 2015A — 4.41000% x outstanding principal
Series 2015G — 4.41000% x outstanding principal

** Does not include debt backed by leases with the Public Building Commission, discussed in Note 10.

NOTE 9. LONG-TERM DEBT (continued)

Floating Rate Note Securities

Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2011C-1 and 2011C-2

In December, 2011 the Board issued $51.0 million (Series 2011C-1) and $44.1 million (Series 2011C-2) variable rate bonds with JP Morgan Chase Bank acting as placement agent. The bonds refunded the former Series 2000D.

For the Series 2011C-1, an initial index floating rate period was set up to February 29, 2016. During this initial period, the rate is reset monthly and equal to SIFMA plus 95 basis points. The Series 2011C-1 bonds are callable beginning on September 1, 2015. As of June 30, 2016 the Board had not remarketed, redeemed or tendered for the Series 2011C-1 bonds, as a result for the period beginning March 1, 2016 the rate will be equal to 9.00% until such time that the issue is refinanced.

For the Series 2011C-2, an initial index floating rate period was set up to February 28, 2017. During this initial period, the rate is reset monthly and equal to SIFMA plus 110 basis points. The Series 2011C-2 bonds are callable beginning on September 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2011C-1 bonds, after the end of the initial index floating rate period, the rate will be equal to 9.00% until such time that the issue is refinanced.

Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2013A-1, 2013A-2 and 2013A-3

In May, 2013, the Board issued $122.6 million (Series 2013A-1), $124.3 million (Series 2013A-2), and $157.1 million (Series 2013A-3) variable rate bonds. The bonds refunded the former Series 2009A, 2009B, 2010A, and 2010B.

For the Series 2013A-1, an initial index floating rate period was set up to June 1, 2016. During this initial period, the rate is reset monthly and equal to 70% of One Month Libor plus 58 basis points. The Series 2013A-1 bonds are callable beginning on December 1, 2015. As of June 30, 2016, the Board has not remarketed, redeemed or tendered for the Series 2013A-1 bonds, as a result for the period beginning June 1, 2016 and the next 90 days thereafter the rate will be 7.50%. On the 91st day and thereafter, the rate will be equal to 9.00% until such time that the issue is refinanced.

For the Series 2013A-2, an initial index floating rate period was set up to June 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 75 basis points. The Series 2013A-2 bonds are callable beginning on December 1, 2016. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A2 bonds, after the end of the initial index floating rate period and for the next 90 days thereafter, the rate will be 7.50%. On the 91st day and thereafter the rate will be equal to 9% until such time that the issue is refinanced.

For the Series 2013A-3, an initial index floating rate period was set up to June 1, 2018. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 83 basis points. The Series 2013A-3 bonds are callable beginning on December 1, 2017. Under the terms of the bond indenture, if the Board has not remarketed, redeemed or tendered for the Series 2013A3 bonds, after the end of the initial index floating rate period and for the next 90 days thereafter, the rate will be 7.50%. On the 91st day and thereafter the rate will be equal to 9% until such time that the issue is refinanced.

Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2015A and 2015G

In March, 2015, the Board issued $89.2 million (Series 2015A) and $88.9 million (2015G) variable rate bonds. The bonds refunded the former Series 2000B and 2011D.

NOTE 9. LONG-TERM DEBT (continued)

For Series 2015A and the Series 2015G, an initial index floating rate period was set up to March 1, 2017. During this initial period, the rate is reset weekly and equal to the SIFMA Index plus 400 basis points. Both the Series 2015A and the Series 2015G bonds are callable beginning on September 1, 2016. Under the terms of the bond indenture for each series of bonds, if the Board has not remarketed, redeemed or tendered for the Series 2015A and 2015G bonds, after the end of the initial index floating rate period, the rate will be equal to 9.00% until such time that each issue is refinanced.

Direct Placements

Unlimited Tax General Obligation Refunding Bonds (Dedicated Alternate Revenues), Series 2008A and 2008B

In May 2008, the Board issued $262.8 million (Series 2008A) and $241.0 million (Series 2008B) variable rate bonds in direct placements with Dexia Credit Local. The interest rate for each series is reset monthly, and is equal to the one month LIBOR rate plus 75 basis points with no expiration until maturity. The bonds are subject to optional redemption prior to their maturity date at the option of the Board, in whole or in part (and, if in part, in an authorized denomination ($100,000 and any integral multiple thereof of $5,000 in excess thereof)) on any LIBOR interest payment date (monthly), at a redemption price equal to 100 percent of the principal amount thereof and accrued interest, if any, to the redemption date.

Accreted Interest

Interest and maturities include accretable interest on the Capital Appreciation Bonds as follows ($000's):

Series	Accreted Interest June 30, 2015	Increase	Payment	Accreted Interest June 30, 2016
1997A	$ 17,881	$ 1,134	$ (9,502)	$ 9,513
1998B-1	348,094	31,281	(11,702)	367,673
1999A	253,196	22,550	(18,775)	256,971
	$619,171	$54,965	$(39,979)	$634,157

NOTE 9. LONG-TERM DEBT (continued)

The following is a summary of changes in Long-term Debt outstanding ($000's)

Series	Orginal Amount Issued	Debt Purpose	Interest Rate	Final Maturity	Principal Outstanding June 30, 2015	Accreted Interest	Principal and Accreted Interest June 30, 2015	Issuances	Retirements	Principal Outstanding June 30, 2016	Accreted Interest	Principal and Accreted Interest June 30, 2016
2016A	$725,000	Capital Improvement/ Refunding	7.00%	12/1/2044	$ —	$ —	$ —	$725,000	$ —	$ 725,000	$ —	$ 725,000
2015G	88,900	Refunding	Variable	3/1/2032	88,900	—	88,900	—	—	88,900	—	88,900
2015E	20,000	Capital Improvement	5.13%	12/1/2032	20,000	—	20,000	—	—	20,000	—	20,000
2015C	280,000	Capital Improvement	5.25%	12/1/2039	280,000	—	280,000	—	—	280,000	—	280,000
2015A	89,200	Refunding	Variable	3/1/2032	89,200	—	89,200	—	—	89,200	—	89,200
2013A-3	157,055	Refunding	Variable	3/1/2036	157,055	—	157,055	—	—	157,055	—	157,055
2013A-2	124,320	Refunding	Variable	3/1/2035	124,320	—	124,320	—	—	124,320	—	124,320
2013A-1	122,605	Refunding	Variable	3/1/2026	106,930	—	106,930	—	(16,940)	89,990	—	89,990
2012B	109,825	Refunding	5.00%	12/1/2034	109,825	—	109,825	—	—	109,825	—	109,825
2012A	468,915	Capital Improvement	5.00%	12/1/2042	468,915	—	468,915	—	—	468,915	—	468,915
2011C-2	44,100	Refunding	Variable	3/1/2032	44,100	—	44,100	—	—	44,100	—	44,100
2011C-1	51,000	Refunding	Variable	3/1/2032	47,200	—	47,200	—	(3,600)	43,600	—	43,600
2011A	402,410	Capital Improvement	5.00% to 5.50%	12/1/2041	402,410	—	402,410	—	—	402,410	—	402,410
2010G	72,915	Refunding	2.77% to 4.18%	12/1/2017	38,590	—	38,590	—	(15,855)	22,735	—	22,735
2010F	183,750	Refunding	5.00%	12/1/2031	176,630	—	176,630	—	(7,475)	169,155	—	169,155
2010D	125,000	Capital Improvement	6.52%	3/1/2036	125,000	—	125,000	—	—	125,000	—	125,000
2010C	257,125	Capital Improvement	6.32%	11/1/2029	257,125	—	257,125	—	—	257,125	—	257,125
2009G	254,240	Capital Improvement	1.75%	12/15/2025	254,240	—	254,240	—	—	254,240	—	254,240
2009F	29,125	Capital Improvement	2.50% to 5.00%	12/1/2016	12,325	—	12,325	—	(12,325)	—	—	—
2009E	518,210	Capital Improvement	4.682% to 6.14%	12/1/2039	518,210	—	518,210	—	—	518,210	—	518,210
2009D	75,720	Refunding	1.00% to 5.00%	12/1/2023	52,465	—	52,465	—	(7,125)	45,340	—	45,340
2008C	464,655	Refunding	4.25% to 5.00%	12/1/2032	464,655	—	464,655	—	—	464,655	—	464,655
2008B	240,975	Refunding	Variable	3/1/2034	200,775	—	200,775	—	(15,425)	185,350	—	185,350
2008A	262,785	Refunding	Variable	12/1/2030	262,785	—	262,785	—	—	262,785	—	262,785
2007D	238,720	Capital Improvement	4.00% to 5.00%	12/1/2029	187,375	—	187,375	—	(18,180)	169,195	—	169,195
2007C	6,870	Refunding	4.00% to 4.375%	12/1/2021	4,540	—	4,540	—	(390)	4,150	—	4,150
2007B	197,765	Refunding	5.00%	12/1/2024	197,765	—	197,765	—	—	197,765	—	197,765
2006B	355,805	Capital Improvement	4.25% to 5.00%	12/1/2036	305,875	—	305,875	—	(16,350)	289,525	—	289,525
2006A	6,853	Capital Improvement	0.00%	6/1/2021	6,853	—	6,853	—	—	6,853	—	6,853
2005B	52,595	Refunding	5.00% to 5.50%	12/1/2021	22,735	—	22,735	—	—	22,735	—	22,735
2005A	193,585	Refunding	5.00% to 5.50%	12/1/2031	181,085	—	181,085	—	(6,720)	174,365	—	174,365
2004G	56,000	Capital Improvement	4.00% to 6.00%	12/1/2022	—	—	—	—	—	—	—	—
2004A	205,410	Refunding	4.00% to 5.00%	12/1/2020	131,735	—	131,735	—	(57,255)	74,480	—	74,480
2003C	4,585	Capital Improvement	0.00%	10/27/2017	4,585	—	4,585	—	—	4,585	—	4,585
2002A	48,970	Capital Improvement	3.00% to 5.25%	12/1/2022	31,670	—	31,670	—	(3,310)	28,360	—	28,360
2001B	9,440	Capital Improvement	0.00%	10/23/2015	9,440	—	9,440	—	(9,440)	—	—	—
1999A	532,553	Capital Improvement/ Refunding	4.30% to 5.30%	12/1/2031	419,560	253,196	672,756	—	(14,235)	405,325	256,971	662,296
1998B-1	328,714	Capital Improvement	4.55% to 5.22%	12/1/2031	257,044	348,094	605,138	—	(8,698)	248,346	367,673	616,019
1997A	499,995	Capital Improvement	5.30% to 5.55%	12/1/2030	11,132	17,881	29,013	—	(5,743)	5,389	9,513	14,902
Total Bonds					$6,073,049	$619,171	$6,692,220	$725,000	$(219,066)	$6,578,983	$634,157	$7,213,140
Less Current Portion							(158,490)					(115,805)
For Net Premium/ (Discount)							93,117					(26,250)
Total Long-term Debt, net of Current Portion and Premium/Discount							$6,626,847					$7,071,085

NOTE 10. LEASE OBLIGATIONS

Capitalized Leases

Annual rental payments are made pursuant to lease agreements with the Public Building Commission (the "PBC"). The PBC constructs, rehabilitates and equips school buildings and facilities for use by the CPS. The annual lease rentals are funded by a tax levy established when the CPS approved such construction.

The leases are structured so that annual rentals will exceed the PBC's requirements for debt service and other estimated expenses. This ensures that the PBC will receive adequate revenue to cover these obligations. The PBC can authorize rent surpluses to be used either to reduce future rental payments or to finance construction of other CPS projects.

In 2006, CPS entered into a $3.7 million lease with an option to purchase with the Teachers Academy of Math and Science. The assets acquired under this lease are land and building at a cost of $0.7 million and $3.0 million, respectively. The accumulated depreciation as of June 30, 2016 amounted to $0.6 million. The term of the lease commenced October 1, 2005, and shall end February 1, 2021. This end date represents the maturity date of bonds issued for the premises by the Illinois Development Finance Authority Bonds. Debt service includes principal and interest and all other costs associated with these bonds. Additionally, CPS will assume all operating costs and personnel costs of the premises.

The future PBC lease rentals and other capitalized leases due at June 30, 2016, are as follows ($000's):

Fiscal Year(s)	PBC Lease Rentals	Other	Total
2017	$ 52,020	$ 424	$ 52,444
2018	52,069	424	52,493
2019	52,099	424	52,523
2020	30,635	424	31,059
2021	—	647	647
Total Rentals	$186,823	$ 2,343	$189,166
Less — Interest and other costs	(29,043)	(1,118)	(30,161)
Principal amount of rental due	$157,780	$ 1,225	$159,005

Following is a summary of changes in PBC Leases and Capitalized Lease outstanding ($000's):

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
PBC Leases	$196,470	$ —	$(38,690)	$157,780
Other Capitalized Leases	1,400	—	(175)	1,225
Total Lease Obligations	$197,870	$ —	$(38,865)	$159,005
Less: Current Portion PBC Leases				(40,930)
Current Portion Other Capitalized Leases				(175)
Total Long-Term Leases Outstanding				$117,900

Operating Leases

CPS is a lessee in numerous operating leases associated with the rental of trucks, automobiles, office equipment and real property. The lease arrangements are both cancelable and non-cancelable with some having structured rent increases. None of the operating leases are considered to be contingent leases.

NOTE 10. LEASE OBLIGATIONS (continued)

Total expenditures for operating leases for the fiscal year ended June 30, 2016 were $18.8 million. The following is a summary of operating lease commitments as of June 30, 2016 (000's):

Fiscal Year(s)	Non-Real Property Leases	Real Property Leases	Total
2017	$ 3,440	$ 14,947	$ 18,387
2018	2,718	14,719	17,437
2019	1,246	15,023	16,269
2020	110	14,597	14,707
2021	1	14,482	14,483
2022-2026	—	58,939	58,939
2027-2030	—	22,147	22,147
Total Operating Lease Commitments	$ 7,515	$154,854	$162,369

NOTE 11. DERIVATIVE INSTRUMENTS

Interest Rate Derivatives

Interest rate derivatives are financing structures which exchange ("swap") interest payments. They are used as risk management or investment tools.

Breakdown of Outstanding Derivatives

In fiscal year 2016, CPS terminated all six of its remaining outstanding swaps. CPS made termination payments to counterparties on five of the six outstanding swaps and received a termination credit on one outstanding swap. The total net amount of termination payments in fiscal year 2016 was $123 million.

The six outstanding terminated swaps were (1) Series 2008B with Goldman Sachs for a total termination payment of $17.68 million, (2) Series 2008B with Goldman Sachs for a total termination payment of $18.73 million, (3) Series 2005A swap with Deutsche Bank AG for a total termination credit of $2.66 million, (4) Series 2013A1 swap with Deutsche Bank AG for a total termination payment of $14.46 million, (5) Series 2013A2 swap with Royal Bank of Canada for a total termination payment of $34.98 million, and (6) Series 2013A3 swap with Deutsche Bank AG for a total termination payment of $40.81 million.

Fair Value

The following table summarizes changes in fair value for Fiscal Year 2015 ($000's):

	Fair Value at June 30, 2015	Change in Fair Value*	Fair Value at June 30, 2016
Effective Hedges:			
Synthetic fixed swaps	$(119,779)	$119,779	$—
Investment Derivatives:			
Basis Swaps	2,561	(2,561)	$—
TOTAL	**$(117,218)**	**$117,218**	**$—**

* Includes termination payments.

NOTE 12. OTHER BENEFITS AND CLAIMS

Sick Pay Benefits

CPS provides sick pay benefits for substantially all of its employees. Eligible employees were able to accumulate a maximum of 325 sick days granted before July 1, 2012. If an employee either reaches age 65; has a minimum of 20 years of service at the time of resignation or retirement, or dies, the employee is entitled to receive, as additional cash compensation, all or a portion of their accumulated sick leave days. CPS budgets an amount each year in the General Operating Fund for these estimated payments to employees terminated in the current fiscal year.

Effective July 1, 2012 any sick days granted that remain unused at the end of the fiscal year will not be carried over to the next fiscal year. The Board shall not pay out to any employee the value or any part of the value of any sick days granted on and after July 1, 2012 that are unused at the time the employee separates from the Board employment for any reason.

Vacation Pay Benefits

For eligible employees, the maximum number of accumulated unused vacation days permitted is 20 days for those employees with up to 10 years of service; 25 days for those with 11 to 20 years of service; and 30 days for those with more than 20 years of service. Eligible employees are entitled to receive 100% of accumulated vacation days at their current salary rate. These amounts will be liquidated from the General Operating Fund.

Workers' Compensation, General and Automobile and Tort Liabilities and Other Claims

CPS is substantially self-insured and assumes risk of loss as follows:

CPS maintains commercial excess property insurance for "all risks" of physical loss or damage with limits of $100.0 million and Boiler and Machinery Insurance with limits of $100.0 million with the following deductibles:

EPD Equipment, Data, and Media	$ 25,000
Mechanical breakdown	$ 50,000
All other losses (property)	$5,000,000

CPS maintains commercial excess liability insurance with limits of $55.0 million in excess of a $10.0 million self-insured retention per loss for claims arising from general, automobile, school board legal, employment practices, and miscellaneous professional liability; additional coverage includes special events, crime, fiduciary, special crime, pollution, and catastrophic student accident insurance (under Public Act 98-0166, also known as "Rocky's Law"). During fiscal years 2016, 2015, and 2014 there were no casualty claims made in excess of the self-insured retention.

As discussed in Note 15, there are pending workers' compensation and tort claims involving CPS which have arisen out of the ordinary conduct of business. CPS budgets an amount each year in the Workers' and Unemployment Compensation/Tort Immunity Fund for the estimated claims, of which the expenditures are met through an annual tax levy.

CPS' estimate of liabilities for workers' compensation claims, general and automobile claims are actuarially determined based on loss estimates established by the respective claim administrators. Tort liabilities are based on loss estimates established by the respective trial attorneys. CPS accrues for the estimated workers' compensation, general and automobile claims and tort claims in the General Operating Fund when there is likelihood that an unfavorable outcome is probable and those expenditures will be liquidated with expendable available financial resources. Total expenditures reported in the fund financial statements amounted to $29.3 million for claims paid during the fiscal year. No liabilities have been recorded at the fund level for unpaid claims as unpaid claims are not expected to be paid with available financial resources.

NOTE 12. OTHER BENEFITS AND CLAIMS (continued)

The following is a summary of changes to other long-term liabilities ($000's) at the government-wide level:

	Balance July 1, 2015	Increase/ (Decrease)	Payments	Balance June 30, 2016
Accrued sick pay benefits	$342,293	$ 372	$(31,287)	$311,378
Accrued vacation pay benefits	59,044	(454)	(7,330)	51,260
Accrued workers' compensation claims	132,699	1,984	(19,792)	114,891
Accrued general and automobile claims	8,212	8,031	(2,735)	13,508
Tort liabilities and other claims	21,578	(3,878)	—	17,700
Total	$563,826	$ 6,055	$(61,144)	$508,737
Less: Current portion of accrued sick pay benefits				(25,990)
Less: Current portion of accrued vacation pay benefits				(8,362)
Less: Current portion of accrued workers' compensation claims				(23,970)
Less: Current portion of accrued general and automobile claims				(9,581)
Total long-term other benefits and claims				$440,834

The following is activity related to workers' compensation claims and general and automobile claims ($000's):

Balance July 1, 2014	Additions	Payments	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
$135,498	$31,351	$(25,938)	$140,911	$10,016	$(22,528)	$128,399

CPS is self-insured for certain employee health insurance costs (reimbursed to a provider on a cost plus fees basis). A liability of $60.3 million has been recorded for health insurance costs and is reported as part of accrued payroll and benefits in the General Operating Fund, which includes $29.4 million for estimated medical claims incurred but not reported as of June 30, 2016. The following is the activity related to medical claims for which CPS is self-insured ($000's):

Balance July 1, 2014	Additions	Payments	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
$48,161	$391,441	$(386,898)	$52,704	$392,891	$(385,333)	$60,262

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Pension legislation (Public Act 96-0889) was approved in April 2010 and established two distinct classes of membership with different retirement eligibility conditions and benefit provisions. For convenience, the Illinois pension funds use a tier concept to distinguish these groups: Tier 1 members are participants that became members before January 1, 2011 and Tier 2 members are participants that became members on or after January 1, 2011.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

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NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with CPS' contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

Pension — Certified Teachers and Administrators

Plan Description: Pension benefits for certified teachers and administrators are provided under a defined benefit cost-sharing multiple employer plan administered by the Public School Teachers' Pension and Retirement Fund of Chicago (the "CTPF") in which the CPS is the major contributor. Copies of the Pension Fund Annual Report are available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601.

Article 17 of the Illinois Pension Code governs the retirement, survivor and disability benefits provided by the CTPF. Participation in the CTPF is mandatory for all certified members of the teaching force, including those employed by charter schools, and employees of the Pension Fund. As of the June 30, 2015, CTPF Annual report, there were 29,706 active participants in the Pension Fund, substantially all of whom were employees of CPS.

Benefits Provided: A member of the Pension Fund who became a participant prior to January 1, 2011 with at least 20 years of service is entitled to a pension upon attainment of age 55. A member with at least 5 but less than 20 years of service is entitled to a pension upon attainment of age 62. The pension benefit is based upon years of service and salary level.

For service earned before July 1, 1998, the amount of the monthly service retirement pension is 1.67% of highest average salary for the first 10 years, 1.90% for each of the next 10 years, 2.10% for each of the following 10 years, and 2.30% for each year above 30. For service earned after June 30, 1998, the amount of the monthly service retirement pension is 2.2% of highest average salary for each year of service. Service earned before July 1, 1998 can be upgraded to the 2.2% formula through the payment of additional employee contributions of 1% of the teacher's highest salary within the last four years for each year of prior service, up to a maximum of 20%, which upgrades all service years. The number of years for which contributions are required is reduced by one for each three full years of service after June 30, 1998. No contribution is required if the employee has at least 30 years of service. The highest average salary is the average of the 4 highest consecutive years of salary within the last 10 years. The maximum pension payable is 75% of the highest annual salary or $1.5 per month, whichever is greater.

Pension legislation (Public Act 96-0889) created a second tier of benefits for teachers who first become participants under the fund on or after January 1, 2011. Under this act, a member is entitled to a pension after attainment of age 67 with at least 10 years of service. However, a member can elect to retire at age 62 with at least 10 years of service and receive a retirement annuity reduced by 0.5% for each month that his or her age is under 67. In addition, the annual final average salary may not exceed the social security wage base of $106.8 for 2011 and shall be increased by the lesser of 3% or 0.5% change in the Consumer Price Index-U during the preceding 12-month calendar year.

Contributions: Participating members contribute 9% of salary, allocated as follows: 7.5% for retirement pension, 0.5% for automatic annual increases and 1% for survivor's pension. In fiscal year 2016, total employee contributions were $158,207, as in previous fiscal years, CPS paid a portion (7% or $123,050) of the required employees' contribution, which has been recorded as a deferred outflow of

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

resources in the accompanying government-wide financial statements. A portion of grant funds from the Federal government and General Operating Fund revenues provides the funding of the 7% portion. The remaining portion (2%) is withheld from teachers' salaries.

State law requires statutorily determined employer contributions. Senate Bill 1946, which was signed into law on April 14, 2010, as Public Act 96-0889, revised the funding provisions that had previously been in effect. Public Act 96-0889 specifies that, for Fiscal Years 2014 through 2059, the Board of Education is to make annual contributions calculated as a level percent of payroll sufficient to bring the total assets of the fund up to 90% of the total actuarial liabilities of the fund by the end of Fiscal Year 2059. Under the Illinois Pension Code, required employer contributions — with the exception of federal funds — are calculated by the Pension Fund's actuary; however, the formula set forth in the Pension Code is not the same as the Annual Required Contribution or the Actuarially Determined Contribution as those terms are defined by GASB. During the fiscal year ended June 30, 2016, total employer contributions to the plan were $687,965. Of this amount, $21,002 were Charter School contributions and $12,105 were Contributions from the State of Illinois. CPS' employer contributions towards the cost of retirement benefits, and their related sources of funding, are as follows ($000's):

Retirement Benefit Contributions:	
A contribution to increase funded ratio to 90%	$631,016
A portion of grant funds from the Federal government for teachers paid from certain Federally-funded program	23,842
Charter school contributions	21,002
CPS contribution on-behalf of employees	123,050
Sub-total employer contributions	$798,910
Contributions from the State of Illinois	12,105
Total CTPF contributions	$811,015

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the net pension liability recognized by CPS is $10.023 billion or 100%. Further discussions with the State and Pension Fund related to the overall net pension liability will occur to determine a reasonable allocation of future plan costs between the entities that contribute to the plan. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Total pension expense for the 2016 fiscal year was $886,188.

Employer Deferral of Fiscal Year 2016 Pension Contributions: CPS paid $798,910 in contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability measurement date as of June 30, 2015. These contributions will be reflected as Deferred Outflows of Resources in the Statement of Net Position as of June 30, 2016. As of June 30, 2016, CPS reported deferred outflows of resources and deferred inflows of resources related to CTPF from the following sources ($000's):

	Deferred inflow of resources	Deferred outflow of resources
Difference between expected and actual experience	$120,937	$ —
Net difference between projected and actual investment earnings on pension plan investments	244,327	—
Contributions after the measurement date	—	798,910
Totals	$365,264	$798,910

FINANCIAL SECTION

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

The $798,910 reported as deferred outflows of resources related to pensions resulting from CPS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows ($000's):

Years Ended June 30:	Deferred Inflow of Resources
2017	$138,629
2018	138,629
2019	138,629
2020	(52,648)
2021	2,025
Thereafter	—
Total	$365,264

Assumptions and Other Inputs

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 — June 30, 2012 and an economic study completed June 2014. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.25% to 15.75%, varying by age
Inflation	2.75%
Cost-of-living adjustments	3% compound for Tier 1 members; the lesser of 3% or one-half of CPI, simple, for Tier 2 members

The RP-2000 Combined Healthy Mortality Table, set back 2 years with generational improvement from 2004 using Scale AA. The RP-2000 Disabled Mortality Table, set back 3 years. The mortality tables specified above without future generational improvement reasonably reflect the projected mortality experience of the Fund as of the measurement date. The healthy mortality table was then adjusted to future years using additional generational improvement using Scale AA to anticipate future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	60.0%	5.6%
Fixed Income	21.0%	0.8%
Real Estate	7.0%	3.9%
Private Equity	3.0%	6.3%
Hedge Funds	2.0%	3.0%
Infrastructure	3.0%	N/A
Commodities	0.0%	0.5%
Public REITs	2.0%	N/A
Cash Equivalents	2.0%	0.0%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made as specified by Public Act 96-0889. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents CPS' net pension liability, calculated using a single discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
$12,677,156	$10,023,263	$7,826,252

Additional information regarding the CTPF basic financial statements including the Plan Net Position can be found in the CTPF comprehensive annual financial report by accessing the website at www.ctpf.org.

Pension — Other Personnel

Plan Description: All career service employees of CPS, except CPS employees who are members of the Public School Teachers' Pension and Retirement Fund, participate in the Municipal Employees' Annuity and Benefit Fund of Chicago (the "MEABF"). The Annuity Fund is considered a cost-sharing multiple employer defined benefit plan. As of December 31, 2015, CPS employed approximately 17,143 of the 30,683 active participants in the Annuity Fund.

Benefits Provided: If an employee leaves covered employment without qualifying for an annuity, accumulated contributions are refunded with interest at 3% per annum, subject to certain exceptions.

Tier 1 employees age 55 or more with at least 10 years of service are entitled to receive a money purchase annuity with partial City contributions if under age 60 with less than 20 years of service.

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employees age 60 or more with at least 10 years of service or age 55 or more with at least 20 years of service or age 50 or more with at least 30 years of service are entitled to receive a minimum formula annuity of 2.4% per each year of service times the final average salary (highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of retirement). If the employee retires prior to age 60, the annuity shall be reduced by ¼ of 1% for each month the employee is under age 60 if the employee has less than 25 years of service. The annuity is not discounted if the employee is age 50 with at least 30 years of service. An employee with at least 10, 20, or 30 years of service can withdraw and receive a minimum annuity formula at 60, 55, or 50, respectively. The original annuity is limited to 80% of the highest average annual salary, adjusted for annual Internal Revenue Code (IRC) §401(a)(17) and §415 limitations. Employees withdrawing from service at age 60 or older with at least 10 years of service are entitled to a minimum annuity of $.850 per month.

Tier 2 employees age 67 or more with at least 10 years of service are entitled to receive an unreduced annuity benefit or a reduced annuity benefit at age 62 with 10 years of service. The annuity is discounted ½ percent for each full month the employee is under age 67. Final average salary is calculated using salary from the eight highest consecutive years within the last 10 years of service prior to retirement.

The highest salary for annuity purposes may not exceed the base of $106.8 beginning in 2011 and shall be adjusted annually by the lesser of a) 3% of that amount, including all prior adjustments, or b) ½ of the annual unadjusted percentage increase in the Consumer Price Index-U for the 12 months ending with the September preceding November 1, including all prior adjustments. The annual salary rate limitations for FY2015 and FY2016 were $111.6 and $112.5, respectively.

Contributions: Except as described below, CPS makes no direct contributions to the Annuity Fund, which receives its income from three primary sources: a City of Chicago tax levy; income from investments; and deductions from participating employees' salaries.

Both Tier 1 and Tier 2 employees are required by Article 8, Chapter 40 of the Illinois Compiled Statutes to contribute a percentage of their salary (8.5%). The pensionable salary for Tier 1 members has no limitation while Tier 2 employees' pensionable salary may not exceed the social security wage base of $106.8 adjusted by inflation. In fiscal year 2016, as in previous fiscal years, CPS agreed to pay a portion (7% for union and 5% for non-union members or $35.754 million) of the required employees' contribution for most employees. CPS also receives a portion of the cost of providing pension benefits from grants by the Federal government for career service employees paid from certain Federally-funded programs. The amount reflected as career service pension expenditures in the accompanying governmental fund financial statements is $102.908 million, $35.754 million of this amount represents the required employees' contribution paid by CPS on behalf of its employees; $61.885 million is contributed by the City of Chicago through its specific tax levies for pension plans and the remaining $5.268 million is funded under Federally-funded programs. The portion funded by the City of Chicago and Federal Government is also reflected as revenue in the General Operating Fund.

Employer Proportionate Share of Net Pension Liability: At December 31, 2015, the MEABF reported a net pension liability (NPL) of $18,617,442. The amount of the proportionate share of the net pension liability recognized for CPS is $0. The proportionate share of the City's net pension liability associated with the CPS is $7,829,700 or 42.1%. The net pension liability was measured as of December 31, 2015. The basis of allocation used in the proportionate share of net pension liability are the actual reported contributions of the covered members during fiscal year 2016.

Employer Proportionate Share of Pension Expense: The employer's proportionate share of collective pension expense is recognized as on-behalf payments as both revenue and expenditure/expense in CPS' financial statements. The basis of allocation used in the proportionate share of collective pension

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

expense is the actual reported employee contributions made to MEABF during fiscal year 2016. As a result, CPS recognized on-behalf revenue and on-behalf pension expense of $61,885 for fiscal year 2016.

Employer Deferral of Fiscal Year 2015 Pension Contributions: CPS paid $5.268 million in federal, trust or grant contributions for the fiscal year ended June 30, 2016. Some contributions were made subsequent to the pension liability measurement date of December 31, 2015. However, the amount is immaterial to the financial statements and has not been recorded as Deferred Outflows of Resources as of June 30, 2016. Total pension expense for fiscal year 2016 was $102.908 million.

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2005 — December 31, 2009. They are the same as the assumptions used in the December 31, 2014 actuarial valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Methods and Assumptions

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Actuarial Value of Assets	5 year smoothed market
Amortization Method	Level dollar, open
Remaining Amortization Period	1 Years as of December 31, 2015
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.5% - 8.25%, varying by years of service
Inflation	3.00%
Cost of living adjustments	Tier 1: 3.0% compound. Tier 2: the lesser of 3.0% or one-half the change in CPI, simple

The RP-2000 Combined Healthy Mortality Table, with mortality improvements projected statically to 2010 using Scale AA (adopted December 31, 2010). The mortality rates for pre-retirement are the Post-retirement mortality multiplied by 85% for males and 70% for females (adopted December 31, 2010). The mortality table specified above was determined to contain provision appropriate to reasonably reflect future mortality improvement (actual-to-expected ratios of 111% for male retirees and 107% for female retirees, per the experience study report dated January 17, 2011), based on a review of mortality experience as of the measurement date.

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table ($000's):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	26%	4.9%
International Equity	22%	5.0%
Fixed Income	27%	0.2%
Real Estate	10%	6.0%
Private Equity	5%	8.6%
Hedge Funds	10%	3.0%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 3.7%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made as specified by Public Act 98-0641. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MEABF's Net Pension Liability to Changes in the Discount Rate: The amount of the proportionate share of the net pension liability recognized for CPS is $0. Therefore, changes in the discount rate would not affect CPS. However, regarding the sensitivity of MEABF's net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 3.7%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (2.7%)	Current Discount (3.7%)	1% Increase (4.7%)
$22,207,242	$18,617,442	$15,675,669

Additional information regarding the MEABF basic financial statements including the Plan Net Position can be found in the MEABF comprehensive annual financial report by accessing the website at www.meabf.org.

Other Post-Employment Benefits (OPEB)

Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple employer plan administered by the Pension Fund. The actuarial analysis is contained in the Pension Fund Annual Report and is available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601.

The Pension Fund administers a health insurance program that includes two external health insurance providers. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

participate in a health insurance program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers. Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 50% of the individual member's cost for calendar years 2016, 2015 and 2014. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65.0 million plus any previous year amounts authorized but not yet expended. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB 45. The Pension Fund has total discretion over the program, and no direct contributions are made for the subsidy. Although CPS does not contribute directly to retirees' health care premiums, the impact does require increased contributions by CPS to build assets to the 90% requirement. As of June 30, 2015, there were 17,490 retirees and beneficiaries currently receiving health benefits in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CPS' annual OPEB costs for fiscal year 2016 are as follows ($000's):

Annual required contribution	$ 135,505
Interest on net OPEB obligation	80,525
Adjustment to annual required contribution	(110,426)
Annual OPEB cost	$ 105,604
Less: Contributions made by the State of Illinois	—
Increase in Net OPEB obligation	$ 105,604
Net OPEB obligation, beginning of year	1,789,441
Net OPEB obligation, end of year	$1,895,045

The three-year trend information for the fund is as follows:

	2016	2015	2014
Annual OPEB cost	$ 105,604	$ 109,194	$ 143,654
Percentage of annual pension cost contributed	0.0%	0.0%	0.0%
Net OPEB obligation	$1,895,045	$1,789,441	$1,680,247

FINANCIAL SECTION

NOTE 13. PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent, closed
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	4.50%
Medical trend rate	8.00% graded to 5% over 6 years
Inflation	2.75%

As of the June 30, 2015 actuarial valuation date, actuarial accrued liability (AAL) for benefits was $1.911 billion, and the actuarial value of assets was $21.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.889 billion, and a funded ratio of 1.14%. The covered payroll (annual payroll of active employees covered by the plan) was $2.156 billion, and the ratio of the UAAL to the covered payroll was 87.64%.

Other Personnel

Actuarial studies on other personnel (personnel other than teachers and administrators) determined that no OPEB liability exists for those employees as of June 30, 2016.

NOTE 14. FUND BALANCE CLASSIFICATIONS AND NET POSITION RESTRICTIONS

a. Fund Balance Classifications

At the end of the 2016 fiscal year, the General Operating Fund reported:

- $429 thousand of nonspendable fund balance for donations in which the principal may not be spent.
- Restricted fund balance consisted of $64.9 million for grants and donations and $35.1 million for tort liabilities.

Note: There is a negative fund balance in the general operating fund. This is due to the operating deficit of expenditures exceeding revenues.

b. Statement of Net Position

The Statement of Net Position reports $611.1 million of restricted fund balance, of which $510.7 million is restricted for debt service, $65.3 million is restricted for programs funded by grants and donations, and $35.1 million is restricted for workers' comp/tort immunity.

NOTE 15. LITIGATION AND CONTINGENCIES

a. State and Federal Aid Receipts

State and Federal aid is generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aid. In the opinion of CPS management any potential adjustments to the Federal or State aid recorded by CPS through June 30, 2016 resulting from a review by a responsible government agency will not have a material effect on CPS' financial statements at June 30, 2016.

NOTE 15. LITIGATION AND CONTINGENCIES (continued)

b. Pollution Remediation Obligation

In fiscal year 2016, CPS recorded a pollution remediation obligation of $2.1 million as current year expense in the Statement of Activities.

Several CPS facilities contain hazardous contaminates such as lead and asbestos, which is continually monitored by the school district. CPS' pollution remediation obligation is primarily related to the removal of lead and asbestos during the remodeling and/or expansion of CPS facilities. The pollution remediation obligation is derived from construction contracts and the amount assumes no unexpected change orders.

c. Vacant Property

In fiscal year 2013, CPS closed 47 schools of which some of the schools were identified to be demolished. In accordance with GASB 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,"* CPS recorded a liability for the estimated demolition cost of $18.7 million at June 30, 2013. In fiscal year 2016, three (3) of the buildings identified to be demolished were sold, decreasing the estimated liability by $5.4 million. As of June 30, 2016, the estimated liability is $13.3 million.

d. Financial Guarantees

As of June 30, 2016, CPS has entered into one nonexchange financial guarantee. The guarantee agreement is with Perspectives Charter Schools, effective July 1, 2003, which is a Charter School under the Chicago Board of Education. Perspectives Charter Schools has a Reimbursement Agreement with Harris Trust and Savings Bank and CPS has guaranteed to pay Harris Trust and Savings Bank all outstanding debt if Perspectives Charter Schools defaults in reimbursing the Bank according to the terms listed in the reimbursement agreement. This amount is not to exceed the lesser of $4,500,000 (Principal Amount) or the carrying debt amount less $1,000,000. The guarantee agreement shall be of no further force or effect as of July 1, 2033, or after the gross available amount of the letter of credit has been reduced to $1,000,000 or less. The gross available amount is scheduled to be reduced to $1,000,000 as of July 1, 2031. Per the June 30, 2015 audited financial statements of Perspectives Charter Schools, the most recent audited financial information available, the outstanding balance of the revenue bonds is $4,300,000. Once the July 1, 2015 annual payment of $200,000 is made the June 30, 2016 outstanding balance of the revenue bonds will be $4,100,000. This guarantee is still in place as of June 30, 2016, and CPS is not aware of any qualitative factors that would trigger an event of default. Therefore, CPS is not required to record a liability for this guarantee under GASB 70.

e. Other Litigation and Claims

There are five lawsuits and one union grievance that represent issues in which the financial loss to CPS has been determined to be a potential liability by CPS' law department in fiscal year 2016.

There are numerous other claims and pending legal actions involving CPS, including actions concerned with civil rights of employees, workers' compensation, torts and other matters, arising out of CPS' ordinary conduct of its business. Certain actions involve alleged damages in substantial amounts. The amounts of liability, if any, on these claims as of June 30, 2016, in excess of related insurance coverage with respect to certain claims, are not determinable at this time. However in FY15, CPS had recorded a general accrual not specific to any pending legal action for these amounts and it remains in FY16. In the opinion of CPS management and legal counsel, the final resolution of these claims and legal actions will not be material to CPS' financial statements as of June 30, 2016.

The liability for other litigation and claims, not including workers' compensation and general liability, decreased by $3.9 million from $21.6 million in fiscal year 2015 to $17.7 million in fiscal year 2016.

NOTE 16 — SUBSEQUENT EVENTS

Ratings Agency Downgrades

Several bond rating changes related to the long term debt of the Board occurred after June 30, 2016. Moody's Investor Service downgraded their general obligation (GO) debt rating of the Board to B3 on September 26, 2016. Standard & Poor's downgraded its long-term bond rating of the Board to "B" on November 9, 2016. Fitch Ratings lowered its rating to "B+" on November 7, 2016. On November 11, 2016, Kroll Bond Rating Agency affirmed its rating of "BBB" on the Board's Series 2016A general obligation bonds and affirmed the "BBB-" rating on the Board's remaining outstanding general obligation bonds. All rating agencies continue to express concern about continued structural fiscal imbalance, weakened liquidity position and rising pension obligations of the Board. The current outlook views by each agency is negative.

In addition, CPS structured an entirely new capital improvement tax (CIT) long term bond credit that is separate from the existing CPS GO credit. This CIT credit structure received an investment grade rating from two rating agencies in December 2016. Fitch Ratings rated the CIT credit "A" and Kroll Bond Rating Agency rated the CIT credit "BBB". See Issuance of Dedicated Capital Improvement Tax Bonds Series 2016 within this Note 16 for further information.

Repayment of 2015 Tax Anticipation Notes

To finance cash flow deficits in Fiscal Year 2016, the Board issued $1.065 billion principal amount of 2015 Tax Anticipation Notes (the "2015 TANs") in anticipation of collection of its 2015 tax levy in 2016 in the amount of approximately $2.305 billion.

On August 3, 2016, the Board repaid and ended its Series 2015A2 tax anticipation note issue. On August 12, 2016, the Board repaid and ended its Series 2015B tax anticipation note issue. On August 15, 2016, the Board repaid and ended its Series 2015A1 tax anticipation note issue. Upon the repayment of the 2015A1 issue on August 15, 2016 no additional 2015 TANs remained outstanding.

Issuance of 2016 Tax Anticipation Notes

For Fiscal Year 2017, on August 24, 2016 the Board approved a levy of *ad valorem* property taxes of approximately $2.343 billion for educational purposes (the "2016 Tax Levy") to be collected in calendar year 2017 and authorized the issuance of not to exceed $1.550 billion principal amount of 2016 Tax Anticipation Notes (the "2016 TANs") in anticipation of the collection of the 2016 Tax Levy. As of January 12, 2017, the Board has currently issued and has outstanding four series of 2016A TANS (the "2016A TANs") in the total aggregate amount of $1,550 million.

The Series 2016A TANs sub-series designations are as follows: (1) $325 million Series 2016A1 tax anticipation notes closed on September 8, 2016; (2) $250 million of Series 2016A2 tax anticipation notes closed on October 3, 2016; (3) $475 million Series 2016A3 tax anticipation notes closed on November 10, 2016; and (4) $600 million Series 2016A4 tax anticipation notes closed on January 12, 2017. The Series 2016A1, A2 and A3 TANs totaling $950 million were privately placed with JP Morgan. The Series 2016A4 TANs were privately placed with PNC Bank. The 2016 Tax Levy will be collected and held by a trustee, and it will be used to repay each issue.

The interest rate on each of the series of the Series 2016A TANs is a variable and equal to the lesser of: (i) the sum of (A) the product of (I) 0.70 multiplied by (II) LIBOR, plus (B) the Applicable Spread; and (ii) 9.00%.

NOTE 16 — SUBSEQUENT EVENTS (continued)

Principal of and interest on the 2016A TANs is payable on the respective sub-series maturity date of each series of the 2016A TANs from the revenues from the 2016 Tax Levy. Property taxes are payable 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. The maturity date of the 2016A4 TANs is March 31, 2017. The maturity date of the 2016A2, A3 and A4 TANs is the earlier of (A) December 15, 2017 or (B) (1) September 30, 2017, if the Tax Penalty Date is on or prior to August 1, 2017 or (2) the 60th day following the Tax Penalty Date, if the Tax Penalty Date is later than August 1, 2017.

The 2016A TANs are subject to extraordinary mandatory redemption on occurrence of certain events of default under the indentures securing 2016 TANs and in the event a court or other governmental authority shall rule or otherwise make a determination that the Board is not legally entitled to levy or collect the 2016 Levy, or that tax receipts are not available to pay the expenses of the Board or the 2016A TANs at any time, in either case, at the discretion of the Board, or any such court or other governmental authority shall make any other ruling or determination that adversely affects or limits the security for the 2016A TANs.

Issuance of Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue) Series 2016B

On July 29, 2016, the Board issued fixed-rate $150.0 million Unlimited Tax General Obligation Bonds (Dedicated Alternate Revenue), Series 2016B (the "Series 2016B" Bonds") with an original issue discount of $13.5 million.

The proceeds of the Series 2016B Bonds were used to provide funds for the continued implementation of the Board's Capital Improvement Program, fund capitalized interest on the Series 2016B Bonds, and pay the costs of issuance on the Series 2016B Bonds.

The Series 2016B Bonds are general obligations of the Board. The full faith and credit and the taxing power of the Board are pledged to the punctual payment of the principal of and interest on the Series 2016B Bonds. The debt service on the Series 2016B Bonds will be paid from General State Aid Revenues.

Issuance of Dedicated Capital Improvement Tax Bonds Series 2016

On January 4, 2017, the Board issued $729.58 million fixed-rate Dedicated Capital Improvement Tax Bonds, Series 2016 (the "2016 CIT Bonds") with an original issue discount of $22.35 million.

The proceeds of the 2016 CIT Bonds will be used to finance certain permitted capital improvement projects, make a deposit to a consolidated debt service reserve fund, fund capitalized interest on the 2016 CIT Bonds through April 1, 2018, and pay costs of issuance of the 2016 CIT Bonds.

The 2016 Bonds are limited obligations of the Board payable from and secured by a revenues derived and to be derived by the Board from the levy of a Capital Improvement Tax (the "CIT"). The Board authorized the initial levy of the CIT in calendar year 2015 for collection in calendar year 2016. The CIT levy was created by the Illinois State Legislature in 2002, but not previously implemented. The Capital Improvement Tax Levy is outside of the Board's property tax cap limitation and may increase by the rate of inflation in future years. The statute authorizing the CIT allows the levy to be used for either expenditures on capital projects or to pay for debt service on bonds that are used to finance capital projects such as the 2016 CIT Bonds.

NOTE 16 — SUBSEQUENT EVENTS (continued)

Pension Property Tax Levy.

In 2016, the Illinois General Assembly adopted and Governor Rauner signed, Public Act 099 — 0521 that authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383%. The proceeds from this additional tax are expected to be approximately $250 million in Fiscal Year 2017 and will be paid directly to the Pension Fund to be credited to the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. Public Act 099 — 0521 becomes effective June 1, 2017 and the Board has authorized the levy of this additional tax for tax year 2016 and expects that the full 2016 pension property tax levy will be collected in an approximate amount of $250 million with the second property tax installment payment expected to be due August 1, 2017. The Board's Fiscal Year 2017 budget reflects that this $250 million in revenue will be credited to its required Statutory Contribution to the Pension Fund due in June 2017; however, agreement on this credit has not been finalized with the Pension Fund and the Board cannot predict whether the Pension Fund will apply the credit to the June 2017 required Statutory Contribution.

Teachers Contract and Revised 2017 Budget

The Board's agreement with Chicago Teacher's Union ("CTU") expired on June 30, 2015. On October 10, 2016, both parties reached a new agreement on all issues subject to collective bargaining. The new agreement was then ratified by CTU's House of Delegates and, subsequently, by the CTU's full membership on November 1, 2016. The Board approved the new agreement and a revised Fiscal Year 2017 Budget at a December 7, 2016. The Board expects the new agreement to increase costs by approximately $55 million above the amounts budgeted for Fiscal Year 2017. The revised Fiscal Year 2017 Budget will provide funding for the increased costs from additional revenues provided from surplus tax increment financing revenues that the City of Chicago has announced it will distribute to the Board in Fiscal Year 2017.

NOTE 17. FUTURE SUSTAINABILITY

For the year ended June 30, 2016 the total fund balance in the General Fund decreased by $487 million and as of June 30, 2016, the total fund balance in the General Fund was a deficit of $127 million and the unrestricted net position as reported in the Government-Wide Financial Statements, is a deficit of $12.2 billion. The long-term future sustainability of the District at its current operating level is dependent on new revenue sources or major reductions in costs.

Fiscal Year 2017 Budget

The Board approved on August 24, 2016 a balanced budget for fiscal year 2017. The budget contains estimated resources of $5.5 billion for operations which is .6 billion greater than actual revenue for 2016. The fiscal 2017 budget is available at http://cps.edu/budget.

The 2017 Budget plan reflects an increase of state funding as well as increasing personnel and operating costs, teacher pension costs and debt service costs. CPS has three main sources of revenues: 1) property taxes 2) state revenues and 3) federal revenues, of which property taxes are the District's largest single source of revenue.

1. In fiscal year 2016, property taxes increased by $104 million from fiscal year 2015. Growth is normally capped at the rate of inflation (on existing properties), although in 2017 the State allowed CPS to increase its property tax levy by an additional $250 million to be used for pension funding purposes.

NOTE 17. FUTURE SUSTAINABILITY (continued)

2. The 2017 budget includes additional State funding of $420 million. Included in the estimate of these resources is $215 million State Pension Equity Funding that has not yet been approved or appropriated by the State. Without additional funding from the State, CPS will need to make difficult decisions to balance fiscal year 2018 and future budgets.
3. Federal revenues is the third major source of funding which has remained relatively stable.

The 2016 total budgeted expenditures were $5.7 billion and the actual were $5.4 billion, a favorable variance of 300 million. The 2017 Budget reflects estimated expenditures of $5.5 billion. Approximately 70% of the District's costs are payroll related. Cost reductions initiated in 2016 are expected to continue in 2017.

The overall increase in pension costs is largely due to several years of pension contribution deferrals, lower than expected returns on plan investments, a growing unfunded liability balance and a change to State law requiring the plan to be 90% funded by 2059. In fiscal year 2017, CPS estimates a pension contribution of $733 million for the required pension contribution to the Chicago Teachers Pension Fund (CTPF). In contrast, the fiscal year 2016 contribution was $676 million, which is a 7.78% increase.

Risk Mitigation and Debt

To mitigate risks, CPS monitors credit markets to determine the most advantageous conditions for debt issuance. Despite credit rating downgrades, CPS continues to have borrowing capacity and will continue to access the long term credit market. A new credit instrument restricted for capital purposes and debt retirement was introduced to the marketplace in December 2016, backed by a dedicated capital improvement tax, which received a single 'A' investment grade rating. Furthermore, the District has access to the short term market and has increased our total lines of credit from $1.0 billion in 2016 to $1.5 billion in 2017. Management has no reason to believe CPS will not receive an extension of their existing variable lines of credit.

Management Initiatives and Internal Factors

Our experienced Board of Directors and senior management team have instituted extensive reviews of operations, identified efficiencies and created cash and overall financial forecasts to identify concerns and act immediately to remedy them. CPS has a myriad of tools and remedies to improve its financial condition and liquidity position. CPS has taken, and will continue to take, action to improve their financial condition in several ways including, but not limited to:

- Administrative workforce reductions
- Operating expenditure reductions
- Operational efficiencies
- Property tax increases
- Short and long term financing
- School level budget reductions
- Health Care cost reductions
- Debt restructuring
- Efficient grant management

NOTE 17. FUTURE SUSTAINABILITY (continued)

External Factors

In addition to the internal factors driving CPS' financial and operational performance, other external factors outside of CPS' direct control include, but are not limited to:

- Request for equitable state funding-Pending with the State government.
- Pension reform

CPS believes internal decisions and initiatives, coupled with Local and State responses to appropriately fund public education, will sufficiently address the CPS deficit and provide adequate liquidity. Without these actions, CPS may be in a deficit cash position in fiscal year 2017and without additional funding, CPS will need to make difficult decisions to balance fiscal year 2018 and future budgets.

It is critical to note to readers of our financial statements that CPS is the third largest school district in the nation and the second largest employer in the City of Chicago. CPS provides a statutorily required and highly demanded "essential" service.

FINANCIAL SECTION

FINANCIAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES BY OBJECT
OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL — GENERAL OPERATING FUND
For the Fiscal Year Ended June 30, 2016
(Thousands of Dollars)

	Original Budget	Supplemental Appropriations & Tranfers In/(Out)	Final Budget	Fiscal Year Actual	Over (under) Budget
Revenues:					
Property taxes	$2,307,809	$ —	$2,307,809	$2,313,469	$ 5,660
Replacement taxes	149,517	—	149,517	115,961	(33,557)
State aid	2,057,293	—	2,057,293	1,398,855	(658,437)
Federal aid	852,618	—	852,618	776,277	(76,341)
Interest and investment earnings	140	—	140	1,347	1,207
Other	245,223	—	245,223	271,858	26,635
Total revenues	$5,612,600	$ —	$5,612,600	$4,877,767	(734,833)
Expenditures:					
Salaries —					
Teachers' salaries	$1,935,371	$(62,570)	$1,872,801	$1,869,683	$ (3,118)
Career service salaries	618,006	(4,544)	613,462	605,817	(7,645)
Commodities -		—			
Energy	78,339	(6,697)	71,642	70,227	(1,415)
Food	102,406	(2,691)	99,715	98,777	(938)
Textbook	41,857	13,246	55,103	54,856	(247)
Supplies	40,987	14,070	55,057	47,085	(7,972)
Other	462	17	479	294	(185)
Services —		—			
Professional and special services	284,875	71,656	356,531	314,732	(41,799)
Charter Schools	730,064	(12,296)	717,768	704,981	(12,786)
Transportation	100,147	2,017	102,164	104,450	2,286
Tuition	50,439	14,154	64,593	61,028	(3,565)
Telephone and telecommunications	26,133	403	26,536	24,579	(1,957)
Other	15,395	5,945	21,340	16,471	(4,869)
Equipment — educational	22,020	18,606	40,626	45,407	4,782
Building and Sites —		—			
Repair and replacements	20,547	(95)	20,452	18,853	(1,598)
Capital outlay	—	2,386	2,386	1,135	(1,251)
Teachers' pension	817,958	(24,157)	793,801	811,051	17,250
Career service pension	96,511	8,044	104,555	102,762	(1,793)
Hospitalization and dental insurance	347,273	8,151	355,424	348,083	(7,341)
Medicare	38,820	(3,407)	35,413	34,824	(589)
Unemployment compensation	8,923	652	9,575	9,438	(137)
Workers compensation	22,670	(2,728)	19,942	20,337	395
Rent	16,295	958	17,253	16,012	(1,242)
Debt service	20,417	—	20,417	25,003	4,586
Other	255,910	(41,120)	214,790	8,961	(205,829)
Total expenditures	$5,691,825	$ —	$5,691,825	$5,414,846	(276,979)
Revenues in excess of (less than) expenditures	$ (79,225)	$ —	$ (79,225)	$ (537,079)	(457,854)
Other financing sources (uses):					
Transfers in / (out)	$ —	—	$ —	$ 50,162	50,162
Total other financing sources (uses)	—	—	—	50,162	50,162
Net change in fund balances	$ (79,225)	—	$ (79,225)	$ (486,917)	$(407,692)
Fund balances, beginning of period	360,285	—	360,285	360,285	—
Fund balances, end of period	$ 281,060	—	$ 281,060	$ (126,632)	$(407,692)

The accompanying notes to the basic financial statements are an integral part of this statement.

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CPS' PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Two Fiscal Years Ended June 30, 2016
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago:

	2015	2016
CPS' Proportion of the Net Pension Liability	100.000%	100.000%
CPS' Proportionate Share of the Net Pension Liability	$9,501,206	$10,023,263
State of Illinois' Proportionate Share of the Net Pension Liability associated with CPS	—	—
Total	$9,501,206	$10,023,263
CPS' Covered Employee Payroll	$2,233,281	$ 2,273,551
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	425.44%	440.86%
CTPF Plan Net Position as a Percentage of Total Pension Liability	53.23%	51.61%

Municipal Employees' Annuity and Benefit Fund of Chicago:

	2015	2016
CPS' Proportion of the Net Pension Liability	0.000%	0.000%
CPS' Proportionate Share of the Net Pension Liability	$ —	$ —
Nonemployer Contributing Entities' Proportionate Share of the Net Pension Liability associated with CPS	2,779,767	7,829,700
Total	$2,779,767	$ 7,829,700
Covered Employee Payroll	$ 625,161	$ 691,178
CPS' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%
MEABF Plan Net Position as a Percentage of Total Pension Liability	42.09%	20.30%

NOTES:

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CPS' CONTRIBUTIONS TO DEFINED BENEFIT PENSION PLANS
For the Two Fiscal Years Ended June 30, 2016
(Thousands of dollars)

Public School Teachers' Pension and Retirement Fund of Chicago

Year Ended	CPS' Contractually Required Contributions	Contributions made on behalf of CPS by the State of Illinois	CPS Contributions related to the Contractually required contributions	Total Contributions	Contribution Deficiency (Excess)	CPS' Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2016	$687,965	$12,105	$675,860	$687,965	$ —	$2,281,269	30.16%
June 30, 2015	696,522	62,145	634,377	696,522	—	$2,273,551	30.64%

Municipal Employees' Annuity and Benefit Fund of Chicago

Year Ended	Contractually Required Contributions	Contributions made on behalf of CPS by the City of Chicago	Total Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2016	$288,660	$61,885	$61,885	$226,775	$691,178	8.95%
June 30, 2015	327,225	58,200	58,200	269,025	625,161	9.31%

NOTE:

CPS implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available.

The Schedule is intended to show information for 10 years.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF FUNDING PROGRESS
Other Post-employment Benefits
(Thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2015	$21,713	$1,910,992	$1,889,279	1.14%	$2,155,604	87.64%
6/30/2014	35,977	1,938,856	1,902,878	1.86%	2,233,281	85.21%
6/30/2013	35,797	2,386,106	2,350,309	1.50%	2,239,347	104.96%
6/30/2012	34,125	3,110,316	3,076,191	1.10%	2,224,903	138.26%
6/30/2011	31,325	3,071,517	3,040,192	1.02%	2,090,132	145.45%
6/30/2010	34,858	2,864,877	2,830,019	1.22%	2,107,934	134.26%
6/30/2009	49,692	2,670,283	2,620,591	1.86%	1,996,194	131.28%

FINANCIAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

General Operating Fund

The General Operating Fund is the primary operating fund of the Board. It was created in response to the provisions of P.A. 89-15 which consolidated all of the rate-limited tax levies into the Board's general education tax levy. All information in this fund is presented in accordance with the provisions of the Illinois Program Accounting Manual for Local Education Agencies. The General Operating Fund includes all the revenues and expenditures of the following programs: Educational Program; Supplementary General State Aid Program; School Food Service Program; Elementary and Secondary Education Act Program; Individuals with Disabilities Education Act Program; Workers' and Unemployment Compensation/Tort Immunity Program; Public Building Commission Operations and Maintenance Program, and Other Government-funded Programs.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND NET CHANGES IN FUND BALANCE

FINAL APPROPRIATIONS AND ACTUAL

For the Fiscal Year Ended June 30, 2016

With Comparative Amounts for the Fiscal Year Ended June 30, 2015

	Final Budget	Fiscal Year 2016 Actual	Over (under) Budget	Fiscal Year 2015 Actual	2016 Over (under) 2015
Revenues:					
Property taxes	$2,307,809	$2,313,469	$ 5,660	$2,252,828	$ 60,641
Replacement taxes	149,517	115,961	(33,556)	143,867	(27,906)
State aid	2,057,293	1,398,855	(658,438)	1,579,324	(180,469)
Federal aid	852,618	776,277	(76,341)	767,548	8,729
Interest and investment earnings	140	1,347	1,207	198	1,149
Other	245,223	271,858	26,635	165,819	106,039
Total revenues	$5,612,600	$4,877,767	$(734,833)	$4,909,584	$ (31,817)
Expenditures:					
Teachers' salaries	$1,872,801	$1,869,683	$ (3,118)	$1,953,938	$ (84,255)
Career service salaries	613,462	605,817	(7,645)	622,591	(16,774)
Energy	71,642	70,227	(1,415)	74,516	(4,289)
Food	99,715	98,777	(938)	99,573	(796)
Textbook	55,103	54,856	(247)	55,255	(399)
Supplies	55,057	47,085	(7,972)	50,571	(3,486)
Other commodities	479	294	(185)	474	(180)
Professional fees	356,531	314,732	(41,799)	395,221	(80,489)
Charter Schools	717,768	704,981	(12,786)	662,553	42,428
Transportation	102,164	104,450	2,286	103,891	559
Tuition	64,593	61,028	(3,565)	90,901	(29,873)
Telephone and telecommunications	26,536	24,579	(1,957)	28,061	(3,482)
Other services	21,340	16,471	(4,869)	14,133	2,338
Equipment – educational	40,626	45,407	4,782	60,962	(15,555)
Repair and replacements	20,452	18,853	(1,598)	27,291	(8,438)
Capital outlay	2,386	1,135	(1,251)	5	1,130
Teachers' pension	793,801	811,051	17,250	826,304	(15,253)
Career service pension	104,555	102,762	(1,793)	102,012	750
Hospitalization and dental insurance	355,424	348,083	(7,341)	357,124	(9,041)
Medicare	35,413	34,824	(589)	36,557	(1,733)
Unemployment compensation	9,575	9,438	(137)	8,138	1,300
Workers compensation	19,942	20,337	395	25,926	(5,589)
Rent	17,253	16,012	(1,242)	13,029	2,982
Debt service	20,417	25,003	4,586	1,971	23,032
Other fixed charges	214,790	8,961	(205,829)	9,368	(407)
Total expenditures	$5,691,825	$5,414,846	$(276,979)	$5,620,366	$(205,520)
Revenues in excess of (less than) expenditures	$ (79,225)	$ (537,079)	$(457,854)	$ (710,782)	$ 173,703
Other financing sources (uses):					
Transfers in / (out)	$ —	$ 50,162	$ 50,162	$ (12,915)	$ 63,077
Total other financing sources (uses)	$ —	50,162	$ 50,162	$ (12,915)	63,077
Net change in fund balances	$ (79,225)	$ (486,917)	$(407,692)	$ (723,697)	$ 236,780
Fund balances, beginning of period	360,285	360,285	—	1,083,982	(723,697)
Fund balances, end of period	$ 281,060	$ (126,632)	$(407,692)	$ 360,285	$(486,917)

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Capital Projects Fund

The Capital Projects Fund is for the receipts and expenditures of revenues for Board capital projects. This fund includes the Capital Asset Program and the Capital Improvement Program.

Capital Asset Program:

This program is for the receipts and expenditures of proceeds from the sale of certain Board real estate, and other miscellaneous capital project revenues from various sources as designated by the Board.

Capital Improvement Program:

This program is for the receipts and expenditures of proceeds from the sale of Unlimited Tax General Obligation Bonds, Public Building Commission Building Revenue Bonds, State of Illinois construction grant receipts and federal E-rate capital subsidies for the purpose of building and improving schools at the designation of the Board.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
OTHER FINANCING SOURCES AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2016
(Thousands of dollars)

	Capital Asset Program	Capital Improvement Program	Total
Revenues:			
Property taxes	$ —	$ 42,588	$ 42,588
State aid	—	39,430	39,430
Federal aid	—	7,707	7,707
Interest and investment earnings	—	84	84
Other	—	62,910	62,910
Total revenues	$ —	$ 152,719	$ 152,719
Expenditures:			
Capital outlay	$ 238	$ 293,073	$ 293,311
Total expenditures	$ 238	$ 293,073	$ 293,311
Revenues less than expenditures	$ (238)	$(140,354)	$(140,592)
Other financing sources:			
Gross amounts from debt issuances	—	428,892	428,892
Discounts	—	(64,953)	(64,953)
Sales of general capital assets	15,012	—	15,012
Total other financing sources (uses)	$15,012	$ 363,939	$ 378,951
Net change in fund balances	$14,774	$ 223,585	$ 238,359
Fund balances, beginning of period	26,046	(157,157)	(131,111)
Fund balances, end of period	$40,820	$ 66,428	$ 107,248

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL ASSET PROGRAM
SCHEDULE OF REVENUES AND EXPENDITURES AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Expenditures:					
Services	$ 47	$ 41	$ (6)	$ —	$ 41
Educational equipment	8	—	(8)	—	—
Capital outlay	6,193	197	(5,996)	15,366	(15,169)
Total expenditures	$ 6,248	$ 238	$ (6,010)	$ 15,366	$(15,169)
Revenues less than expenditures	$ (6,248)	$ (238)	$ (6,010)	$(15,366)	$ 15,128
Other financing sources:					
Sales of general capital assets	$ —	$15,012	$15,012	$ 37,504	$(22,492)
Total other financing sources (uses)	$ —	$15,012	$15,012	$ 37,504	$(22,492)
Net change in fund balance	$ (6,248)	$14,774	$21,022	$ 22,138	$ (7,364)
Fund balance, beginning of period	26,046	26,046	—	3,908	22,138
Fund balance, end of period	$19,798	$40,820	$21,022	$ 26,046	$ 14,774

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CAPITAL IMPROVEMENT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:					
Property taxes	$ —	$ 42,588	$ 42,588	$ —	$ 42,588
State aid	96,349	39,430	(56,919)	31,587	7,843
Federal aid	12,487	7,707	(4,780)	6,498	1,209
Interest and investment earnings	—	84	84	368	(284)
Other	82,535	62,910	(19,625)	107,171	(44,261)
Total revenues	$ 191,371	$ 152,719	$ (38,651)	$ 145,624	$ 7,095
Expenditures:					
Salaries	$ 1,436	$ 824	$ (612)	$ 492	$ 332
Services	17,503	16,828	(674)	3,665	13,163
Educational equipment	67	—	(67)	6,278	(6,278)
Capital outlay	642,214	269,049	(373,165)	348,811	(79,762)
Career Service Pension	146	146	—	89	57
Hospitalization and dental insurance	65	65	—	38	27
Medicare	11	11	—	7	4
Unemployment compensation	3	3	—	2	1
Workers compensation	7	7	—	5	2
Other	(5,853)	6,140	11,993	—	6,140
Total expenditures	$ 655,599	$ 293,073	$(362,525)	$ 359,387	$ (66,312)
Revenues less than expenditures	$(464,228)	$(140,354)	$ 323,874	$(213,763)	$ 73,407
Other financing sources:					
Gross amounts from debt issuances	$ 555,000	$ 428,892	$(126,108)	$ 148,530	$280,362
Discounts	—	(64,953)	(64,953)	—	(64,953)
Transfers (out)/in	40,000	—	(40,000)	—	—
Total other financing sources	$ 595,000	$ 363,939	$(231,061)	$ 148,530	$215,410
Net change in fund balance	$ 130,772	$ 223,585	$ 92,812	$ (65,233)	$288,818
Fund balance, beginning of period	(157,157)	(157,157)	—	(91,924)	(65,233)
Fund balance, end of period	$ (26,385)	$ 66,428	$ 92,812	$(157,157)	$223,585

FINANCIAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Debt Service Fund

The Debt Service Fund is established to account for annual property tax levies and other revenues that are used for the payment of principal and interest and redemption for general obligation bonds by the Board and for lease payments to the Public Building Commission. The fund includes the Bond Redemption and Interest Program and the Public Building Commission Leases Program.

Bond Redemption and Interest Program:

This program is for the receipt and expenditure of replacement taxes, City of Chicago Intergovernmental Agreement Revenue, State of Illinois construction grant receipts and other revenues as designated by the Board for the payment of interest and principal on specific bond issues.

Public Building Commission Leases Program:

This program is for the receipt and expenditure of tax levies and for State of Illinois construction grant receipts for the rental of school buildings from the Public Building Commission.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND NET CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of Dollars)

	Bond Redemption and Interest Program	Public Building Commission Leases Program	Total
Revenues:			
Property taxes	$ —	$52,358	$ 52,358
Replacement taxes	45,574	—	45,574
State aid	114,041	—	114,041
Federal aid	25,015	—	25,015
Interest and investment earnings	(97,225)	144	(97,081)
Other	102,274	—	102,274
Total revenues	$ 189,679	$52,502	$ 242,181
Expenditures:			
Debt service	$ 403,288	$51,997	$ 455,285
Total expenditures	$ 403,288	$51,997	$ 455,285
Revenues in excess of (less than) expenditures	$(213,609)	$ 505	$(213,104)
Other financing sources (uses):			
Gross amounts from debt issuances	$ 296,107	$ —	$ 296,107
Discounts	(45,118)	—	(45,118)
Payment to refunded bond escrow agent	(120,856)	—	(120,856)
Transfers in / (out)	(50,066)	(96)	(50,162)
Total other financing sources (uses)	$ 80,067	$ (96)	$ 79,971
Net change in fund balances	$(133,542)	$ 410	$(133,133)
Fund balances, beginning of period	544,531	57,909	602,440
Fund balances, end of period	$ 410,989	$58,319	$ 469,307

FINANCIAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

BOND REDEMPTION AND INTEREST PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:					
Replacement taxes	$ 58,283	$ 45,574	$ (12,709)	$ 58,281	$ (12,707)
State aid	42,900	114,041	71,141	236,158	(122,117)
Federal aid	24,827	25,015	188	24,885	130
Interest and investment earnings	30	(97,225)	(97,255)	(93,389)	(3,836)
Other	95,500	102,274	6,774	104,296	(2,022)
Total revenues	$ 221,541	$ 189,679	$ (31,862)	$ 330,231	$(140,552)
Expenditures:					
Debt Service	486,651	403,288	(83,362)	481,464	(78,176)
Total expenditures	$ 486,651	$ 403,288	$ (83,362)	$ 481,464	$ (78,176)
Revenues less than expenditures	$(265,110)	$(213,609)	$ 51,501	$(151,233)	$ (62,376)
Other financing sources:					
Gross amounts from debt issuances	$ 294,530	$ 296,107	$ 1,577	$ 413,350	$(117,243)
Discounts	—	(45,118)	(45,118)	(12,502)	(32,616)
Payment to refunded bond escrow agent	—	(120,856)	(120,856)	(386,710)	265,854
Transfers in / (out)	—	(50,066)	(50,066)	12,920	(62,986)
Total other financing sources	$ 294,530	$ 80,067	$(214,464)	$ 27,058	$ 53,009
Net change in fund balance	$ 29,420	$(133,542)	$(162,963)	$(124,175)	$ (9,367)
Fund balance, beginning of period	544,531	544,531	—	668,706	(124,175)
Fund balance, end of period	$ 573,951	$ 410,989	$(162,963)	$ 544,531	$(133,542)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

PUBLIC BUILDING COMMISSION LEASES PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES BY OBJECT,
OTHER FINANCING SOURCES (USES) AND NET CHANGE IN FUND BALANCE
FINAL APPROPRIATIONS VS. ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Final Appropriations	Fiscal Year 2016	Variance	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:					
Property taxes	$51,997	$52,358	$361	$51,828	$ 530
Interest and investment earnings	—	144	144	(2)	146
Total revenues	$51,997	$52,502	$505	$51,826	$ 676
Expenditures:					
Debt Service	51,997	51,997	—	52,029	(32)
Total expenditures	$51,997	$51,997	$ —	$52,029	$ (32)
Revenues less than expenditures	$ —	$ 505	$505	$ (203)	$ 708
Other financing sources:					
Transfers in / (out)	—	(96)	(96)	(5)	(91)
Total other financing sources	$ —	$ (96)	$ (96)	$ (5)	$ (91)
Net change in fund balance	$ —	$ 410	$410	$ (208)	$ 618
Fund balance, beginning of period	57,909	57,909	—	58,117	(208)
Fund balance, end of period	$57,909	$58,319	$410	$57,909	$ 410

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION

This part of CPS' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about CPS' overall financial position.

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how CPS' financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess CPS' major revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of CPS' current levels of outstanding debt and CPS' ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which CPS' financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in CPS' financial report relates to the services CPS provides and the activities it performs.

Sources:

Unless otherwise noted, the information contained herein is derived from the comprehensive annual financial reports for the relevant year.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009 (1) (as restated)	2010 (2)	2011 (3)	2012 (4) (as restated)	2013	2014	2015	2016
Net investment in capital assets	$ 267,249	$ 133,440	$ 30,202	$ 440,099	$ 370,159	$ 310,028	$ 80,009	$ (37,194)	$ (159,007)	$ (342,529)
Restricted for:										
Debt service	413,747	445,782	391,392	442,851	276,097	282,253	345,399	368,794	445,663	510,743
Donations	1,765	1,826	3,695	5,825	—	—	—	—	—	
Enabling legislation	129,597	102,695	101,072	109,163	—	—	—	—	—	
Grants and donations	—	—	—	—	70,045	70,302	63,862	61,451	64,584	65,282
Workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116
Unrestricted	(698,809)	(784,702)	(1,017,248)	(1,916,207)	(2,009,152)	(2,552,441)	(3,358,734)	(4,372,335)	(11,604,516)	(12,239,387)
Total net position	$ 113,549	$(100,959)	$ (490,887)	$ (918,269)	$(1,201,815)	$(1,797,178)	$(2,804,479)	$(3,959,446)	$(11,211,903)	$(11,970,775)

NOTES:

1) For FY2009, the amounts for net position restricted for debt service and unrestricted net position were restated to reflect the effects of GASB 53 adopted in FY2010.

2) Certain items in the FY2010 financial statements were reclassified to conform with the FY2011 presentation. These reclassifications had no impact in the total net position as previously reported.

3) Certain items in the FY2011 financial statements were reclassified to conform with the FY2012 presentation. These reclassifications had no impact in the total net position as previously reported.

4) Certain items in the FY2012 financial statements were restated to reflect the effects of GASB 63 and GASB 65 adopted in FY2013.

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Expenses:										
Instruction	$ 3,096,529	$ 3,138,036	$ 3,324,936	$ 3,507,221	$ 3,712,681	$ 3,742,788	$ 4,040,352	$ 4,139,906	$ 4,217,996	$ 3,870,330
Pupil support services	360,628	384,765	408,705	438,164	545,428	483,167	494,076	487,139	484,745	470,316
Administrative support services	178,891	205,693	233,361	201,908	187,559	192,605	211,294	241,913	249,662	318,736
Facilities support services	461,265	519,982	582,539	481,245	499,093	455,342	490,381	654,971	477,892	454,652
Instructional support services	481,477	496,708	512,427	523,851	541,714	473,202	491,137	474,926	492,232	468,999
Food services	186,297	193,614	203,880	207,127	215,609	219,382	234,659	205,989	207,834	211,288
Community services	45,203	46,779	56,392	50,879	47,021	38,941	39,946	37,507	37,997	36,967
Interest expense	219,826	274,356	259,850	258,360	285,577	310,452	337,053	335,237	332,023	365,136
Other	8,126	10,652	8,504	12,919	8,845	8,115	7,043	6,134	6,319	7,388
Total governmental activities	$ 5,038,242	$ 5,270,585	$ 5,590,594	$ 5,681,674	$ 6,043,527	$ 5,923,994	$ 6,345,941	$ 6,583,722	$ 6,506,700	$ 6,203,812
Program revenues:										
Charges for services										
Instruction	$ 3,748	$ 3,940	$ 5,189	$ 4,308	$ 692	$ 727	$ 700	$ 657	$ 571	$ 612
Food services	8,784	8,537	8,298	6,881	6,404	6,083	5,554	3,485	1,303	1,336
Operating grants and contributions	862,674	945,723	1,250,526	1,376,744	1,368,118	1,196,073	963,325	1,086,885	1,051,655	1,147,750
Capital grants and contributions	97,477	128,570	151,405	99,054	184,837	112,914	186,394	162,403	356,189	109,766
Total program revenues	$ 972,683	$ 1,086,770	$ 1,415,418	$ 1,486,987	$ 1,560,051	$ 1,315,797	$ 1,155,973	$ 1,253,430	$ 1,409,718	$ 1,259,464
Revenues (less than) expenditures	$(4,065,559)	$(4,183,815)	$(4,175,176)	$(4,194,687)	$(4,483,476)	$(4,608,197)	$(5,189,968)	$(5,330,292)	$(5,096,982)	$(4,944,348)
General revenues and other changes in net position:										
Taxes:										
Property taxes	$ 1,813,006	$ 1,861,781	$ 1,936,656	$ 1,896,265	$ 2,053,119	$ 2,089,016	$ 2,156,943	$ 2,218,033	$ 2,302,881	$ 2,399,287
Replacement taxes	201,509	215,489	188,503	152,497	197,762	181,927	185,884	188,040	202,148	161,535
Non-program state aid	1,651,730	1,756,386	1,603,926	1,532,679	1,792,747	1,611,726	1,688,611	1,572,564	1,492,019	1,442,822
Interest and investment earnings	116,907	85,896	43,692	12,734	17,101	20,683	7,879	15,563	(47,720)	(18,706)
Gain recognized from swaptions earnings	37,647	—	—	—	—	—	—	—	—	—
Gain on sale of capital assets	22,919	45,386	91	—	—	—	—	—	—	10,058
Other	162,779	4,369	56,132	173,130	139,201	147,550	143,350	181,125	125,638	190,480
Extraordinary item — gain on impairment of capital assets	—	—	708	—	—	—	—	—	—	—
Total general revenues and extraordinary item	$ 4,006,497	$ 3,969,307	$ 3,829,708	$ 3,767,305	$ 4,199,930	$ 4,050,902	$ 4,182,667	$ 4,175,325	$ 4,074,966	$ 4,185,476
Change in net position	$ (59,062)	$ (214,508)	$ (345,468)	$ (427,382)	$ (283,546)	$ (557,295)	$(1,007,301)	$(1,154,967)	$(1,022,016)	$ (758,872)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

COMPONENTS OF FUND BALANCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
General operating fund										
Reserved	$ 229,093	$ 237,205	$215,452	$226,154	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved	404,843	432,391	311,422	198,461	—	—	—	—	—	—
Nonspendable	—	—	—	—	1,972	3,329	1,720	429	429	429
Restricted for grants and donations	—	—	—	—	69,616	69,873	63,434	61,022	64,155	64,854
Restricted for workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116
Assigned for educational services	—	—	—	—	289,000	—	—	—	—	—
Assigned for appropriated fund balance	—	—	—	—	181,300	348,900	562,682	267,652	79,225	—
Assigned for commitments and contracts	—	—	—	—	102,163	110,397	105,664	87,067	73,101	—
Unassigned	—	—	—	—	5,293	443,575	150,658	—	102,002	(227,031)
Total general operating fund	$ 633,936	$ 669,596	$526,874	$424,615	$740,380	$1,068,754	$949,143	$436,008	$ 360,285	$(126,632)
All other governmental funds										
Reserved	$ 463,935	$ 541,068	$373,010	$604,733	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved, reported in:										
Capital projects fund	481,445	337,506	—	33,846	—	—	—	—	—	—
Debt service fund	158,480	178,489	154,616	124,556	—	—	—	—	—	—
Nonspendable	—	—	—	—	—	5,674	4,388	—	—	—
Restricted for capital improvement program	—	—	—	—	182,884	88,762	169,368	—	—	107,248
Restricted for debt service	—	—	—	—	271,643	332,517	466,966	491,552	545,383	535,116
Assigned for debt service	—	—	—	—	231,413	254,967	269,167	193,877	57,057	—
Unassigned (deficit)	—	—	—	—	—	—	—	(91,953)	(131,111)	(65,809)
Total all other governmental funds	$1,103,860	$1,057,063	$527,626	$763,135	$685,940	$ 681,920	$909,889	$593,476	$ 471,329	$ 576,555

NOTE:

1) Since FY2011 fund balances are classified to conform with GASB 54 adopted in July 2010.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (2)	2015	2016
Revenues:										
Property taxes	$1,767,760	$ 1,813,917	$1,896,540	$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,204,252	$ 2,304,656	$2,408,416
Replacement taxes	201,509	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535
State aid	1,701,585	1,846,034	1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325
Federal aid	746,029	876,041	1,125,580	1,180,148	1,144,884	935,951	845,796	907,241	798,931	808,999
Interest and investment earnings	116,907	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)
Other	286,230	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042
Total revenues	$4,820,020	$ 5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265	$5,272,667
Expenditures:										
Current:										
Instruction	$2,491,653	$ 2,575,124	$2,773,440	$2,898,855	$2,955,772	$2,992,481	$3,034,509	$3,126,689	$ 3,253,484	$2,970,553
Pupil support services	349,324	362,325	390,399	416,502	508,803	469,366	454,240	457,939	459,672	448,254
General support services	914,117	986,905	1,057,672	1,010,637	1,023,004	967,692	941,270	987,048	972,526	1,044,740
Food services	179,902	181,778	194,603	196,828	201,325	213,115	215,739	193,642	197,084	201,377
Community services	45,467	45,708	56,003	50,331	45,848	39,794	39,656	37,460	38,003	37,497
Teachers' pension and retirement benefits	155,563	206,651	237,011	294,424	149,377	183,499	227,766	593,225	676,078	664,123
Other	8,126	10,652	8,504	11,928	8,845	8,115	7,043	6,134	6,319	7,388
Capital outlay	345,963	466,895	672,412	705,691	580,363	591,148	519,604	534,980	391,953	308,091
Debt service:										
Principal	180,767	60,568	81,351	141,977	70,848	88,466	73,423	148,272	214,707	139,096
Interest	154,669	206,028	212,934	236,261	249,975	275,707	304,788	315,927	310,923	310,778
Other charges	6,743	15,546	7,921	8,359	11,274	10,321	12,198	3,705	7,863	31,545
Total expenditures	$4,832,294	$ 5,118,180	$5,692,250	$5,971,793	$5,805,434	$5,839,704	$5,830,236	$6,405,021	$ 6,528,612	$6,163,442
Revenues (less than) expenditures	$ (12,274)	$ (99,776)	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,091,347)	$ (890,775)
Other financing sources (uses):										
Gross amounts from debt issuances	$ 355,805	$ 1,674,555	$ 225,675	$1,083,260	$ 638,790	$ 592,510	$ 982,720	$ 131,600	$ 561,880	$ 724,999
Premiums on bonds issued	14,444	41,226	—	6,459	14,700	1,229	47,271	—	—	—
Insurance proceeds	—	—	1,155	—	—	—	—	—	—	—
Sales of general capital assets	25,673	6,404	91	—	—	—	723	7,301	37,504	15,012
Payment to refunded bond escrow agent	—	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)
Transfers in	1,904	3,813	20,389	—	—	—	—	—	—	—
Transfers out	(1,904)	(3,813)	(20,389)	—	—	—	—	—	—	—
Proceeds from notes	—	—	—	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	—	—	—	—	(12,502)	(110,071)
Capital leases	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	$ 395,922	$ 248,104	$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 200,172	$ 509,084
Net changes in fund balances	$ 383,648	$ 148,328	$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)
Debt service as a percentage of noncapital expenditures	7.35%	5.61%	5.71%	7.07%	6.09%	6.89%	7.02%	7.64%	8.47%	7.68%

NOTES:

1) This schedule was prepared using the modified accrual basis of accounting.
2) Fiscal year 2014 was restated due to a change in the revenue recognition period in fiscal year 2015.

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STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

REVENUES BY SOURCE — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2007		2008		2009	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$1,767,760	36.7%	$1,813,917	36.1%	$1,896,540	37.8%
Replacement taxes	201,509	4.2%	215,489	4.3%	188,503	3.8%
State aid	1,701,585	35.3%	1,846,034	36.8%	1,511,886	30.1%
Federal aid	746,029	15.5%	876,041	17.5%	1,125,580	22.4%
Interest and investment earnings	116,907	2.4%	85,895	1.7%	43,693	0.9%
Other	286,230	5.9%	181,028	3.6%	253,376	5.0%
Total revenues	$4,820,020	100.0%	$5,018,404	100.0%	$5,019,578	100.0%

	2010		2011		2012		2013	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:								
Property taxes	$2,047,163	38.6%	$1,936,655	34.2%	$2,352,136	40.8%	$2,211,568	41.1%
Replacement taxes	152,497	2.9%	197,762	3.5%	181,927	3.2%	185,884	3.4%
State aid	1,552,076	29.3%	1,949,781	34.5%	1,965,901	34.1%	1,815,798	33.7%
Federal aid	1,180,148	22.3%	1,144,884	20.2%	935,951	16.2%	845,796	15.7%
Interest and investment earnings	12,483	0.2%	13,399	0.2%	20,760	0.4%	7,303	0.1%
Other	359,661	6.7%	417,516	7.4%	303,744	5.3%	322,128	6.0%
Total revenues	$5,304,028	100.0%	$5,659,997	100.0%	$5,760,419	100.0%	$5,388,477	100.0%

	2014 (as restated)		2015		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:						
Property taxes	$2,204,252	40.5%	$2,304,656	42.4%	$2,408,416	45.7%
Replacement taxes	188,041	3.5%	202,148	3.7%	161,535	3.1%
State aid	1,840,805	33.9%	1,847,069	34.0%	1,552,325	29.4%
Federal aid	907,241	16.7%	798,931	14.7%	808,999	15.3%
Interest and investment earnings	15,596	0.3%	(92,825)	-1.7%	(95,650)	-1.8%
Other	286,472	5.3%	377,286	6.9%	437,042	8.3%
Total revenues	$5,442,407	100.0%	$5,437,265	100.0%	$5,272,667	100.0%

NOTES:

This schedule was prepared using the modified accrual basis of accounting.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

EXPENDITURES BY FUNCTION — ALL PROGRAMS
Last Ten Fiscal Years
(Thousands of dollars)

	2007		2008		2009		2010		2011		2012		2013	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:														
Current:														
Instruction	$2,491,653	51.6%	$2,575,124	50.3%	$2,773,440	48.7%	$2,898,855	48.5%	$2,955,772	50.9%	$2,992,481	51.3%	$3,034,509	52.0%
Pupil support services	349,324	7.2%	362,325	7.1%	390,399	6.9%	416,502	7.0%	508,803	8.8%	469,366	8.0%	454,240	7.9%
General support services	914,117	18.9%	986,905	19.3%	1,057,672	18.6%	1,010,637	17.0%	1,023,004	17.6%	967,692	16.6%	941,270	16.1%
Food services	179,902	3.7%	181,778	3.6%	194,603	3.4%	196,828	3.3%	201,325	3.5%	213,115	3.7%	215,739	3.7%
Community services	45,467	0.9%	45,708	0.9%	56,003	1.0%	50,331	0.8%	45,848	0.8%	39,794	0.7%	39,656	0.7%
Teachers' pension and retirement benefits	155,563	3.2%	206,651	4.0%	237,011	4.2%	294,424	4.9%	149,377	2.6%	183,499	3.1%	227,766	3.9%
Other	8,126	0.2%	10,652	0.2%	8,504	0.1%	11,928	0.2%	8,845	0.1%	8,115	0.1%	7,043	0.1%
Capital outlay	345,963	7.2%	466,895	9.1%	672,412	11.8%	705,691	11.8%	580,363	10.0%	591,148	10.1%	519,604	8.9%
Debt service	342,179	7.1%	282,142	5.5%	302,206	5.3%	386,597	6.5%	332,097	5.7%	374,494	6.4%	390,409	6.7%
Total expenditures	$4,832,294	100.0%	$5,118,180	100.0%	$5,692,250	100.0%	$5,971,793	100.0%	$5,805,434	100.0%	$5,839,704	100.0%	$5,830,236	100.0%

	2014		2015		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Expenditures:						
Current:						
Instruction	$3,126,689	48.8%	$3,253,484	49.9%	$2,970,553	48.1%
Pupil support services	457,939	7.1%	459,672	7.1%	448,254	7.3%
General support services	987,048	15.4%	972,526	14.9%	1,044,740	17.0%
Food services	193,642	3.0%	197,084	3.0%	201,377	3.3%
Community services	37,460	0.6%	38,003	0.6%	37,497	0.6%
Teachers' pension and retirement benefits	593,225	9.3%	676,078	10.4%	664,123	10.8%
Other	6,134	0.1%	6,319	0.1%	7,388	0.1%
Capital outlay	534,980	8.4%	391,953	6.0%	308,091	5.0%
Debt service	467,904	7.3%	533,493	8.0%	481,419	7.8%
Total expenditures	$6,405,021	100.0%	$6,528,612	100.0%	$6,163,442	100.0%

NOTE:

This schedule was prepared using the modified accrual basis of accounting.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over (Under) 2015
Revenues:			
Local taxes:			
Property taxes	$2,313,470	$2,252,828	$ 60,642
Replacement taxes	115,961	143,867	(27,906)
Total revenue from local taxes	$2,429,431	$2,396,695	$ 32,736
Local nontax revenue:			
Interest and investment earnings	$ 1,347	$ 198	$ 1,149
Lunchroom operations	—	1,302	(1,302)
Other	271,858	164,517	107,341
Total revenue from nontax revenue	$ 273,205	$ 166,017	$ 107,188
Total local revenue	$2,702,636	$2,562,712	$ 139,924
State grants and subsidies:			
General state aid	$ 857,601	$ 847,420	$ 10,181
Block grants	511,192	621,625	(110,433)
Other	30,061	110,279	(80,218)
Total state grants & subsidies	$1,398,854	$1,579,324	$(180,470)
Federal grants and subsidies:			
Elementary and Secondary Education Act (ESEA)	$ 293,302	$ 253,514	$ 39,788
American Recovery and Reinvestment Act (ARRA) (1)	14,304	22,405	(8,101)
School lunch program	202,943	200,412	2,531
Individuals with Disabilities Education Act (IDEA)	93,483	103,899	(10,416)
Other	172,245	187,318	(15,073)
Total federal grants and subsidies	$ 776,277	$ 767,548	$ 8,729
Total revenues	$4,877,767	$4,909,584	$ (31,817)

NOTE:

1) ARRA does not include General State Aid — Education SFSF, ARRA — Early Childhood, and General State Aid — Government SFSF

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over (Under) 2015
Expenditures:			
Instruction:			
Salaries	$1,775,630	$1,844,868	$ (69,238)
Commodities	68,814	70,757	(1,943)
Services	653,379	843,073	(189,694)
Equipment — educational	33,310	43,836	(10,526)
Building and sites	2,449	4,264	(1,815)
Fixed charges	436,971	446,686	(9,715)
Total instruction	$2,970,553	$3,253,484	$(282,931)
Pupil support services:			
Salaries	$ 230,887	$ 241,575	$ (10,688)
Commodities	4,277	4,767	(490)
Services	140,994	137,439	3,555
Equipment — educational	446	1,883	(1,437)
Building and sites	402	65	337
Fixed charges	71,248	73,943	(2,695)
Total pupil support services	$ 448,254	$ 459,672	$ (11,418)
Administrative support services:			
Salaries	$ 67,187	$ 80,332	$ (13,145)
Commodities	11,569	11,106	463
Services	196,280	110,243	86,037
Equipment — educational	375	1,460	(1,085)
Building and sites	536	643	(107)
Fixed charges	27,838	32,964	(5,126)
Total administrative support services	$ 303,785	$ 236,748	$ 67,037

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over/(Under) 2015
Facilities support services:			
Salaries	$ 77,424	$ 77,376	$ 48
Commodities	74,855	80,751	(5,896)
Services	170,328	134,757	35,571
Equipment — educational	1,135	2,196	(1,061)
Building and sites	13,390	20,268	(6,878)
Fixed charges	43,857	40,755	3,102
Total facilities support services	$380,989	$356,103	$ 24,886
Instructional support services:			
Salaries	$246,951	$255,400	$ (8,449)
Commodities	9,456	10,413	(957)
Services	37,868	45,286	(7,418)
Equipment — educational	4,257	5,510	(1,253)
Building and sites	1,815	1,969	(154)
Fixed charges	59,619	61,097	(1,478)
Total instructional support services	$359,966	$379,675	$(19,709)
Food services:			
Salaries	$ 61,527	$ 60,299	$ 1,228
Commodities	97,247	96,522	725
Services	4,356	4,066	290
Equipment — educational	1,762	620	1,142
Building and sites	—	—	—
Fixed charges	36,485	35,577	908
Total food services	$201,377	$197,084	$ 4,293

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over/(Under) 2015
Community services:			
Salaries	$ 12,901	$ 13,283	$ (382)
Commodities	1,384	2,377	(993)
Services	18,501	17,552	949
Equipment — educational	377	436	(59)
Building and sites	117	—	117
Fixed charges	4,217	4,355	(138)
Total community services	$ 37,497	$ 38,003	$ (506)
Teacher's Pension:			
Fixed charges	$664,123	$676,078	$(11,955)
Total teachers' pension	$664,123	$676,078	$(11,955)
Capital outlay:			
Salaries	$ 2,822	$ 3,213	$ (391)
Commodities	3,626	3,686	(60)
Services	2,495	2,311	184
Equipment — educational	3,717	5,020	(1,303)
Building and sites	1,279	86	1,193
Fixed charges	841	2,884	(2,043)
Total capital outlay	$ 14,780	$ 17,200	$ (2,420)
Debt service:			
Services	$ 1,131	$ —	$ 1,131
Fixed charges	25,003	—	25,003
Total debt service	$ 26,134	$ —	$ 26,134

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
DETAILED SCHEDULE OF REVENUE AND EXPENDITURES (continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Fiscal Year 2016	Fiscal Year 2015	2016 Over/(Under) 2015
Other:			
Salaries	$ 172	$ 184	$ (12)
Commodities	9	9	—
Services	909	32	877
Equipment — educational	29	—	29
Building and sites	—	—	—
Fixed charges	6,269	6,094	175
Total other	$ 7,388	$ 6,319	$ 1,069
Total expenditures	$5,414,846	$5,620,366	$(205,520)

NOTE:

This schedule was prepared using the modified accrual basis of accounting.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

OTHER FINANCING SOURCES AND (USES)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General operating fund:										
Transfers in/(out)	$ 1,904	$ 3,813	$ 20,389	$ 17,851	$109,830	$ 62	$ 439	$ 161	$ (12,915)	$ 50,162
Total general operating fund	$ 1,904	$ 3,813	$ 20,389	$ 17,851	$109,830	$ 62	$ 439	$ 161	$ (12,915)	$ 50,162
All other governmental funds:										
Gross amounts from debt issuances	$355,805	$ 1,674,555	$ 225,675	$1,083,260	$638,790	$ 592,510	$ 982,720	$131,600	$ 561,880	$ 724,999
Premiums on bonds issued	14,444	41,226	—	6,459	14,700	1,229	47,271	—	—	—
Insurance proceeds	—	—	1,155	—	—	—	—	—	—	—
Sales of general capital assets	25,673	6,404	91	—	—	—	723	7,301	37,504	15,012
Payment to refunded bond escrow agent	—	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(386,710)	(120,856)
Transfers in/(out)	(1,904)	(3,813)	(20,389)	(17,851)	(109,830)	(62)	(439)	(161)	12,915	(50,162)
Amount from notes	—	—	—	—	—	—	—	—	—	—
Discounts on bonds issued	—	—	—	—	—	—	—	—	(12,502)	(110,071)
Proceeds from swaps	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	$394,018	$ 244,291	$ (19,876)	$ 783,164	$274,177	$ 403,577	$ 549,678	$138,740	$ 213,087	$ 458,922

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

RATIO OF DEBT SERVICE TO NON-CAPITAL EXPENDITURES
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

Fiscal Year	Debt Service	Non-Capital	Ratio
2007	$342,179	$4,486,331	0.08 : 1
2008	260,438	4,651,285	0.06 : 1
2009	301,169	5,019,838	0.06 : 1
2010	383,887	5,266,102	0.07 : 1
2011	332,097	5,225,071	0.06 : 1
2012	374,494	5,248,556	0.07 : 1
2013	390,409	5,310,632	0.07 : 1
2014	467,904	5,870,041	0.08 : 1
2015	533,493	6,136,659	0.09 : 1
2016	481,419	5,855,351	0.08 : 1

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate per $100 of equalized assessed valuation)

School Direct Rates	2007	2008 (A)	2009 (B)	2010	2011	2012	2013	2014	2015	2016
Education	$2.078	$2.376	$2.426	$2.204	$2.449	$2.671	$3.309	$3.519	$3.409	$3.205
Worker's and Unemployment Compensation/Tort Immunity	0.021	0.191	0.031	0.148	0.067	0.133	0.031	0.067	0.169	0.111
PBC Operation & Maintenance	0.521	—	—	—	—	—	—	—	—	—
Public Building Commission	0.077	0.016	0.015	0.014	0.065	0.071	0.082	0.085	0.082	0.075
Capital Improvement	—	—	—	—	—	—	—	—		0.064
Total direct rate	$2.697	$2.583	$2.472	$2.366	$2.581	$2.875	$3.422	$3.671	$3.660	$3.455
Chicago Finance Authority	$0.118	$0.091	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
City of Chicago	1.062	1.044	1.147	1.098	1.132	1.229	1.425	1.496	1.473	1.806
Chicago City Colleges	0.205	0.159	0.156	0.150	0.151	0.165	0.190	0.199	0.193	0.177
Chicago Park District	0.379	0.355	0.323	0.309	0.319	0.346	0.395	0.420	0.415	0.382
Metropolitan Water Reclamation District	0.284	0.263	0.252	0.261	0.274	0.320	0.370	0.417	0.430	0.426
Cook County	0.500	0.446	0.415	0.394	0.423	0.462	0.531	0.560	0.568	0.552
Cook County Forest Preserve	0.057	0.053	0.051	0.049	0.051	0.058	0.063	0.069	0.069	0.069
Total for all governments	$5.302	$4.994	$4.816	$4.627	$4.931	$5.455	$6.396	$6.832	$6.808	$6.867

Source: Cook County Clerk's Office

NOTES:

A) Beginning in fiscal year 2008, the tax levy for PBC Operations & Maintenance has been consolidated with the Education tax rate.

B) Beginning in fiscal year 2009, the tax levy for Chicago Finance Authority has been consolidated with the Education tax rate.

Note:

The tax direct rate for the Capital Improvement for fiscal year 2016 is rounded up by .001 in order to tie to the agency grand total of 3.455 on the Cook County Agency Report for tax year 2015.

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Thousands of dollars)

			Collected within the Fiscal Year of Extension (A)			Total Collections to Date (B)	
Tax Year of Levy	Fiscal Year of Extension	Total Tax Extension	Amount	Percentage of Extension	Collections in Subsequent Years	Amount	Percentage of Extension
2006	2007	$1,874,750	$ 835,191	44.55%	$ 966,103	$1,801,294	96.08%
2007	2008	1,901,887	865,576	45.51%	976,942	1,842,518	96.88%
2008	2009	2,001,751	916,129	45.77%	1,024,939	1,941,068	96.97%
2009	2010	2,001,252	1,024,263	51.18%	899,999	1,924,262	96.15%
2010	2011	2,118,541	1,021,564	48.22%	1,030,958	2,052,522	96.88%
2011	2012	2,159,586	1,083,667	50.18%	1,040,248	2,123,915	98.35%
2012	2013	2,232,684	1,090,274	48.83%	1,074,246	2,164,520	96.95%
2013	2014	2,289,250	1,134,859	49.57%	1,125,993	2,260,852	98.76%
2014	2015	2,375,822	1,177,370	49.56%	1,172,030	2,349,400	98.89%
2015	2016	2,451,566	1,230,423	50.19%	—	—	—

NOTES:

A) The amount does not represent a full year's tax collection.

B) The total amount collected to date is net of refunds.

C) Tax Year 2015 contains Capital Improvement Tax amounts that were not levied in prior years.

D) Amounts collected within the fiscal year of extension for Tax Year 2011 - 2014 were revised to present the information on the cash basis of accounting.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Thousands of dollars)

Tax Year Levy	Fiscal Year	Assessed Values (A) Class 2 (B)	Class 3 (C)	Class 5 (D)	Other (E)	Total	State Equalization Factor (F)	Total Equalized Assessed Value (G)	Total Direct Tax Rate (H)	Total Estimated Fair Cash Value (I)	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value (%)
2006	2007	$18,521,873	$2,006,898	$12,157,149	$688,868	$33,374,788	2.7076	$69,511,192	$2.697	$329,770,733	21.08%
2007	2008	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	2.583	320,503,503	22.98%
2008	2009	19,339,573	1,602,768	12,359,537	693,239	33,995,117	2.9786	80,977,543	2.472	310,888,609	26.05%
2009	2010	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	2.366	280,288,730	30.18%
2010	2011	18,120,678	1,476,291	10,407,012	561,682	30,565,663	3.3000	82,087,170	2.581	231,986,396	35.38%
2011	2012	17,976,208	1,161,634	10,411,363	544,416	30,093,621	2.9706	75,122,914	2.875	222,856,064	33.71%
2012	2013	15,560,876	1,252,635	10,201,554	454,593	27,469,658	2.8056	65,250,387	3.422	206,915,723	31.53%
2013	2014	15,440,622	1,282,342	10,137,795	453,201	27,313,960	2.6621	62,363,876	3.671	236,695,475	26.35%
2014	2015	15,416,908	1,345,482	10,096,651	487,529	27,346,570	2.7253	64,908,057	3.660	255,639,792	25.39%
2015	2016	17,319,503	1,589,995	11,240,864	541,183	30,691,545	2.6685	70,963,289	3.455	N/A	N/A

NOTES:

A. *Source*: Cook County Assessor's Office

B. Residential, six units and under

C. Residential, seven units and over and mixed-use

D. Industrial/Commercial

E. Vacant, not-for-profit and industrial/commercial incentive classes

F. *Source*: Illinois Department of Revenue

G. *Source*: Cook County Clerk's Office — Total equalized assessed value is net of exemptions and includes assessment of pollution control facilities. Excludes DuPage County Valuation.

H. Property in the City of Chicago is reassessed once every three years. Tax rates are per $100 of the equalized assessed value.

I. *Source*: The Civic Federation — Excludes railroad property.

N/A: Not available at publishing.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PRINCIPAL PROPERTY TAX PAYERS, BASED ON EQUALIZED ASSESSED VALUATION

Last Ten Fiscal Years

(Thousands of dollars)

	2015			2014			2013			2012			2011		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 386,932	1	0.55%	$ 364,455	1	0.56%	$ 370,197	1	0.59%	$ 386,266	1	0.59%	$ 445,590	1	0.59%
AON Building	239,092	2	0.34%	241,081	2	0.37%	248,906	2	0.40%	255,347	2	0.39%	302,124	2	0.40%
HCSC Blue Cross	238,631	3	0.34%	206,782	3	0.32%	201,987	3	0.32%	205,275	4	0.31%	206,343	6	0.27%
Water Tower Place	215,481	4	0.30%	195,486	4	0.30%	190,953	5	0.31%	201,246	5	0.31%	207,942	5	0.28%
300 Lasalle LLC	196,095	5	0.28%	183,764	8	0.28%	159,537	10	0.26%	179,804	10	0.28%	190,005	10	0.25%
Franklin Center	194,504	6	0.27%	187,461	6	0.29%	183,114	7	0.29%	192,985	7	0.30%	197,944	8	0.26%
Chase Tower	193,365	7	0.27%	194,963	5	0.30%	190,442	6	0.31%	200,708	6	0.31%	204,229	7	0.27%
Citadel Center	187,291	8	0.26%	181,210	10	0.28%	177,008	9	0.28%	184,596	9	0.28%	—	—	—
Prudential Plaza	186,795	9	0.26%	184,101	7	0.28%	193,495	4	0.31%	234,964	3	0.36%	272,345	3	0.36%
Three First National Plaza	182,523	10	0.26%	182,084	9	0.28%	177,862	8	0.29%	187,449	8	0.29%	197,183	9	0.26%
Northwestern Memorial Hospital	—	—	—	—	—	—	—	—	—	—	—	—	243,609	4	0.32%
131 S. Dearborn	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
One North Wacker	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Citigroup Center	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Leo Burnett Building	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	$2,220,709		3.13%	$2,121,387		3.26%	$ 2,093,501		3.36%	$2,228,640		3.42%	$2,467,314		3.26%

	2010			2009			2008			2007			2006		
Property	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	Percentage of Total Equalized Assessed Valuation
Willis Tower	$ 495,000	1	0.60%	$ 505,515	1	0.60%	$ 540,074	1	0.67%	$ 514,662	1	0.70%	$ 493,803	1	0.71%
AON Building	335,454	2	0.41%	375,441	2	0.44%	392,192	2	0.48%	374,456	2	0.51%	356,510	2	0.51%
HCSC Blue Cross	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Water Tower Place	231,000	4	0.28%	235,907	5	0.28%	242,014	6	0.30%	231,069	6	0.31%	219,995	6	0.32%
300 Lasalle LLC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Franklin Center	209,723	8	0.26%	256,590	4	0.30%	294,569	4	0.36%	297,653	3	0.40%	283,387	3	0.41%
Chase Tower	226,875	5	0.28%	231,694	6	0.27%	262,114	5	0.32%	250,261	5	0.34%	238,266	5	0.34%
Citadel Center	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Prudential Plaza	305,026	3	0.37%	318,635	3	0.38%	307,510	3	0.38%	293,604	4	0.40%	279,532	4	0.40%
Three First National Plaza	226,222	6	0.28%	231,028	7	0.27%	215,666	10	0.27%	205,913	10	0.28%	196,044	9	0.28%
Northwestern Memorial Hospital	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
131 S. Dearborn	210,502	7	0.26%	212,725	8	0.25%	218,722	9	0.27%	208,906	9	0.28%	—	—	—
One North Wacker	207,127	9	0.25%	211,526	9	0.25%	—	—	—	—	—	—	189,061	10	0.27%
Citigroup Center	191,070	10	0.23%	—	—	—	226,458	7	0.28%	216,217	7	0.29%	205,854	7	0.30%
Leo Burnett Building	—	—	—	208,973	10	0.25%	221,846	8	0.27%	211,813	8	0.29%	201,662	8	0.29%
	$2,637,999		3.22%	$2,788,034		3.29%	$ 2,921,165		3.60%	$2,804,554		3.80%	$2,664,114		3.83%

Source: Cook County Treasurer's Office and Cook County Assessor's Office

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF REPLACEMENT TAX DATA
Last Ten Fiscal Years

Statewide Replacement Tax Data (A)

Calendar Year	Invested Capital Tax Collections	Business Income Tax Collections (Net of Refunds)	Net Adjustments (C)	Total Replacement Tax Allocations to Local Govts.	Board Percent (E)
2007	$ 211,708,013	$ 1,220,116,567	$ 86,763,391	$ 1,518,587,971	14.00%
2008	212,367,886	1,196,441,849	87,136,806	1,495,946,541	14.00%
2009	205,330,651	987,176,180	69,521,623	1,262,028,454	14.00%
2010	203,650,450	978,009,221	179,094,552	1,360,754,223	14.00%
2011	200,629,609	936,788,640	61,689,732	1,199,107,981	14.00%
2012	203,045,899	1,091,345,367	(93,077,866)	1,201,313,400	14.00%
2013	210,557,060	1,293,732,061	(172,528,019)	1,331,761,102	14.00%
2014	208,039,618	1,243,163,624	(80,317,444)	1,370,885,798	14.00%
2015 (F)	200,808,953	1,319,550,246	(117,189,755)	1,403,169,444	14.00%
2016 (H)	N/A	N/A	N/A	N/A	N/A

Board Replacement Tax Data (B)

Board	Revenues (D)	Revenues
$212,663,134	$212,663,134	$201,509,427
209,492,428	209,492,428	215,488,652
176,734,528	176,734,528	188,503,101
190,560,089	190,560,089	152,497,491
167,923,445	167,923,445	197,761,584
168,231,989	168,231,989	181,926,998
186,499,892	186,499,892	185,883,929
191,978,921	191,978,921	188,040,647
206,242,430	206,242,430	202,147,157
181,335,026	181,335,026	161,535,119

NOTES:

A) *Source*: Illinois Department of Revenue

B) *Source*: Board of Education of the City of Chicago

C) Consists of adjustments for administrative fees, interest earned on deposits, interfund transfers, timing of collections and payments and related items.

D) Reflects reductions to pay applicable Statutory Claims. All Statutory Claims with respect to debt service have been paid and, under the Statue Revenue Sharing Act, no future Statutory Claims with respect to debt service will arise or need to be paid.

E) Percentage rounded.

F) Replacement tax collection for January 1, 2015 — October 31, 2015 only.

G) Estimated.

H) The Statewide Replacement Tax Data for calendar year 2016 was not made available from the Illinois Department of Revenue (IDOR) at time of publishing.

Monthly Summary of the Total Allocations to the Board of Education

Calendar Year	January	March	April	May	July	August	October	December	Total
2007	$23,706,088	$12,541,684	$42,960,330	$35,720,916	$35,575,987	$15,691,722	$32,603,768	$13,862,639	$212,663,134
2008	28,898,261	13,371,613	37,943,940	40,606,164	32,510,546	17,770,472	29,019,609	9,371,823	209,492,428
2009	21,095,325	7,777,403	37,489,531	36,561,422	29,417,516	3,022,112	33,592,731	7,778,488	176,734,528
2010	22,103,156	8,619,712	32,076,622	22,475,680	22,828,990	2,997,879	43,980,968	35,477,082	190,560,089
2011	18,180,918	10,057,508	36,489,761	26,235,905	24,341,562	6,092,825	40,652,479	5,872,487	167,923,445
2012	25,024,841	6,995,224	38,430,380	25,676,518	33,182,244	4,009,471	25,251,856	9,661,455	168,231,989
2013	25,661,184	8,031,048	40,687,665	36,710,938	35,870,312	3,762,361	26,213,949	9,562,435	186,499,892
2014	32,365,778	9,605,194	42,927,880	31,682,731	31,920,320	3,433,503	31,625,454	8,418,061	191,978,921
2015	28,059,669	8,010,311	49,024,542	40,392,319	33,183,298	4,472,067	33,357,743	9,742,481(G)	206,242,430
2016	26,524,204	10,652,765	37,937,134	30,650,698	33,320,166	3,878,948	30,306,843	8,064,267	181,335,026

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS
For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
Addison Corridor North	6/4/1997	2020	$ 14,400,224	$ 42,579,728	195.7%
Addison South	5/9/2007	2031	70,940,232	118,469,466	67.0%
Archer Courts	5/12/1999	2023	85,326	5,786,498	6681.6%
Archer/Central	5/17/2000	2024	37,646,911	38,624,004	2.6%
Archer/Western	2/11/2009	2033	117,506,250	101,343,264	-13.8%
Armitage/Pulaski	6/13/2007	2031	17,643,508	18,287,653	3.7%
Austin/Commercial	9/27/2007	2031	72,287,864	78,869,095	9.1%
Avalon Park/South Shore	7/31/2002	2026	22,180,151	26,087,259	17.6%
Avondale	7/29/2009	2033	40,426,760	35,335,174	-12.6%
Belmont/Central	1/12/2000	2024	137,304,682	169,021,038	23.1%
Belmont/Cicero	1/12/2000	2024	33,673,880	44,187,009	31.2%
Bronzeville	11/4/1998	2022	46,166,304	96,262,094	108.5%
Bryn Mawr/Broadway	12/11/1996	2019	17,682,409	43,766,505	147.5%
California/Foster	4/2/2014	2038	15,399,717	14,917,544	-3.1%
Calumet/Cermak	7/29/1998	2021	3,219,685	164,882,168	5021.1%
Calumet River	3/10/2010	2034	14,220,381	6,972,718	-51.0%
Canal/Congress	11/12/1998	2022	36,872,487	382,158,077	936.4%
Central West	2/16/2000	2024	85,481,254	364,506,261	326.4%
Chicago/Central Park	2/27/2002	2026	84,789,947	167,418,239	97.5%
Chicago/Kingsbury	4/12/2000	2024	38,520,706	387,139,275	905.0%
Cicero/Archer	5/17/2000	2024	19,629,324	28,299,002	44.2%
Clark/Montrose	7/7/1999	2022	23,433,096	63,345,163	170.3%
Clark/Ridge	9/29/1999	2022	39,619,368	65,268,122	64.7%
Commercial Ave.	11/13/2002	2026	40,748,652	52,477,712	28.8%
Devon/Sheridan	3/31/2004	2028	46,265,220	40,076,934	-13.4%
Devon/Western	11/3/1999	2023	71,430,503	94,033,908	31.6%
Diversey/Narragansett	2/5/2003	2027	34,746,231	62,121,306	78.8%
Division/Homan	6/27/2001	2025	24,683,716	39,369,651	59.5%
Drexel Blvd.	7/10/2002	2026	127,408	5,345,620	4095.7%
Edgewater/Ashland	10/1/2003	2027	1,875,282	45,715,705	2337.8%
Elston/Armstrong	7/19/2007	2031	45,742,226	49,527,831	8.3%
Englewood Mall	11/29/1989	2025	3,868,736	8,777,381	126.9%
Englewood Neighborhood	6/27/2001	2025	56,079,946	134,140,890	139.2%
Ewing Avenue	3/10/2010	2034	52,994,264	44,540,869	-16.0%
Fullerton/Milwaukee	2/16/2000	2024	85,157,390	183,383,033	115.3%
Galewood/Armitage Industrial	7/7/1999	2023	48,056,697	127,116,038	164.5%
Goose Island	7/10/1996	2019	13,676,187	82,230,274	501.3%
Greater Southwest (West)	4/12/2000	2024	115,603,413	84,894,981	-26.6%
Harlem Industrial Park	3/14/2007	2031	45,981,764	36,593,874	-20.4%

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education
CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)
For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
Harrison/Central	7/26/2006	2030	$ 43,430,700	$ 45,341,918	4.4%
Hollywood/Sheridan	11/7/2007	2031	158,696,916	128,384,501	-19.1%
Homan/Arthington	2/5/1998	2021	2,658,362	9,962,872	274.8%
Humbolt Park Commercial	6/27/2001	2025	32,161,252	76,486,951	137.8%
Irving Park/Cicero	6/10/1996	2020	8,150,631	17,563,924	115.5%
Irving Park/Elston	5/13/2009	2033	44,853,282	37,855,204	-15.6%
Jefferson Park	9/9/1998	2021	23,970,085	33,965,264	41.7%
Jefferson/Roosevelt	8/30/2000	2024	52,292,656	156,837,609	199.9%
Kennedy/Kimball	3/12/2008	2032	72,841,679	64,916,277	-10.9%
Kinzie Conservation	6/10/1998	2022	144,961,719	516,995,046	256.6%
Lake Calumet	12/13/2000	2024	176,186,639	186,597,658	5.9%
Lakefront	3/27/2002	2026	—	5,478,630	—
Lakeside Dev Phase 1	5/12/2010	2034	3,489,242	295,552	-91.5%
LaSalle/Central	11/15/2006	2030	4,192,597,468	4,039,777,575	-3.6%
Lawrence/Broadway	6/27/2001	2025	38,603,611	88,815,677	130.1%
Lawrence/Kedzie	2/16/2000	2024	110,395,843	192,085,262	74.0%
Lawrence/Pulaski	2/27/2002	2026	43,705,743	60,961,947	39.5%
Lincoln Avenue	11/3/1999	2023	63,741,191	94,037,314	47.5%
Lincoln/Belmont/Ashland	11/2/1994	2018	2,457,347	19,978,591	713.0%
Little Village East	4/22/2009	2033	44,751,945	35,125,893	-21.5%
Little Village Ind	6/13/2007	2031	88,054,895	70,079,847	-20.4%
Madden/Wells	11/6/2002	2026	1,333,582	18,159,288	1261.7%
Madison/Austin Corridor	9/29/1999	2023	48,748,259	69,095,126	41.7%
Michigan Ave/Cermak	9/13/1989	2025	5,858,634	28,615,109	388.4%
Midway Ind. Corridor	2/16/2000	2024	48,652,950	115,875,364	138.2%
Midwest	5/17/2000	2036	216,733,898	433,553,731	100.0%
Montclare	8/30/2000	2024	792,770	4,780,661	503.0%
Montrose/Clarendon	6/30/2010	2034	—	2,903,570	—
Near North	7/30/1997	2020	41,671,541	404,916,427	871.7%
North Ave./Cicero	7/30/1997	2020	5,658,542	25,826,141	356.4%
North Branch/North	7/2/1997	2021	29,574,537	106,208,388	259.1%
North Branch/South	2/5/1998	2021	44,361,677	153,286,422	245.5%
North Pullman	6/30/2009	2033	44,582,869	55,139,149	23.7%
NW Industrial Corridor	12/2/1998	2022	146,115,991	228,672,342	56.5%
Ogden/Pulaski	4/9/2008	2032	221,709,034	198,398,980	-10.5%
Ohio/Wabash	6/7/2000	2024	1,278,143	25,795,389	1918.2%
Pershing/King	9/5/2007	2031	12,948,117	11,467,793	-11.4%
Peterson/Cicero	2/16/2000	2024	1,116,653	7,385,359	561.4%
Peterson/Pulaski	2/16/2000	2024	40,112,395	50,530,487	26.0%
Pilsen Area	6/10/1998	2022	111,394,217	272,657,556	144.8%
Portage Park	9/9/1998	2021	65,084,552	89,806,460	38.0%

STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
Pratt/Ridge	6/23/2004	2028	$ 16,414,897	$ 20,241,056	23.3%
Pulaski Corridor	6/9/1999	2023	82,778,075	123,489,301	49.2%
Randolph/Wells	6/9/2010	2034	72,140,805	73,899,459	2.4%
Ravenswood Corridor	3/9/2005	2029	44,169,275	53,783,653	21.8%
Read/Dunning	1/11/1991	2027	6,382,072	45,236,301	608.8%
River South	7/30/1997	2020	65,930,580	403,566,834	512.1%
River West	1/10/2001	2025	50,463,240	294,074,065	482.7%
Roosevelt/Cicero Corridor	2/5/1998	2021	45,179,428	81,211,376	79.8%
Roosevelt/Racine (DOH)	11/4/1998	2034	6,992,428	32,299,677	361.9%
Roosevelt/Union	5/12/1999	2022	4,369,258	78,375,909	1693.8%
Roseland/Michigan	1/16/2002	2026	29,627,768	35,596,506	20.1%
Sanitary Draig & Ship	7/24/1991	2027	10,722,329	16,978,537	58.3%
South Chicago	4/12/2000	2024	14,775,992	33,181,948	124.6%
South Works	11/3/1999	2023	3,823,633	3,975,066	4.0%
Stevenson/Brighton Park	4/11/2007	2031	216,330,994	194,598,906	-10.0%
Stockyards Annex	12/11/1996	2020	38,650,631	56,235,821	45.5%
Stockyards-Southeast Quad	2/26/1992	2016	21,527,824	41,638,026	93.4%
Stony Island Com/Burnside	6/10/1998	2034	46,058,038	82,273,027	78.6%
Southwest Ind. Corridor	3/10/1999	2023	17,662,923	28,061,736	58.9%
Touhy/Western	9/13/2006	2030	55,187,828	50,095,553	-9.2%
Washington Park	10/8/2014	2038	72,073,855	73,483,337	2.0%
Weed/Fremont	1/8/2008	2032	6,430,360	16,387,907	154.9%
West Irving Park	1/12/2000	2024	36,446,831	47,648,822	30.7%
West Woodlawn	5/12/2010	2034	127,750,505	90,405,091	-29.2%
Western Ave. South	1/12/2000	2024	69,504,372	168,864,537	143.0%
Western Ave. North	1/12/2000	2024	71,260,546	165,258,095	131.9%
Western/Ogden	2/5/1998	2021	41,536,306	164,482,952	296.0%
Western/Rock Island	2/8/2006	2030	102,358,411	108,702,988	6.2%
Wilson Yard	6/27/2001	2025	56,194,225	151,791,860	170.1%
Woodlawn	1/20/1999	2022	28,865,833	70,081,884	142.8%
105th/Vincennes	10/3/2001	2025	108,828,811	118,800,193	9.2%
107th/Halsted	4/2/2014	2038	122,435,316	128,185,922	4.7%
111th/Kedzie	9/29/1999	2022	14,456,141	22,017,412	52.3%
119th/Halsted	2/6/2002	2026	63,231,728	75,551,426	19.5%
119th/I-57	11/6/2002	2026	100,669,561	150,374,336	49.4%
126th/Torrence	12/21/1994	2017	1,224,731	17,755,920	1349.8%
24th/Michigan	7/21/1999	2022	15,874,286	38,786,788	144.3%
26th/King Drive	1/11/2006	2030	—	10,386,547	—
35th/Halsted	1/14/1997	2021	81,212,182	163,321,540	101.1%
35th/State	1/14/2004	2028	3,978,955	34,721,772	772.6%

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CITY OF CHICAGO TAX INCREMENT FINANCING (TIF) DISTRICTS (continued)

For the Fiscal Year Ended June 30, 2016

TIF District	Date TIF Initiated	Date TIF Matures	Initial EAV $	2015 EAV $	% Change in EAV (for 2015)
35th/Wallace	12/15/1999	2023	$ 9,047,402	$ 21,948,120	142.6%
41st/King Drive	7/13/1994	2018	129,892	2,659,530	1947.5%
43rd/Cottage Grove	7/8/1998	2022	13,728,931	52,136,392	279.8%
47th/Ashland	3/27/2002	2026	53,606,185	82,622,008	54.1%
47th/Halsted	5/29/2002	2026	39,164,012	85,979,592	119.5%
47th/King Drive	3/27/2002	2026	61,269,066	159,468,970	160.3%
47th/State	7/21/2004	2028	19,279,360	39,001,932	102.3%
49th/St. Lawrence	1/10/1996	2020	683,377	6,604,440	866.4%
51st/Archer	5/17/2000	2024	29,522,751	30,980,874	4.9%
51st/Lake Park	11/15/2012	2036	2,320,971	338,769	-85.4%
53rd St.	1/10/2001	2025	20,916,553	72,191,020	245.1%
60th/Western	5/9/1996	2019	2,464,026	3,967,957	61.0%
63rd/Ashland	3/29/2006	2030	47,496,362	63,138,986	32.9%
63rd/Pulaski	5/17/2000	2024	56,171,856	73,465,925	30.8%
67th/Cicero	10/2/2002	2026	—	3,540,765	—
67th/Wentworth	5/4/2011	2035	210,005,927	148,831,797	-29.1%
69th/Ashland	11/3/2004	2028	813,600	10,132,958	1145.4%
71st/Stony Island	10/7/1998	2021	53,336,063	86,819,204	62.8%
73rd/University	9/13/2006	2030	16,998,947	21,675,095	27.5%
79th Street Corridor	7/8/1998	2021	21,576,305	32,520,604	50.7%
79th/Cicero	6/8/2005	2029	8,018,405	15,015,019	87.3%
79th/SW Highway	10/3/2001	2025	36,347,823	52,636,257	44.8%
79th/Vincennes	9/27/2007	2031	32,132,472	29,191,983	-9.2%
83rd/Stewart	3/31/2004	2028	10,618,689	25,470,580	139.9%
87th/Cottage Grove	11/13/2002	2026	53,959,824	71,610,712	32.7%
95th/Western	7/13/1995	2019	16,035,773	27,319,767	70.4%
			$10,901,063,213	$16,523,579,959	

NOTE

State law empowers cities to create Tax Increment Financing Districts (TIFs) to finance redevelopment of blighted areas or areas at risk of blight. Taxes subsequently generated by new development and increases in property values in TIF districts are reinvested for further development. Increased tax revenues pay for general improvements such as roadways, viaducts, sewers, and sidewalk replacements or for financial assistance for developers.

State law requires the City to call a meeting of the Joint Review Board in order for the City to legally create any TIF.

The Chicago Public Schools serves on this committee.

Source: Office of The County Clerk Tax Increment Agency

Total 2015 EAV for the City of Chicago is $70,968,532,875—Source of The Cook County Report

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF NEW PROPERTY EAV AS A PERCENTAGE OF OVERALL EAV

Last Ten Fiscal Years

(Thousands of dollars)

			Components of New Property by Tax Levy Year (B)						
Tax Year Levy	Fiscal Year	Agency Overall Equalized Assessed Value (A)	New Property	Annexed Property	Disconnected Property	Recovered Tax Increment Value	Expired Incentives	Total New Property (A)	New property percentage of overall EAV
2006	2007	$69,517,264	$ 786,042	$—	$—	$ —	$ 8,980	$ 795,022	1.14%
2007	2008	73,651,158	838,279	—	—	45,875	24,179	908,333	1.23%
2008	2009	80,983,239	1,073,096	—	—	2,318,769	—	3,391,865	4.19%
2009	2010	84,592,286	1,052,426	—	—	162	—	1,052,588	1.24%
2010	2011	82,092,476	727,019	—	—	104,289	18,790	850,098	1.04%
2011	2012	75,127,913	344,503	—	—	—	2,420	346,923	0.46%
2012	2013	65,257,093	213,120	—	—	41,499	19,845	274,464	0.42%
2013	2014	62,370,205	279,426	—	—	244,388	10,066	533,880	0.86%
2014	2015	64,913,774	414,558	—	—	1,040,246	9,912	1,464,716	2.26%
2015	2016	70,968,533	339,649	—	—	21,038	16,432	377,119	0.53%

NOTES:

A) *Source*: Cook County Clerk's Office—Agency Tax Rate Report, includes DuPage County Valuation.

B) *Source*: Cook County Clerk's Office—PTELL New Property, Annexed Property, Disconnected Property, Recovered Tax Increment Report by Town Within Agency.

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2016

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Modern Schools Across Chicago (MSAC) Program Phase I				
Collins Renovation	$ 30,300,000	$ 31,788,774	$ —	Midwest
Mather Renovation	32,401,366	32,401,366	—	Lincoln Avenue
Austin Renovation	32,203,759	32,203,759	—	Madison/ Austin
Southwest Elementary (Hernandez Middle School)	32,818,102	32,818,102	—	51st/ Archer
South Shore Replacement HS	72,164,382	72,164,382	—	71st/ Stony Island
Additional Westinghouse HS Funding and Refunding	17,752,030	17,752,030	—	Chicago/ Central Park
Skinner Replacement Elementary	36,418,205	34,340,000	—	Central West
Avondale Irving Park Elementary	10,766,724	10,766,724	—	Fullerton/ Milwaukee
Boone Clinton Elementary	8,142,740	8,142,740	—	Touhy/ Western
Belmont Cragin Elementary	8,097,471	8,097,471	—	Galewood/ Armitage
Peterson Addition	15,150,000	15,150,000	—	Lawrence/ Kedzie
Modern Schools Across Chicago Program Phase II				
Avondale Irving Park Elementary	25,000,000	25,452,297	—	Fullerton/ Milwaukee
Belmont Cragin Elementary	31,300,000	28,712,447	—	Galewood/ Armitage
Hernandez Middle School	9,540,000	6,382,816	—	51st/ Archer
Boone Clinton Elementary	18,655,000	18,767,428	—	Touhy/ Western
Chicago Ag West High School (Al Raby Horticultural)	22,000,000	13,286,828		Chicago/ Central Park
Westinghouse High School	32,920,000	31,560,329	—	Chicago/ Central Park
Back of the Yards HS	19,800,000	19,800,000	—	47th/ Ashland
Modern Schools Across Chicago Program Additional Agreements				
Austin Renovation	5,570,000	Rescinded	—	Madison/ Austin
Skinner Replacement Elementary	6,120,000	3,506,630	—	Central/ West
Peterson Addition	2,900,000	2,900,000	—	Lawrence/ Kedzie
Brighton Park II Elementary	25,420,000	—	25,420,000	Stevenson/ Brighton
Modern Schools Across Chicago Program Re-Programmed Bond Funds				
Ericson Play Lot	225,000	200,881	—	Midwest MSAC Bonds
Faraday STEM	650,000	633,267	—	Midwest MSAC Bonds
Jensen Play Lot	400,000	378,365	—	Midwest MSAC Bonds
Prieto ES Modular	1,900,000	1,849,239	—	
Prosser High School Renovation	978,602	978,602	—	Galewood/Armitage
Back of the Yard HS Renovation	225,000	225,000	—	47th/ Ashland
MSAC Subtotal	**$499,818,381**	**$450,259,477**	**$25,420,000**	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2016 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
American Disabilities Act (ADA)				
ADA Accessibility -Year 1				
Beidler Elementary	$ 750,000	$ 594,531	$ —	Kinzie Industrial
Brown Elementary	750,000	750,000	—	Central West
Creiger Campus	1,500,250	1,207,911	—	Central West
Dodge Elementary	750,000	476,025	—	Midwest
Fiske Elementary	1,500,000	—		Woodlawn
Holmes Elementary	750,000	606,820	—	Englewood Neighborhood
Manierre Elementary	750,000	750,000	—	Near North
Mays Elementary	750,000	—		Englewood Neighborhood
McAuliffe Elementary	750,000	441,771	—	Pulaski Corridor
Mollison Elementary	750,000	750,000	—	47th/ King Drive
Morton Elementary	750,000	750,000	—	Kinzie Industrial
Nicholson Elementary	750,000	600,125	—	Englewood Neighborhood
Ryerson Elementary	750,000	750,000	—	Chicago/ Central Park
Schiller Elementary	1,500,000	565,181	—	Near North
Seward Elementary	1,500,000	1,500,000	—	47th/ Ashland
ADA Accessibility -Years 2-5				
Attucks-Farren Building	1,000,000	Pending	—	47th / King
Burke Elementary	1,000,000	Pending	—	47th / State
Banneker Elementary	2,000,000	Pending	—	Englewood Neighborhood
Armour Elementary	2,673,750	Pending	—	35th / Halsted
Hearst Elementary	2,219,500	Pending	—	Cicero/Archer
Lawndale Elementary	2,500,000	Pending	—	Midwest
Plamondon Elementary	1,748,000	Pending	—	Western /Ogden Industrial Corridor
Schurz High School	2,100,000	Pending	—	Portage Park
Hayt Elementary	670,000	Pending	—	Clark/Ridge
Peterson Elementary	500,000	Pending	—	Lawrence/Kedzie
Chappell Elementary	1,500,000	Pending	—	Western Ave. North
ADA Subtotal	**$ 32,161,500**	**$ 9,742,365**	**$ —**	

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

Tax Increment Financing (TIF) Agreements in Support of Chicago Public Schools

Capital Intergovernmental Agreements as of June 30, 2016 (continued)

School	Total Benefit To CPS From IGA with Interest	Total Benefit Received By CPS	Amounts Pending To Be Paid To CPS	Parent TIF
Other Capital Intergovernmental Agreements				
Walter Payton HS and Jenner School	$ 11,125,000	$ 11,125,000	$ —	Near North
Walter Payton HS Addition	20,000,000	15,399,790	—	Near North
Jones Academic High School Renovation/ Addition (Original)	42,315,243	42,315,243	—	Near South
Jones Academic High School Renovation/ Addition (Amended)	114,641,656	114,641,656	—	Near South
Jones Academic High School New Construction	8,700,000	8,145,386	—	Near South
National Teachers Academy New Construction	47,000,000	44,529,387	—	24th/ Michigan
Simeon High School Renovation	22,184,925	18,381,140	—	Chatham Ridge
Albany Park Middle School New Construction	25,000,000	28,662,826	—	*Lawrence/ Kedzie
Juarez High School Addition	18,500,000	18,017,456	—	Pilsen
DePriest Elementary New Construction	18,500,000	21,457,220	—	*Madison/ Austin
Additional Westinghouse HS- Refunding Debt Service	53,750,000	58,618,967	—	*Chicago/ Central Park
Canter Elementary School	150,000	150,000	—	53rd Street
Orozoco Elementary Health Center School	250,000	250,000	—	Western/ Ogden
Lane Tech High School Stadium	1,892,100	1,892,100	—	Western Avenue South
Clark Park Lane Tech High School	3,500,000	3,500,000		Western Avenue South
Coonley Middle School Renovation	2,201,500	2,201,500	—	Western Avenue South
Coonley Middle School Addition	16,500,000	14,729,008	—	Western Avenue South
Arai/ Uplift Elementary School Renovation	1,447,244	1,447,244	—	Wilson Yard
Lloyd Elementary Turf Field	750,000	750,000	—	Midwest
Lloyd Elementary Turf Field Scope Increase	550,000	113,947	—	Midwest
Chase ADA Renovation	3,600,000	2,759,563	—	Fullerton/Milwaukee
Holmes Elementary Lunchroom	3,270,000	3,270,000	—	Englewood Neighborhood
Senn High School Auditorium Upgrade	1,000,000	1,000,000	—	Clark Ridge
Arai/ Uplift Elementary School Courtyard Renovations	—	Rescinded	—	Wilson Yard
Beidler Campus Park	1,000,000	1,000,000	—	Kinzie Industrial
Donoghue Parking Lot	200,000	200,000	—	Madden-Wells
Juarez High School Athletic Field	701,308	701,308	—	Pilsen Industrial Corridor
Kenwood Academy	60,000	60,000	—	53rd Street
Lane Tech Renovation #2	2,000,000	2,000,000	—	Western Avenue South
Melody STEM	1,500,000	713,385	—	*Madison/ Austin
Spencer Play Lot	700,000	545,958	—	*Madison/ Austin
Tilton Play Lot	500,000	456,448	—	*Madison/ Austin
Whittier Renovation	2,887,000	2,887,000	—	Pilsen Industrial Corridor
McPherson Elementary School	400,000	400,000	—	Western Avenue North
Amundsen High School	500,000	500,000	—	Western Avenue North
Penn Elementary School	1,150,000	1,114,381		Midwest
Crane High School	2,250,000	2,250,000	—	Central West
Addams Renovation	1,700,000	—		Ewing Avenue
Ames renovation	4,500,000	4,476,461	—	Pulaski Industrial Corridor
Amundsen Gym	2,600,000	2,600,000	—	Western Ave. North
Amundsen CTE	760,000	—	—	Western Ave. North
Belmont Cragin Playground	287,000	—	—	Belmont Central
Budlong ES Bathroom Improvements	2,200,000	2,141,830	—	Foster / California
Cather ES Space to Grow	500,000	384,528	—	Kinzie Industrial
Earle ES Playground	287,000	—	—	63rd Ashland
Franklin ES Lockers	410,000	87,245	—	Near North
Gallistel Renovation	2,700,000	2,031,117	—	Ewing Avenue
Hope HS/ KIPP Playground	287,000	—	—	47th Ashland
New Selective Enrollment High School	520,000	—	—	Near North
Wadsworth Space to Grow	500,000	98,472	—	Woodlawn
Other Capital IGA Subtotal	**$447,926,976**	**$438,005,568**	**$ —**	
Grand Total	**$979,906,857**	**$898,007,409**	**$25,420,000**	

NOTES:

Based on intergovernmental agreements approved by City Council and executed by the City of Chicago and Chicago Public Schools as of June 30, 2016.

* City of Chicago refunded bonds to cover future principal and interest payments, no additional amounts to be paid to CPS.

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

BOND ISSUES OUTSTANDING RELATED TO THE CHICAGO PUBLIC SCHOOLS

For the fiscal year ended June 30, 2016

(Thousands of dollars)

Series	Debt Type	Pledged Revenue Source	Issued	Final Maturity	Interest Rate	Outstanding at June 30, 2015	Issued or (Redeemed)	Outstanding at June 30, 2016 (A) (B)
1992A	PBC GO Lease Certificate	Property Taxes	1/1/1992	1/1/2020	6.00%-6.5%	$ 123,875	($ 22,025)	$ 101,850
1999B	PBC Building Revenue Refunding Bonds	Property Taxes	3/11/1999	12/1/2018	5.00%-5.25%	72,595	(16,665)	55,930
1997A	Unlimited Tax G.O. Bonds	PPRT/IGA	12/3/1997	12/1/2030	5.30%-5.55%	11,132	(5,743)	5,389
1998 B-1	Unlimited Tax G.O. Bonds	IGA	10/28/1998	12/1/2031	4.55%-5.22%	257,044	(8,698)	248,346
1999A	Unlimited Tax G.O. Bonds	PPRT/IGA	2/25/1999	12/1/2031	4.30%-5.3%	419,560	(14,235)	405,325
2001B	Qualified Zone Academy G.O. Bonds	State Aid	10/24/2001	10/23/2015	0.00%	9,440	(9,440)	—
2002A	Unlimited Tax G.O. Bonds	City Note/IGA	9/24/2002	12/1/2022	3.00%-5.25%	31,670	(3,310)	28,360
2003C	Qualified Zone Academy G.O. Bonds	State Aid	10/28/2003	10/27/2017	0.00%	4,585	—	4,585
2004A	Unlimited Tax G.O. Bonds	PPRT/State Aid	4/6/2004	12/1/2020	4.00%-5.00%	131,735	(57,255)	74,480
2005A	Unlimited Tax G.O. Bonds	State Aid	6/27/2005	12/1/2031	5.00%-5.50%	181,085	(6,720)	174,365
2005B	Unlimited Tax G.O. Bonds	PPRT	6/27/2005	12/1/2021	5.00%	22,735	—	22,735
2006A	Qualified Zone Academy G.O. Bonds	State Aid	6/7/2006	6/1/2021	0.00%	6,853	—	6,853
2006B	Unlimited Tax G.O. Bonds	State Aid	9/27/2006	12/1/2036	4.25%-5.00%	305,875	(16,350)	289,525
2007B	Unlimited Tax G.O. Bonds	IGA	9/5/2007	12/1/2024	5.00%	197,765	—	197,765
2007C	Unlimited Tax G.O. Bonds	IGA	9/5/2007	12/1/2021	4.00%-4.375%	4,540	(390)	4,150
2007D	Unlimited Tax G.O. Bonds	State Aid	12/13/2007	12/1/2029	4.00%-5.00%	187,375	(18,180)	169,195
2008A	Unlimited Tax G.O. Bonds	PPRT/IGA	5/13/2008	12/1/2030	Variable	262,785	—	262,785
2008B	Unlimited Tax G.O. Bonds	State Aid	5/13/2008	12/1/2041	Variable	200,775	(15,425)	185,350
2008C	Unlimited Tax G.O. Bonds	State Aid	5/1/2008	3/1/2032	4.25%-5.00%	464,655	—	464,655
2009D	Unlimited Tax G.O. Bonds	State Aid	7/30/2009	12/1/2023	1.00%-5.00%	52,465	(7,125)	45,340
2009E	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	9/24/2009	12/1/2039	4.682%-6.14%	518,210	—	518,210
2009F	Unlimited Tax G.O. Bonds	State Aid	9/24/2009	12/1/2016	2.50%-5.00%	12,325	(12,325)	—
2009G	Qualified School Construction G.O. Bonds	State Aid	12/17/2009	12/15/2025	1.75%	254,240	—	254,240
2010C	Qualified School Construction G.O. Bonds	State Aid and Federal Subsidy	11/2/2010	11/1/2029	6.32%	257,125	—	257,125
2010D	Unlimited Tax G.O. Build America Bonds	State Aid and Federal Subsidy	11/2/2010	3/1/2036	6.52%	125,000	—	125,000
2010F	Unlimited Tax G.O. Bonds	State Aid	11/2/2010	12/1/2031	5.00%	176,630	(7,475)	169,155
2010G	Unlimited Tax G.O. Bonds	State Aid	11/2/2010	3/1/2017	2.77%-4.18%	38,590	(15,855)	22,735
2011A	Unlimited Tax G.O. Bonds	State Aid	11/1/2011	12/1/2041	5.00%-5.50%	402,410	—	402,410
2011C-1	Unlimited Tax G.O. Bonds	State Aid	12/20/2011	3/1/2032	Variable	47,200	(3,600)	43,600
2011C-2	Unlimited Tax G.O. Bonds	State Aid	12/20/2011	3/1/2032	Variable	44,100	—	44,100
2012A	Unlimited Tax G.O. Bonds	State Aid	8/21/2012	12/1/2042	5.00%	468,915	—	468,915
2012B	Unlimited Tax G.O. Bonds	State Aid	12/21/2012	12/1/2034	5.00%	109,825	—	109,825
2013A-1	Unlimited Tax G.O. Bonds	State Aid	5/22/2013	3/1/2026	Variable	106,930	(16,940)	89,990
2013A-2	Unlimited Tax G.O. Bonds	State Aid	5/22/2013	3/1/2035	Variable	124,320	—	124,320
2013A-3	Unlimited Tax G.O. Bonds	State Aid	5/22/2013	3/1/2036	Variable	157,055	—	157,055
2015A	Unlimited Tax G.O. Bonds	State Aid	3/26/2015	3/1/2032	Variable	89,200	—	89,200
2015C	Unlimited Tax G.O. Bonds	State Aid	4/29/2015	12/1/2039	5.25%-6.00%	280,000	—	280,000
2015E	Unlimited Tax G.O. Bonds	State Aid	4/29/2015	12/1/2039	5.13%	20,000	—	20,000
2015G	Unlimited Tax G.O. Bonds	State Aid	3/26/2015	3/1/2032	Variable	88,900	—	88,900
2016A	Unlimited Tax G.O. Bonds	State Aid	2/8/2016	12/1/2044	7.00%	—	725,000	725,000
		Grand Total Direct Debt				**$6,269,519**	**$ 467,244**	**$6,736,763**

NOTES: A. Net of amounts set aside/ escrowed to maturity for 12/1/16 payments deposited by 6/30/16 in connection with the series 2016A Bonds.
B. Excludes total accreted interest in the following series:

Series	Accreted Interest
1997A	$ 9,513
1998B-1	367,673
1999A	256,972
Total	**$634,158**

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED AND PROPOSED BOND ISSUANCES

As of June 30, 2016

(Thousands of dollars)

Bond Authorization	Amount Authorized	Amount Issued	Lien Closed	Retired	Principal Outstanding June 30, 2016 (1)	Remaining Authorization
1995 COP Board Authorization	$ 45,000	$ 45,000	$ —	$ 45,000	$ —	$ —
1996 Alternate Bond Authorization	1,150,000	850,000 (A)	300,000	850,000	— (A)	—
1997 Alternate Bond Authorization	1,500,000	1,497,703 (B)	—	838,643	659,060 (B)	2,297
1998 Alternate Bond Authorization	900,000	870,195 (C)	—	865,610	4,585 (C)	29,805
2001 Alternate Bond Authorization	500,000	500,000 (D)	—	500,000	— (D)	—
2002 Alternate Bond Authorization	500,000	500,000 (E)	—	471,640	28,360 (E)	—
2004 Alternate Bond Authorization	965,000	965,000 (F)	—	712,960	252,040 (F)	—
2006 Alternate Bond Authorization	750,000	634,258 (G)	—	371,235	263,023 (G)	115,742
2008 Alternate Bond Authorization	1,900,000	1,899,990 (H)	—	214,750	1,685,240 (H)	10
2009 Alternate Bond Authorization	2,300,000	1,906,180 (I)	—	373,140	1,533,040 (I)	393,820
2012 Alternate Bond Authorization	750,000	709,825 (J)	—	300,000	409,825 (J)	40,175
2015 Alternate Bond Authorization	1,160,000	725,000 (K)	—	—	725,000(K)	435,000
TOTAL	**$12,420,000**	**$11,103,151**	**$300,000**	**$5,542,978**	**$ 5,560,173**	**$1,016,849**

(1) Debt Reform Act Section 15 of the State of Illinois states that Alternate bonds may, upon meeting certain requirements of the Debt Reform Act, be issued to refund previously issued Alternate Bonds without utilizing additional authorization. CPS has issued eight series of refunding bonds which met these requirements: $205,410 Series 2004A, of which $74,480 is outstanding; $193,585 Series 2005A, of which $181,085 is outstanding; $52,595 Series 2005B, of which $22,735 is outstanding; $197,765 Series 2007B, of which all is outstanding; $403,980 Series 2013A, of which $371,365 is outstanding; $89,200 Series 2015A, of which all is outstanding; $88,900 Series 2015G, of which all is outstanding; and $88,900 Series 2007G, of which all is outstanding. These series are not included in the authorization table. Total principal amount issued including these series is $12,334,586. Principal outstanding on CPS Debt is $6,578,983.

NOTES:

A. The total issued and outstanding debt for the 1996 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1996	4/17/1996	$350,000	$ —
Unlimited Tax GO Bonds Series 1997	5/7/1997	500,000	—
		$850,000	$ —

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES

As of June 30, 2016

(Thousands of dollars)

B. The total issued and outstanding debt for the 1997 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds Series 1997A	12/3/1997	$ 499,995	$ 5,389
Unlimited Tax GO Bonds Series 1998	9/24/1998	14,000	—
Unlimited Tax GO Bonds Series 1998 B-1	10/28/1998	328,714	248,346
Unlimited Tax GO Bonds Series 1999A	2/25/1999	532,554	405,325
Unlimited Tax GO Bonds, IDFA Series 1999A ..	12/22/1999	12,000	—
Unlimited Tax GO Bonds, Series 2000D	9/7/2000	101,000	—
Unlimited Tax GO Bonds, Series 2001B	10/24/2001	9,440	—
		$1,497,703	$659,060

C. The total issued and outstanding debt for the 1998 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, PBC Series C of 1999	9/30/1999	$316,255	$ —
Unlimited Tax GO Bonds, Series 2000A	7/20/2000	106,960	—
Unlimited Tax GO Bonds, Series 2000B,C	9/7/2000	202,000	—
Unlimited Tax GO Bonds, Series 2000E	12/19/2000	13,390	—
Unlimited Tax GO Bonds, Series 2001A	3/1/2001	45,110	—
Unlimited Tax GO Bonds, Series 2003C	10/28/2003	4,585	4,585
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	81,895	—
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	100,000	—
		$870,195	$4,585

D. The total issued and outstanding debt for the 2001 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2001C	12/11/2001	$217,260	$ —
Unlimited Tax GO Bonds, Series 2003A	2/13/2003	75,890	—
Unlimited Tax GO Bonds, Series 2003B	2/13/2003	183,775	—
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	23,075	—
		$500,000	$ —

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2016

(Thousands of dollars)

E. The total issued and outstanding debt for the 2002 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2002A	9/24/2002	$ 48,970	$28,360
Unlimited Tax GO Bonds, Series 2003D	12/12/2003	257,925	—
Unlimited Tax GO Refunding Bonds, Series 2004B	4/6/2004	193,105	—
		$500,000	$28,360

F. The total issued and outstanding debt for the 2004 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2004CDE	11/10/2004	$222,080	$ —
Unlimited Tax GO Bonds, Series 2004FGH	12/9/2004	56,000	—
Unlimited Tax GO Bonds, Series 2005C	11/15/2005	53,750	—
Unlimited Tax GO Bonds, Series 2005DE	12/8/2005	325,000	—
Unlimited Tax GO Bonds, Series 2006A	6/7/2006	6,853	6,853
Unlimited Tax GO Bonds, Series 2006B	9/27/2006	301,317	245,187
		$965,000	$252,040

G. The total issued and outstanding debt for the 2006 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2006B	9/27/2006	$ 54,488	$ 44,338
Unlimited Tax GO Refunding Bonds, Series 2007A	9/5/2007	162,785	—
Unlimited Tax GO Refunding Bonds, Series 2007C	9/5/2007	6,870	4,150
Unlimited Tax GO Bonds, Series 2007D	12/13/2007	238,720	169,195
Unlimited Tax GO Refunding Bonds, Series 2009B	6/25/2009	75,410	—
Unlimited Tax GO Refunding Bonds, Series 2009C	6/25/2009	20,265	—
Unlimited Tax GO Refunding Bonds, Series 2009D	7/30/2009	75,720	45,340
		$634,258	$263,023

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2016

(Thousands of dollars)

H. The total issued and outstanding debt for the 2008 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2008A	5/13/2008	$ 262,785	$ 262,785
Unlimited Tax GO Refunding Bonds, Series 2008B	5/13/2008	240,975	185,350
Unlimited Tax GO Refunding Bonds, Series 2008C	5/1/2008	464,655	464,655
Unlimited Tax GO Refunding Bonds, Series 2009A	3/18/2009	130,000	—
Unlimited Taxable GO Bonds, Series 2009E	9/24/2009	518,210	518,210
Unlimited Tax GO Bonds, Series 2009F	9/24/2009	29,125	—
Unlimited Tax GO Bonds, Series 2009G	12/17/2009	254,240	254,240
		$1,899,990	$1,685,240

I. The total issued and outstanding debt for the 2009 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2010A	2/17/2010	$ 48,910	$ —
Unlimited Tax GO Refunding Bonds, Series 2010B	2/17/2010	157,055	—
Unlimited Tax GO Bonds, Series 2010C	11/2/2010	257,125	257,125
Unlimited Tax GO Bonds, Series 2010D	11/2/2010	125,000	125,000
Unlimited Tax GO Refunding Bonds, Series 2010F	11/2/2010	183,750	169,155
Unlimited Tax GO Refunding Bonds, Series 2010G	11/2/2010	72,915	22,735
Unlimited Tax GO Bonds, Series 2011A	11/1/2011	402,410	402,410
Unlimited Tax GO Refunding Bonds, Series 2011C	12/20/2012	95,100	87,700
Unlimited Tax GO Refunding Bonds, Series 2011D	12/16/2011	95,000	—
Unlimited Tax GO Bonds, Series 2012A	8/21/2012	468,915	468,915
		$1,906,180	$1,533,040

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL AUTHORIZED BOND ISSUANCES (continued)

As of June 30, 2016

(Thousands of dollars)

J. The total issued and outstanding debt for the 2012 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Refunding Bonds, Series 2012B	12/21/2012	$109,825	$109,825
Unlimited Tax GO Short-term Line of Credit, Series 2013B	12/20/2013	150,000	—
Unlimited Tax GO Short-term Line of Credit, Series 2013C	12/20/2013	150,000	—
Unlimited Tax GO Bonds, Series 2015C	4/29/2015	280,000	280,000
Unlimited Tax GO Bonds, Series 2013E	4/29/2015	20,000	20,000
		$709,825	$409,825

K. The total issued and outstanding debt for the 2015 Authorization is the issuance as outlined below:

	Date Issued	Amount Issued	Principal Outstanding
Unlimited Tax GO Bonds, Series 2016A	2/8/2016	$725,000	$725,000
		$725,000	$725,000

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

OUTSTANDING DEBT PER CAPITA

Last Ten Fiscal Years

(Thousands of dollars, except per capita)

As of June 30, 2016

Fiscal Year	General Obligation Bonds	Leases Securing PBC Bonds	Asbestos Abatement Loan	Capital Leases	Notes Payable	Total Primary Government	Accumulated Resources Restricted to Repaying the Principal of General Bonded Debt	Net Total Primary Government	Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Population	Total Net General Bonded Debt Per Capita	Total General Obligation Debt Per Capita
2007	$4,091,856	$435,535	$4,885	$2,800	$3,606	$4,538,682	N/A	$4,538,682	3.46%	13.50%	2,896,016	$1,567.22	$1,412.93
2008	4,276,507	411,690	3,747	2,625	2,516	4,697,085	N/A	4,697,085	3.49%	13.82%	2,896,016	1,621.91	1,476.69
2009	4,221,497	386,385	2,710	2,450	1,317	4,614,359	N/A	4,614,359	3.45%	14.68%	2,896,016	1,593.35	1,457.69
2010	4,904,510	359,215	—	2,275	—	5,266,000	N/A	5,266,000	4.31%	17.23%	2,695,598	1,953.56	1,819.45
2011	5,249,147	330,375	—	2,100	—	5,581,622	N/A	5,581,622	4.41%	18.55%	2,695,598	2,070.64	1,947.30
2012	5,593,686	299,780	—	1,925	—	5,895,391	N/A	5,895,391	4.47%	21.46%	2,695,598	2,187.04	2,075.12
2013	6,058,398	267,330	—	1,750	—	6,327,478	144,852	6,182,626	4.62%	22.64%	2,695,598	2,293.60	2,247.52
2014	5,944,516	232,940	—	1,575	—	6,179,031	167,270	6,011,761	4.35%	n/a	2,695,598	2,230.21	2,205.27
2015	6,073,049	196,470	—	1,400	—	6,270,919	167,270	6,103,649	n/a	n/a	2,695,598	2,264.30	2,252.95
2016	6,578,983	157,780	—	1,225	—	6,737,988	97,695	6,640,293	n/a	n/a	2,695,598	2,463.38	2,440.64

NOTES:

(A) Starting in FY2013, CPS will include information about accumulated resources that are restricted to repaying the principal of outstanding general bonded debt. These accumulated resources will be subtracted from the total primary government amount in order to calculate a net total primary amount.

(B) For all years prior to FY2013, the total net outstanding debt per capita ratio is the total primary government amount divided by population.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
As of June 30, 2016
(Thousands of dollars)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	$9,593,382	$10,163,860	$11,175,687	$11,673,736	$11,328,763	$10,367,652	$9,005,479	$8,607,088	$8,958,101	$9,793,658
General obligation	658,947	606,009	553,134	498,593	446,719	394,793	342,830	290,849	238,820	186,823
Less: amount set aside for repayment of bonds	(37,322)	(36,238)	(34,719)	(16,042)	(36,440)	(29,917)	(34,790)	(35,201)	(34,684)	(34,866)
Total net debt applicable to limit (A)	$ 621,625	$ 569,771	$ 518,415	$ 482,551	$ 410,279	$ 364,876	$ 308,040	$ 255,648	$ 204,136	$ 151,957
Legal debt margin	$8,971,757	$ 9,594,089	$10,657,272	$11,191,185	$10,918,484	$10,002,776	$8,697,439	$8,351,440	$8,753,965	$9,641,701
Total net debt applicable to the limit as a percentage of debt limit	6.48%	5.61%	4.64%	4.13%	3.62%	3.52%	3.42%	2.97%	2.28%	1.55%

NOTE:

(A) Pursuant to Section 15 of the Debt Reform Act, this table does not reflect the following alternate bonds because these bond series do not count against the debt limit until the tax levy supporting them is extended for collection:

$499.9 million Series 1997A
$328.7 million Series 1998B-1
$532.5 million Series 1999A
$9.44 million Series 2001B
$49.0 million Series 2002A
$4.6 million Series 2003C
$205.4 million Series 2004A
$193.5 million Series 2005A
$52.5 million Series 2005B
$6.9 million Series 2006A
$355.8 million Series 2006B
$197.7 million Series 2007B
$6.8 million Series 2007C
$238.7 million Series 2007D
$262.8 million Series 2008A
$240.9 million Series 2008B
$464.7 million Series 2008C
$75.7 million Series 2009D
$547.3 million Series 2009EF
$254.2 million Series 2009G
$257.1 million Series 2010C
$125.0 million Series 2010D
$183.7 million Series 2010F
$72.9 million Series 2010G
$402.4 million Series 2011A
$95.1 million Series 2011C
$468.9 million Series 2012A
$109.8 million Series 2012B
$403.9 million Series 2013A
$89.2 million Series 2015A
$280.0 million Series 2015C
$20.0 million Series 2015E
$88.9 million Series 2015G
$725.0 million Series 2016A

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2016

(Thousands of Dollars)

Governmental Unit	Debt Outstanding (A)	Estimated Percentage Applicable (B)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
City of Chicago	$9,097,065	100.00%	$ 9,097,065
City Colleges of Chicago	245,995	100.00%	245,995
Chicago Park District	798,045	100.00%	798,045
Cook County	3,362,052	51.98%	1,747,595
Forest Preserve District	168,620	53.47%	90,161
Water Reclamation District	2,629,939	54.46%	1,432,265
Subtotal, overlapping debt			$13,411,126
Chicago Public School Direct Debt			6,736,763
Total Direct and Overlapping Debt			$20,147,889

NOTES:

(A) Debt outstanding data provided by each governmental unit.

(B) Assessed value data used to estimate applicable percentage is provided by the Office of the Cook County Clerk. Percentages are calculated by dividing each taxing district's 2015 City of Chicago tax extension within the City of Chicago by the total 2015 Cook County extension for the district.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

CPS' DEBT RATING HISTORY

The following table presents the changes in credit rating for Chicago Public Schools for the last five years:

	Jul. 2012	Aug. 2012	Sep. 2012	Oct. 2012	July 2013	Sep. 2013	Mar. 2014	Mar. 2015	May 2015	July 2015	Aug. 2015	Jan. 2016*
S&P	AA-	A+	A+	A+	A+	A+	A+	A-	A-	BBB	BB	B+
Moody's	A1	A1	A2	A2	A3	A3	Baal	Baa3	Ba3	Ba3	Ba3	B2
Fitch	A+	A+	A+	A	A	A-	A-	BBB-	BBB-	BB+	BBB-	B+
Kroll								BBB+	BBB+	BBB+	BBB-	BBB-

Security Structure: All of CPS' general obligation debt has been issued as alternate revenue bonds. Alternate revenue bonds are secured by at least one other revenue stream in addition to the Board's unlimited tax general obligation pledge. CPS has pledged revenues from Personal Property Replacement Taxes (PPRT), revenues from an Intergovernmental Agreement (IGA) with the City of Chicago, revenues from City Notes and Intergovernmental Agreements with the City of Chicago, federal subsidies, and both State Aid and State Grant revenues as alternate revenue sources.

NOTES: *The rating provided by Kroll for the CPS Series 2016A bonds was BBB. All other issues were BBB-.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

						Civilian Labor Force (D)		Employment (D)		
Year	City of Chicago Population (A)	Personal Income ($000's)	Per Capita Income (B)	Median Age (C)	Number of Households (C)	Number	Percent of Population	Number	Percent of Population	Unemployment Rate
2006	2,896,016	$121,612,400	$41,993	33.48	1,042,014	1,296,045	44.75%	1,227,320	42.38%	5.30%
2007	2,896,016	130,986,804	45,230	33.75	1,033,328	1,321,924	45.65%	1,245,876	43.02%	5.80%
2008	2,896,016	134,592,344	46,475	34.13	1,032,746	1,328,413	45.87%	1,235,459	42.66%	7.00%
2009	2,896,016	133,682,995	46,161	34.50	1,037,069	1,318,491	45.53%	1,174,785	40.57%	10.90%
2010	2,695,598	122,140,241	45,311	34.80	1,045,666	1,320,502	48.99%	1,175,029	43.59%	11.00%
2011	2,695,598	126,523,283	46,937	33.20	1,045,666	1,259,055	46.71%	1,116,216	41.41%	11.30%
2012	2,695,598	131,930,653	48,943	33.10	1,030,076	1,273,805	47.26%	1,144,896	42.47%	10.10%
2013	2,695,598	133,866,092	49,661	33.30	1,028,746	1,277,649	47.40%	1,143,944	42.44%	10.50%
2014	2,695,598	138,230,265	51,280	33.40	1,028,829	1,369,656	50.81%	1,264,234	46.90%	7.70%
2015	2,695,598	N/A	N/A	33.70	1,035,436	1,361,418	50.51%	1,273,727	47.25%	6.40%

NOTES:

A) *Source*: U.S. Census Bureau. The census is conducted decennially at the start of each decade.

B) *Source*: Bureau of Economic Analysis. These rates are for Cook County.

C) *Source*: World Business Chicago Website.

D) *Source*: Illinois Workforce Info Center Website

N/A: Not available at publishing.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

CITY OF CHICAGO PRINCIPAL EMPLOYERS (NON-GOVERNMENT)
Last Ten Years

Employer	2015			2014			2013			2012			2011		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Advocate Health Care	18,308	1	1.44%	18,556	1	1.47%	—	—	—	—	—	—	—	—	—
University of Chicago	16,197	2	1.27%	16,025	2	1.27%	—	—	—	—	—	—	—	—	—
Northwestern Memorial Healthcare	15,317	3	1.20%	14,550	4	1.15%	—	—	—	—	—	—	—	—	—
J.P. Morgan Chase (2)	14,158	4	1.11%	15,015	3	1.19%	8,499	1	0.78%	8,168	1	0.76%	7,993	1	0.77%
United Continental Holdings Inc	14,000	5	1.10%	14,000	5	1.11%	—	—	—	—	—	—	—	—	—
Health Care Service Corporation	13,006	6	1.02%	—	—	—	—	—	—	—	—	—	—	—	—
Walgreens Boots Alliance Inc.	13,006	7	1.02%	13,797	6	1.09%	2,869	9	0.26%	2,789	10	0.26%	4,429	7	0.43%
Presence Health	10,500	8	0.82%	11,279	8	0.89%	—	—	—	—	—	—	—	—	—
Abbot Laboratories	10,000	9	0.79%	10,000	10	0.79%	—	—	—	—	—	—	—	—	—
Northwestern University	9,708	10	0.76%	—	—	—	—	—	—	—	—	—	—	—	—
AT&T Inc. (3)	—	—	—	13,000	7	1.03%	—	—	—	—	—	—	—	—	—
University of Illinois at Chicago	—	—	—	10,100	9	0.80%	—	—	—	—	—	—	—	—	—
United Airlines	—	—	—	—	—	—	8,199	2	0.75%	7,521	2	0.70%	6,366	2	0.62%
Accenture LLP	—	—	—	—	—	—	5,821	3	0.53%	5,590	3	0.52%	5,014	4	0.48%
Northern Trust	—	—	—	—	—	—	5,353	4	0.49%	5,448	4	0.51%	5,485	3	0.53%
Ford Motor Company	—	—	—	—	—	—	5,103	5	0.47%	4,187	6	0.39%	3,410	10	0.33%
Jewel Food Stores, Inc	—	—	—	—	—	—	4,441	6	0.41%	4,572	5	0.43%	4,799	5	0.46%
ABM Janitorial Midwest, Inc.	—	—	—	—	—	—	3,399	7	0.31%	3,398	8	0.32%	3,629	9	0.35%
Bank of America NT & SA	—	—	—	—	—	—	3,392	8	0.31%	3,811	7	0.36%	4,557	6	0.44%
American Airlines	—	—	—	—	—	—	2,749	10	0.25%	3,076	9	0.29%	—	—	—
SBC Ameritech	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CVS Corporation	—	—	—	—	—	—	—	—	—	—	—	—	4,159	8	0.40%
Bonded Maintenance Company	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deloitte & Touche	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Employer	2010			2009			2008			2007			2006		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Advocate Health Care	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
University of Chicago	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Northwestern Memorial Healthcare	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
J.P. Morgan Chase (2)	8,094	1	0.81%	8,431	1	0.81%	8,865	1	0.81%	9,114	1	0.73%	8,979	1	0.82%
United Continental Holdings Inc	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Health Care Service Corporation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Walgreens Boots Alliance Inc.	4,552	6	0.33%	—	—	—	—	—	—	—	—	—	—	—	—
Presence Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Abbot Laboratories	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Northwestern University	—	—	—		—	—	—	—	—	—	—	—	—	—	—
AT&T Inc. (3)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
University of Illinois at Chicago	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Airlines	5,585	2	0.58%	6,019	2	0.58%	6,403	2	0.58%	6,102	2	0.49%	5,944	2	0.55%
Accenture LLP	4,224	7	0.32%	3,341	7	0.32%	4,532	5	0.41%	4,283	5	0.34%	4,470	5	0.41%
Northern Trust	5,833	3	0.56%	5,394	4	0.52%	5,084	4	0.46%	4,787	4	0.38%	4,610	4	0.42%
Ford Motor Company	—	—	—	2,764	10	0.27%	3,325	8	0.30%	3,367	8	0.27%	3,480	8	0.32%
Jewel Food Stores, Inc	5,307	4	0.52%	5,833	3	0.56%	5,977	3	0.55%	5,424	3	0.43%	5,453	3	0.50%
ABM Janitorial Midwest, Inc.	3,840	9	0.30%	—	—	—	—	—	—	—	—	—	—	—	—
Bank of America NT & SA	4,668	5	0.44%	4,631	5	0.44%	—	—	—	—	—	—	3,108	10	0.29%
American Airlines	3,153	10	0.27%	3,394	6	0.33%	3,582	6	0.33%	3,645	7	0.29%	3,750	7	0.34%
SBC Ameritech	—	—	—	3,136	8	0.30%	3,459	7	0.32%	4,002	6	0.32%	3,834	6	0.35%
CVS Corporation	4,067	8	0.30%	3,120	9	0.30%	3,161	9	0.29%	3,120	9	0.25%	—	—	—
Bonded Maintenance Company	—	—	—	—	—	—	2,955	10	0.27%	—	—	—	3,298	9	0.30%
Deloitte & Touche	—	—	—	—	—	—	—	—	—	2,988	10	0.24%	—	—	—

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.
Prior to 2014, the source for information was the City of Chicago, Bureau of Revenue- Tax Division report, which is no longer available.

NOTES:

Beginning with fiscal year 2006, the Chicago Board of Education will accumulate 10 years of data.

1) *Source*: Reprinted with permission, Crain's Chicago Business [January 18, 2016], Crain Communications, Inc.

2) J.P. Morgan Chase formerly known as Bank One.

3) AT&T Inc. formerly known as SBC Ameritech. 2014 number of employees is a statewide number.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

METROPOLITAN CHICAGO TOP PUBLIC COMPANIES RANKED BY 2015 NET REVENUES

(Millions of dollars)

Company Name	2015 Net Revenues	Number of Employees (1)
Walgreens Boots Alliance Inc. (2)	$103,444.0	360,000
Boeing Co.	96,114.0	161,400
Archer Daniels Midland Co.	67,702.0	32,300
Caterpillar Inc.	47,011.0	105,700
United Continental Holdings Inc.	37,864.0	84,000
Allstate Corp.	35,653.0	41,600
Mondelez International Inc.	29,636.0	99,000
Exelon Corp.	29,447.0	29,762
Deere & Co. (3)	28,862.0	57,180
McDonald's Corp.	25,413.0	420,000
Sears Holdings Corp. (4)	25,146.0	178,000
Abbvie Inc.	22,859.0	28,000
Abbott Laboratories	20,405.0	74,000
Kraft Heinz Co. (5)	18,388.0	42,000
Illinois Tool Works Inc.	13,405.0	48,000
CDW Corp.	12,988.7	8,465
R.R. Donnelley & Sons Co.	11,256.8	68,400
Navistar International Corp (3)	10,140.0	13,200
Discover Financial Services Inc.	10,002.0	15,036
W.W. Grainger Inc.	9,973.4	25,800

Source: **Crain's Chicago Business,** "Chicago's Largest Public Companies", from May 23, 2016 issue. Copyright 2016 Crain Communications Inc.

NOTES:

1) Most recent employee count available
2) Fiscal year ends in August.
3) Fiscal year ends in October.
4) Fiscal year ends in January.
5) Company has dual headquarters in Pittsburgh and Chicago.

Chicago Public Schools

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUES AND EXPENDITURES
CURRENT APPROPRIATIONS AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Amounts for the Fiscal Year Ended June 30, 2015
(Thousands of dollars)

	Approved Budget	Transfers In (Out)	Final Appropriations	Fiscal Year 2016 Actual	Variance	Fiscal Year 2015 Actual	2016 Over (Under) 2015
Revenues:							
Property taxes	$2,307,809	$ —	$2,307,809	$2,313,469	$ 5,660	$2,252,828	$ 60,641
Replacement taxes	149,517	—	149,517	115,961	(33,556)	143,867	(27,906)
State aid	2,057,293	—	2,057,293	1,398,855	(658,438)	1,579,324	(180,469)
Federal aid	852,618	—	852,618	776,277	(76,341)	767,548	8,729
Interest and investment income	140	—	140	1,347	1,207	198	1,149
Other	245,223	—	245,223	271,858	26,635	165,819	106,039
Total revenues	$5,612,600	$ —	$5,612,600	$4,877,767	($ 734,833)	$4,909,584	($ 31,817)
Expenditures:							
Teachers' salaries	$1,935,371	$(62,570)	$1,872,801	$1,869,683	$ (3,118)	$1,953,938	$ (84,255)
Career service salaries	618,006	(4,544)	613,462	605,817	(7,645)	622,591	(16,774)
Energy	78,339	(6,697)	71,642	70,227	(1,415)	74,516	(4,289)
Food	102,406	(2,691)	99,715	98,777	(938)	99,573	(796)
Textbooks	41,857	13,246	55,103	54,856	(247)	55,254	(398)
Supplies	40,987	14,070	55,057	47,085	(7,972)	50,571	(3,486)
Other commodities	462	17	479	294	(185)	474	(180)
Professional fees	284,875	71,656	356,531	314,732	(41,799)	395,221	(80,489)
Charter schools	730,064	(12,296)	717,768	704,981	(12,787)	662,553	42,428
Transportation	100,147	2,017	102,164	104,450	2,286	103,891	559
Tuition	50,439	14,154	64,593	61,028	(3,565)	90,901	(29,873)
Telephone and telecommunications	26,133	403	26,536	24,579	(1,957)	28,061	(3,482)
Other services	15,395	5,945	21,340	16,471	(4,869)	14,133	2,338
Equipment — educational	22,020	18,606	40,626	45,407	4,781	60,962	(15,555)
Repairs and replacements	20,547	(95)	20,452	18,853	(1,599)	27,291	(8,438)
Capital outlay	—	2,386	2,386	1,135	(1,251)	5	1,130
Teachers' pension	817,958	(24,157)	793,801	811,051	17,250	826,304	(15,253)
Career service pension	96,511	8,044	104,555	102,762	(1,793)	102,012	750
Hospitalization and dental insurance	347,273	8,151	355,424	348,083	(7,341)	357,124	(9,041)
Medicare	38,820	(3,407)	35,413	34,824	(589)	36,557	(1,733)
Unemployment compensation	8,923	652	9,575	9,438	(137)	8,138	1,300
Workers' compensation	22,670	(2,728)	19,942	20,337	395	25,926	(5,589)
Rent	16,295	958	17,253	16,012	(1,241)	13,030	2,982
Other fixed charges	276,327	(41,120)	235,207	33,964	(201,243)	11,340	22,624
Total expenditures	$5,691,825	$ —	$5,691,825	$5,414,846	($ 276,979)	$5,620,366	($ 205,520)

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF REVENUE — BY PROGRAM
For the Fiscal Year Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	ARRA American Recovery and Reinvestment Act Program	Total
Revenues:										
Property taxes	$2,234,094	$ —	$ —	$ —	$ —	$ —	$79,375	$ —	$ —	$2,313,469
Replacement taxes	115,961	—	—	—	—	—	—	—	—	115,961
State aid	700,128	—	131,330	261,193	—	4,563	—	301,641	—	1,398,855
Federal aid	55,421	93,483	116,824	—	293,302	202,943	—	—	14,304	776,277
Interest and investment income	1,328	—	—	—	—	—	19	—	—	1,347
Other	227,582	—	8,384	5,089	—	8,428	5,138	17,237	—	271,858
Total revenues	$3,334,514	$93,483	$256,538	$266,282	$293,302	$215,934	$84,532	$318,878	$14,304	$4,877,767

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STATISTICAL SECTION

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

GENERAL OPERATING FUND
SCHEDULE OF EXPENDITURES — BY PROGRAM
For the Fiscal Year Ended June 30, 2016
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	Educational Program	Individuals with Disabilities Education Act (IDEA) Program	Other Government Funded Program	Supplementary General State Aid	Elementary and Secondary Education Act (ESEA) Program	School Lunch Program	Workers' and Unemployment Compensation/ Tort Immunity Program	Public Building Commission Operations and Maintenance Program	Total
Teachers' salaries	$1,495,518	$63,095	$ 93,818	$97,868	$119,302	$ 2	$ 80	$ —	$1,869,683
Career service salaries	305,775	3,741	37,898	50,267	23,030	61,566	46,034	77,506	605,817
Energy	192	—	—	—	—	—	—	70,035	70,227
Food	1,129	10	2,767	3	249	94,619	—	—	98,777
Textbooks	39,571	14	4,267	4,668	6,324	12	—	—	54,856
Supplies	28,170	153	3,784	4,422	5,989	69	70	4,428	47,085
Other commodities	203	—	4	51	16	—	—	20	294
Professional fees	65,960	2,195	75,782	5,639	33,433	4,234	16,555	110,934	314,732
Charter schools	609,413	—	6,959	46,953	41,656	—	—	—	704,981
Transportation	93,948	10	2,073	1,729	6,418	17	22	233	104,450
Tuition	56,520	2,762	1,761	—	(15)	—	—	—	61,028
Telephone and telecommunications	24,493	—	7	—	—	—	—	79	24,579
Other services	8,999	28	2,145	841	3,483	103	861	11	16,471
Equipment — educational	25,605	4	3,583	4,696	9,768	1,541	186	24	45,407
Repairs and replacements	4,138	—	97	1,112	197	—	268	13,041	18,853
Capital outlay	1,135	—	—	—	—	—	—	—	1,135
Teachers' pension	747,918	11,306	15,822	16,885	19,106	—	14	—	811,051
Career service pension	50,769	699	6,140	7,808	3,913	11,121	7,944	14,368	102,762
Hospitalization and dental insurance	236,631	8,043	17,508	20,443	18,314	23,770	10,976	12,398	348,083
Medicare	25,168	905	1,837	2,227	2,040	845	802	1,000	34,824
Unemployment compensation	6,923	271	479	535	512	236	172	310	9,438
Workers' compensation	14,916	585	1,031	1,154	1,103	509	371	668	20,337
Rent	767	17	1,391	—	—	17	—	13,820	16,012
Other fixed charges	12,649	19	246	—	3,432	11,184	6,434	—	33,964
Total expenditures	$3,856,510	$93,857	$279,399	$267,301	$298,270	$209,845	$90,789	$318,875	$5,414,846

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STATISTICAL SECTION

STATISTICAL SECTION

B-91

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF REVENUES — ALL FUNDS
Last Ten Fiscal Years and 2017 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Local revenue:													
Property taxes	$ 1,767,760	$1,813,917	$1,896,540	$2,047,163	$1,936,655	$2,352,136	$2,211,568	$2,204,252	$2,304,656	$2,408,416	$2,659,829	4.2%	2.5%
Replacement taxes	201,509	215,489	188,503	152,497	197,762	181,927	185,884	188,041	202,148	161,535	188,814	-0.6%	0.7%
Investment income	116,907	85,895	43,693	12,483	13,399	20,760	7,303	15,596	(92,825)	(95,650)	—	-100.0%	-100.0%
Other	286,230	181,028	253,376	359,661	417,516	303,744	322,128	286,472	377,286	437,042	398,100	3.4%	5.6%
Total local	$ 2,372,406	$2,296,329	$2,382,112	$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,694,361	$2,791,265	$2,911,343	$3,246,743	3.2%	2.6%
State revenue:													
General state aid	$ 1,040,241	$1,107,408	$ 879,658	$1,001,777	$1,163,412	$1,136,472	$1,094,732	$1,089,673	$1,014,395	$ 971,642	$1,076,161	0.3%	-1.1%
Teachers' pension	75,242	75,218	74,845	37,551	42,971	10,449	10,931	11,903	62,145	12,105	227,386	11.7%	85.2%
Capital	—	—	—	—	2,793	—	—	—	—	—	—	—	—
Other	586,102	663,408	557,383	512,748	740,605	818,980	710,135	739,229	770,529	568,578	687,335	1.6%	-3.4%
Total state	$ 1,701,585	$1,846,034	$1,511,886	$1,552,076	$1,949,781	$1,965,901	$1,815,798	$1,840,805	$1,847,069	$1,552,325	$1,990,882	1.6%	0.3%
Federal revenue:													
Elementary and Secondary Education Act (ESEA)	$ 269,446	$ 350,515	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 150,477	$ 186,189	-3.6%	-8.1%
Individuals with Disabilities Education Act (IDEA)	81,721	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	97,850	1.8%	3.0%
School lunchroom	147,407	150,394	139,096	178,764	175,753	182,836	190,093	181,902	200,412	202,943	208,392	3.5%	2.7%
Medicaid	24,257	31,671	50,758	34,937	72,343	92,736	41,523	44,801	42,524	34,806	58,000	9.1%	-9.0%
Other	223,198	237,410	471,144	562,876	536,871	292,313	242,678	237,531	198,582	327,290	310,269	3.3%	1.2%
Total federal	$ 746,029	$ 876,041	$1,125,580	$1,180,148	$1,144,884	$ 935,951	$ 845,796	$ 907,241	$ 798,931	$ 808,999	$ 860,700	1.4%	-1.7%
Total revenue	$ 4,820,020	$5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$5,437,265	$5,272,667	$6,098,325	2.4%	1.1%
Change in revenue from previous year	$303,093.00	$ 198,384	$ 1,174	$ 284,450	$ 355,969	$ 100,422	$ (371,942)	$ 53,930	$ (5,142)	$ (164,598)	$ 825,658		
Percent change in revenue	6.7%	4.1%	0.0%	5.7%	6.7%	1.8%	-6.5%	1.0%	-0.1%	-3.0%	15.7%		

STATISTICAL SECTION

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF EXPENDITURES — ALL FUNDS
Last Ten Fiscal Years and 2017 Budget
(Modified Accrual Basis of Accounting)
(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Compensation:													
Teacher salaries	$1,924,109	$1,885,400	$1,975,940	$2,026,257	$2,023,510	$2,026,832	$1,942,007	$1,921,969	$1,953,938	$1,869,683	$1,773,479	-0.8%	-2.6%
ESP salaries	535,148	559,741	597,533	604,042	610,741	618,265	633,489	619,462	622,591	605,817	576,398	0.7%	-1.4%
Total salaries	$2,459,257	$2,445,141	$2,573,473	$2,630,299	$2,634,251	$2,645,097	$2,575,496	$2,541,431	$2,576,529	$2,475,500	$2,349,877	-0.5%	-2.3%
Teacher pension	282,488	350,483	392,801	475,628	306,111	335,657	374,567	740,419	826,304	811,051	843,643	11.6%	20.2%
ESP pension	83,317	89,776	93,791	96,913	102,158	100,026	102,342	101,885	102,012	102,762	92,607	1.1%	-1.5%
Hospitalization	250,765	260,386	299,206	311,048	353,878	324,918	319,792	343,308	357,124	348,083	359,126	3.7%	2.0%
Medicare	25,279	31,075	33,667	34,826	35,004	34,900	36,404	35,951	36,557	34,824	36,449	3.7%	0.9%
Unemployment insurance	8,236	5,764	8,599	16,000	21,992	17,141	9,134	16,426	8,138	9,438	8,499	0.3%	-13.1%
Workers' compensation	24,619	29,757	28,148	28,244	25,859	26,042	23,967	25,646	25,926	20,337	20,593	-1.8%	-4.6%
Total benefits	$ 674,704	$ 767,241	$ 856,212	$ 962,659	$ 845,002	$ 838,684	$ 866,206	$1,263,635	$1,356,061	$1,326,495	$1,360,917	7.3%	10.2%
Total compensation	$3,133,961	$3,212,382	$3,429,685	$3,592,958	$3,479,253	$3,483,781	$3,441,702	$3,805,066	$3,932,590	$3,801,995	$3,710,794	1.7%	1.3%
Non-compensation:													
Energy	$ 77,133	$ 86,759	$ 92,354	$ 78,682	$ 83,356	$ 73,409	$ 76,559	$ 87,547	$ 74,516	$ 70,227	$ 75,719	-0.2%	0.6%
Food	83,798	83,326	89,592	93,088	93,766	104,245	106,650	96,816	99,573	98,777	97,095	1.5%	-1.4%
Textbooks	65,772	89,514	86,356	70,596	70,249	49,147	68,969	52,871	55,254	54,856	37,602	-5.4%	-5.2%
Supplies	45,945	46,030	44,572	48,046	51,125	45,521	52,925	55,223	50,571	47,085	38,056	-1.9%	-3.5%
Commodities — other	1,072	910	998	948	478	583	408	648	474	294	394	-9.5%	-7.5%
Professional fees	322,252	360,277	440,921	381,851	450,127	412,072	398,064	441,667	395,221	314,732	309,401	-0.4%	-5.6%
Charter schools	141,030	189,006	256,154	326,322	377,755	424,423	498,162	580,652	662,553	704,981	677,988	17.0%	9.8%
Transportation	97,076	102,828	109,351	109,349	107,530	109,368	106,861	104,430	103,891	104,450	98,439	0.1%	-2.1%
Tuition	63,103	65,105	63,858	62,568	59,102	55,001	54,626	66,396	90,901	61,028	59,630	-0.6%	1.6%
Telephone and telecommunications	13,701	17,671	19,426	18,199	19,823	23,451	23,642	30,297	28,061	24,579	28,499	7.6%	4.0%
Services — other	13,271	13,253	13,935	15,688	11,789	11,010	12,438	14,126	14,133	16,471	20,430	4.4%	13.2%
Equipment	34,614	39,003	34,450	33,661	41,896	40,938	59,654	62,757	60,962	45,407	24,451	-3.4%	-9.8%
Repairs and replacements	32,973	36,999	34,772	31,854	37,355	33,912	26,449	31,679	27,291	18,853	20,537	-4.6%	-9.5%
Capital outlays	345,020	463,067	648,314	691,774	563,390	576,925	493,532	486,986	374,758	294,446	337,507	-0.2%	-10.2%
Rent	12,965	11,020	12,000	12,093	11,941	11,745	10,547	12,164	13,030	16,012	15,023	1.5%	5.0%
Debt service	342,179	282,142	302,206	386,597	332,097	374,494	390,409	467,904	523,113	480,288	563,735	5.1%	8.5%
Other	6,429	18,888	13,306	17,519	14,402	9,679	8,639	7,792	11,340	8,961	245,813	44.0%	91.0%
Total non-compensation	$1,698,333	$1,905,798	$2,262,565	$2,378,835	$2,326,181	$2,355,923	$2,388,534	$2,599,955	$2,585,642	$2,361,447	$2,650,319	4.6%	2.4%
Total expenditures	$4,832,294	$5,118,180	$5,692,250	$5,971,793	$5,805,434	$5,839,704	$5,830,236	$6,405,021	$6,518,232	$6,163,442	$6,361,113	2.8%	1.7%
Change in expenditures from previous year	$ 223,152	$ 285,886	$ 574,070	$ 279,543	$ (166,359)	$ 34,270	$ (9,468)	$ 574,785	$ 113,211	$ (354,790)	$ 197,671		
Percent change in expenditures	4.8%	5.9%	11.2%	4.9%	-2.8%	0.6%	-0.2%	9.8%	1.8%	-5.4%	3.2%		

STATISTICAL SECTION

STATISTICAL SECTION

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) — ALL FUNDS

Last Ten Fiscal Years and 2017 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017
Revenues:											
Local	$2,372,406	$ 2,296,329	$2,382,112	$2,571,804	$2,565,332	$2,858,567	$2,726,883	$2,694,361	$ 2,791,265	$2,911,343	$3,246,700
State	1,701,585	1,846,034	1,511,886	1,552,076	1,949,781	1,965,901	1,815,798	1,840,805	1,847,069	1,552,325	1,990,882
Federal	746,029	876,041	1,125,580	1,180,148	1,144,884	935,951	845,796	907,241	798,931	808,999	860,667
Total revenues	$4,820,020	$ 5,018,404	$5,019,578	$5,304,028	$5,659,997	$5,760,419	$5,388,477	$5,442,407	$ 5,437,265	$5,272,667	$6,098,249
Total expenditures	4,832,294	5,118,180	5,692,250	5,971,793	5,805,434	5,839,704	5,830,236	6,405,021	6,518,232	6,163,442	5,514,800
Revenues less expenditures	$ (12,274)	$ (99,776)	$ (672,672)	$ (667,765)	$ (145,437)	$ (79,285)	$ (441,759)	$ (962,614)	$(1,080,967)	$ (890,775)	$ 583,449
Other Financing Sources:											
Bond proceeds	$ 355,805	$ 1,674,555	$ 225,675	$1,083,260	$ 638,790	$ 592,510	982,720	131,600	561,880	724,999	$ 331,000
Net premiums/discounts	14,444	41,226	—	6,459	14,700	1,229	47,271	—	(12,502)	(110,071)	—
Proceeds from swaps	—	—	—	—	—	—	—	—	—	—	—
Capital leases	—	—	—	—	—	—	—	—	—	—	—
Insurance proceeds	—	—	1,155	—	—	—	—	—	—	—	—
Sales of general capital assets	25,673	6,404	91	—	—	—	723	7,301	37,504	15,012	—
Payment to bond escrow agent	—	(1,474,081)	(226,408)	(288,704)	(269,483)	(190,100)	(480,597)	—	(397,090)	(120,856)	—
Transfers in/ (out)	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources	$ 395,922	$ 248,104	$ 513	$ 801,015	$ 384,007	$ 403,639	$ 550,117	$ 138,901	$ 189,792	$ 509,084	$ 331,000
Change in fund balance	$ 383,648	$ 148,328	$ (672,159)	$ 133,250	$ 238,570	$ 324,354	$ 108,358	$ (823,713)	$ (891,175)	$ (381,691)	
Fund balance — beginning of period	1,354,148	1,578,331	1,726,659	1,054,500	1,187,750	1,426,320	1,750,674	2,546,502	1,722,789	831,614	
Fund balance — end of period	$1,737,796	$ 1,726,659	$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,722,789	$ 831,614	$ 449,923	
Revenues as a percent of expenditures	99.7%	98.1%	88.2%	88.8%	97.5%	98.6%	92.4%	85.0%	83.4%	85.5%	
Composition of fund balance											
Reserved:											
Reserved for encumbrances	$ 296,799	$ 401,281	$ 211,422	$ 340,688	$ —	$ —	$ —	$ —	$ —	$ —	
Reserved for restricted donations	1,765	1,826	3,695	5,825	—	—	—	—	—	—	
Reserved for specific purposes	129,597	102,695	101,072	109,163	—	—	—	—	—	—	
Reserved for debt services	264,867	272,471	272,273	375,211	—	—	—	—	—	—	
Unreserved:											
Designated to provide operating capital	233,200	258,000	181,200	—	—	—	—	—	—	—	
Undesignated	811,568	690,386	284,838	356,863	—	—	—	—	—	—	
Nonspendable	—	—	—	—	1,972	9,003	6,108	429	429	429	
Restricted for grants and donations	—	—	—	—	126,855	69,873	63,434	61,022	64,155	64,854	
Restricted for workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	
Restricted for capital improvement program	—	—	—	—	182,884	88,762	169,368	—	—	107,248	
Restricted for debt service	—	—	—	—	271,643	332,517	466,966	491,552	545,383	535,116	
Assigned for 2017 Budget	—	—	—	—	—	—	—	—	—	—	
Assigned for educational services	—	—	—	—	289,000	—	—	—	—	—	
Assigned for appropriated fund balance	—	—	—	—	181,300	348,900	562,682	267,652	79,225		
Assigned for debt service	—	—	—	—	231,413	254,967	269,167	193,877	57,057		
Assigned for commitments and contracts	—	—	—	—	44,924	110,397	105,664	87,067	73,101		
Unassigned	—	—	—	—	5,293	443,575	150,658	(91,953)	(29,109)	(292,840)	
Total fund balance	$1,737,796	$ 1,726,659	$1,054,500	$1,187,750	$1,426,320	$1,750,674	$1,859,032	$1,029,484	$ 831,614	$ 449,923	
Unreserved/Unassigned fund balance as a percentage of revenues	21.7%	18.9%	9.3%	6.7%	0.1%	7.7%	2.8%	-1.7%	-0.5%	-5.6%	
Total fund balance as a percentage of revenues	36.1%	34.4%	21.0%	22.4%	25.2%	30.4%	34.5%	18.9%	15.3%	8.5%	

NOTE:
The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND REVENUES

Last Ten Fiscal Years and 2017 Budget

(Modified Accrual Basis of Accounting)

(Thousands of Dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Local revenue:													
Property taxes	$1,716,516	$1,763,282	$1,867,350	$2,035,938	$1,904,169	$2,295,178	$2,157,777	$2,152,753	$2,252,828	$2,313,470	$2,607,809	4.3%	2.6%
Replacement taxes	147,403	159,805	132,819	96,816	172,384	126,786	128,212	131,075	143,867	115,961	130,531	-1.2%	0.6%
Investment income	61,595	40,905	21,405	3,084	1,920	4,363	2,207	4,458	198	1,347	—	-100.0%	-100.0%
Other	95,534	96,816	102,107	111,985	221,391	142,160	132,717	156,115	165,819	271,858	263,148	10.7%	13.1%
Total local	$2,021,048	$2,060,808	$2,123,681	$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,636	$3,001,488	4.0%	3.2%
State Revenue:													
General state aid	$ 888,220	$ 953,783	$ 700,954	$ 801,198	$ 940,693	$ 989,943	$ 945,651	$ 972,572	$ 847,420	$ 857,601	$ 702,748	-2.3%	-6.6%
Teacher pension	75,233	75,210	74,845	74,922	42,971	10,449	10,931	11,903	62,145	12,105	227,386	11.7%	85.2%
Other	586,040	663,358	557,383	491,677	710,902	756,774	642,842	645,417	669,759	529,148	672,563	1.4%	-2.3%
Total state	$1,549,493	$1,692,351	$1,333,182	$1,367,797	$1,694,566	$1,757,166	$1,599,424	$1,629,892	$1,579,324	$1,398,854	$1,602,697	0.3%	-1.8%
Federal revenue:													
Elementary and Secondary Education Act (ESEA)	$ 269,446	$ 350,515	$ 369,352	$ 307,331	$ 271,859	$ 283,681	$ 264,600	$ 342,915	$ 253,514	$ 293,302	$ 86,521	-10.7%	-21.1%
Individuals with Disabilities Education Act (IDEA)	81,721	106,051	95,230	96,240	88,058	84,385	106,902	100,092	103,899	93,483	97,850	1.8%	3.0%
School lunch program	147,407	150,394	139,096	178,764	175,753	182,836	190,093	189,336	200,412	202,943	208,392	3.5%	2.7%
Medicaid	24,257	31,671	50,758	34,937	72,343	92,736	41,523	40,879	42,524	34,806	58,000	9.1%	-9.0%
Other	189,132	193,895	468,369	543,140	513,444	247,349	202,865	194,290	167,199	151,743	379,076	7.2%	8.9%
Total federal	$ 711,963	$ 832,526	$1,122,805	$1,160,412	$1,121,457	$ 890,987	$ 805,983	$ 867,512	$ 767,548	$ 776,277	$ 829,839	1.5%	-1.4%
Total revenue	$4,282,504	$4,585,685	$4,579,668	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$4,877,767	$5,434,024	2.4%	0.8%
Change in revenue from previous year	$ 96,652	$ 303,181	$ (6,017)	$ 196,364	$ 339,855	$ 100,753	$ (390,320)	$ 115,485	$ (32,221)	$ (31,817)	$ 556,257		
Percentage change in revenue	2.3%	7.1%	-0.1%	4.3%	7.1%	2.0%	-7.5%	2.4%	-0.7%	-0.6%	11.4%		

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STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF COMPOUNDED GROWTH OF GENERAL OPERATING FUND EXPENDITURES

Last Ten Fiscal Years and 2017 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Budget 2017	Ten Year Compounded Growth Rate	Five Year Compounded Growth Rate
Compensation:													
Teachers' salaries	$1,924,109	$1,885,400	$1,975,940	$2,026,257	$2,023,510	$2,026,832	$1,942,007	$1,921,969	$1,953,938	$1,869,683	$1,773,479	-0.8%	-2.6%
ESP salaries	535,148	559,741	597,533	604,042	610,741	618,265	633,489	619,462	622,591	605,817	576,398	0.7%	-1.4%
Total salaries	$2,459,257	$2,445,141	$2,573,473	$2,630,299	$2,634,251	$2,645,097	$2,575,496	$2,541,431	$2,576,529	$2,475,500	$2,349,877	-0.5%	-2.3%
Teachers' pension	282,488	350,483	392,801	475,628	306,111	335,657	374,567	740,419	826,304	811,051	843,643	11.6%	20.2%
ESP pension	83,317	89,776	93,791	96,913	102,158	100,026	102,342	101,885	102,012	102,762	92,607	1.1%	-1.5%
Hospitalization	250,765	260,386	299,206	311,048	353,878	324,918	319,792	343,308	357,124	348,083	359,126	3.7%	2.0%
Medicare	25,279	31,075	33,667	34,826	35,004	34,900	36,404	35,951	36,557	34,824	36,449	3.7%	0.9%
Unemployment insurance	8,236	5,764	8,599	16,000	21,992	17,141	9,134	16,426	8,138	9,438	8,499	0.3%	-13.1%
Workers' compensation	24,619	29,757	28,148	28,244	25,859	26,042	23,967	25,646	25,926	20,337	20,593	-1.8%	-4.6%
Total benefits	$ 674,704	$ 767,241	$ 856,212	$ 962,659	$ 845,002	$ 838,684	$ 866,206	$1,263,635	$1,356,061	$1,326,495	$1,360,917	7.3%	10.2%
Total compensation	$3,133,961	$3,212,382	$3,429,685	$3,592,958	$3,479,253	$3,483,781	$3,441,702	$3,805,066	$3,932,590	$3,801,995	$3,710,794	1.7%	1.3%
Non-compensation:													
Energy	$ 77,133	$ 86,759	$ 92,354	$ 78,682	$ 83,356	$ 73,409	$ 76,559	$ 87,547	$ 74,516	$ 70,227	$ 75,719	-0.2%	0.6%
Food	83,798	83,326	89,592	93,088	93,766	104,245	106,650	96,816	99,573	98,777	97,095	1.5%	-1.4%
Textbooks	65,772	89,514	86,356	70,596	70,249	49,147	68,969	52,871	55,254	54,856	37,602	-5.4%	-5.2%
Supplies	45,945	46,030	44,572	48,046	51,125	45,521	52,925	55,223	50,571	47,085	38,056	-1.9%	-3.5%
Commodities — other	1,072	910	998	948	478	583	408	648	474	294	394	-9.5%	-7.5%
Professional fees	322,252	360,277	440,921	381,851	450,127	412,072	398,064	441,667	395,221	314,732	309,401	-0.4%	-5.6%
Charter schools	141,030	189,006	256,154	326,322	377,755	424,423	498,162	580,652	662,553	704,981	677,991	17.0%	9.8%
Transportation	97,076	102,828	109,351	109,349	107,530	109,368	106,861	104,430	103,891	104,450	98,439	0.1%	-2.1%
Tuition	63,103	65,105	63,858	62,568	59,102	55,001	54,626	66,396	90,901	61,028	59,630	-0.6%	1.6%
Telephone and telecommunications	13,701	17,671	19,426	18,199	19,823	23,451	23,642	30,297	28,061	24,579	28,499	7.6%	4.0%
Services — other	13,271	13,253	13,935	15,688	11,789	11,010	12,438	14,126	14,133	16,471	11,665	-1.3%	1.2%
Equipment	34,614	39,003	34,450	33,661	41,896	40,938	59,654	62,757	60,962	45,407	24,451	-3.4%	-9.8%
Repairs and replacements	32,973	36,999	34,772	31,854	37,355	33,912	26,449	31,679	27,291	18,853	20,236	-4.8%	-9.8%
Capital outlays	5	10	12	10	5	43	75	—	5	1,135	301	50.6%	47.6%
Rent	12,965	11,020	12,000	12,093	11,941	11,745	10,547	12,164	13,030	16,012	15,023	1.5%	5.0%
Debt service	1,269	21,704	1,037	2,710	—	—	—	—	—	25,003	34,000	38.9%	0.0%
Other	6,429	18,888	13,306	17,519	14,402	9,679	8,639	7,792	11,340	8,961	275,577	45.6%	95.4%
Total non-compensation	$1,012,408	$1,182,303	$1,313,094	$1,303,184	$1,430,699	$1,404,547	$1,504,668	$1,645,065	$1,687,776	$1,612,851	$1,804,079	5.9%	5.1%
Total expenditures	$4,146,369	$4,394,685	$4,742,779	$4,896,142	$4,909,952	$4,888,328	$4,946,370	$5,450,131	$5,620,366	$5,414,846	$5,514,873	2.9%	2.4%
Change in expenditures from previous year	$ 61,276	$ 248,316	$ 348,094	$ 153,363	$ 13,810	$ (21,624)	$ 58,042	$ 503,761	$ 170,235	$ (205,520)	$ 100,027		
Percent change in expenditures	1.5%	6.0%	7.9%	3.2%	0.3%	-0.4%	1.2%	10.2%	3.1%	-3.7%	1.8%		

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

GENERAL OPERATING FUND REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES)

Last Ten Fiscal Years and 2017 Budget

(Modified Accrual Basis of Accounting)

(Thousands of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014 (as restated)	2015	2016	Budget 2017
Revenues:											
Local	$2,021,048	$2,060,808	$2,123,681	$2,247,823	$2,299,864	$2,568,487	$2,420,913	$2,444,401	$2,562,712	$2,702,635	$3,001,500
State	1,549,493	1,692,351	1,333,182	1,367,797	1,694,566	1,757,166	1,599,424	1,629,892	1,579,324	1,398,855	1,602,697
Federal	711,963	832,526	1,122,805	1,160,412	1,121,457	890,987	805,983	867,512	767,548	776,277	829,839
Total revenues	$4,282,504	$4,585,685	$4,579,668	$4,776,032	$5,115,887	$5,216,640	$4,826,320	$4,941,805	$4,909,584	$4,877,767	$5,434,036
Total expenditures	4,146,369	4,394,685	4,742,779	4,896,142	4,909,952	4,888,328	4,946,370	5,450,131	5,620,366	5,414,846	5,514,873
Revenues less expenditures	$ 136,135	$ 191,000	$ (163,111)	$ (120,110)	$ 205,935	$ 328,312	$ (120,050)	$ (508,326)	$ (710,782)	$ (537,079)	$ (80,837)
Other financing sources less transfers	1,904	3,813	20,389	17,851	109,830	62	439	161	(12,915)	50,162	
Change in fund balance	$ 138,039	$ 194,813	$ (142,722)	$ (102,259)	$ 315,765	$ 328,374	$ (119,611)	$ (508,165)	$ (723,697)	$ (486,917)	
Fund balance — beginning of period	495,897	474,783	669,596	526,874	424,615	740,380	1,068,754	1,592,147	1,083,982	360,285	
Fund balance — end of period	$ 633,936	$ 669,596	$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$1,083,982	$ 360,285	$ (126,632)	
Revenues as a percent of expenditures	103.3%	104.3%	96.6%	97.5%	104.2%	106.7%	97.6%	90.7%	87.4%	90.1%	
Composition of fund balance											
Reserved:											
Reserved for encumbrances	$ 97,731	$ 132,684	$ 110,685	$ 111,166	$ —	$ —	$ —	$ —	$ —	$ —	
Reserved for restricted donations	1,765	1,826	3,695	5,825	—	—	—	—	—	—	
Reserved by law for specific purposes	129,597	102,695	101,072	109,163	—	—	—	—	—	—	
Unreserved:											
Designated to provide operating capital	233,200	258,000	181,200	—	—	—	—	—	—	—	
Undesignated	171,643	174,391	130,222	198,461	—	—	—	—	—	—	
Nonspendable	—	—	—	—	1,972	3,329	1,720	429	429	429	
Restricted for grants and donations	—	—	—	—	126,855	69,873	63,434	61,022	64,155	64,854	
Restricted for workers' comp/tort immunity	—	—	—	—	91,036	92,680	64,985	19,838	41,373	35,116	
Assigned for 2017 Budget	—	—	—	—	—	—	—	—	—	—	
Assigned for educational services	—	—	—	—	289,000	—	—	—	—	—	
Assigned for appropriated fund balance	—	—	—	—	181,300	348,900	562,682	267,652	79,225	—	
Assigned for commitments and contracts	—	—	—	—	44,924	110,397	105,664	87,067	73,101	—	
Unassigned	—	—	—	—	5,293	443,575	150,658	—	102,002	(227,031)	
Total fund balance	$ 633,936	$ 669,596	$ 526,874	$ 424,615	$ 740,380	$1,068,754	$ 949,143	$ 436,008	$ 360,285	$ (126,632)	
Unreserved/unassigned fund balance as a percent of revenues	9.5%	9.4%	6.8%	4.2%	0.1%	8.5%	3.1%	0.0%	2.1%	-4.7%	
Total fund balance as a percentage of revenues	14.8%	14.6%	11.5%	8.9%	14.5%	20.5%	19.7%	8.8%	7.3%	-2.6%	

NOTE:

The classification of fund balances for FY2011 was modified to comply with GASB 54, which was adopted in July 2010.

STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF TORT EXPENDITURES
As Required Under Section 9-103 (a-5) of the Tort Immunity Act
For the Fiscal Year Ended June 30, 2016

Eligible Expenditures:	
Other General Charges	$ 556,250
Physical Education — Athletic Claims	47,369
Legal Services	127,373
Tort Claims — Administration Fee	607,100
Tort Claims — Major Settlements	2,082,692
Tort Claims — Casualty	686,051
General Liability Insurance	1,472,401
Property Damage Insurance	2,124,685
Property Loss Reserve Fund	4,381
Charter Schools — Support Services	312,511
Investigations — Administration	37,226
School Safety Services	20,919,261
School Security Personnel	53,216,428
Central Service Security	4,707,490
Security Services	3,866,685
Crisis Intervention	11,572
Risk Management Administration	8,800
Employee Solutions	1,518
Total Eligible Expenditures	$90,789,792

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF STUDENT ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2016

CASH AND INVESTMENTS HELD FOR STUDENT ACTIVITIES

	Beginning Balance	Cash Receipts	Cash Disbursements	Amounts Held for Student Activities
Checking:				
Elementary Schools	$19,708,021	$35,045,808	$33,556,185	$21,197,644
Child Parent Centers	46,350	50,874	53,924	43,300
Alternative Schools	22,147	30,228	30,444	21,931
Middle Schools	519,346	567,770	627,861	459,255
High Schools	19,526,645	35,573,698	34,334,583	20,765,760
	$39,822,509	$71,268,378	$68,602,997	$42,487,890
Investments:				
Elementary Schools				118,622
High Schools				913,179
Total Cash and Investments Held for Student Activities				$43,519,691

STUDENT FEES

	Graduation Fees (A)	Student Activity Fees (B)	Total
Total Elementary School Fees	$1,628,785	$3,502,292	$ 5,131,077
Total Elementary Students	247,487	247,487	247,487
Average Fee per Student	$ 6.58	$ 14.15	$ 20.73
Total High School Fees	$ 837,339	$9,833,923	$10,671,262
Total High School Students	86,208	86,208	86,208
Average Fee per Student	$ 9.71	$ 114.07	$ 123.79

NOTES:

A) Graduation fees are defined as all mandatory graduation fees, including cap and gown.

B) Student activity fees are defined as fees collected from students to cover activities and items necessary to complete a given curriculum and fees collected from students to cover the cost of extra-curricular activities and items.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
BROKER SERVICES	Mesirow Financial	07/01/15 — 06/30/16	$ 69,750	Insurance placement and consultation. The contract with Mesirow for these services has been extended and continues.
PROPERTY INSURANCE				
All Risk-Property Insurance layers				
Property Primary I	Lexington Insurance Company	07/01/15 — 06/30/16	$ 1,789,688	$50M per occurrence subject to $5M deductible
Property Excess II	Starr Specialty Insurance Chubb Insurance GSINDA Insurance	07/01/15 — 06/30/16	74,731	$25M per occurrence $50M excess $50M
Property Excess II	Steadfast Insurance (Zurich) Company	07/01/15 — 06/30/16	73,553	$25M per occurrence $50M excess $50M
Boiler & Machinery Insurance	Federal Insurance Company (Chubb)	07/01/15 — 06/30/16	84,792	$100M subject to $50,000 deductible
			$ 2,022,764	Total Property, Boiler & Machinery for year end 06/30/16
Property Loss Reserve			—	Self-Insurance contents/claim payments
Total Property Program			$ 2,022,764	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
LIABILITY INSURANCE				
General Liability, Auto, SBLL, EPL, Abuse	Allied World Assurance Company	07/01/15 — 06/30/16	$ 552,680	$10M excess $10M Self Insured Retention
Excess Liability II	Lexington Insurance Company	07/01/15 — 06/30/16	383,690	$15M excess of $10M excess $10M excess $10M Self Insured Retention
Excess Liability III	Ironshore Specialty Insurance Company	07/01/15 — 06/30/16	313,174	$20M excess of $30M excess Self Insured Retention
Special Events CGL	National Casualty Insurance Company	07/01/15 — 06/30/16	42,738	$1M/no deductible/$5M Product Agg
Special Events Excess CGL	National Casualty Insurance Company	07/01/15 — 06/30/16	16,134	$5M excess of $5M no deductible
Fiduciary	Chartis Insurance	07/01/15 — 06/30/16	82,214	$10 million no deductible
Student Catastrophic	National Union Fire Insurance Company of Pittsburg, PA	07/01/15 — 06/30/16	97,259	$6M Subject to $25,000 deductible
Total Liability Insurance Cost			$ 1,487,889	
Total Insurance Cost			$ 3,510,653	
SELF INSURANCE PROGRAMS				
General Liability Self Insurance Claims	Cannon Cochran Management Services, Inc	07/01/15 — 06/30/16	$ 2,485,998	Claim administration services including investigation and adjustment of liability claims; interscholastic, pay medical costs, legal expense and settlements
	Cannon Cochran Management Services, Inc	07/01/15 — 06/30/16	477,750	Administration fees
			$ 2,963,748	Total General Liability Claims and Expenses

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
Workers' Compensation Claims	Sedgwick Claims Management Services, Inc	07/01/15 — 12/31/15	$ 692,924	Claim administration services including receive and review for compensability all employee accident claims. Review and apply PPO discount to medical claims. Pay indemnity costs for compensable claims. Determine case management needs. Provide claim statistics and establish safety initiatives. *Note: As of 01/01/16, Sedgwick is no longer the 3rd party administrator for CPS Workers Compensation Program. It will be managed by CCMSI*
	Cannon, Cochran, Management Services, Inc	01/01/16 — 06/30/16	$ 556,250	Claim administration services including receive and review for compensability all employee accident claims. Review and apply PPO discount to medical claims. Pay indemnity costs for compensable claims. Determine case management needs. Provide claim statistics and establish safety initiatives.
	Sedgwick Claims Management Services, Inc		$ 11,481,254	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses. *Note: As of 01/01/16, Sedgwick is no longer the 3rd party administrator for CPS Workers Compensation Program. It will be managed by CCMSI*
	Cannon Cochran Management Services, Inc		$ 8,330,115	Amounts paid through escrow accounts to claimants, attorneys, medical treatment and expenses.
			$ 21,060,543	Total Workers Compensation Claims and Expenses
Total Self Insured Program			$ 24,024,291	

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
HEALTH INSURANCE / HMO/PPO				
Medical-Administrative Services	Blue Cross PPO	07/01/15 — 06/30/16	$ 3,660,561	PPO Health care for eligible employees and dependents
	United Healthcare PPO	07/01/15 — 06/30/16	1,301,094	PPO Health care for eligible employees and dependents
	United Healthcare PPO w/HRA	07/01/15 — 06/30/16	285,861	PPO and Health Reimbursement Account for eligible employees and dependents
	Blue Cross HMO Illinois	07/01/15 — 06/30/16	3,901,158	HMO Health care for eligible employees and dependents
	Blue Cross BA HMO	07/01/15 — 06/30/16	5,846,596	HMO Health care for eligible employees and dependents
	United Healthcare HMO (EPO)	07/01/15 — 06/30/16	1,119,483	HMO Health care for eligible employees and dependents
Medical Total Administrative Fees			$ 16,114,753	
Medical PPO Claim	Blue Cross/Blue Shield of Illinois	07/01/15 — 06/30/16	$ 88,260,589	PPO Health care of eligible employees & dependents
	United Healthcare PPO	07/01/15 — 06/30/16	32,911,558	PPO Health care of eligible employees & dependents
	United Healthcare PPO w/HRA	07/01/15 — 06/30/16	3,469,184	PPO and Health Reimbursement Account for eligible employees and dependents
Medical Total PPO Claims			$124,641,331	
Medical HMO Claims	Blue Cross HMO Illinois	07/01/15 — 06/30/16	$129,253,513	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees
	United Healthcare HMO	07/01/15 — 06/30/16	34,537,058	HMO Healthcare for eligible employees and dependents
	Blue Cross BA HMO	07/01/15 — 06/30/16	645,338	HMO Healthcare for eligible employees and dependents and Claims and Physician Service Fees
Medical Total HMO Claims			$164,435,909	
Medical Claims Total		07/01/15 — 06/30/16	$289,077,240	
Medical Claims and Administration		07/01/15 — 06/30/16	$305,191,993	
Managed Mental Health Service	United Behavioral Health	07/01/15 — 06/30/16	$ 2,846,187	Mental health care for PPO eligible employees and dependents
Utilization Review and Case Management	Encompass	07/01/15 — 06/30/16	$ 1,215,383	Pre-certification, utilization review and case management for PPO eligible employees and dependents
Prescription Drugs	Caremark	07/01/15 — 06/30/16	$ 83,000,000	Pharmaceutical services for PPO and HMO eligible employees and dependents
Total Medical Expenses		07/01/15 — 06/30/16	$392,253,563	

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF INSURANCE AND INSURANCE SERVICES (continued)
For the Fiscal Year Ended June 30, 2016

Type of Coverage	Provider Broker/ Insurer/TPA	Term From — To	Annual Expense	Coverage Details Limits of Liability
OTHER INSURANCE				
Dental Insurance	Delta Dental HMO	07/01/15 — 06/30/16	$ 2,819,598	Dental HMO for eligible employees and dependents
	Delta Dental PPO	07/01/15 — 06/30/16	7,891,795	Dental PPO for eligible employees and dependents
Dental Insurance Total			$ 10,711,393	
Vision Plan	Vision Service Plan (VSP)	07/01/15 — 06/30/16	$ 180,473	Vision services for eligible employees and dependents
Term Life Insurance	Aetna Life Insurance	07/01/15 — 06/30/16	$ 1,506,468	Life insurance policy at $10,000 per eligible employee
Total Dental/Vision/Life			$ 12,398,334	
Total Health/Life Benefit Expenses			$ 404,651,897	

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STATISTICAL SECTION

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHEDULE OF CAPITAL IMPROVEMENT PROGRAM — BY ACTIVITY
For the Fiscal Year Ended June 30, 2016
(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013 (B)	2014 (C)	2015	2016 (D)
Unexpended (over expended)	$496.8	$ 646.4	$565.7	$ 73.9	$261.6	$182.2	$ 88.1	$174.2	$ (91.9)	$(157.1)
Proceeds available from bond issuance	370.2	252.5	—	803.8	382.3	402.4	508.9	131.3	148.5	364.0
Property Taxes										42.5
State aid	18.1	0.1	—	—	2.8	1.3	6.9	37.8	31.6	39.4
Federal aid	34.1	43.5	2.8	12.3	4.4	18.1	13.6	14.9	6.5	7.7
Investment income	35.6	25.9	12.5	2.0	2.1	5.5	1.9	0.8	0.4	0.1
Other income	36.6	60.4	127.5	83.1	91.5	54.2	88.0	31.3	107.2	62.9
Total	$991.4	$1,028.8	$708.5	$975.1	$744.7	$663.7	$707.4	$390.3	$ 202.3	$ 359.5
Expenditures	345.0	463.1	634.6	666.7	562.3	576.8	493.4	482.2	359.4	293.1
Operating transfers in (out)	—	—	—	(46.8)	(0.2)	1.2	(41.6)	—	—	—
Unexpended	$646.4	$ 565.7	$ 73.9	$261.6	$182.2	$ 88.1	$172.4	$ (91.9)	$(157.1)	$ 66.4
Encumbrances	199.1	268.6	73.9	229.5	182.2	88.1	172.4	(91.9)	(157.1)	66.4
Available balance	$447.3	$ 297.1	$ —	$ 32.1	$ —	$ —	$ —	$ —	$ —	$ —

NOTES:

A) The above amounts do not include construction expenditures made by the Public Building Commission.

B) Beginning in FY2013, the proceeds available from bond issuance includes both premiums and gross amounts from debt issuances.

C) In FY2015, CPS changed its revenue recognition policy resulting in a restatement to FY2014 balances.

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CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM
Last Five Fiscal Years
(Thousands of dollars)

	2012	2013	2014	2015 (A)	2016 (A)
DAYS MEALS SERVED:					
National School Lunch Program	$ 173	$ 181	$ 177	$ 178	$ 176
PUPIL LUNCHES SERVED:					
Paid lunches (regular)	1,715,302	1,528,287	1,324,623	—	—
Reduced lunches (regular)	2,219,797	1,919,787	1,353,204	—	—
Free lunches (regular)	39,439,339	40,730,512	40,531,544	43,507,955	42,061,499
TOTAL PUPIL LUNCHES SERVED	$43,374,438	$44,178,586	$43,209,371	$43,507,955	$42,061,499
Daily Average	250,719	244,081	244,121	244,427	238,986
Change from Previous Year	(361,900)	804,148	(969,215)	298,584	(1,446,456)
Daily Percentage Change	-0.8%	-2.6%	0.0%	0.1%	-2.2%
PUPIL BREAKFASTS SERVED:					
Paid breakfasts (regular)	1,852,888	1,694,160	1,534,733	—	—
Reduced breakfasts (regular)	1,276,808	1,023,368	724,873	—	—
Free breakfasts (regular)	23,935,561	24,138,173	23,724,239	26,144,917	24,850,825
TOTAL PUPIL BREAKFASTS SERVED	$27,065,257	$26,855,701	$25,983,845	$26,144,917	$24,850,825
Daily Average	156,447	148,374	146,801	146,882	141,198
Change from Previous Year	6,011,770	(209,556)	(871,856)	161,072	(1,294,092)
Daily Percentage Change	28.6%	-5.2%	-1.1%	0.1%	-3.9%
TOTAL MEALS SERVED	$70,439,695	$71,034,287	$69,193,216	$69,652,872	$66,912,324
Daily Average	407,166	392,455	390,922	391,308	380,184
Total Change From Previous Year	5,649,870	594,592	(1,841,071)	459,656	(2,740,548)
Daily Percentage Change	8.7%	-3.6%	-0.4%	0.1%	-2.8%
NUMBER OF ADULT LUNCHES (REGULAR)	114,583	61,741	429,877	241,263	241,533
Daily Average	662	341	2,429	1,355	1,372
Total Change From Previous Year	(28,249)	(52,842)	368,136	(188,614)	270
Daily Percentage Change	-19.8%	-48.5%	612.2%	-44.2%	1.3%

NOTE:

A) Beginning in fiscal year 2015 through fiscal year 2018 all breakfasts and lunches are provided to pupils free of charge per the Community Eligibility Provision Program.

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

SCHOOL FOOD SERVICE PROGRAM (continued)
Last Five Fiscal Years
(Thousands of dollars)

	2012	2013	2014	2015	2016
REVENUE:					
Federal and State Sources	$196,000	$197,514	$189,152	$204,975	$207,506
Local Sources	27,645	32,137	13,698	7,747	8,428
Total Revenue	$223,645	$229,651	$202,850	$212,722	$215,934
EXPENDITURES:					
Career Service Salaries	$ 71,007	$ 71,124	$ 60,680	$ 60,303	$ 61,566
Career Service Pension	12,074	12,136	10,282	10,374	11,121
Hospitalization	22,557	22,907	23,567	23,562	23,770
Food	102,365	103,972	92,984	94,576	94,619
Professional and Special Services	2,167	1,544	2,927	3,942	4,234
Administrative Allocation	9,833	14,624	10,124	7,665	11,184
Other	3,642	3,344	2,286	2,174	3,351
Total Expenditures	$223,645	$229,651	$202,850	$202,596	$209,845
Revenues Less Than Expenditures	$ —	$ —	$ —	$ 10,126	$ 6,089
DAILY AVERAGE					
Revenues	$ 1,293	$ 1,269	$ 1,146	$ 1,195	$ 1,227
Expenditures	$ 1,293	$ 1,269	$ 1,146	$ 1,138	$ 1,192
PERCENTAGE CHANGE					
Revenues	8.1%	2.7%	-11.7%	4.9%	1.5%
Expenditures	8.1%	2.7%	-11.7%	-0.1%	3.6%

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

ANALYSIS OF UTILITY CONSUMPTION

For Fiscal Year Ended June 30, 2016

With Comparative Amounts for the Period Ended June 30, 2015

	2016 Schools	2016 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 49,639,877	$ 128,922	$ 49,768,799
Kilowat Hours	527,270,030	1,189,074	528,459,104
Charge per Kilowatt Hour	$ 0.09415	$ 0.10842	$ 0.09418
Gas			
Total Gas Charges	$ 20,459,051	$ —	$ 20,459,051
Therms	26,555,109	—	26,555,110
Charge per Therm	$ 0.77044	$ —	$ 0.77044

	2015 Schools	2015 Administrative Center	Total
Electricity			
Total Electricity Charges	$ 48,927,513	$ 372,130	$ 49,299,643
Kilowat Hours	561,374,276	4,310,321	565,684,597
Charge per Kilowatt Hour	$ 0.08716	$ 0.08633	$ 0.08715
Gas			
Total Gas Charges	$ 25,107,307	$ 108,843	$ 25,216,150
Therms	33,742,528	176,107	33,918,635
Charge per Therm	$ 0.74408	$ 0.61805	$ 0.74343

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

PROPERTY SALES AND PURCHASES

For the Fiscal Year Ended June 30, 2016

	Sales*			
Unit Location	Date Acquired	Net Book Value	Gross/Sales Proceeds	Gain / (Loss) on Sale
1450 N. Larrabee	N/A	$1,040,513	$ —	(1,040,513)
115 W. 108th Street	1903	58,200	3,000**	(55,200)
511 S. Plymouth Court	2000	450,000	551,155	101,155
5211-29 S. Prairie	2015	7,700	124,890	117,190
2221 South Lawndale Ave	N/A	—	3,800**	3,800
2620 W. Hirsch	1885, 1918	—	2,726,980	2,726,980
221 E. 49th Street (Main)	1963	—	285,855	285,855
739 N. Ada	1884	18,520	4,492,292	4,473,772
1540 W. 84th Street	N/A	—	2,250	2,250
230 N. Kolmar	1962	—	10,000	10,000
4525 N. Kenmore	1906, 1941	—	4,469,783	4,469,783
2722 S. Martin Luther King Drive	1961	—	1,321,381	1,321,381
		$1,574,933	$13,991,386	$12,416,454

NOTE:

* Historical records related to the month and day of acquisition are not available.

** Sale Price instead of Net Proceeds were used to calculate Gain/(Loss)

There were no purchases in fiscal year 2016

STATISTICAL SECTION

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHERS' BASE SALARIES

(Annual School Year Salary)

Last Ten Fiscal Years

Fiscal Year	Minimum Salary (A)	Median Salary	Maximum Salary (B)	Percent Change (C)
2007	$40,405	$57,215	$74,025	4.00%
2008	42,021	59,504	76,986	4.00%
2009	43,702	62,384	81,065	4.00%
2010	45,450	64,879	84,308	4.00%
2011	47,268	67,974	88,680	4.00%
2012	47,268	68,474	89,680	0.00%
2013	48,686	70,644	92,602	3.00%
2014	49,660	72,163	94,666	2.00%
2015	50,653	73,706	96,759	2.00%
2016	50,653	73,706	96,759	0.00%

NOTES:

A) The minimum salary represents the minimum amount a CPS teacher with a bachelor's degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on education attainment and years of service. Minimum salary excludes pension and hospitalization benefits.

B) The maximum salary represents the maximum amount a CPS teacher with a doctoral degree may earn for regular classroom instruction during the school year according to the lane and step salary schedule dependent on educational attainment and years of service. The majority of the Chicago Public Schools Teaching Staff receive the maximum salary due to the 16 years minimum needed to reach the highest pay scale dependent on years of service only. Maximum salary excludes pension and hospitalization benefits.

C) The percent change is the official CTU (Chicago Teachers Union) agreed to minimum salary increase for that year, net of any changes to the salary schedule or step advances on the pay schedule.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHERS' PENSION FUNDING ANALYSIS

Last Five Fiscal Years

(Thousands of dollars)

Fiscal Year	Employer and Employee Contribution	Net Assets of Plan (Fair Market Value)	Unfunded Obligation (Assets at Fair Market Value)	% Funded of Pension Obligation Fund at Year End (Assets at Fair Market Value)	% Unfunded (Assets at Fair Market)
2011	$306,111	$10,109,315	$6,831,312	59.7%	40.3%
2012	335,657	9,364,077	8,011,584	53.9%	46.1%
2013	374,567	9,422,519(A)	9,622,014(A)	49.5%(A)	50.5%
2014	740,419	10,045,543	9,458,351	51.5%	48.5%
2015	826,304	10,344,375	9,606,915	51.9%	48.1%

NOTE:

A) The Board of Trustees at the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) approved various changes to their assumptions used in the valuation of the fund starting in fiscal year 2013.

CHICAGO PUBLIC SCHOOLS
Chicago Board of Education

AVERAGE DAILY ATTENDANCE AND PER PUPIL COSTS
Last Five Fiscal Years

Fiscal Year	School Year	Average Daily Attendance (A)	Operating Expenses Per Pupil (B)	Per Capita Tuition Charge (C)
2012	2011-12	367,883	$13,433	$ 9,462
2013	2012-13	365,974	13,791	10,412
2014	2013-14	366,077	15,120	11,707
2015	2014-15	363,276	15,310	12,229
2016	2015-16	361,764	N/A	N/A

NOTES:

A) *Source:* Department of Finance, Grants Management.

B) *Source:* Illinois State Board of Education — Operating Expense Pupil is the total operating cost of regular K-12 programs divided by the nine-month average daily attendance. This measure excludes expenditures related to Pre-school, Summer School, Adult Education, Capital Expenditures, and Board Principal and Interest.

C) *Source:* Illinois State Board of Education — Per Capita Tuition Charge is the amount a local school district charges as tuition for non-resident students per Section 18-3 of the School Code. It is a reasonable measure of basic education program costs. Per Capita Tuition is calculated by deducting the costs of supplemental programs from operating expenses and dividing the result by the nine- month average daily attendance.

N/A: Not available at publishing.

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TOTAL STUDENT MEMBERSHIP

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary										
Pre-Kindergarten	21,363	21,388	23,325	24,370	23,705	24,232	24,507	23,671	22,873	22,555
Kindergarten	28,403	27,901	28,975	29,632	28,812	29,594	30,936	30,166	28,978	27,651
Grades 1-3	95,744	93,853	93,416	92,581	91,899	92,302	91,880	92,251	92,526	91,347
Grades 4-6	94,235	90,701	89,234	88,695	87,834	87,630	86,966	86,244	86,066	85,391
Grades 7-8	62,385	62,217	59,839	58,231	56,791	56,520	56,773	56,184	54,233	54,174
Total Elementary	302,130	296,060	294,789	293,509	289,041	290,278	291,062	288,516	284,676	281,118
Secondary										
9th Grade	37,514	35,151	34,233	32,877	31,081	30,336	29,812	30,069	30,366	29,130
10th Grade	30,286	31,994	32,177	34,659	33,303	32,230	31,343	30,963	31,130	31,189
11th Grade	23,871	24,608	25,292	25,436	26,277	27,039	26,610	26,500	26,378	26,714
12th Grade	19,893	20,788	21,464	22,798	22,979	24,268	24,634	24,497	24,133	24,134
Total Secondary	111,564	112,541	113,166	115,770	113,640	113,873	112,399	112,029	112,007	111,167
Grand Total	413,694	408,601	407,955	409,279	402,681	404,151	403,461	400,545	396,683	392,285

Source: CPS Performance Website (www.cps.edu/SchoolData/Pages/SchoolData.aspx)

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CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

TEACHER - TO - STUDENT RATIO

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary	21.1	20.0	23.5	21.3	23.2	23.3	24.6	25.2	25.4	25.8
Secondary	19.6	16.3	19.5	19.7	19.8	19.2	19.8	21.5	21.9	20.3

Source: Illinois State Board of Education

NOTE:

Starting in 2009, the ratio includes Charter Schools.

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

SCHEDULE OF GOVERNMENT EMPLOYEES BY FUNCTION

Last Five Fiscal Years

As of June 30, 2016

Functions	2012	2013	2014	2015	2016
Instruction	25,884	26,909	26,123	26,261	25,615
Support services:					
Pupil support services	4,841	5,010	4,676	4,652	4,415
Administrative support services	1,129	1,063	1,042	1,038	705
Facilities support services	1,666	1,633	1,527	1,468	1,427
Instructional support services	3,134	3,311	2,920	2,965	2,788
Food services	3,688	3,562	2,860	2,762	2,721
Community services	326	339	266	247	250
Total government employees	40,668	41,827	39,414	39,393	37,921

CHICAGO PUBLIC SCHOOLS

Chicago Board of Education

NUMBER OF SCHOOLS, SCHOOL ENROLLMENT AND HIGH SCHOOL GRADUATES

Last Ten Fiscal Years

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Number of Schools										
Elementary (A)	472	474	474	474	474	473	468	422	426	425
Special (C)	18	17	17	13	12	12	12	5	—	—
High School	93	98	98	109	107	103	98	109	121	122
Vocational/Technical (C)	12	10	10	8	8	8	8	—	—	—
Charter Schools	27	28	67	71	82	87	95	126	131	129
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—	—	5	—	—
Total Schools	622	627	666	675	683	683	681	667	678	676
School Enrollment (B)										
Elementary (A)	287,252	279,823	274,875	272,308	264,569	263,540	261,638	254,864	251,554	247,487
Special (C)	3,222	2,846	2,762	2,073	1,940	1,839	1,961	907	—	—
High School	88,487	88,936	90,055	91,390	87,061	85,068	81,735	86,184	88,183	86,208
Vocational/Technical (C)	15,313	14,219	11,251	9,956	8,833	8,226	7,927	—	—	—
Charter Schools	19,420	22,777	29,012	33,552	40,278	45,478	50,200	54,572	56,946	58,590
Kindergarten to H.S. (K-12) (C)	—	—	—	—	—	—	—	4,018	—	—
Total School Enrollment	413,694	408,601	407,955	409,279	402,681	404,151	403,461	400,545	396,683	392,285
Number of High School Graduates	18,235	20,285	18,972	22,245	20,131	20,914	22,447	22,817	22,825	22,839

Source: Office of Accountability, Data Quality and Management

NOTES:

A) Elementary schools include the traditional classification of middle schools.

B) School enrollment includes the number of students in each type of school regardless of the students' grades.

C) The governance and school types in fiscal year 2015 has changed compared to FY14 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.

RSM US LLP

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chicago Public Schools (Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements, and have issued our report thereon dated January 23, 2017. Our report includes an emphasis of matter paragraph relative to management's plan for future sustainability. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CPS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CPS's internal control. Accordingly, we do not express an opinion on the effectiveness of CPS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

CPS's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CPS's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
January 23, 2017

RSM

RSM US LLP

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education of the City of Chicago
Chicago Public Schools
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Chicago Public Schools' (Board of Education of the City of Chicago, the "CPS", a body politic and corporate of the State of Illinois) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CPS's major federal programs for the year ended June 30, 2016. CPS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CPS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CPS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CPS's compliance.

Opinion on Each Major Federal Program

In our opinion, CPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, 2016-004 and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

CPS's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. CPS's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of CPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CPS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CPS's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-003, 2016-004 and 2016-005 that we consider to be significant deficiencies.

CPS's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. CPS's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CPS as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CPS's basic financial statements. We issued our report thereon dated January 23, 2017, which contained unmodified opinions on those financial statements. Our report includes an emphasis of matter paragraph relative to management's plan for future sustainability. Our opinion is not modified with respect to this matter. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States, CPS's basic financial statements as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 16, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. Our report includes emphasis of matter paragraphs relative the adoption of the reporting and disclosure requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, the change in measurement period for revenue recognition for governmental funds and management's plan for future sustainability. The implementation of GASB Statements No. 68 and No. 71 and the change in the measurement period for revenue recognition resulted in a restatement of opening July 1, 2014 net position. Our opinion is not modified with respect to these matters. The schedule of expenditures of federal awards for the year ended June 30, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

RSM US LLP

Chicago, Illinois
January 23, 2017

BOARD OF EDUCATION OF THE CITY OF CHICAGO
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
NATIONAL SECURITY AGENCY														
Direct Funding														
Language Grant Program	Startalk Arabic and Chinese Language Institute	N/A	12.900	H-98230-14-1-0013	04/07/14-02/28/15	$ 89,992	$ 3,077	$ —	$ (3,077)	$ (3,077)	$ —	$ —	$ 93,069	$ 89,992
		N/A	12.900	H-98230-15-1-0073	03/13/15-02/28/16	89,865	6,018	(89,863)	83,845	83,845	—	—	6,018	89,863
		N/A	12.900	H-98230-16-1-0085	04/01/16-02/28/17	89,984	—	—	4,267	4,267	—	4,267	—	4,267
	TOTAL NATIONAL SECURITY AGENCY					**$ 269,841**	**$ 9,095**	**$ (89,863)**	**$ 85,035**	**$ 85,035**	**$ —**	**$ 4,267**	**$ 99,087**	**$ 184,122**
U.S. DEPARTMENT OF AGRICULTURE														
Passed Through Illinois State Board of Education (ISBE)														
National School Lunch Program	Lunch Program	4210	10.555	15-4210-00	09/01/14-09/30/15	$ N/A	$ 9,417,109	$ (9,417,109)	$ 1,497,589	$ 1,497,589	$ —	$ 1,497,589	$127,698,215	$129,195,804
		4210	10.555	16-4210-00	09/01/15-09/30/16	N/A	—	(123,279,259)	131,211,635	131,211,635	—	7,932,376	—	131,211,635
Food Donation Program	Food Donation Program * Noncash Awards	4290	10.555	16-4290-00	07/01/15-06/30/16	N/A	—	(13,113,493)	13,113,493	13,113,493	—	—	—	13,113,493
School Breakfast Program	Breakfast Program	4220	10.553	15-4220-00	09/01/14-09/30/15	N/A	3,792,681	(9,151,369)	5,358,687	5,358,687	—	—	43,384,827	48,743,514
		4220	10.553	16-4220-00	09/01/15-09/30/16	N/A	—	(40,384,481)	43,987,777	43,987,777	—	3,603,296	—	43,987,777
	Total Child Nutrition Cluster					**$ —**	**$13,209,790**	**$(195,345,711)**	**$195,169,181**	**$195,169,181**	**$ —**	**$13,033,261**	**$171,083,042**	**$366,252,223**
Passed Through Illinois State Board of Education (ISBE)														
Child and Adult Care Food Program	Child & Adult Care Food Program	4226	10.558	15-4226-00	09/01/14-09/30/15	$ N/A	$ 1,237,528	$ (1,477,968)	$ 240,440	$ 240,440	$ —	$ —	$ 6,959,125	$ 7,199,565
		4226	10.558	16-4226-00	09/01/15-09/30/16	N/A	—	(6,471,359)	7,533,432	7,533,432	—	1,062,073	—	7,533,432
														—
Fresh Fruit and Vegetable Program	Fresh Fruits and Vegetables	4240	10.582	11-4240-10	07/01/10-06/30/11	N/A	94	—	(94)	(94)	—	—	94	94
		4240	10.582	15-4240-15 / 15-4240-16	07/01/14-09/30/15	1,869,132	494,712	(494,053)	(659)	(659)	—	—	1,869,790	1,869,131
		4240	10.582	16-4240-15 / 16-4240-16	07/01/15-09/30/16	2,169,265	—	(1,790,449)	2,169,265	2,169,265	—	378,816	—	2,169,265
Team Nutrition Grants	Healthier US Challenge	N/A	10.574	N/A	07/01/15-06/30/16	N/A	—	(52,500)	52,500	52,500	—	—	—	52,500
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (not including cluster)					**$ 4,038,397**	**$ 1,732,334**	**$ (10,286,329)**	**$ 9,994,884**	**$ 9,994,884**	**$ —**	**$ 1,440,889**	**$ 8,829,009**	**$ 18,823,987**
	Total U.S. Department of Agriculture Passed Through Illinois State Board of Education (including cluster)					**$ 4,038,397**	**$14,942,124**	**$(205,632,040)**	**$205,164,065**	**$205,164,065**	**$ —**	**$14,474,150**	**$179,912,051**	**$385,076,210**
Passed Through Natural Resources Conservation Services														
Soil and Water Conservation	Community Gardens for Agricultural Sciences Region	N/A	10.902	65-5A12-14-335	09/22/14-12/31/15	$ 2,500	$ —	$ (2,500)	$ 2,500	$ 2,500	$ —	$ —	$ —	$ 2,500
	Total U. S. Department of Agriculture Through Natural Resources Conservation Services					**$ 2,500**	**$ —**	**$ (2,500)**	**$ 2,500**	**$ 2,500**	**$ —**	**$ —**	**$ —**	**$ 2,500**
Passed Through Northwestern Illinois Association														
Team Nutrition Grants	Illnet Mini Grants	N/A	10.574	N/A	09/01/10-05/31/16	$ 5,500	$ 1,200	$ —	$ —	$ —	$ —	$ 1,200	$ 5,500	$ 5,500
	Total U. S. Department of Agriculture Passed Through Northwestern Illinois Association					**$ 5,500**	**$ 1,200**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,200**	**$ 5,500**	**$ 5,500**
Passed Through Illinois Department of Human Services														
Supplemental Nutrition Assistance Program	Homeless Services & Supportive Housing	N/A	10.561	FCSSQ01324	07/01/14-06/30/15	$ 422,914	$ 24,786	$ (24,786)	$ —	$ —	$ —	$ —	$ 257,073	$ 257,073
		N/A	10.561	FCSUQ01324	07/01/15-06/30/16	343,406	—	(57,847)	57,847	57,847	—	—	—	57,847
	Total U.S. Department of Agriculture Passed Through Illinois Department of Human Services					**$ 766,320**	**$ 24,786**	**$ (82,633)**	**$ 57,847**	**$ 57,847**	**$ —**	**$ —**	**$ 257,073**	**$ 314,920**
	TOTAL U.S. DEPARTMENT OF AGRICULTURE					**$ 4,812,717**	**$14,968,110**	**$(205,717,173)**	**$205,224,412**	**$205,224,412**	**$ —**	**$14,475,350**	**$180,174,624**	**$385,399,130**
U.S. DEPARTMENT OF EDUCATION														
Passed Through Illinois State Board of Education (ISBE)														
Education of Homeless Children and Youth Cluster														
Education for Homeless Children and Youth	McKinney Education for Homeless Children	4920	84.196A	15-4920-00	07/01/14-06/30/15	$ 807,100	$ 801,289	$ (801,289)	$ —	$ —	$ —	$ —	$ 803,565	$ 803,565
		4920	84.196A	16-4920-00	07/01/15-06/30/16	838,820	—	—	803,127	803,127	—	803,127	—	803,127
	Total Education for Homeless Children and Youth Cluster					**$ 1,645,920**	**$ 801,289**	**$ (801,289)**	**$ 803,127**	**$ 803,127**	**$ —**	**$ 803,127**	**$ 803,565**	**$ 1,606,692**
Passed Through Illinois State Board of Education (ISBE)														
School Improvement Grants Cluster														
School Improvement Grants	School Improvement — Cohort 3	4339	84.377A	15-4339-13	07/01/14-08/31/15	$ 9,088,410	$ 1,556,239	$ (1,509,172)	$ (47,067)	$ (47,067)	$ —	$ —	$ 7,619,242	$ 7,572,175
	School Improvement — Cohort 4	4339	84.377A	15-4339-14	07/01/14-08/31/15	3,680,906	474,620	(778,501)	303,881	303,881	—	—	3,051,454	3,355,335
	School Improvement — Cohort 5	4339	84.377A	15-4339-15	07/30/14-08/31/15	5,552,415	792,858	(1,484,399)	691,541	691,541	—	—	4,117,416	4,808,957
	School Improvement — Cohort 3	4339	84.377A	16-4339-13	09/30/15-08/31/16	2,500,000	—	(647,407)	1,717,802	1,717,802	—	1,070,395	—	1,717,802
	School Improvement — Cohort 4	4339	84.377A	16-4339-14	07/01/15-08/31-16	3,658,904	—	(1,626,770)	2,630,069	2,630,069	—	1,003,299	—	2,630,069
	School Improvement — Cohort 5	4339	84.377A	16-4339-15	07/01/15-08/31/16	6,295,873	—	(2,935,647)	4,562,358	4,562,358	—	1,626,711	—	4,562,358
	School Improvement — Cohort 6	4339	84.377A	16-4339-16	01/01/16-08/31/16	500,000	—	(118,008)	453,015	453,015	—	335,007	—	453,015
School Improvement Grants, Recovery Acts	ARRA-School Improvement Grant — Harper	4855	84.388A	12-4855-11	08/15/11-08/31/12	1,910,000	1,121	—	(1,121)	(1,121)	—	—	1,836,228	1,835,107
	ARRA-School Improvement Grant — Tilden	4855	84.388A	12-4855-12	09/01/11-08/31/12	1,865,150	644,406	—	(644,406)	(644,406)	—	—	976,871	332,465
	ARRA-School Improvement Grant — Transformation	4855	84.388A	13-4855-12	07/01/12-08/31/13	1,651,428	(1)	—	1	1	—	—	16,030,438	16,030,439
	Total School Improvement Grants Cluster					**$36,703,086**	**$ 3,469,243**	**$ (9,099,904)**	**$ 9,666,073**	**$ 9,666,073**	**$ —**	**$ 4,035,412**	**$ 33,631,649**	**$ 43,297,722**
Passed Through Illinois State Board of Education (ISBE)														
Special Education Cluster (IDEA)														
Special Education Grants to State	IDEA — Flow Through Instruction	4620	84.027A	10-4620-00	07/01/09-08/31/10	$96,011,080	$ 125,436	$ —	$ (125,436)	$ (125,436)	$ —	$ —	$ 91,007,811	$ 90,882,375
		4620	84.027A	15-4620-00	07/01/14-08/31/15	95,604,447	664,252	(664,252)	—	—	—	—	95,604,447	95,604,447
		4620	84.027A	16-4620-00	07/01/15-08/31/16	90,119,237	—	(84,612,767)	89,199,602	89,199,602	—	4,586,835	—	89,199,602
	Room and Board	4625	84.027A	16-4625-00	09/01/15-08/31/16	N/A	—	(2,578,098)	2,578,098	2,578,098	—	—	—	2,578,098

STATUTORY REPORTING SECTION

B-113

Supplementary Schedule of Expenditures of Federal Awards (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
Special Education — Preschool Grants	IDEA — Pre-School Flow Through	4600	84.173A	15-4600-00	07/01/14-08/31/15	1,267,600	424,509	(716,651)	292,142	292,142	—	—	957,716	1,249,858
		4600	84.173A	16-4600-00	07/01/15-08/31/16	1,311,409	—	(690,439)	1,163,840	1,163,840	—	473,401	—	1,163,840
	IDEA — Pre-School Discretionary	4605	84.173A	15-4605-01	07/01/14-06/30/15	489,250	169,499	(192,594)	23,095	23,095	—	—	466,155	489,250
		4605	84.173A	16-4605-01	07/01/15-08/31/16	489,250	—	(191,220)	381,434	381,434	—	190,214	—	381,434
	Total Special Education Cluster (IDEA)					**$ 285,292,273**	**$ 1,383,696**	**$ (89,646,021)**	**$ 93,512,775**	**$ 93,512,775**	**$ —**	**$ 5,250,450**	**$ 188,036,129**	**$ 281,548,904**
Passed Through Illinois State Board of Education (ISBE)														
Title I, Part A Cluster														
Title I Grants to Local Education Agencies	Title I — Low Income	4300	84.010A	12-4300-00	07/01/11-08/31/12	$ 332,558,791	$ 450,001	$ —	$ —	$ —	$ —	$ 450,001	$ 290,751,234	$ 290,751,234
		4300	84.010A	14-4300-00	07/01/13-08/31/14	308,559,813	(1,062,981)	—	1,062,981	1,062,981	—	—	283,491,894	284,554,875
		4300	84.010A	15-4300-00	07/01/14-08/31/15	291,933,677	35,167,648	(52,851,018)	17,683,370	17,683,370	355,498	—	213,275,574	230,958,944
		4300	84.010A	16-4300-00	07/01/15-08/31/16	323,134,906	—	(234,440,219)	272,206,021	272,206,021	41,300,010	37,765,802	—	272,206,021
	ESEA — School Improvement	4331	84.010A	15-4331-SS	07/01/14-06/30/15	3,915,800	2,003,972	(1,960,411)	(43,561)	(43,561)	—	—	2,362,114	2,318,553
		4331	84.010A	16-4331-SS	07/01/15-06/30/16	3,915,800	—	(1,621,027)	3,481,037	3,481,037	—	1,860,010	—	3,481,037
	ESEA — Title I — Low Income — Neglected Private	4305	84.010A	15-4305-00	07/01/14-08/31/15	693,584	178,927	(583,398)	282,658	282,658	—	(121,813)	317,773	600,431
		4305	84.010A	16-4305-00	07/01/14-08/31/16	680,886	—	(190,953)	399,273	399,273	—	208,320	—	399,273
	ESEA — Title I — Low Income — Delinquent Private	4306	84.010A	12-4306-00	07/01/11-08/31/12	774,664	18,216	—	(18,216)	(18,216)	—	—	648,199	629,983
		4306	84.010A	15-4306-00	07/01/14-08/31/15	947,785	259,557	(350,414)	90,857	90,857	—	—	624,989	715,846
		4306	84.010A	16-4306-00	07/01/15-08/31/16	1,166,491	—	(497,962)	762,882	762,882	—	264,920	—	762,882
	Total Title I, Part A Cluster					**$1,268,282,197**	**$37,015,340**	**$(292,495,402)**	**$295,907,302**	**$295,907,302**	**$41,655,508**	**$40,427,240**	**$ 791,471,777**	**$1,087,379,079**
Passed Through Illinois State Board of Education (ISBE)														
Improving Teacher Quality State Grants	Title IIA — Teacher Quality	4932	84.367A	14-4932-00	07/01/13-08/31/14	$ 56,200,586	$ (2,269,107)	$ 2,269,107	$ —	$ —	$ —	$ —	$ 46,851,060	$ 46,851,060
	Title IIA — Teacher Quality	4932	84.367A	15-4932-00	07/01/14-08/31/15	43,713,318	10,662,545	(15,121,775)	4,459,230	4,459,230	268,263	—	29,885,201	34,344,431
	Title IIA — Teacher Quality	4932	84.367A	16-4932-00	07/01/15-08/31/16	43,655,852	—	(21,828,562)	27,012,189	27,012,189	5,450,228	5,183,627	—	27,012,189
	Title II — Teacher Quality Leadership	4935	84.367A	16-4935-02	05/06/16-08/31/16	62,512	—	—	—	—	—	—	—	—
Career and Technical Education	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	11-4745-00	07/01/10-08/31/11	7,974,040	(99,900)	—	99,900	99,900	—	—	7,874,120	7,974,020
	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	15-4745-00	07/01/14-08/31/15	5,978,354	2,173,123	(2,651,420)	478,297	478,297	—	—	5,500,057	5,978,354
	V.E. — Perkins — Title IIC — Secondary	4745	84.048A	16-4745-00	07/01/15-08/31/16	5,960,454	—	(3,014,104)	4,937,757	4,937,757	—	1,923,653	—	4,937,757
	Perkins Leadership High Schools that Work	4720	84.048A	11-4720-01	08/10/10-07/31/11	10,000	5,118	—	(5,118)	(5,118)	—	—	8,061	2,943
Twenty-First Century Community Learning Centers	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-13	07/1/15-08/31-16	2,835,000	—	(953,618)	2,196,890	2,196,890	—	1,243,272	—	2,196,890
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-15	07/1/15-08/31-16	540,000	—	(253,907)	439,484	439,484	—	185,577	—	439,484
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-35	07/1/15-08/31-16	540,000	—	(197,867)	414,602	414,602	—	216,735	—	414,602
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-45	07/1/15-08/31-16	540,000	—	(216,294)	456,004	456,004	—	239,710	—	456,004
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-55	07/1/15-08/31-16	540,000	—	(149,109)	333,929	333,929	—	184,820	—	333,929
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-65	07/1/15-08/31-16	540,000	—	(260,014)	476,832	476,832	—	216,818	—	476,832
	Title IV — 21st Century Comm Learning Centers	4421	84.287	16-4421-25	07/1/15-08/31-16	540,000	—	(179,177)	409,817	409,817	—	230,640	—	409,817
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-13	07/01/14-08/31/15	3,150,000	1,080,218	(1,695,094)	614,876	614,876	—	—	2,535,124	3,150,000
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-15	11/01/14-08/31/15	540,000	211,173	(371,162)	159,989	159,989	—	—	281,550	441,539
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-25	11/01/14-08/31/15	540,000	263,052	(485,623)	222,571	222,571	—	—	308,912	531,483
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-35	11/01/14-08/31/15	540,000	173,685	(466,505)	292,820	292,820	—	—	195,671	488,491
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-45	11/01/14-08/31/15	540,000	223,349	(463,220)	239,871	239,871	—	—	239,558	479,429
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-55	11/01/14-08/31/15	540,000	207,588	(477,671)	270,083	270,083	—	—	207,588	477,671
	Title IV — 21st Century Comm Learning Centers	4421	84.287	15-4421-65	11/01/14-08/31/15	540,000	311,015	(447,158)	136,143	136,143	—	—	403,857	540,000
	Title IV — 21st Century Comm Learning Centers	N/A	84.287C	Agreement	11/01/14-08/31/15	32,110	32,110	(32,110)	—	—	—	—	32,110	32,110
Race to the Top	Race to the Top	4901	84.395	15-4901-00	07/01/14-06/30/15	5,603,712	2,495,946	(2,642,254)	146,308	146,308	—	—	4,492,690	4,638,998
		4901	84.395	16-4901-00	07/01/15-12/31/16	2,541,974	—	(1,779,857)	1,955,336	1,955,336	—	175,479	—	1,955,336
	Race to the Top — Early Learning Challenge	4999	84.412	15-4999-00	07/01/14-06/30/15	193,655	27,314	(25,493)	(1,821)	(1,821)	—	—	193,655	191,834
	Race to the Top — Early Learning Challenge	4998	84.412	16-4998-00	07/01/15-06/30/16	70,000	—	—	70,000	70,000	—	70,000	—	70,000
English Language Acquisition Grants	Title III — Lang Inst Prog — Limited Eng LIPLEP	4909	84.365A	15-4909-00	09/01/14-08/31/15	12,746,883	2,184,417	(3,041,555)	857,138	857,138	—	—	7,180,582	8,037,720
		4909	84.365A	16-4909-00	09/01/15-08/31/16	13,883,538	—	(6,433,020)	7,177,942	7,177,942	406,799	744,922	—	7,177,942
	Title III — Sheltered Instruction	4998	84.365A	16-4998-SI	07/01/15-09/30/15	7,700	—	(7,700)	7,700	7,700	—	—	—	7,700
	International Baccalaureate	4999	84.365A	4999-IB	07/01/10-06/30/14	494,424	(62,498)	291,158	(229,200)	(229,200)	—	(540)	940,699	711,499
		4999	84.365A	4999-IB	07/01/15-06/30/16	291,158	—	(291,158)	291,158	291,158	—	—	—	291,158
Preschool Development Grants	Preschool Expansion	4999	84.419B	15-4999-PE	02/24/15-08/31/15	804,253	4,500	(708,635)	704,135	704,135	—	—	4,500	708,635
		4902	84.419B	16-4902-PE	07/01/15-06/30/16	5,400,000	—	(3,083,682)	5,119,961	5,119,961	—	2,036,279	—	5,119,961
	Total U.S. Department of Education Passed Through Illinois State Board of Education (not including clusters)					**$ 218,089,523**	**$17,623,648**	**$ (64,717,479)**	**$ 59,744,823**	**$ 59,744,823**	**$ 6,125,290**	**$12,650,992**	**$ 107,134,995**	**$ 166,879,818**
	Total U.S. Department of Education Passed Through Illinois State Board of Education (including clusters)					**$1,810,012,999**	**$60,293,216**	**$(456,760,095)**	**$459,634,100**	**$459,634,100**	**$47,780,798**	**$63,167,221**	**$1,121,078,115**	**$1,580,712,215**
Direct Funding														
Impact Aid	Federal Impact Aid Grant	N/A	84.041	S041Z-2008-1446	07/01/15-06/30/16	$ 76,411	$ —	$ (60,496)	$ 76,411	$ 76,411	$ —	$ 15,915	$ —	$ 76,411
Indian Education — Grants to Local Education Agencies	Indian Elementary/Secondary School Assistance Program	N/A	84.060A	S060A140666	07/01/14-06/30/15	234,313	58,709	(63,494)	4,785	4,785	—	—	203,369	208,154
		N/A	84.060A	S060A140666	07/01/15-06/30/16	239,087	—	(196,523)	211,833	211,833	—	15,310	—	211,833

STATUTORY REPORTING SECTION

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Supplementary Schedule of Expenditures of Federal Awards (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
Fund for the Improvement of Education	Carol M. White Physical Education Program	N/A	84.215F	S215F130218	10/01/14-09/30/15	717,383	229,278	(314,060)	84,782	84,782	—	—	467,789	552,571
		N/A	84.215F	S215F130218	10/01/14-09/30/16	750,000	—	(220,604)	348,845	348,845	—	128,241	—	348,845
Safe and Drug-Free Schools and Communities	School Emergency Response to Violence (Project SERV)	N/A	84.184S	S184S160005	04/29/16-09/28/16	70,650	—	—	70,650	70,650	—	70,650	—	70,650
	Start on Success Program	N/A	84.215H	U215H150069	10/01/15-09/30/16	395,455	—	(109,219)	162,859	162,859	—	53,640	—	162,859
Arts in Education	Arts Teachers Leading Achievement and Success	N/A	84.351C	U351C140052	10/01/14-09/30/15	349,851	95,993	(106,533)	10,540	10,540	—	—	98,292	108,832
		N/A	84.351C	U351C140052	10/01/14-09/30/16	349,888	—	(150,960)	247,514	247,514	—	96,554	—	247,514
Early Reading First	Enhancing Early Reading in Chicago (EERIC)	N/A	84.359B	S359B050093	10/01/05-06/30/09	846,947	69,116	—	—	—	—	69,116	69,116	69,116
High School Graduation Initiative	Pathways to Accelerated Student Success (PASS)	N/A	84.360A	S360A100176	10/01/14-09/30/15	5,003,347	599,563	(858,480)	258,917	258,917	—	—	2,069,708	2,328,625
		N/A	84.360A	S360A100176	10/01/15-09/30/16	2,674,722	—	(868,033)	924,113	924,113	—	56,080	—	924,113
TRIO — Talent Search	Pullman Talent Search	N/A	84.044A	P044A110797	09/01/14-08/31/15	252,133	66,389	(119,971)	53,582	53,582	—	—	212,178	265,760
		N/A	84.044A	P044A110797	09/01/15-08/31/16	216,373	—	(173,526)	187,452	187,452	—	13,926	—	187,452
	Total U.S. Department of Education — Direct Funding (not including cluster)					**$ 12,176,560**	**$ 1,119,048**	**$ (3,241,899)**	**$ 2,642,283**	**$ 2,642,283**	**$ —**	**$ 519,432**	**$ 3,120,452**	**$ 5,762,735**
Passed Through Illinois Department of Human Services														
Rehabilitation Grants to States	Secondary Transitional Experience Program (STEP)	N/A	84.126	46CTD00155	07/01/14-06/30/15	$ 1,124,571	$ 149,390	$ (165,429)	$ 10,417	$ 10,417	$ —	$ (5,622)	$ 542,428	$ 552,845
		N/A	84.126	46CUD00155	07/01/15-06/30/16	925,074	—	(12,560)	357,223	357,223	—	344,663	—	357,223
Rehabilitation Services Vocational Rehabilitation Grants to States	IDHS-Community Based Employment Services	N/A	84.126	46CTD03159	07/01/14-06/30/15	250,000	63,907	(52,221)	(11,685)	(11,685)	—	1	158,604	146,919
	Total U.S. Department of Education Passed Through IDHS					**$ 2,299,645**	**$ 213,297**	**$ (230,210)**	**$ 355,955**	**$ 355,955**	**$ —**	**$ 339,042**	**$ 701,032**	**$ 1,056,987**
Passed Through WestED														
Improving Teacher Quality	Improving Teacher Quality — RA Leadership & Sustainability	N/A	84.367D	S000029593.0	10/01/15-09/30/16	$ 79,500	$ —	$ —	$ 26,304	$ 26,304	$ —	$ 26,304	$ —	$ 26,304
	Total U.S. Department of Education Passed Through WestED					**$ 79,500**	**$ —**	**$ —**	**$ 26,304**	**$ 26,304**	**$ —**	**$ 26,304**	**$ —**	**$ 26,304**
Passed Through Illinois Board of Higher Education														
Improving Teacher Quality Through Human Relationships	Title II T.Q.E. (Depaul University)	N/A	84.367A	500194SG014	01/01/04-09/30/05	$ 27,000	$ (58,741)	$ 58,741	$ —	$ —	$ —	$ —	$ —	$ —
	Total U.S. Department of Education Passed Through Illinois Higher Board of Education					**$ 27,000**	**$ (58,741)**	**$ 58,741**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Passed Through American Institute for Research														
Back on Track Study	Back on Track Study	N/A	84.305A	R305A110149	06/01/11-08/31/11	$ 181,720	$ —	$ (107,105)	$ 107,105	$ 107,105	$ —	$ —	$ —	$ 107,105
	Total U.S. Department of Education Passed Through American Institute for Research					**$ 181,720**	**$ —**	**$ (107,105)**	**$ 107,105**	**$ 107,105**	**$ —**	**$ —**	**$ —**	**$ 107,105**
Passed Through University of Illinois at Chicago														
UIC — Substitute Reimbursement	UIC — Substitute Reimbursement	N/A	84.305F	R305F100007	01/24/14-06/30/17	$ 35,000	$ 14,577	$ (5,434)	$ —	$ —	$ —	$ 9,143	$ 14,577	$ 14,577
	Total U.S. Department of Education Passed Through University of Illinois at Chicago					**$ 35,000**	**$ 14,577**	**$ (5,434)**	**$ —**	**$ —**	**$ —**	**$ 9,143**	**$ 14,577**	**$ 14,577**
Passed Through University of Southern California														
Pathways for Success University of Southern California	Pathways For Success — University of Southern California	N/A	84.305a	R305A140281-15/55562128	07/01/15-06/30/16	$ 19,310	$ —	$ —	$ 11,126	$ 11,126	$ —	$ 11,126	$ —	$ 11,126
	Total U.S. Department of Education Passed Through University of Southern California					**$ 19,310**	**$ —**	**$ —**	**$ 11,126**	**$ 11,126**	**$ —**	**$ 11,126**	**$ —**	**$ 11,126**
Passed Through National Opinion Research Center														
Education Research, Development and Dissemination	Preventing Truancy in Urban Schools	N/A	84.305	R305A120809	07/01/13-06/30/14	$ 681,525	$ 281	$ —	$ (281)	$ (281)	$ —	$ —	$ 348,578	$ 348,297
		N/A	84.305	R305A120809	07/01/14-06/30/15	579,877	110,486	(106,732)	(3,753)	(3,753)	—	—	316,899	313,146
		N/A	84.305	R305A120809	07/01/15-06/30/16	435,932	—	(100,170)	192,494	192,494	—	92,324	—	192,494
Child Health and Human Development Extramural Research	Randomized Study to Abate Truancy in Urban Schools	N/A	93.865	R01HD067500	12/01/13-11/30/14	313,705	155,793	—	—	—	—	155,793	274,293	274,293
		N/A	93.865	R01HD067500	12/01/14-11/30/15	245,500	146,998	(155,435)	8,437	8,437	—	—	236,400	244,837
	Total U.S. Department of Education Passed Through National Opinion Research Center					**$ 2,256,539**	**$ 413,558**	**$ (362,337)**	**$ 196,897**	**$ 196,897**	**$ —**	**$ 248,117**	**$ 1,176,170**	**$ 1,373,067**
Passed Through Northeastern Illinois University														
Gaining Early Awareness and	Gear-Up 4 (Year 3)	N/A	84.334A	P334A100031 / P0019677	10/01/12-09/30/13	$ 413,322	$ 1	$ —	$ —	$ —	$ —	$ 1	$ 413,322	$ 413,322
Readiness for Undergraduate Program	Gear-Up 4 (Year 6)	N/A	84.334A	P334A100031 / P0042020	10/01/15-09/30/16	344,263	—	—	283,714	283,714	—	283,714	—	283,714
	Gear Up 5 (Year 5)	N/A	84.334A	P334A110082 / P0042021	09/26/15-09/25/16	968,178	—	—	605,631	605,631	—	605,631	—	605,631
	Gear-Up 4 (Year 5)	N/A	84.334A	P334A100031 / P00371701	10/01/14-09/30/15	333,037	97,274	(159,131)	61,857	61,857	—	—	232,985	294,842
	Gear-Up 5 (Year 3)	N/A	84.334A	P334A110082 / P0032423	09/26/13-09/25/14	1,097,940	31,316	—	(31,316)	(31,316)	—	—	1,129,256	1,097,940
	Gear-Up 5 (Year 4)	N/A	84.334A	P334A110082 / PO037306	08/26/14-09/25/15	849,195	266,665	(458,119)	191,455	191,455	—	—	596,220	787,675
	Gear Up 6 (Year 1)	N/A	84.334A	P334A140132 /PO038883	09/25/14-09/24/15	534,244	93,039	(253,274)	160,235	160,235	—	—	93,039	253,274
	Gear Up 6 (Year 2)	N/A	84.334A	P334A140132 / P0042022	09/25/15-09/24/16	806,155	—	—	492,786	492,786	—	492,786	—	492,786
	Gear-Up-Kelly High School — (NEIU)	N/A	84.334A	PO#017870	06/20/11-08/08/11	12,326	10,956	—	(10,956)	(10,956)	—	—	10,956	—
	Gear-Up-Harlan High School — (NEIU)	N/A	84.334A	PO#018067	06/27/11-08/08/11	10,408	7,437	—	(7,437)	(7,437)	—	—	7,437	—
	Gear-Up-Wells High School — (NEIU)	N/A	84.334A	PO#017869	06/20/11-08/08/11	12,326	11,996	—	(11,996)	(11,996)	—	—	11,996	—
	Gear-Up-Curie High School — (NEIU)	N/A	84.334A	PO#017886	06/20/11-08/08/11	12,326	10,653	—	(10,653)	(10,653)	—	—	10,653	—
Twenty-First Century Community Learning Centers	Illinois 21st Century CLC NEIU — Ella Flagg Young	N/A	84.287	PO#035851	10/13/14-08/15/15	43,623	20,357	(20,357)	—	—	—	—	43,623	43,623
		N/A	84.287	PO#0040535	10/15/15-08/31/16	38,102	—	(12,151)	38,102	38,102	—	25,951	—	38,102
	Illinois 21st Century CLC NEIU- Duke Ellington	N/A	84.287	PO#036419	10/13/14-08/15/15	18,423	7,799	(7,799)	—	—	—	—	15,194	15,194
		N/A	84.287	PO#0040534	10/15/15-06/15/16	23,597	—	(6,389)	23,597	23,597	—	17,208	—	23,597
	Illinois 21st Century CLC NEIU- Michelle Clark Academic	N/A	84.287	PO#035853	10/13/14-08/15/15	10,753	3,526	(3,526)	—	—	—	—	6,286	6,286
		N/A	84.287	PO#0040533	11/01/15-08/31/16	21,834	—	(1,694)	21,834	21,834	—	20,140	—	21,834
	Illinois 21st Century CLC NEIU- Frederick A Douglas	N/A	84.287	PO#035852	10/13/14-08/15/15	11,890	5,187	(5,187)	—	—	—	—	7,103	7,103
		N/A	84.287	PO#041070	10/15/15-08/15/16	6,839	—	—	6,839	6,839	—	6,839	—	6,839
	Total U.S. Department of Education Passed Through Northeastern Illinois University					**$ 5,568,781**	**$ 566,206**	**$ (927,627)**	**$ 1,813,692**	**$ 1,813,692**	**$ —**	**$ 1,452,270**	**$ 2,578,070**	**$ 4,391,762**
Passed Through University of Illinois at Chicago														
Teacher Quality Partnership Grants	Increase Teacher Quality	N/A	84.336S	U336S090013	10/01/11-09/30/12	$ 91,645	$ 29,103	$ —	$ —	$ —	$ —	$ 29,103	$ 46,453	$ 46,453
		N/A	84.336S	U336S090013	10/01/13-09/30/15	91,425	21,881	—	(21,881)	(21,881)	—	—	21,881	—
	ISU Chicago Teacher Education Pipeline	N/A	84.336S	U336S090145	01/15/15-09/30/15	225,000	164,828	(175,882)	11,054	11,054	—	—	198,828	209,882

STATUTORY REPORTING SECTION

STATUTORY REPORTING SECTION

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Supplementary Schedule of Expenditures of Federal Awards (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
	Total U.S. Department of Education Passed Through University of Illinois at Chicago					**$ 408,070**	**$ 215,812**	**$ (175,882)**	**$ (10,827)**	**$ (10,827)**	**$ —**	**$ 29,103**	**$ 267,162**	**$ 256,335**
Passed Through University of Minnesota														
Midwest Expansion of the Child Parent Center	Midwest Expansion of the Child Parent Center Education Program	N/A	84.411B	U411B110098	01/01/13-12/31/13	$ 2,112,985	$ (30,327)	$ 30,327	$ —	$ —	$ —	$ —	$ 2,277,740	$ 2,277,740
Education		N/A	84.411B	U411B110098	01/01/14-12/31/14	2,001,576	1,603,223	—	(699,107)	(699,107)	—	904,116	2,642,037	1,942,930
		N/A	84.411B	U411B110098	01/01/15-06/30/16	1,564,904	—	—	1,486,894	1,486,894	—	1,486,894	—	1,486,894
Investing In Innovation (i3)	Comprehensive Strategies to Promote Social and Emotional Learning	N/A	84.411C	U411C130091	07/01/14-06/30/15	207,120	57,635	(51,425)	(6,210)	(6,210)	—	—	140,879	134,669
		N/A	84.411C	U411C130091	07/01/15-06/30/16	108,160	—	(39,045)	52,131	52,131	—	13,086	—	52,131
	Total U.S. Department of Education Passed Through University of Minnesota					**$ 5,994,745**	**$ 1,630,531**	**$ (60,143)**	**$ 833,708**	**$ 833,708**	**$ —**	**$ 2,404,096**	**$ 5,060,656**	**$ 5,894,364**
Passed Through Columbia College — Chicago														
Investing In Innovation(i3)	i3 Convergence Academies: Digital Media Whole School Reform Model Project	N/A	84.411	Agreement	07/01/14-06/30/15	$ 108,776	$ 43,336	$ (40,618)	$ (2,717)	$ (2,717)	$ —	$ —	$ 110,049	$ 107,332
		N/A	84.411	Agreement	07/01/15-06/30/16	103,875	—	(70,959)	103,875	103,875	—	32,916	—	103,875
	Total U.S. Department of Education Passed Through Columbia College — Chicago					**$ 212,651**	**$ 43,336**	**$ (111,577)**	**$ 101,158**	**$ 101,158**	**$ —**	**$ 32,916**	**$ 110,049**	**$ 211,207**
Passed Through Old Dominion University Research Foundation / Success for All Foundation														
Investing In Innovation(i3)	Investing In Innovation (i3)	N/A	84.411A	U411A110004/14-138-317101	07/01/13-06/30/14	$ 95,000	$ —	$ (16,387)	$ 16,387	$ 16,387	$ —	$ —	$ —	$ 16,387
			84.411A	U411A110004/14-138-317101	07/01/14-06/30/15	95,000	31,748	(31,748)	—	—	—	—	31,748	31,748
			84.411A	U411A110004/14-138-317101	07/01/15-06/30/16	95,000	—	(22,961)	79,020	79,020	—	56,059	—	79,020
	Total U.S. Department of Education Passed Through Old Dominion University Research Foundation / Success for All Foundation					**$ 285,000**	**$ 31,748**	**$ (71,096)**	**$ 95,407**	**$ 95,407**	**$ —**	**56,059**	**$ 31,748**	**$ 127,155**
	TOTAL U.S. DEPARTMENT OF EDUCATION					**$1,839,557,520.00**	**$64,482,588.00**	**$(461,994,664.00)**	**$465,806,908.44**	**$465,806,908.44**	**$47,780,798.00**	**$68,294,829.44**	**$1,134,138,031.00**	**$1,599,944,939.44**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES														
Passed Through Centers for Disease Control														
Community Transformation Grants	Healthy Chicago Public Schools	N/A	93.737	1H75DP004181-01	09/30/13-09/29/14	$ 4,398,118	$ 14,204	$ —	$ (14,204)	$ (14,204)	$ —	$ —	$ 3,213,155	$ 3,198,951
Cooperative Agreements to Promote Adolescent	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14	225,000	18,627	—	(18,627)	(18,627)	—	—	237,123	218,496
Health through	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	5U87PS004162-02	08/01/14-07/31/15	400,000	142,520	(196,767)	54,247	54,247	—	—	288,902	343,149
	CDC Strategy 1 Youth Risk Behavior Survey (HIV)	N/A	93.079	5U87PS004162-03	08/01/15-07/31/16	320,000	—	(209,170)	253,257	253,257	1,115	44,087	—	253,257
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	1U87PS004162-01	08/01/13-07/31/14	50,000	3,467	—	(3,467)	(3,467)	—	—	50,197	46,730
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	5U87PS004162-02	08/01/14-07/31/15	50,000	10,710	(16,246)	5,536	5,536	—	—	34,590	40,126
	CDC Strategy 1 Youth Risk Behavior Survey (YRBS)	N/A	93.079	5U87PS004162-03	08/01/15-07/31/16	50,000	—	(39,967)	44,229	44,229	—	4,262	—	44,229
Substance Abuse and Mental Health Services	CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM062028-01	09/30/14-09/29/15	49,931	1,584	(42,754)	52,243	52,243	—	11,073	3,915	56,158
	CPS Youth Mental Health First Aid (YMHFA)	N/A	93.243	1H79SM062028-01	09/30/14-09/29/16	49,184	—	(16,258)	16,727	16,727	—	469	—	16,727
	Total U.S. Department of Health and Human Services Passed Through Centers for Disease Control					**$ 5,592,233**	**$ 191,112**	**$ (521,162)**	**$ 389,941**	**$ 389,941**	**$ 1,115**	**$ 59,891**	**$ 3,827,882**	**$ 4,217,823**
Passed Through Aids Foundation of Chicago														
Preventive Health Services	CDC Community Approaches to Reducing STD	N/A	93.978	Agreement	10/01/15-09/30/16	$ 20,000	$ —	$ —	$ 12,504	$ 12,504	$ —	$ 12,504	$ —	$ 12,504
		N/A	93.978	Agreement	01/01/15-09/30/15	17,968	—	(2,947)	2,947	2,947	—	—	—	2,947
	Passed Through Aids Foundation of Chicago					**$ 37,968**	**$ —**	**$ (2,947)**	**$ 15,451**	**$ 15,451**	**$ —**	**$ 12,504**	**$ —**	**$ 15,451**
Passed Through City of Chicago														
Head Start	Head Start — Child Development	N/A	93.600	PO#28837-2	12/01/14-11/30/15	38,796,279	$ 7,775,145	$ (19,523,288)	$ 11,748,143	$ 11,748,143	$ —	$ —	26,139,448	37,887,591
			93.600	PO#33360-1	12/01/15-11/30/16	36,517,007	—	(18,471,593)	25,444,587	25,444,587	—	6,972,994	—	25,444,587
	Head Start — Supp DIS SP initiatives	N/A	93.600	PO#38583	12/01/14-11/30/15	975,000	611,146	(928,887)	317,741	317,741	—	—	611,146	928,887
		N/A	93.600	IGA	12/01/15-11/30/16	975,000	—	—	426,771	426,771	—	426,771	—	426,771
	Total U.S. Department of Health and Human Services Passed Through City of Chicago-Head Start Cluster					**$ 77,263,286**	**$ 8,386,291**	**$ (38,923,768)**	**$ 37,937,242**	**$ 37,937,242**	**$ —**	**$ 7,399,765**	**$ 26,750,594**	**$ 64,687,836**
Direct Funding														
Teenage Pregnancy Prevention Program	Chicago Teen Pregnancy Prevention Initiative	N/A	93.297	TP1AH000066-05-00	09/01/14-08/31/15	$ 3,268,237	$ 1,048,790	$ (1,752,231)	$ 703,441	$ 703,441	$ —	$ —	$ 2,682,796	$ 3,386,237
		N/A	93.297	TP1AH000066-05-00	09/01/15-08/31/16	979,953	—	(752,161)	752,161	752,161	—	—	—	752,161
Projects of Regional and National Significance	Enhancing Students Skills for Success	N/A	93.243	1U79SM060297-01	09/30/10-09/29/11	99,456	2,053	—	(2,053)	(2,053)	—	—	2,053	2,053
		N/A	93.243	5U795M060297-03	09/30/14-09/29/15	302,697	39,501	(57,040)	17,539	17,539	—	—	89,929	107,468
		N/A	93.243	5U795M060297-03	09/30/15-09/29/16	99,115	—	(92,994)	99,115	99,115	—	6,121	—	99,115
	Total U.S. Department of Health and Human Services — Direct Funding					**$ 4,749,458**	**$ 1,090,344**	**$ (2,654,426)**	**$ 1,570,203**	**$ 1,570,203**	**$ —**	**$ 6,121**	**$ 2,774,778**	**$ 4,347,034**
Passed Through Illinois Department of Human Services														
Refugee and Entrant Assistance	Refugee Children Impact Grant	N/A	93.576	FCSSK01131	07/01/14-06/30/15	$ 48,750	$ 15,681	$ (15,681)	$ —	$ —	$ —	$ —	$ 48,750	$ 48,750
		N/A	93.576	FCSUK01131	07/01/15-06/30/16	57,525	—	(36,794)	55,267	55,267	—	18,473	—	55,267
	Total U.S. Department of Health and Human Services Passed Through Illinois Department of Human Services					**$ 106,275**	**$ 15,681**	**$ (52,475)**	**$ 55,267**	**$ 55,267**	**$ —**	**$ 18,473**	**$ 48,750**	**$ 104,017**
Passed Through Illinois Department of Healthcare and Family Services (IDHFS)														
Medical Assistance Program	Medicaid — Administrative Services	N/A	93.778	95-4900-00	07/01/13-06/30/16	$ N/A	$ 6,204,190	$ (8,278,570)	$ 8,180,133	$ 8,180,133	$ —	$ 6,105,753	$ 24,377,509	$ 32,557,642
	Total U.S. Department of Health and Human Services Passed Through IDHFS					**$ —**	**$ 6,204,190**	**$ (8,278,570)**	**$ 8,180,133**	**$ 8,180,133**	**$ —**	**$ 6,105,753**	**$ 24,377,509**	**$ 32,557,642**
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					**$ 87,749,220**	**$ 15,887,618**	**$ (50,433,348)**	**$ 48,148,237**	**$ 48,148,237**	**$ 1,115**	**$ 13,602,507**	**$ 57,779,513**	**$ 105,929,803**

Supplementary Schedule of Expenditures of Federal Awards (continued)

FUNDING SOURCE Program Name	Name of Grant	ISBE Account Number	Federal Catalog Number	Contract Number	Contract Period	Amount of Grant	Accrued (Deferred) Grant Revenue June 30, 2015	Cash (Received) Refunded July 1, 2015 June 30, 2016	Revenue Recognized July 1, 2015 June 30, 2016	Federal Award Expenditures July 1, 2015 June 30, 2016	Pass Through to Subrecipient July 1, 2015 June 30, 2016	Accrued (Deferred) Grant Revenue June 30, 2016	Prior Years' Expenditures Through June 30, 2015	Final Status: Cumulative Expenditures Through June 30, 2016
U.S. DEPARTMENT OF JUSTICE														
Passed Through Illinois Department of Human Services														
Juvenile Accountability Block Grants	Restorative Justice Conflict Resolution	N/A	16.523	FCSTR03403	07/01/14-06/30/15	$ 114,312	$ 91,487	$ (91,487)	$ —	$ —	$ —	$ —	$ 114,312	$ 114,312
		N/A	16.540	FCSTR03403	07/01/14-06/30/15	42,698	29,200	(29,200)	—	—	—	—	35,734	35,734
		N/A	16.523	FCSUR03403	07/01/15-06/30/16	76,589	—	(49,628)	76,589	76,589	—	26,961	—	76,589
	Total U.S. Department of Justice Passed Through Illinois Department of Human Services					**$ 233,599**	**$ 120,687**	**$ (170,315)**	**$ 76,589**	**$ 76,589**	**$ —**	**$ 26,961**	**$ 150,046**	**$ 226,635**
Passed Through the Chicago Police Department														
Public Safety Parntership and Community Policing Grants	DOJ — Secure Our Schools	N/A	16.710	2008-CK-WX-0661	09/01/08-02/28/15	$ 305,819	$ 58,741	$ (58,741)	$ —	$ —	$ —	$ —	$ 305,819	$ 305,819
	Total U.S. Department of Justice Passed Through Chicago Police Department					**$ 305,819**	**$ 58,741**	**$ (58,741)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 305,819**	**$ 305,819**
Passed Through the City of Chicago														
National Forum on Youth Violence Prevention	National Youth Forum on Violence	N/A	16.819	2013-NY-FX-K001	10/01/13-09/30/16	$ 200,000	$ 91,505	$ —	$ 28,795	$ 28,795	$ —	$ 120,301	$ 91,505	$ 120,300
	Total U.S. Department of Justice Passed Through City of Chicago					**$ 200,000**	**$ 91,505**	**$ —**	**$ 28,795**	**$ 28,795**	**$ —**	**$ 120,301**	**$ 91,505**	**$ 120,300**
Direct Funding														
National Institute of Justice Research, Evaluation, and		N/A	16.560	2014-CK-BX-0002	01/01/15-12/31/15	$ 737,861	$ 18,528	$ (182,583)	$ 208,175	$ 208,175	$ —	$ 44,120	$ 18,528	$ 226,703
Development Project Grants	Connect and Redirect to Respect	N/A	16.560	2014-CK-BX-0002	01/01/15-12/31/16	720,009	—	—	116,476	116,476	—	116,476	—	116,476
Project Safe Neighborhood	Project Safe Neighborhood	N/A	16.609	113003	02/01/14-01/31/15	118,896	799	—	(799)	(799)	—	—	104,414	103,615
		N/A	16.609	113004	02/01/15-01/31/16	118,896	36,813	(96,720)	62,843	62,843	—	2,936	57,138	119,981
	Total U.S. Department of Justice — Direct Funding					**$ 1,695,662**	**$ 56,140**	**$ (279,303)**	**$ 386,695**	**$ 386,695**	**$ —**	**$ 163,532**	**$ 180,080**	**$ 566,775**
	TOTAL U.S. DEPARTMENT OF JUSTICE					**$ 2,435,080**	**$ 327,073**	**$ (508,359)**	**$ 492,079**	**$ 492,079**	**$ —**	**$ 310,794**	**$ 727,450**	**$ 1,219,529**
U.S. DEPARTMENT OF LABOR														
Passed Through Manufacturing Renasissance														
Youthbuild	Youth Career Connect	N/A	17.274	YC-25414-14-60-A-17	06/01/14-06/30/15	$ 37,317	$ 40,515	$ (37,317)	$ (3,198)	$ (3,198)	$ —	$ —	$ 40,515	$ 37,317
		N/A	17.274	YC-25414-14-60-A-17	07/01/15-06/30/16	148,683	—	—	148,683	148,683	—	148,683	—	148,683
	Total U.S. Department of Labor Passed Through Manufacturing Renasissance					**$ 186,000**	**$ 40,515**	**$ (37,317)**	**$ 145,485**	**$ 145,485**	**$ —**	**$ 148,683**	**$ 40,515**	**$ 186,000**
Passed through the Illinois Deparment of Commerce and Economic Opportunity														
Coastal Zone Management Administration Awards	CIMBY Gets Wet	N/A	11.419	14-013-N12-11	04/19/14-05/31/15	$ 134,736	$ 57,649	$ (67,993)	$ 10,344	$ 10,344	$ —	$ —	$ 116,795	$ 127,139
	CIMBY-IDNR	N/A	11.419	16-065-N15-23	10/17/15-04/30/16	100,000	—	(12,126)	35,112	35,112	—	22,986	—	35,112
Incentive Grants — WIA Section 203	Illinois Innovation Talent Program — Schurz	N/A	17.267	Agreement	07/01/10-05/31/11	5,000	(5,000)	—	5,000	5,000	—	—	—	5,000
	Total U.S. Department of Labor Passed Through Illinois Department of Commerce and Economic Opportunity					**$ 239,736**	**$ 52,649**	**$ (80,119)**	**$ 50,456**	**$ 50,456**	**$ —**	**$ 22,986**	**$ 116,795**	**$ 167,251**
	TOTAL U.S. DEPARTMENT OF LABOR					**$ 425,736**	**$ 93,164**	**$ (117,436)**	**$ 195,941**	**$ 195,941**	**$ —**	**$ 171,669**	**$ 157,310**	**$ 353,251**
U.S. DEPARTMENT OF TRANSPORTATION														
Passed Through Illinois Department of Aviation														
Airport Improvement Program	Noise Abatement -Farnsworth	N/A	20.106	3-17-0022-106-2009	09/23/09-09/22/11	$ 350,000	$ (148,099)	$ 148,899	$ —	$ —	$ —	$ 800	$ 291,791	$ 291,791
		N/A	20.106	3-17-0022-125-2012	09/06/12-09/07/15	4,500,000	178,196	—	—	—	—	178,196	4,730,610	4,730,610
	Noise Abatement — Ebinger	N/A	20.106	3-17-0022-134	04/08/14-06/30/16	$ 375,000	$ —	$ —	$ —	$ —	$ —	$ —	$ 44,138	$ 44,138
		N/A	20.106	3-17-0022-142	09/16/14-06/30/16	6,000,000	—	—	5,330,461	5,330,461	—	5,330,461	—	5,330,461
	Total U.S. Department of Transportation Passed Through Illinois Department of Aviation					**$ 11,225,000**	**$ 30,097**	**$ 148,899**	**$ 5,330,461**	**$ 5,330,461**	**$ —**	**$ 5,509,457**	**$ 5,066,539**	**$ 10,397,000**
OFFICE OF NAVAL RESEARCH														
Passed Through City Colleges of Chicago														
Basic and Applied Scientific Research	Critical MASS	N/A	12.300	15-12-1-0738	07/01/14-06/30/15	$ 514,181	$ 207,694	$ (181,309)	$ (26,385)	$ (26,385)	$ —	$ —	$ 383,634	$ 357,249
	Critical MASS Year 3	N/A	12.300	16-12-1-0738	04/01/15-03/31/16	542,072	—	(251,659)	357,816	357,816	—	106,157	—	357,816
	Critical MASS Year 4	N/A	12.300	17-12-1-0738	04/01/16-03/31/17	420,000	—	—	101,126	101,126	—	101,126	—	101,126
	Total Office of Naval Research Passed Through City Colleges of Chicago					**$ 1,476,253**	**$ 207,694**	**$ (432,968)**	**$ 432,557**	**$ 432,557**	**$ —**	**$ 207,283**	**$ 383,634**	**$ 816,191**
US ARMY RESEARCH														
Basic Scientific Research	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251	05/15/15-06/30/16	$ 1,084,253	$ 974	$ (323,439)	$ 620,119	$ 620,119	$ —	$ 297,654	$ 974	$ 621,093
	Accelerated STEM Program of Study & Leadership	N/A	12.431	W911NF-15-1-0251	05/15/16-06/30/17	883,925	—	—	69,742	69,742	—	69,742	—	69,742
	Total US Army Research Office					**$ 1,968,178**	**$ 974**	**$ (323,439)**	**$ 689,861**	**$ 689,861**	**$ —**	**$ 367,396**	**$ 974**	**$ 690,835**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES														
National Leadership Grant for Libraries	Re-enVision to Intergrate Technology and Libraries (REVITAL)	N/A	45.312	LG-07-13-0288-13	10/01/13-06/30/15	$ 249,999	$ 249,502	$ (249,502)	$ —	$ —	$ —	$ —	$ 249,502	$ 249,502
	Total Institute of Museum and Library Services					**$ 249,999**	**$ 249,502**	**$ (249,502)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 249,502**	**$ 249,502**
NATIONAL SCIENCE FOUNDATION														
Passed Through DePaul University														
Computer and Information Science and Engineering	Track 2 CS10K: Accelerate ECS4ALL	N/A	47.070	501165SG125	10/15/15-0/30/16	$ 114,346	$ —	$ —	$ 21,645	$ 21,645	$ —	$ 21,645	$ —	$ 21,645
	Total National Science Foundation Passed Through DePaul University					**$ 114,346**	**$ —**	**$ —**	**$ 21,645**	**$ 21,645**	**$ —**	**$ 21,645**	**$ —**	**$ 21,645**
U.S. DEPARTMENT OF COMMERCE														
Passed Through NIST Summer Institute Program														
Science, Technology, Business and/or Education Outreach	NIST Summer Institute for Middle School Science Teachers	N/A	11.620	70NANB16H0132	05/15/16-9/30/16	$ 24,000	$ —	$ (24,000)	$ 24,000	$ 24,000	$ —	$ —	$ —	$ 24,000
	Total U.S. Department of Commerce Passed Through NIST Summer Institute Program					**$ 24,000**	**$ —**	**$ (24,000)**	**$ 24,000**	**$ 24,000**	**$ —**	**$ —**	**$ —**	**$ 24,000**
	GRAND TOTAL					**$1,950,307,890**	**$96,255,915**	**$(719,741,853)**	**$726,451,136**	**$726,451,136**	**$47,781,913**	**$102,965,198**	**$1,378,776,664**	**$2,105,229,948**

BOARD OF EDUCATION OF THE CITY OF CHICAGO
SINGLE AUDIT

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. SCOPE OF SINGLE AUDIT

General — The Board of Education of the City of Chicago ("CPS") is a body politic and corporate of the State of Illinois. All significant federal financial and compliance operations of CPS are included in the scope of the Title 2 U.S. Code of Federal Regulations Part 20 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The U.S. Department of Education (the "USDEd") is CPS' cognizant federal agency for the Single Audit. Cognizant duties have been delegated to the Illinois State Board of Education (the "ISBE") by the USDEd, which, in turn, oversees the performance of such duties.

2. NATURE OF FEDERAL FINANCIAL ASSISTANCE

Generally, federal awards are granted for the purpose of providing specific goods or services or aid to specific individuals. In addition to the purposes they serve, federal programs can be classified according to the basis under which the federal programs are funded. For certain federal programs, funds are received based upon actual qualified expenditures up to the total federal awards amount (expenditure-driven federal programs). For other federal programs, funds are received based on an approved formula such as a standard reimbursement rate applied to qualified unit of service provided (formula-driven federal program).

The majority of CPS' federal awards are passed through and received from the ISBE. For those pass-through federal awards, CPS' direct reporting responsibility is to ISBE, which, in their capacity as sub-grantors, oversee and monitor the utilization of such federal awards by CPS.

3. BASIS OF PRESENTATION IN THE SCHEUDLE OF GRANT ACTIVITY

General — The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of CPS under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and the pass through requirements of ISBE. Because the schedule presents only a selected portion of the operations of CPS, it is not intended to and does not present the financial position or changes in net position of CPS. Only federal programs considered active during the year ended June 30, 2016, are reflected in the Schedule. An active federal program is defined as a federal program that incurred expenditures (adjustments) of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Revenues — Grant revenues for expenditure-driven federal programs are recognized in the Schedule based on expenditures incurred during the fiscal year. Grant revenues for formula-driven federal programs are recognized based on units of services provided as of June 30, 2016.

Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the "USDA").

Expenditures — For all expenditure-driven federal programs, expenditures included on the Schedule represent actual expenditures incurred (governmental fund basis) during the fiscal year ended June 30, 2016. In accordance with Uniform Guidance, pension costs are uniformly charged to all positions as a direct benefit cost in proportion to pensionable salary regardless of whether the funding source is local, state, or federal.

For formula-driven federal programs, expenditures are presented on the Schedule as follows:

- The expenditures for the National School Lunch and Breakfast Program in the schedule only reflect the portion funded by the Program.
- Expenditures for the Food Donation Program represent commodities received at amounts per the USDA standard price listings.

Adjustments to Increase (Decrease) Accrued Grant Revenue — Adjustments reflected in the Schedule of Expenditures of Federal Awards represent (1) adjustments for recorded expenditures that have been determined to be unallowable by respective funding agencies, (2) corrections of prior year's estimated accruals.

Accrued and Unearned Grant Revenue — Various funding schedules are used for the federal awards received by CPS. Consequently, timing differences between the recognition of revenues and related cash receipts can exist at the beginning and end of the fiscal year. Accrued grant revenue balances represent the excess of revenue recognized over cash received to date. Unearned grant revenue balances represent the excess of cash received over revenue recognized to date.

Indirect Cost Rate — The amount expended includes amounts claimed as indirect cost recovery using an approved indirect cost rate percent by the Illinois State Board of Education or as per the funding agencies approved budget. The Chicago Public Schools has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. RELATIONSHIP TO THE FINANCIAL STATEMENTS INCLUDED IN THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The following is a reconciliation of federal grant revenues as reflected in the Supplementary Schedule of Expenditures of Federal Awards in CPS' Comprehensive Annual Financial Reports:

"Revenue recognized" per the Schedule	$726,451,136
E-Rate program revenues not included in the Schedule	16,577,751
Medicare Part D Revenue not included in the Schedule	517,070
Medicaid Fee for Service Revenue not included in the Schedule	26,607,632
Build America Bonds (BABS) revenue not included in the Schedule	25,011,602
U.S. Department of Defense Reserve Officer Training Corps (ROTC) revenue not included in the Schedule	5,708,666
Adjustments to record revenue that do not provide current financial resources	8,124,546
Federal aid per the Statement of Revenues, Expenditures and Net Changes in Fund Balances — Governmental Funds	$808,998,403

STATUTORY REPORTING SECTION

Expenditures relating to individual federal programs are not represented separately from other CPS expenditures in CPS' Comprehensive Annual Financial Report. Accordingly, a similar reconciliation of expenditures is not included herein.

5. FINAL CLAIMS

Some final claims for federal programs with a contractual funding period ended June 30, 2016, were filed prior to recording certain year-end adjustments and, therefore, do not agree with the related amounts accrued and reported in the Schedule. CPS plans to submit a program liquidation report to the respective grantor agencies, which will revise the outstanding obligation amounts per the final claim, thereby reflecting the appropriate year-end adjustments for these federal awards.

6. FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the fiscal year ended June 30, 2016, Single Audit are disclosed in the accompanying Schedule of Findings and Questioned Costs and Auditee Corrective Action Plan. The presentation conforms to the formatting requirements of the ISBE. The questioned cost reflected in such schedule reflect the potential reimbursement effect of costs which were deemed as inappropriately allocated to a federal program or which could have been allocated to a federal program, but were not.

Board of Education of the City of Chicago

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified?	_X_ Yes ___ No
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified?	_X_ Yes ___ No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)	_X_ Yes ___ No

Identification of major programs:

CFDA Number	Name of Federal Program	Amount Expended
84.010	Title I — Grants to Local Education Agencies	$295,907,302
84.027	Special Education Grants to States	91,652,264(1)
84.173	Special Education — Preschool Grants	1,860,511(1)
84.048	Career and Technical Education — Basic Grants	4,966,440
84.377	School Improvement Grants	10,311,599(2)
84.388	School Improvement Grants, Recovery Act	(645,526)(2)
84.419B	Preschool Development Grant	5,824,096
84.334A	Gaining Early Awareness and Readiness for Undergraduate Program	1,723,319
93.778	Medical Assistance Program	7,421,767
		$419,021,772

Notes:

(1) Part of Special Education cluster
(2) Part of School Improvement Grants cluster

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	___Yes _X_ No

STATUTORY REPORTING SECTION

B-119

II. FINANCIAL STATEMENT FINDINGS

2016-001: Maintenance of Capital Asset Records

Criteria:
Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* require that:

- Capital assets be reported at historical cost and that capital assets include land, improvements to land, buildings, building improvements, vehicles, equipment, and all other tangible or intangible assets that are used in operations and have a useful life extending beyond a single reporting period;
- Governments may use any established depreciation method
- Capital assets are to be depreciated over their estimated useful lives;
- Governments should consider how long an asset is expected to meet service demands
- Depreciation expense be reported in the statement of activities
- Governments provide detail in the notes to the financial statements about capital assets, including beginning- and end-of-year balances with accumulated depreciation presented separately from historic cost, capital acquisitions, sales or other dispositions, and current-period depreciation expense.
- In determining estimated useful life, a government should consider an asset's present conditions and how long it is expected to meet service demands.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* defines asset impairment as a "significant, unexpected decline in the service utility of a capital asset." An unexpected decline results when "at the time the capital asset was acquired, the event of change in circumstance would not have been expected to occur during the useful life of the capital asset." GASB 42 lists five indicators of impairment, with indicator #4 being "a change in the manner or expected duration of use of a capital asset, such as closure of a school prior to the end of its useful life." Under this impairment indicator, it appears as though school buildings scheduled for closure would meet the impairment requirement.

Management of the District should have policies, procedures and controls in place to provide reasonable assurance that the District meets the various financial reporting requirements in preparing its annual Comprehensive Annual Financial Report.

Condition:
Based on our testing, we noted the following issues in relation to the District's capital asset record maintenance:

- The District does not have controls in place to provide reasonable assurance that schools and departments maintain accurate fixed asset inventory listings or update the listings quarterly in accordance with board policy.
- The District does not reconcile fixed assets in a timely manner.
- The District did not identify, and subsequently record an impairment charge, for a school which was approved for closure subsequent to year-end.
- The District does not have physical security in place to secure the property which is maintained at the warehouse where surplus assets are stored.

Context:

Asset Management Noncompliance
The District's board policy requires schools to maintain a fixed asset inventory listing, update the listing quarterly, and perform a physical inventory annually. The asset listing should include all tangible assets with a value of $500 or more and a useful life over a year. Each asset should be tagged, and the tag number should be referenced in the asset register. The listing should include any assets purchased, capital leases or assets donated to the school. Examples of assets commonly held by schools include computers, printers, other electronics, office furniture, gym equipment and engineer's equipment.

At the end of the school year the physical inventory allows for schools to test for the accuracy of the fixed asset listing. Previously, each school independently monitored its fixed asset records and submitted their final registers to Internal Accounts. Historically, these records have been inaccurate and unreliable. An electronic asset register is more efficient and significantly more accurate in preserving information.

Maintaining proper controls over fixed assets with costs over $25,000 has a direct impact on the financial statements, as these assets are required to be capitalized for financial reporting purposes. Although assets below this amount may not be capitalized on the financial statements, strong controls are still critical for operational purposes and to ensure compliance with state and federal requirements over asset management.

Internal Audit and Compliance performs school based audits on various areas of school level operations, including fixed assets. During our audit, we reviewed the audit work of CPS' Internal Audit and Compliance department for twelve internal audit school visits during fiscal year 2016, and performed audit procedures at 3 schools. In total, we performed audit procedures or reviewed the work of internal audit for 375 assets and noted exceptions with 125 (33%) of these.

Type of Exception:	# of Instances
Identification issues (tags/serial #'s/duplicates)	85
Asset not found	38
Asset not recorded in Oracle	1
Asset register amount overstated	1
Total	125

The District requires individual schools to track equipment in registers that are designed to comply with State and Federal requirements. Many equipment items lacked all data required to by Federal and State requirements.

Fixed Asset Registers Noncompliance — Acquisitions Through State and Federal Grants
Effective controls over fixed assets are critical for compliance with State and Federal Grant Requirements. Federal Grant requirements include specific identification requirements over fixed assets purchased with federal funds, including that all assets be added to asset registers, purchase price, serial numbers, tag numbers and funding source be included. The District also is required to have controls in place such as the performance of an annual physical inventory, and that all deletions are properly documented and approved.

Equipment purchases do not represent a material portion of the total expenditures of the affected grant programs.

The following conditions were noted during testing for fiscal year 2016:

- 18 out of 68 equipment additions tested were recorded in the District asset registers, but were missing required information as to the unique identification number assigned to the property.
- 36 out of 140 equipment items tested do not meet the requirements of federal equipment and real property management guidelines, such as missing asset tags and serial numbers.
- 78 out of 140 equipment items tested, an annual equipment inventory has not been performed for.
- 83 out of 140 equipment items tested, a physical inventory was not taken within the last two years.

Maintenance of Fixed Assets Records
We also observed that the fixed asset ledger is not reconciled to the general ledger in a timely manner. We believe that timely reconciliation is a critical control to help ensure fixed asset additions and retirements are properly recorded. Subsequent to year-end, the District capitalized approximately $255 million of additions.

School Impairment
Through our testing of fixed assets, we noted that the District failed to record an impairment charge for a school that was approved for closure subsequent to year-end. The District properly identified the school as scheduled for closing, but did not record an impairment charge because the closure happened subsequent to fiscal year-end. However, this is a subsequent event that requires adjustment to the financial statements. As such, the District wrote-down the remaining asset, resulting in an adjustment of approximately $3.8 million.

Warehouse
The District operates a warehouse which contains various items (mainly furniture and supplies) that the District has either received from an outside entity or which came from a closed school. We visited the warehouse and noted there was both a lack of security cameras and security professionals on site.

Cause and Effect:
These errors are due to 1) the ineffectiveness of the maintenance of asset registers and records, 2) the lack of timely reconciliation of accounting records, and 3) the lack of controls over evaluating school impairment.

Individual schools are required to maintain their equipment registers and annually perform a physical inventory of their property and reconcile the results with their equipment register. A number of schools failed to perform the physical inventory and update their registers. Central Office staff did not adequately follow up on incomplete physical inventories to understand if proper updates and corrections were made to equipment registers, including the identification of lost, stolen or disposed of equipment.

Based on discussions with school administrators, employee turnover, lack of record keeping for the movement of assets between classrooms and employees, and insufficient training on how to use the fixed asset application contribute to the asset management issue.

The District's fixed asset subsidiary ledgers were not reconciled timely throughout the fiscal year. Failure to close out fixed assets in a timely manner results in significant year end reporting and audit timeline delays.

The District did not properly record an impairment charge for a school which was closed subsequent to year-end. This resulted in an audit adjustment of approximately $3.8 million to write-down the value of the school at year-end.

The District has not taken adequate measures to secure the inventory located at the warehouse.

Recommendations:
We recommend that the District begin using radio-frequency identification devices for the purpose of automatically identifying and tracking tags attached to fixed assets. Use of this technology could improve the effectiveness of asset tracking and maintenance.

Additional training at the school level and increased oversight by the School Support Center would improve asset management. We recommend that the District work with the schools to enforce the requirements in these areas.

We recommend the District update its procedures on how to account for impairment once a school has been approved for closure.

We recommend the District implement security measures at the warehouse.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2016-002: Subrecipient Monitoring

Federal Agency: U.S. Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016

Criteria:
Uniform Administrative Requirements and Cost Principles for Federal Awards (2 CFR Part 200, "Uniform Guidance") requires pass-through to ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification (2 CFR Part 200.331). Subawards must include the following federal award identification information:

- Subrecipient name
- Subrecipient's unique entity identifier
- Federal Award Identification Number (FAIN)
- Federal Award Date (see 2 CFR Part 200.39 Federal award date) of award to the recipient by the Federal agency
- Subaward Period of Performance start and end date
- Amount of federal funds obligated by this action by the pass-through entity to the subrecipient
- Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation
- Total amount of the federal award committed to the subrecipient by the pass-through entity
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA)

- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity
- CFDA Number and name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement
- Identification of whether the award is Research and Development
- Indirect cost rate for the federal award (including if the de minimis rate is charged per 2 CFR Part 200.414).

Condition:
In 6 out of 6 subrecipient awards selected for testing, management was unable to demonstrate they communicated the following at the time of subaward:

- Federal Award Identification Number (FAIN)
- Federal Award Date (see 2 CFR Part 200.39 Federal award date) of award to the recipient by the Federal agency
- Subaward Period of Performance start and end date
- Amount of federal funds obligated by this action by the pass-through entity to the subrecipient
- Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current obligation
- Total amount of the federal award committed to the subrecipient by the pass-through entity
- CFDA Number and name; the pass-through entity must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement

Context:
The amount of grant funds passing through to subrecipients is not a significant portion of total grant expenditures.

Questioned costs:
None.

Cause:
Due to staffing limitations and changes in the district, the new uniform grant guidance implementation was delayed. The Grants Operation Team has recently taken the lead to update, address and/or implement the new requirements for 2 CFR Part 200, “Uniform Guidance”.

Effect:
Subrecipients may not be aware of federal compliance requirements at the time of an award and may be deficient in complying with those requirements.

Recommendation:
We recommend CPS standardize its subaward notification documentation, through revised written policies and procedures, to include the federal award identification information required by 2 CFR Part 200.331. The subaward notification should be available to the subrecipient at the time of subaward and prior to disbursement.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Finding 2016-003: Standards for Documentation of Personnel Expenses

Federal Agency: U.S. Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016

Career and Technical Education (V.E. — Perkins — Title IIC — Secondary); Illinois State Board of Education; CFDA number 84.048A; ISBE project numbers 2015-4745-00, 2016-4745-00; award years July 1, 2014 through August 31, 2016

Gaining Early Awareness and Readiness for Undergraduate Program (Gear Up 6); Northeastern Illinois University; CFDA number 84.334A; project numbers P334A140132/P0042022; award years September 25, 2015 through September 24, 2016

School Improvement Grants (School Improvement Cohort 4-6); Illinois State Board of Education; CFDA number 84.377A; ISBE project numbers 15-4339-14, 16-4339-14, 16-4339-15, 16-4339-16; award years July 1, 2014 through August 31, 2016

Criteria:
Costs of compensation are allowable to the extent that they satisfy the Uniform Administrative Requirements and Cost Principles for Federal Awards (2 CFR Part 200, “Uniform Guidance”). Paragraph (i) of 2 CFR Part 200.430, *Standards for Documentation of Personnel Expenses*, requires charges to federal awards for salaries and wages be based on records that accurately reflect the work performed. These records must reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.

Condition:
In reviewing CPS’s established written policy for compliance with *Standards for Documentation of Personnel Expenses*, we noted:

1. The policy refers to OMB Circular A-87, Attachment B, Section 11 as being the source of rules and regulations related to compensation for personnel services. This was true prior to Uniform Guidance being effective.
2. CPS’s written policy does not require, for all employees, the personnel expense documentation to reflect total activity for which the employee is compensated (not exceeding 100% of compensated activities). Specifically, the use of the “Bucket Position” and “Personal Activity Report” options under CPS’s written policy, result in noncompliance with 2 CFR Part 200.430.

Context:
A majority of the personnel expenses charged to federal awards are supported by documentation that is compliant with 2 CFR Part 200.430. Of the $237,000 amount tested in fiscal year 2016, $14,600 was out of compliance. The amount for each grant is as follows:

- Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016 — $1,091

- Career and Technical Education (V.E. — Perkins — Title IIC — Secondary); Illinois State Board of Education; CFDA number 84.048A; ISBE project numbers 2015-4745-00, 2016-4745-00; award years July 1, 2014 through August 31, 2016—$1,057
- Gaining Early Awareness and Readiness for Undergraduate Program (Gear Up 6); Northeastern Illinois University; CFDA number 84.334A; project numbers P334A140132/P0042022; award years September 25, 2015 through September 24, 2016 — $488
- School Improvement Grants (School Improvement Cohort 4-6); Illinois State Board of Education; CFDA number 84.377A; ISBE project numbers 15-4339-14, 16-4339-14, 16-4339-15, 16-4339-16; award years July 1, 2014 through August 31, 2016 — $11,930

Cause:
In the absence of clear guidance from major funding agencies, CPS was not aware that they needed update and/or change the process for out of school time documentation. The "Time and Effort" that is correctly in place did document the out of school time questioned above, but may not have meet the current guidance.

Effect:
Recipients that do not comply with all the requirements related to a particular grant risk future reductions in funding or the grantor agency may require CPS to reimburse for questioned costs.

Questioned costs:
$14,568

Recommendation:
We recommend CPS request implementation guidance from its major funding agencies (U.S. Department of Education and Illinois State Board of Education) regarding employees who have additional responsibilities beyond their regular schedules. We also recommend CPS update is written policies and procedures to require in all instances documentation reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Finding 2016-004: Procurement

Federal Agency: U.S. Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Title I Grants to Local Education Agencies (Low Income); Illinois State Board of Education; CFDA number 84.010; ISBE project numbers 2016-4300-00; award years July 1, 2015 through August 31, 2016

Special Education Grants; Illinois State Board of Education; CFDA number 84.027A; ISBE project number 16-4625-00; award year September 1, 2015 through August 31, 2016

Preschool Development Grants; Illinois State Board of Education; CFDA number 84.419B; ISBE project number 15-4999-PE; award year February 25, 2015 through August 31, 2015

Criteria:
The A-102 Common Rule (§ .36(b)(9)) requires grantees and subgrantees to maintain records sufficient to detail the significant history of a procurement. These records should include: rationale for

the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:
CPS was unable to locate certain procurement files that contain the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis of contract price. Specifically, the exceptions were as follows:

- Title I Grants to Local Education Agencies (Low Income) — CPS was unable to locate the contract files for one selection.
- Special Education Grants — CPS was unable to locate the contract files for one selection.
- Preschool Development Grants — CPS was unable to locate the contract files for two selections.

Context:
Although CPS was unable to locate the procurement files, invoices and contracts did exist that evidence the allowability of the expenditures. Additionally, CPS was able to provide support that the procurement action was properly approved (Chief Purchasing Officer over $25,000 and Board Report over $75,000).

Cause:
CPS recently relocated and various procurement files were sent to storage misfiled.

Effect:
Noncompliance with federal administrative requirements could result in a lack of documentation to support procurement actions.

Questioned costs:
None.

Recommendation:
We recommend CPS ensure its written policies and procedures require that supporting documentation is maintained as evidence that contracts undergo the proper procurement process and that execution of those procedures is monitored for compliance by supervisory level personnel.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Finding 2016-005: Special Education Funding and Child Tracking System

Federal Agency: US Department of Education

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number:
Special Education Grants; Illinois State Board of Education; CFDA number 84.027A; ISBE project number 16-4625-00; award year September 1, 2015 through August 31, 2016

Criteria:
Requirements regarding the *Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended (OMB Nos. 1820-0030 and 1875-0240), require* the Illinois State Board of Education to report to the US Department of Education an unduplicated count of children with disabilities receiving special education

and related services. CPS is required to report in accordance with the ISBE established procedure, which is through the Special Education Funding and Child Tracking System (FACTS). ISBE specifies that only students with an individualized educational program (IEP) or individualized service plan (ISP) should be reported on the FACTS.

Condition:
CPS was unable to provide support that students listed in their FACTS had an IEP or ISP.

Context:
For 1 out of 60 students tested, CPS was unable to provide support that the student has an IEP or ISP.

Cause:
There was an error in the data collection and student, who had an IEP in a previous was improperly included in the report.

Effect:
Noncompliance with this requirement can lead to inaccurate reporting of data by ISBE to the federal government related to its special education funding.

Questioned costs:
None.

Recommendation:
We recommend CPS develop controls to identify that all special needs students have an Individualized Educational Program in place.

Management Response and Corrective Action Plan:
See Corrective Action Plan.

Board of Education of the City of Chicago

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

I. FINANCIAL STATEMENT FINDINGS

Finding 2015-001: Fixed Assets

Correction Action Plan: See prior year report.

Current Status: Certain components of the prior year corrective action plan has been taken. See 2016-001.

Finding 2015-002: Accrued Sick Leave Calculation

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2015-003: Grants Management

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

Finding 2015-004: Accounts Payable

Correction Action Plan: See prior year report.

Current Status: Corrective action was taken.

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The prior year single audit disclosed no federal award findings or questioned costs in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior year's Summary Schedule of Prior Year Audit Findings.

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RSM US LLP
One South Wacker Drive
Chicago, IL 60601

The Chicago Public School's Corrective Action Plan for the findings identified in connection with your audit of federal awards conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for the year ended June 30, 2016 are identified below. The findings are titled and numbered consistently with the titles and numbers assigned in the schedule of findings and questioned costs.

Finding 2016-001:

Corrective Action Plan:

As of the report date, CPS Facilities and Finance departments are in the process of implementing a new inventory software system which will not only aid in tracking assets but also reduce expenditures for new assets, when comparable and existing resources are currently located within CPS and may be redeployed. Currently a pilot program is underway that utilizes asset tagging and radio-frequency identification (RFID) to conduct inventories and track existing assets going forward. New asset management procedures and training will be updated as the implementation occurs and will be aligned with Federal grant and ISBE inventory requirements.

As noted in the audit finding, equipment purchases do not represent a material portion of the total expenditures of the affected grant programs. Such equipment purchases are expensed when acquired and CPS maintains compensating controls over the acquisition process. Examples of such controls include system-requirements for an approved purchase order before an invoice can be entered and three-way match before payment.

The timeliness issue in the recording of FY2016 assets had two underlying causes: the loss of staff with institutional knowledge and implementing new procedures performed to improve system controls. In prior years, CPS has relied on manual workarounds to accommodate unexpected system behaviors. In the course of recording FY16 assets, CPS spent significant time working to identify and resolve software issues and outdated system configurations, with a goal towards eliminating these workarounds. As a result, the need for manual processes has been reduced and control over the completeness and accuracy of financial records for assets in FY16 and future fiscal years has been increased.

In order to avoid future issues related to the proper recording of impairments for closed schools, additional guidance will be added to existing Finance procedures that clearly state the proper treatment of closed and closing schools.

Contact person: Jose Alfonso de Hoyes Acostas, Chief Administrative Officer

Anticipated completion date: 6/30/2017

Finding 2016-002:

Corrective Action Plan:

Chicago Public Schools is in the process of standardizing its subaward notification documentation to include the federal award identification information required by 2 CFR Part 200.331. This subaward notification will be made available to the subrecipient at the time of the subaward and prior to disbursement.

For the 2016-2017 school year, Chicago Public Schools will re-issue budget "one-pagers" (document identifying all funding streams each school will receive) including all required information to satisfy federal compliance requirements per recent uniform grant guidance. We will provide instruction and information regarding changes under the new guidance and require each subrecipient to provide their DUNS number and SAM verification during this redistribution process, with a due date of February 28, 2017. This will ensure that CPS has accurate, up-to-date and verifiable information on file. For all future award cycles, this same information will be included in the district's annual budget release. Should any new subrecipients come on board, we will request the required information during this process.

Contact person: Kimberly Thomas, Deputy Grants Director

Anticipated completion date: 6/30/2017

Finding 2016-003:

Corrective Action Plan:

CPS will follow-up and continue to request implementation guidance from its major funding agencies (U.S. Department of Education and Illinois State Board of Education) regarding employees who have additional responsibilities beyond their regular schedules. CPS will also reach out to other K-12 organizations to inquire about their processes. In the absence of clear guidance CPS will continue to use our current process to document time.

Additionally, CPS is in the process of updating written policies and procedures for full and split funded positions to more align "Time and Effort" at the activity level as required in the new guidance. For out of school time, guidance will be updated as we receive clarification on how to document this time.

Contact person: Kimberly Thomas, Deputy Grants Director

Anticipated completion date: 6/30/2017

Finding 2016-004:

Corrective Action Plan:

CPS will review, sort and refile procurement files by designated specification number to easily track and locate procurement documentation for future requests.

Contact person: Charles Mayfield, Procurement Director

Anticipated completion date: 6/30/2017

Finding 2016-005:

Corrective Action Plan:

In the collection of the FACTS report for ISBE, additional vetting of ensuring that students who are exited are not included in the FACTS report. CPS will create a mechanism in the SSM to close out the student records that are exited within the year.

Contact person: Elizabeth Keenan, Deputy Chief and Director of Special Education

Anticipated completion date: 6/30/2017

APPENDIX C

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 Official Statement. Neither the Board nor the Underwriters are responsible for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (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.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee under the Indenture securing such Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Bonds at any time by giving reasonable notice to the Board or the Trustee under the Indenture securing such Bonds. Under such circumstances, in the event that a successor depository is not obtained, Bond 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, Bond 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 A SERIES OF BONDS 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 BONDS; 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 BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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APPENDIX D

ALLOCATION OF SOURCES OF PLEDGED REVENUES
TO
PAYMENT OBLIGATIONS OF
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES) SERIES 2017F
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES) SERIES 2017G
AND
UNLIMITED TAX GENERAL OBLIGATION BONDS
(DEDICATED REVENUES) SERIES 2017H

The Series 2017F Bonds, Series 2017G Bonds and Series 2017H Bonds are payable from multiple sources of Pledged Revenues as described in the Official Statement. The Series 2017F Bonds are secured by Pledged PPRT Revenues and Intergovernmental Agreement Revenues, the Series 2017G Bonds are secured by Pledged State Aid Revenues and Pledged PPRT Revenues, and the Series 2017H Bonds are secured by Pledged State Aid Revenues, Pledged PPRT Revenues, and Intergovernmental Agreement Revenues. For further discussion of the Pledged Revenues securing the Bonds, see "SECURITY FOR THE BONDS – Pledged Revenues" in the Official Statement.

Each source of Pledged Revenues is allocated under the applicable Indenture to the funding of specified debt service obligations on the related Series 2017F, Series 2017G and Series 2017H Bonds and the satisfaction of their respective 25% Statutory Coverage requirements. See "SECURITY FOR THE BONDS – Series Authorization, Pledged Revenues and Statutory Coverage" in the Official Statement. The following tables show the types of Pledged Revenue necessary to provide for sufficient payment of all debt service requirements and satisfy the applicable Statutory Coverage requirement for the Series 2017F, Series 2017G and Series 2017H Bonds.

Series 2017 F

Bond Year Ending December 1	IGA Revenues	Pledged PPRT Revenues
2018	$ 8,883,488	$2,220,872
2019	25,721,250	6,430,313
2020	32,132,500	8,033,125
2021	32,129,500	8,032,375
2022	32,134,750	8,033,688
2023	37,324,750	9,331,188
2024	37,317,000	9,329,250

Series 2017G

Bond Year Ending December 1	Pledged PPRT Revenues	Pledged State Aid Revenues
2018	$ 0	$ 7,928,212
2019	0	7,906,250
2020	0	7,906,250
2021	0	7,906,250
2022	0	7,906,250
2023	0	7,906,250
2024	0	7,906,250
2025	0	7,906,250
2026	0	7,906,250
2027	0	7,906,250
2028	7,906,250	0
2029	7,906,250	0
2030	7,906,250	0
2031	26,858,750	2,985,000
2032	26,850,938	2,983,438
2033	26,859,063	2,986,563
2034	26,858,438	2,984,063
2035	3,179,063	0
2036	3,162,188	16,875
2037	0	3,179,063
2038	0	3,179,063
2039	0	3,179,063
2040	0	3,179,063
2041	0	3,179,063
2042	0	3,179,063
2043	0	34,497,813
2044	0	33,875,625
2045	0	0
2046	0	0

Series 2017H

Bond Year Ending December 1	IGA Revenues	Pledged PPRT Revenues	Pledged State Aid Revenues
2020	$1,069,094	$ 0	$16,430,906
2021	1,070,006	0	16,429,994
2022	1,068,475	0	16,431,525
2023	1,069,450	0	16,430,550
2024	1,068,300	0	16,431,700
2025	0	0	17,500,000
2026	0	0	17,500,000
2027	0	0	17,500,000
2028	0	14,648,750	2,851,250
2029	0	5,969,750	11,530,250
2030	0	19,811,250	9,863,750
2031	0	0	36,235,000
2032	0	0	36,236,563
2033	0	0	36,233,438
2034	0	0	36,235,938
2035	0	140,000	39,220,000
2036	0	0	39,203,125
2037	0	0	10,000,000
2038	0	0	10,000,000
2039	0	0	10,000,000
2040	0	0	10,000,000
2041	0	0	10,000,000
2042	0	0	10,000,000
2043	0	0	56,400,000
2044	0	0	56,405,000
2045	0	0	56,400,000
2046	0	0	56,404,688

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APPENDIX E

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**") 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 and will be reassessed again in 2018.

Pursuant to the Cook County Real Property Assessment Classification Ordinance (the "**Classification Ordinance**"), 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 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 in each county, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, 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, 2016, 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 $100,000 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"**).

The Local Government Debt Reform Act (30 ILCS 350/16) (the "**Debt Reform Act**") includes special provisions applicable to tax levies to pay debt service on general obligation bonds, including Alternate Revenue Bonds, such as the Bonds. A governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds, including Alternate Revenue Bonds, at any time prior to March 1 of the calendar year during which the tax will be collected. The County Clerk is required to accept the filing of the ordinance levying such tax notwithstanding that such time is subsequent to the end of the calendar year next preceding the calendar year during which such tax will be collected.

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. Pursuant to the Debt Reform Act, in extending taxes for general obligation bonds, including Alternate Revenue Bonds, such as the Bonds, the County Clerk is required to increase the levy for debt service on such bonds to provide an allowance for loss in collections, in an amount sufficient, in view of all losses and delinquencies in tax collection, to produce tax receipts adequate for the prompt payment of such debt service.

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 (including debt service on Alternate Revenue Bonds, such as the Bonds), 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. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the Unit's general obligations bonds and notes (including payment of debt service on Alternate Revenue Bonds, such as the Bonds).

<u>Collection</u>. 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 2007 to 2016; the first installment penalty date has been March 2 or March 3 for all years.

Second Installment

Tax Year	Penalty Date
2016	August 1, 2017
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

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 debt service. The Board reviews this provision annually to determine whether adjustments are appropriate. For tax year 2016, collectible in 2017, the allowance for uncollectible taxes is about four percent of the estimated gross tax levy. For financial reporting purposes, uncollected taxes are written off by the Board after four years, but are fully reserved after one year.

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.

The PTELL does not limit the rate or amount of taxes extended by the Board to pay its Alternate Revenue Bonds, including the Bonds.

APPENDIX F

FORMS OF DEPOSIT DIRECTIONS TO COUNTY COLLECTORS REGARDING PLEDGED TAXES

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APPENDIX F-1
FORM OF DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES EXTENDED AND COLLECTED FOR THE PAYMENT OF UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2017C, SERIES 2017D, SERIES 2017E, SERIES 2017F AND SERIES 2017G OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

To: The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution No. 17-0828-RS6, adopted by the Board of Education of the City of Chicago (the "*Board*") on August 28, 2017 being entitled:

> RESOLUTION PROVIDING FOR THE ISSUE OF ONE OR MORE SERIES OF UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $385,000,000 FOR THE PURPOSE OF PAYING THE COST OF REFUNDING OUTSTANDING BONDS OF SAID BOARD OF EDUCATION

as amended by Resolution No. 17-1025-RS6, adopted by the Board on October 25, 2017 and being entitled:

> RESOLUTION AMENDING RESOLUTION 17-0828-RS6 AUTHORIZING THE ISSUANCE OF UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO FOR THE PURPOSE OF PAYING THE COST OF REFUNDING OUTSTANDING BONDS OF SAID BOARD OF EDUCATION AND REPEALING RESOLUTION 16-1026-RS2

(collectively the "*Bond Resolution*"), certified copies of which have been filed in each of your offices, the Board authorized the issuance from time to time of its Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), in the maximum principal amount of $745,000,000 in one or more series (the "*Bonds*") and levied a direct annual tax for each of the levy years 2017 to 2043, inclusive, on all taxable property within the school district governed by the Board (the "*School District*") sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution.

The Bond Resolution further authorized the direct deposit of such direct annual tax, if and when extended for collection, with an escrow agent designated by the Senior Vice President of Finance of the Board and the undersigned hereby designates the hereinafter defined Trustee as escrow agent for application of collections of such direct annual tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended.

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $351,485,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C (the "*Series 2017C Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2017C Bonds (the "*Series 2017C Pledged Taxes*").

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $79,325,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D (the "*Series 2017D Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2017D Bonds (the "*Series 2017D Pledged Taxes*").

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $22,180,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E (the "*Series 2017E Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2017E Bonds (the "*Series 2017E Pledged Taxes*").

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $165,510,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F (the "*Series 2017F Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2017F Bonds (the "*Series 2017F Pledged Taxes*").

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $126,500,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G (the "*Series 2017G Bonds*" and, together with the Series 2017C Bonds, Series 2017D Bonds, Series 2017E Bonds and Series 2017F Bonds, the "*Series 2017C-G Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2017G Bonds (the "*Series 2017G Pledged Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, and Series 2017G Pledged Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into the respective account of Amalgamated Bank of Chicago, as Trustee (the "*Trustee*") under the Indentures securing each series of the Series 2017C-G Bonds, identified below, for application as described in said Indentures.

Prior to the receipt of the first distribution of collections of property taxes in each year for which the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, or Series 2017G Pledged Taxes are to be extended, commencing with the taxes levied for the year 2017 (collectible in 2018), the Board shall file in your office (i) evidence of the abatement in full of such Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, or Series 2017G Pledged Taxes for such year, in which case no collections of taxes levied by the Board for such year shall be subject to this Direction or (ii) a Segregation Order specifying the percentage of each distribution to be received during such year which is attributable to the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, or Series 2017G Pledged Taxes actually to be extended for collection in such year and directing that such percentage of each such distribution be segregated and paid to the Trustee for deposit to the account identified below. Promptly upon receipt of such property taxes for distribution, you are to segregate and pay directly to the Trustee for deposit to the respective account identified below an amount equal to the amount of such distribution multiplied by the percentage specified in the Segregation Order with respect to the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, or Series 2017G Pledged Taxes subject to such Segregation Order.

If in any year for which any of the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, and Series 2017G Pledged Taxes have been levied (as set out in the sub-exhibits included in *Exhibit A* attached hereto), you do not receive either of the showings described in clauses (i) or (ii) of the first sentence of the preceding paragraph, you are hereby authorized and directed to pay directly to the Trustee for deposit to the respective account identified below from each distribution beginning with the first distribution paid to the Board in such year the total amount of the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, or Series 2017G Pledged Taxes, as applicable, received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, or Series 2017G Pledged Taxes levied for such year bears to the total tax extension of the Board for the most recently available year, until (a) the Board files with you the evidence of abatement in full or the Segregation Order required by the preceding paragraph or (b) the full amount of the specific Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, or Series 2017G Pledged Taxes specified for such year in the related sub-exhibit of *Exhibit A* has been paid to the Trustee.

As of the date of filing of this Direction, the Series 2017C Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: ____________________________
For Final Credit to: ____________________________
Reference: CPS Series 2017C Pledged Taxes
Attention: Victoria Douyon

As of the date of filing of this Direction, the Series 2017D Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: _____________________________
For Final Credit to: ____________________________
Reference: CPS Series 2017D Pledged Taxes
Attention: Victoria Douyon

As of the date of filing of this Direction, the Series 2017E Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: _____________________________
For Final Credit to: ____________________________
Reference: CPS Series 2017E Pledged Taxes
Attention: Victoria Douyon

As of the date of filing of this Direction, the Series 2017F Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: _____________________________
For Final Credit to: ____________________________
Reference: CPS Series 2017F Pledged Taxes
Attention: Victoria Douyon

As of the date of filing of this Direction, the Series 2017G Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: _____________________________
For Final Credit to: ____________________________
Reference: CPS Series 2017G Pledged Taxes
Attention: Victoria Douyon

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification below you agree that the owners of the Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ________ day of November, 2017.

____
Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A-1

SERIES 2017C PLEDGED TAXES

LEVY YEAR	TAX LEVY
2017	$17,623,067.36
2018	40,184,250.00
2019	39,388,750.00
2020	38,636,500.00
2021	37,829,500.00
2022	45,069,500.00
2023	43,638,250.00
2024	37,633,250.00
2025	30,622,750.00
2026	29,893,000.00
2027	29,069,000.00
2028	28,144,500.00
2029	27,193,750.00
2030	24,762,500.00
2031	11,459,250.00
2032	10,930,750.00
2033	10,368,750.00

EXHIBIT A-2

SERIES 2017D PLEDGED TAXES

LEVY YEAR	TAX LEVY
2017	$3,977,267.36
2018	9,256,250.00
2019	9,146,750.00
2020	9,059,500.00
2021	8,923,000.00
2022	8,779,250.00
2023	8,668,250.00
2024	8,458,000.00
2025	8,308,000.00
2026	8,130,000.00
2027	7,795,000.00
2028	7,655,500.00
2029	7,461,750.00
2030	6,426,000.00

EXHIBIT A-3

SERIES 2017E PLEDGED TAXES

LEVY YEAR	TAX LEVY
2017	$ 1,112,080.56
2018	1,109,000.00
2019	1,109,000.00
2020	23,289,000.00

EXHIBIT A-4

SERIES 2017F PLEDGED TAXES

LEVY YEAR	TAX LEVY
2017	$ 8,883,487.50
2018	25,721,250.00
2019	32,132,500.00
2020	32,129,500.00
2021	32,134,750.00
2022	37,324,750.00
2023	37,317,000.00

EXHIBIT A-5

SERIES 2017G PLEDGED TAXES

LEVY YEAR	TAX LEVY
2017	$ 6,342,569.38
2018	6,325,000.00
2019	6,325,000.00
2020	6,325,000.00
2021	6,325,000.00
2022	6,325,000.00
2023	6,325,000.00
2024	6,325,000.00
2025	6,325,000.00
2026	6,325,000.00
2027	6,325,000.00
2028	6,325,000.00
2029	6,325,000.00
2030	23,875,000.00
2031	23,867,500.00
2032	23,876,500.00
2033	23,874,000.00
2034	2,543,250.00
2035	2,543,250.00
2036	2,543,250.00
2037	2,543,250.00
2038	2,543,250.00
2039	2,543,250.00
2040	2,543,250.00
2041	2,543,250.00
2042	27,598,250.00
2043	27,100,500.00

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain (i) Trust Indenture, dated as of November 1, 2017 (the "*Series 2017C Indenture*"), with the Board of Education of the City of Chicago (the "*Board*"), providing for the issuance of $351,485,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C of the Board (the "*Series 2017C Bonds*"); (ii) Trust Indenture, dated as of November 1, 2017 (the "*Series 2017D Indenture*"), with the Board, providing for the issuance of $79,325,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D of the Board (the "*Series 2017D Bonds*"); (iii) Trust Indenture, dated as of November 1, 2017 (the "*Series 2017E Indenture*"), with the Board providing for the issuance of $22,180,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E of the Board (the "*Series 2017E Bonds*"); (iv) Trust Indenture, dated as of November 1, 2017 (the "*Series 2017F Indenture*"), with the Board providing for the issuance of $165,510,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F of the Board (the "*Series 2017F Bonds*"); and (v) Trust Indenture, dated as of November 1, 2017 (the "*Series 2017G Indenture*" and, together with the Series 2017C Indenture, Series 2017D Indenture, Series 2017E Indenture and Series 2017F Indenture, the "*Indentures*"), with the Board providing for the issuance of $126,500,000 Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G of the Board (the "*Series 2017G Bonds*"), does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2017C Bonds, Series 2017D Bonds, Series 2017E Bonds, Series 2017F Bonds and Series 2017G Bonds described in said Direction and will apply all collections of the Series 2017C Pledged Taxes, Series 2017D Pledged Taxes, Series 2017E Pledged Taxes, Series 2017F Pledged Taxes, and Series 2017G Pledged Taxes as provided in the Direction and the Series 2017A Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ______________________________
Authorized Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C, Series 2017D, Series 2017E, Series 2017F and Series 2017G of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2017 to 2043, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____
County Collector,
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017C, Series 2017D, Series 2017E, Series 2017F and Series 2017G of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2017 to 2043, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

APPENDIX F-2
FORM OF DIRECTION REGARDING THE DIRECT DEPOSIT OF TAXES EXTENDED AND COLLECTED FOR THE PAYMENT OF UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED REVENUES), SERIES 2017H OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

To: The County Treasurers of The Counties of Cook and DuPage, Illinois, acting as the County Collectors for said respective Counties

Please be advised that pursuant to authority contained in Resolution No. 17-1025-RS5, adopted by the Chicago Board of Education of the Board of Education of the City of Chicago (the "*Board*") on October 25, 2017 being entitled:

> RESOLUTION PROVIDING FOR THE ISSUE OF ONE OR MORE SERIES OF UNLIMITED TAX GENERAL OBLIGATION BONDS OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $280,000,000 FOR THE PURPOSE OF PAYING THE COST OF CAPITAL IMPROVEMENTS

(the "*Bond Resolution*"), a certified copy of which has been filed in each of your offices, the Board authorized the issuance from time to time of its Unlimited Tax General Obligation Bonds (Dedicated Revenues), in the maximum principal amount of $280,000,000 in one or more series (the "*Bonds*") and levied a direct annual tax for each of the levy years 2019 to 2045, inclusive, on all taxable property within the school district governed by the Board (the "*School District*") sufficient to pay the principal of and interest on the Bonds issued pursuant to the Bond Resolution.

The Bond Resolution further authorized the direct deposit of such direct annual tax, if and when extended for collection, with an escrow agent designated by the Senior Vice President of Finance of the Board and the undersigned hereby designates the hereinafter defined Trustee as escrow agent for application of collections of such direct annual tax to the payment of the principal of and interest on the Bonds. Such authorization by the Board is pursuant to the authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended.

Pursuant to the authority granted in the Bond Resolution, the Board has authorized the issuance and delivery of its $280,000,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H (the "*Series 2017H Bonds*"). The Senior Vice President of Finance of the Board, pursuant to authority granted in the Bond Resolution, has allocated portions of the Pledged Taxes to pay the principal of and interest on the Series 2017H Bonds (the "*Series 2017H Pledged Taxes*").

You are each hereby directed, pursuant to authority granted in the Bond Resolution, that the Series 2017H Pledged Taxes, if and when extended for collection, are to be deposited directly by each of you upon collection thereof into an account of the Trustee for application as described below and pursuant to that certain Trust Indenture (the "*Series 2017H Indenture*") dated as of November 1, 2017 by and between the Board and Amalgamated Bank of Chicago, as Trustee (the "*Trustee*").

Prior to the receipt of the first distribution of collections of property taxes in each year for which the Series 2017H Pledged Taxes are to be extended, commencing with the taxes levied for the year 2019 (collectible in 2020), the Board shall file in your office (i) evidence of the abatement in full of the Series 2017H Pledged Taxes for such year, in which case no collections of taxes levied by the Board for such year shall be subject to this Direction or (ii) a Segregation Order specifying the percentage of each distribution to be received during such year which is attributable to the Series 2017H Pledged Taxes actually to be extended for collection in such year and directing that such percentage of each such distribution be segregated and paid to the Trustee for deposit to the account identified below. Promptly upon receipt of such property taxes for distribution, you are to segregate and pay directly to the Trustee for deposit to the account identified below an amount equal to the amount of such distribution multiplied by the percentage specified in the Segregation Order with respect to the Series 2017H Pledged Taxes subject to such Segregation Order.

If in any year for which any of the Series 2017H Pledged Taxes have been levied (as set out in *Exhibit A* attached hereto), you do not receive either of the showings described in clauses (i) or (ii) of the first sentence of the preceding paragraph, you are hereby authorized and directed to pay directly to the Trustee for deposit to the account identified below from each distribution beginning with the first distribution paid to the Board in such year the total amount of the Series 2017H Pledged Taxes received for the Board during such year on a pro rata basis based upon the percentage that the amount of the Series 2017H Pledged Taxes levied for such year bears to the total tax extension of the Board for the most recently available year, until (a) the Board files with you the evidence of abatement in full or the Segregation Order required by the preceding paragraph or (b) the full amount of the specific Series 2017H Pledged Taxes specified for such year in *Exhibit A* has been paid to the Trustee.

As of the date of filing of this Direction, the Series 2017H Pledged Taxes to be paid directly to the Trustee shall be paid to:

Amalgamated Bank of Chicago
ABA # 071 003 405
Further Credit to: ____________________________
For Final Credit to: ___________________________
Reference: CPS Series 2017H Pledged Taxes
Attention: Victoria Douyon

We hereby confirm to you that this Direction is irrevocable. In the event we send to you any direction contrary to this Direction you are hereby directed not to follow that subsequent direction unless we also present to you the written consent to that subsequent direction of the

Trustee. Notwithstanding the foregoing, provided the Cook County Treasurer or the DuPage County Treasurer, as appropriate, makes best efforts by adopting an administrative rule requiring written consent of the Trustee before implementing any subsequent direction by the Board, in the event the Cook County Treasurer and/or the DuPage County Treasurer does make a change at the unilateral direction of the Board despite best efforts to follow the administrative rule, neither the Cook County Treasurer nor the DuPage County Treasurer, as appropriate, shall bear liability for compensatory or punitive damages of any kind whatsoever suffered by any other party. It is our intent that the owners of the Bonds are explicit third party beneficiaries of this Direction with the right to specifically enforce its terms. By signing the certification below you agree that the owners of the Bonds have the right to specifically enforce this Direction.

[Signature Page follows]

Respectfully submitted this ___ day of November, 2017.

____
Senior Vice President of Finance
Board of Education of the City of Chicago

EXHIBIT A

SERIES 2017H PLEDGED TAXES

LEVY YEAR	TAX LEVY
2019	$14,000,000
2020	14,000,000
2021	14,000,000
2022	14,000,000
2023	14,000,000
2024	14,000,000
2025	14,000,000
2026	14,000,000
2027	14,000,000
2028	14,000,000
2029	23,740,000
2030	28,988,000
2031	28,989,250
2032	28,986,750
2033	28,988,750
2034	31,488,000
2035	31,362,500
2036	8,000,000
2037	8,000,000
2038	8,000,000
2039	8,000,000
2040	8,000,000
2041	8,000,000
2042	45,120,000
2043	45,124,000
2044	45,120,000
2045	45,123,750

AMALGAMATED BANK OF CHICAGO, Chicago, Illinois, as trustee under that certain Trust Indenture, dated as of November 1, 2017 (the "*Series 2017H Indenture*"), with the Board of Education of the City of Chicago (the "*Board*"), providing for the issuance of $280,000,000 Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H of the Board, does hereby acknowledge receipt of the Direction Regarding the Direct Deposit of Taxes with respect to the Series 2017H Bonds described in said Direction and will apply all collections of the Series 2017H Pledged Taxes as provided in the Direction and the Series 2017H Indenture.

AMALGAMATED BANK OF CHICAGO, as Trustee

By: ___________________________________
Authorized Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

I, the undersigned, being the duly qualified and acting County Collector of The County of Cook, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2045, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____
County Collector,
The County of Cook, Illinois

(SEAL)

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

I, the undersigned, being the duly qualified and acting County Collector of The County of DuPage, Illinois, do hereby certify that on this ________ day of November, 2017, there has been filed in my office a Direction over the signature of the Senior Vice President of Finance of the Board of Education of the City of Chicago (the "*Board*"), entitled:

> Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H of the Board of Education of the City of Chicago

(the "*Direction*"), authorizing and directing the direct deposit of certain taxes collected for the Board to an escrow account (as described therein) established to secure certain bonded indebtedness of the Board, as described therein.

I do further certify that on the basis of the Direction so filed in my office and as above referred to, that in the distribution of taxes to be extended and collected for the Board for each of the levy years 2019 to 2045, inclusive, such provisions will be recognized.

IN WITNESS WHEREOF, I hereunto affix my official signature and seal, this ________ day of November, 2017.

____
County Collector,
The County of DuPage, Illinois

(SEAL)

APPENDIX G

STATE AID REVENUES ESCROW AGREEMENT

State Aid Revenues Escrow Agreement

This State Aid Revenues Escrow Agreement, dated as of July 13, 2017 (the or this "*Agreement*"), by and between the Board of Education of the City of Chicago (the "*Board*") and Amalgamated Bank of Chicago, as escrow agent (the "*Escrow Agent*"), in consideration of the mutual promises and agreements herein set forth:

WITNESSETH:

ARTICLE I

Definitions

The following words and terms used in this Agreement shall have the following meanings unless the context or use indicates another or different meaning:

"*Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350.

"*Additional Bonds*" means any Bond issued by the Board in the future (but prior to the Termination Date) in accordance with the provisions of the Act.

"*Aggregate Annual Debt Service Requirement*" means, with respect to a Bond Year, the sum of the Series Debt Service for all Series for that Bond Year.

"*Agreement*" means this State Aid Revenues Escrow Agreement.

"*Authorized Officer*" means (i) the Chief Financial Officer of the Board or (ii) the Senior Vice President of Finance of the Board.

"*Bankruptcy Event*" means the adoption by the Chicago Board of Education of a resolution authorizing the filing by the Board, in a manner authorized by State law, of a petition under Chapter 9 of Title 11 of the United States Code (or any other applicable federal bankruptcy law) seeking a composition of indebtedness or any other debt relief or protection from creditors.

"*Board*" means the Board of Education of the City of Chicago governed by the Chicago Board of Education.

"*Bondholder*" means any holder or owner of Bonds.

"*Bond Indenture*" means any indenture securing Bonds.

"*Bond Payment Default Event*" means the failure to fully pay when due the principal (including mandatory sinking fund installments) of or interest on any General Obligation Debt when due on any required payment date when such failure is not fully remedied by the tenth day next following such required payment date.

"*Bonds*" means any bonds issued by the Board pursuant to Section 15 of the Act and secured by a pledge of State Aid Revenues.

"*Bond Trustee*" means any trustee appointed under any Bond Indenture.

"*Bond Year*" means the annual period beginning on March 2 of a Year and ending on March 1 of the following Year.

"*Business Day*" means any day other than a Saturday, a Sunday or any day on which banking institutions located in the city in which the designated office of the Escrow Agent is located are authorized by law or executive order to close, and the Escrow Agent is in fact closed.

"*Debt Service*" means, with respect to any Series of the Bonds, the interest on and principal (including mandatory sinking fund installments) of the then outstanding Bonds of such Series.

"*District*" means the school district administered by the Board.

"*Escrow Agent*" means Amalgamated Bank of Chicago, Chicago, Illinois, as escrow agent, and any successor thereto as Escrow Agent.

"*Escrow Fund*" means the special fund created by Section 2.01 for the purpose of holding and disbursing the State Aid Revenues.

"*General Account*" means the account so named within the Escrow Fund.

"*General Obligation Debt*" means any bond, note or other evidence of indebtedness of the Board (including the Bonds) for the payment of which the Board is empowered to levy ad valorem property taxes upon all taxable property in the District without limitation as to rate or amount, exclusive of Short Term Debt.

"*Government Obligations*" means (i) any noncallable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

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

"*Permitted Investments*" 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:

- 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 Escrow Agent and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of no less than "A-1" or "A-1+" by Standard & Poor's and "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 “A-1” or “A-l+” or above by Standard & Poor’s and “P-1” by Moody’s and which matures not more than 180 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 Standard & Poor’s, including those for which the Escrow Agent or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise; and

(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.

“*Regular Period*” means any period of time that is not a Required Funding Period.

“*Required Funding Period*” means any period of time commencing on the Business Day next following a Bankruptcy Event or a Bond Payment Default Event and ending on the earlier to occur of (A) the first date that the Bonds are rated (i) “Baa3” or higher by Moody’s or (ii) “BBB-“ or higher by Standard & Poor’s or (iii) “BBB-” or higher by Fitch or (B) the first date that the Board sells a Series of Additional Bonds pursuant to a public offering (including a limited public offering).

“*Security Account*” means the account so named within the Escrow Fund.

"*Security Account Requirement*" means (A) at all times during any Required Funding Period, an amount equal to the greater of (1) the unpaid amount of the Aggregate Annual Debt Service Requirement for the then current Bond Year and (2) the Aggregate Annual Debt Service Requirement for the Bond Year next following the then current Bond Year, and (B) at all times during any Regular Period, zero.

"*Series*" means Bonds issued and secured under a Bond Indenture and designated in such Bond Indenture as a separate series of Bonds.

"*Series Debt Service*" means, with respect to a Bond Year, the Debt Service payable on a Series in the Bond Year, exclusive of Debt Service paid or with respect to which provision for payment has been made by the deposit of funds in trust for that purpose in accordance with the Bond Indenture securing such Series including, but not limited to, funds held in debt service funds, capitalized interest accounts and escrow defeasance accounts.

"*Short Term Debt*" means any bond, note or other evidence of indebtedness of the Board (A) issued in anticipation of certain taxes, grants or other revenue and (B) having a term from date of issuance to maturity of two years or less.

"*State*" means the State of Illinois.

"*State Aid Revenues*" means those State aid payments to be made to the Board after August 1, 2017, pursuant to Article 18 of the School Code, 105 Illinois Compiled Statutes 5/18, or such other successor or replacement fund or act as may be enacted in the future, excluding the $261,000,000 of Supplemental General State Aid required to be distributed for specific purposes pursuant to Section 18-8.05(H)(4) of the School Code.

"*Termination Date*" means the earlier to occur of (A) the first date that no Bond remains outstanding under a Bond Indenture or (B) the first date that the Bonds are rated (i) "A3" or better by Moody's or (ii) "A-" or better by Standard & Poor's or (iii) "A-" or better by Fitch.

"*Year*" means a calendar year.

ARTICLE II

ESTABLISHMENT OF THE ESCROW FUND AND ACCOUNTS

2.01. Establishment of the Escrow Fund. The Escrow Fund is hereby established with the Escrow Agent pursuant to Section 13 of the Act and this Agreement. The Escrow Fund is an "Escrow Account" within the meaning of Section 13 of the Act and a special fund of the Board, separate and segregated from all other funds and accounts of the Board. There are hereby established within the Escrow Fund two special Accounts, the "General Account" and the "Security Account"

2.02. State Aid Revenues. For the purpose of securing the punctual payment of Debt Service and for the equal benefit and protection of each Bondholder without preference of any Bondholder over any other Bondholder except as expressly provided for in Section 3.03 or Section 3.04 of this Agreement, the Board covenants and agrees that all State Aid Revenues paid to the Board shall be paid to the Escrow Agent for deposit into the Escrow Fund. The Board shall do all acts and things necessary to cause the State Aid Revenues to be deposited in the Escrow Fund and not to any other account of the Board or any other person. During any Required Funding Period, if the Board fails to deposit State Aid Revenues with the Escrow Agent within 10 days of the receipt of such State Aid Revenues, then such failure shall constitute an event of default by the Board under this Agreement with respect to which the Escrow Agent shall, and any Bond Trustee may, institute proceedings to compel such deposit.

Pursuant to Section 13 and Section 15 of the Act and the Bond Indentures, the portion of the State Aid Revenues required to be deposited into the Security Account and the moneys held in the Security Account (subject to application in accordance with this Agreement), are pledged as security for the payment of the principal of and interest on the Bonds. In accordance with Section 13 of the Act, such State Aid Revenues and the moneys held in the Security Account shall immediately be subject to the lien of such pledge without any physical delivery or further act and the lien of such pledge 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 thereof. Consistent with and pursuant to Section 13 and Section 15 of the Act and the grant under the applicable Bond Indenture pursuant to which each Series of the Bonds was issued, the Board grants to each Bond Trustee for the benefit of the Bondholders a first lien on and security interest in the State Aid Revenues required to be deposited into the Security Account and the moneys, securities and funds held from time to time in the Security Account.

2.03. Deposit Direction. When duly authorized by a resolution of the Chicago Board of Education, the Board, acting pursuant to Section 13 of the Act, shall file with the State Comptroller (and, if necessary, with the State Superintendent of Education and the State Treasurer) a written direction that the State Aid Revenues are to be paid directly to the Escrow Agent for deposit into the Escrow Fund. The Board shall file such written direction with the State Comptroller on or prior to the 60th day next following the adoption of the aforesaid authorizing resolution of the Chicago Board of Education and the failure to do so shall constitute an event of default by the Board under this Agreement with respect to which the Escrow Agent shall, and any Bond Trustee may, institute proceedings to compel such filing. This direction shall remain in effect until the Termination Date and shall not be revoked and shall not be modified or amended except as may be required by changes in State law or administrative regulations. Pursuant to the terms of the direction, the Escrow Agent and each Bond Trustee shall have the right to enforce the terms of the direction.

2.04. Debt Service Information. Prior to August 1, 2017, the Board shall file with the Escrow Agent a schedule of Debt Service on each Series of Bonds then outstanding. The Debt Service schedule of each Series shall set forth for each Debt Service payment date the principal payable and the interest payable. Interest on variable rate Bonds shall be determined for each Bond Year at the greater of (A) the rate in effect on the first day of the Bond Year or (B) the rate used to determine the February 15 deposit requirement for that Series. No later than February 15th of each Bond Year the Board shall file with the Escrow Agent an updated Debt Service schedule. In addition, within 20 days next following the date of any change in Debt Service amounts the Board shall file with the Escrow Agent a revised Debt Service schedule, provided, however, that no such revision shall be required with respect to Debt Service paid on its required payment date. During any Regular Period, and absent contrary information, Debt Service shall be deemed to have been paid in full when due. During any Required Funding Period, the Escrow Agent may rely conclusively on information provided by each Bond Trustee in determining Debt Service and the amount required to cure a Debt Service payment default or deficiency.

Prior to August 1, 2017, the Board shall file with the Escrow Agent a list of the Bonds secured by State Aid Revenues and their current Bond Trustee. Thereafter the Board will provide an updated list whenever there are issued Additional Bonds or there is a change in the Bond Trustee for any of the Bonds.

Annually, prior to each February 15th, the Board shall file with the Escrow Agent and each Bond Trustee the Series Debt Service for each Series for the next Bond Year and the Aggregate Annual Debt Service Requirement for the next Bond Year.

2.05. Bankruptcy Event Notice. The Board shall immediately file with the Escrow Agent notice of the adoption by the Chicago Board of Education of a resolution authorizing the Board to file a petition under Chapter 9 of Title 11 of the United States Code (or any other applicable federal bankruptcy law) seeking a composition of indebtedness or any other debt relief or protection from creditors. In addition, any Bond Trustee may file with the Escrow Agent notice of the commencement of a Bankruptcy Event.

2.06. Bond Payment Default Event Notice. The Board shall immediately file with the Escrow Agent notice of the failure of the Board to fully pay when due the principal (including mandatory sinking fund installments) of or interest on any General Obligation Debt when due on any required payment date and shall immediately file notice that such failure was not fully remedied by the tenth day next following such required payment date. In addition, any Bond Trustee may file with the Board and the Escrow Agent a written statement supporting the fact that a Bond Payment Default Event has occurred.

2.07. End of Required Funding Period. In determining the end date of any Required Funding Period, the Escrow Agent may rely on a written certificate of an Authorized Officer setting forth that one of the conditions required to end the Required Funding Period has been satisfied and each such certificate shall include supporting documentation satisfactory to the Escrow Agent.

ARTICLE III

OPERATION OF THE ESCROW FUND

3.01. Deposit of State Aid Revenues. Any State Aid Revenues received by the Escrow Agent (A) during any Regular Period, shall be deposited into the General Account and (B) during any Required Funding Period, shall be deposited in the following order of priority:

First, to the Security Account to the extent required to increase the amount then held in the Security Account to the Security Account Requirement.

Second, to the General Account, any remaining amount.

3.02. Application of General Account. During any Regular Period, funds in the General Account may be withdrawn by the Board, at any time and from time to time, without limitation and free from the obligations of this Agreement but subject to the liens of the Bond Indentures.

On the first Business Day of each Required Funding Period, and thereafter on each Business Day until the end of such Required Funding Period, all funds in the General Account shall be withdrawn therefrom and deposited into the Security Account to the extent required to increase the amount then held in the Security Account to the Security Account Requirement.

If on any date the amount then held in the Security Account equals or exceeds the then current Security Account Requirement, then any funds then held in the General Account may be withdrawn by the Board free from the obligations of this Agreement but subject to the liens of the Bond Indentures.

3.03. Application of Security Account. During any Regular Period, funds in the Security Account may be withdrawn by the Board, at any time and from time to time, without limitation and free from the obligations of this Agreement but subject to the liens of the Bond Indentures.

During any Required Funding Period, funds in the Security Account shall be allocated and applied by payments to the applicable Bond Trustees in the following order of priority:

First, to cure any payment default with respect to the payment of Debt Service, with an allocation among the various Series of Bonds as provided in Section 3.04(A).

Second, to cure any deficiency with respect to the amounts held by Bond Trustees for the payment of Debt Service due and payable in the then current Bond Year, with an allocation among the various Series of Bonds as provided in Section 3.04(B).

Third, to fund the annual deposit requirements for the next February 15 deposit date, as required by the Bond Indentures, with allocation among the various Series of Bonds as provided in Section 3.04(C).

Fourth, at the direction of the Board, to pay Debt Service, to purchase Bonds, to redeem Bonds or to defease Bonds.

If on any date, (A) the amount then held in the Security Account equals or exceeds the then current Security Account Requirement and (B) all of the disbursements then required by Clause First and Clause Second of this Section 3.03 have been made or provision has been made for such disbursements, then all or any portion of such excess, at the direction of the Board, shall be withdrawn from the Security Account and paid to the Board free from the obligations of this Agreement but subject to the lien of the Bond Indentures.

3.04. Series Allocations. (A) If, at any time, a Debt Service payment default exists with respect to more than one Series of Bonds, then each such Series shall be entitled to its allocable share of the funds in the Security Account. With respect to such distribution from the Security Account pursuant to Clause First of Section 3.03, the allocable share of each such Series shall be an amount equal to the lesser of (A) the amount required to cure the Debt Service payment default for the Series and (B) the amount then held in the Security Account multiplied by a fraction, the numerator of which is the amount required to cure the Debt Service payment default of that Series and the denominator of which is the aggregate amount required to cure the Debt Service payment defaults of all such Series. The Escrow Agent shall provide the Board and each Bond Trustee with the proposed allocation and the Board shall confirm the proposed allocation within two business days of receipt.

(B) If, at any time, a Debt Service funding deficiency as described in Clause Second of Section 3.03 exists with respect to more than one Series of Bonds, then each such Series shall be entitled to its allocable share of the funds in the Security Account. With respect to such distribution from the Security Account pursuant to Clause Second of Section 3.03, the allocable share of each Series shall be an amount equal to the lesser of (A) the amount of the deficiency for such Series and (B) the amount then held in the Security Account multiplied by a fraction, the numerator of which is the amount of the deficiency for that Series and the denominator of which is the aggregate amount of the deficiency of all such Series. The Escrow Agent shall provide the Board and each Bond Trustee with the proposed allocation and the Board shall confirm the proposed allocation within five business days of receipt.

(C) With respect to each distribution from the Security Account pursuant to Clause Third of Section 3.03, each Series of Bonds shall be entitled to its allocable share, which shall be an amount equal to the amount in the Security Account and then available for distribution pursuant to Clause Third of Section 3.03 multiplied by a fraction the numerator of which is the Series Debt Service for such Series for the applicable Bond Year to be funded from the February 15 deposit, and the denominator of which is the Aggregate Annual Debt Service Requirement for the applicable Bond Year. The Escrow Agent shall provide the Board and each Bond Trustee with the proposed allocation and the Board shall confirm the proposed allocation within five business days of receipt.

3.05. Investment of Moneys in the Escrow Fund. Pending the allocation of moneys in the Escrow Fund as provided in this Article III, such moneys may be invested by the Escrow Agent in Permitted Investments only in accordance with the written directions of an Authorized Officer. All investment earnings derived from the investment of moneys in (A) the General Account shall be credited to the General Account and (B) the Security Account shall be credited to the Security Account.

3.06. Monthly Reports. The Escrow Agent will submit to the Chief Financial Officer of the Board and to the Bond Trustees, on or before the 10th day of each calendar month, commencing in the month of September, 2017, a statement, as of the last day of the prior calendar month, itemizing (i) all moneys received by it and all payments made by it under the provisions of this Agreement during such prior calendar month and (ii) the balances in the General Account and in the Security Account as of the end of such prior calendar month, and also listing the Permitted Investments on deposit therewith on the date of said report, including all moneys held by it received as interest on the Permitted Investments. The Escrow Agent shall, with reasonable promptness, provide such additional information regarding the State Aid Revenues and the Escrow Fund as the Board may request.

3.07. Daily Reports on Receipts and Distributions. On each Business Day that State Aid Revenues are received by the Escrow Agent, the Escrow Agent shall provide to the Chief Financial Officer of the Board a report setting forth the amount of State Aid Revenues received by the Escrow Agent. On each Business Day that State Aid Revenues are required to be allocated and distributed pursuant to Article III, the Escrow Agent shall provide to the Chief

Financial Officer of the Board a report detailing the amounts allocated and distributed to each Bond Trustee with respect to each Series then outstanding. The reporting requirements of this Section 3.07 may be satisfied by providing to the Board electronic access to the Escrow Agent's trust accounting system.

3.08. Board Records. The Board will maintain records of all withdrawals of State Aid Revenues from the Escrow Fund.

3.09. Bond Indenture Deposit Requirements. The Board will comply with all deposit requirements contained in the Bond Indentures, including, but not limited to, the February 15 deposit date funding requirements.

3.10. Payment of Fees. The fees of the Escrow Agent shall be paid by the Board upon receipt of appropriate statements therefor. From and after any Bankruptcy Event the Escrow Agent shall be entitled to a lien on the Security Account for the payment of its fees and its costs of administration of the Escrow Fund, which lien shall be in all respects junior and subordinate to the lien on State Aid Revenues granted by the Bond Indentures in favor of the Bondholders and the Bond Trustees.

ARTICLE IV

COVENANTS

4.01. Escrow Covenants. The Board and the Escrow Agent covenant and agree as follows:

The Escrow Agent shall have no responsibility or liability whatsoever for (a) any of the recitals herein (except those relating to its own organization); (b) the performance of or compliance with any covenant, condition, term or provision of the Bonds, or any Bond Indenture; (c) any undertaking or statement of the Board hereunder or under the Bonds, or any

Bond Indenture or (d) actions taken on the basis of facts that are not within the direct knowledge of the Escrow Agent.

The Escrow Agent has all the powers and duties herein set forth with no liability in connection with any act or omission to act hereunder, except for its own negligence or willful misconduct, and shall be under no obligation to institute any suit or action or other proceeding under this Agreement or to enter any appearance in any suit, action or proceeding in which it may be a defendant or to take any steps in the enforcement of its, or any, rights and powers hereunder, nor shall it be deemed to have failed to take any such action, unless and until it shall have been indemnified by the Board, the Bond Trustees or the Bondholders to its satisfaction against any and all costs and expenses, outlays, reasonable counsel fees and other disbursements, including its own reasonable fees (provided notice is given to the Board of such costs and outlays within a reasonable time after they are incurred), and if any judgment, decree or recovery be obtained by the Escrow Agent, payment of all sums due it, as aforesaid, shall be a first charge against the amount of any such judgment, decree or recovery.

The Escrow Agent, in its separate capacity as a banking institution, may, at the direction of an Authorized Officer, as provided in Section 3.05, invest for the Escrow Fund in Permitted Investments purchased from itself.

All payments to be made by, and all acts, and things required to be done by, the Escrow Agent under the terms and provisions of this Agreement, shall be made and done by the Escrow Agent without any further direction or authority of the Board except as expressly provided herein.

The Escrow Agent shall not be liable for any act taken or omitted hereunder if taken or omitted by it in good faith and in the exercise of its own best judgment. The Escrow Agent shall also be fully protected in relying upon any written notice, demand, certificate or document which it in good faith believes to be genuine.

The Escrow Agent shall not be responsible for the sufficiency or accuracy of the form, execution, validity or genuineness of any securities now or hereafter deposited hereunder, or of any endorsement thereon, or for any lack of endorsement thereon, or for any description therein, nor shall it be responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any such document, security or endorsement or this Escrow Agreement. The Escrow Agent shall not be liable for any depreciation or change in the value of such investments.

If the Escrow Agent reasonably believes it to be necessary to consult with counsel concerning any of its duties in connection with this Agreement, or in case it becomes involved in litigation on account of being Escrow Agent hereunder or on account of having received property subject hereto, then in either case, its costs, expenses, and reasonable attorneys' fees shall be paid by the Board, and upon timely notice thereof having been given.

4.02. Administration and Enforcement. This Agreement shall be construed, enforced, and administered in accordance with the laws of the State, and shall inure to, and be binding upon, the respective successors and assigns of the parties hereto. If the Board provides a direction to the Escrow Agent contrary to the provisions of this Agreement or takes any action to prevent or interfere with the Escrow Agent performing its duties under this Agreement, then such direction or action taken shall constitute any event of default by the Board under this Agreement with respect to which the Escrow Agent shall, and any Bond Trustee may, institute proceedings to annul any such direction and to enjoin any such action, or for such other remedy at law or in equity as the Escrow Agent or any such Bond Trustee shall deem appropriate. In addition, the

Escrow Agent will not follow any direction from the Board that is contrary to the provisions of this Agreement and shall be fully protected from so doing.

4.03. Rights of Bondholders and Bond Trustees. The Bondholders and each of the Bond Trustees are explicitly recognized as being third-party beneficiaries of this Agreement and may enforce the provisions of this Agreement, including by instituting an action for specific performance of the covenants and agreements of the Board under this Agreement. This Agreement shall not constitute a limitation of any of the rights granted to Bondholders and Bond Trustees under the Bond Indentures including any lien on State Aid Revenues created by any Trust Indenture.

4.04. Bankruptcy Event Expense Account. The Board hereby establishes the Bankruptcy Event Expense Account to be held by the Escrow Agent under this Agreement separate and apart from the Escrow Fund. On or prior to September 1, 2017 the Board shall deposit the sum of $75,000 into the Bankruptcy Event Expense Account. Following a Bankruptcy Event the moneys held in the Bankruptcy Event Expense Account may be withdrawn by the Escrow Agent to pay the Escrow Agent's costs and expenses of administration and enforcement of this Agreement. On or prior to the 10th day of each month, commencing with the first month next following a Bankruptcy Event, the Escrow Agent shall file with the Board a report setting forth all costs and expenses paid from the Bankruptcy Event Expense Account in the prior month. Moneys in the Bankruptcy Event Expense Account may be invested by the Escrow Agent in Permitted Investments only in accordance with the written directions of an Authorized Officer. Any investment earnings derived from the investment of moneys in the Bankruptcy Event Expense Account shall be credited to the Bankruptcy Event Expense Account. Prior to a Bankruptcy Event, if on March 2nd of any Year the amount then held in the Bankruptcy

Event Expense Account is in excess of $75,000, then the amount of such excess shall be paid to the Board.

ARTICLE V

RESIGNATION OR REMOVAL OF THE ESCROW AGENT

The Escrow Agent may at any time resign as escrow agent under this Agreement by giving thirty days written notice to the Board and the Bond Trustees and such resignation shall take effect upon the appointment of a successor Escrow Agent by the Board. The Board may select as successor Escrow Agent any financial institution located within the State which is authorized to maintain trust accounts under Federal or State law with capital stock and surplus aggregating at least $20,000,000.

If at any time the Escrow Agent is no longer legally authorized or qualified (by reason of any Federal or State law or any other law or regulation) to act as escrow agent hereunder, then the Board may remove the Escrow Agent and may select as successor Escrow Agent any financial institution which is authorized to maintain trust accounts under Federal or State law with capital stock and surplus aggregating at least $20,000,000.

Bond Trustees serving as Bond Trustee for a majority in aggregate principal amount of the then outstanding Bonds may remove the Escrow Agent at any time and appoint as a successor Escrow Agent any financial institution located within the State which is authorized to maintain trust accounts under Federal or State law with capital stock and surplus aggregating at least $20,000,000, by filing with the Board and the Escrow Agent written statements directing such removal and appointment executed by trust officers of such Bond Trustees.

ARTICLE VI

ALTERATION AND TERMINATION OF AGREEMENT

6.01. Modification or Amendment.

(A) All of the rights, powers, duties and obligations of the Board and the Escrow Agent hereunder shall not, except as specifically provided in this Article VI, be subject to modification or amendment by the Board or the Escrow Agent.

(B) The Board and the Escrow Agent may modify or amend the terms of this Agreement without the consent of any Bondholder or Bond Trustee for the following purposes:

(1) to correct errors, clarify ambiguities or insert inadvertently omitted material; or

(2) to alter the provisions of this Agreement and to confirm this Agreement to changes in State law and procedures with respect to the allocation and distribution of the State Aid Revenues; or

(3) to confirm, as further assurance, any pledge of or lien on the State Aid Revenues pledged under this Agreement;

provided, however, that each such modification or amendment shall not adversely affect the protections provided by this Agreement to the Bondholders and the Bond Trustees.

(C) In addition to the amendments and modifications permitted by paragraph (B) of this Section 6.01, this Agreement may be modified or amended by the Board and the Escrow Agent, provided, however, that no such amendment or modification shall take effect until there shall have been filed with the Escrow Agent and the Board the written consent of each Bond Trustee to such modification or amendment.

6.02. *Termination*. This Agreement shall terminate on the Termination Date. On the Termination Date, the Escrow Agent shall transfer any balances remaining in the Escrow Fund and in the Bankruptcy Event Expense Account to the Board.

IN WITNESS WHEREOF, the Board of Education of the City of Chicago has caused this Agreement to be executed by the Senior Vice President of Finance of the Board as of the date first set forth above.

BOARD OF EDUCATION OF THE CITY OF CHICAGO

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

[Signature Page to
State Aid Revenues Escrow Agreement]

IN WITNESS WHEREOF, Amalgamated Bank of Chicago, as Escrow Agent, has caused this Agreement to be signed in its corporate name by one of its officers and all as of date first set forth above.

AMALGAMATED BANK OF CHICAGO, as Escrow Agent

By: /s/ Michele Martello
Senior Vice President

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APPENDIX H

OVERVIEW OF HISTORICAL STATE AID REVENUES TO THE BOARD

The following is a description of the Historical State Aid Formula and the Historical State Aid Revenues paid to the Board under the School Code prior to adoption of Public Act 100-465.

Overview. Article 18A of the School Code provides formulas for determining the amount of Historical State Aid Revenues that each school district was entitled to claim based on numerous factors as described below. In addition the State's payment of Historical State Aid Revenues to school districts was subject to the appropriation of sufficient moneys to fund the statutory claims of all school districts, and in the absence of full funding each school district's Historical State Aid Revenue, payments to school districts were reduced on a pro rata basis. Another factor that impacted the Historical State Aid Revenues received by the Board was the diversion of funds to State-Approved Charter Schools (as defined herein). For Fiscal Year 2017, the Illinois General Assembly appropriated funding for Historical State Aid Revenues that augmented the historical formula funding under the School Code rather than applying the Board's demographics to the traditional funding formula.

Historical State Aid Revenues Calculation under the School Code. The School Code provided for the distribution of Historical State Aid Revenues through two grants to school districts. One was a Foundation Formula Grant (the "Foundation Formula Grant") that was calculated based on the combination of State funding and "available local resources" to meet the statutory Foundation Level (as defined herein) per pupil. As the local resources of a school district increased, the Foundation Formula Grant per pupil that a school district could claim decreased. The second grant was the grant for low–income students (the "Poverty Grant"). This grant was not offset by "available local resources" of a school district and was based on the number and proportion of low–income students in a school district. The amount of the Poverty Grant per pupil increased as the number and/or proportion of low–income students in such school district increased.

The calculation of the Foundation Formula Grant was based upon a foundation level which was established by the School Code for all school districts in the State (the "Foundation Level") and had been set at $6,119 per pupil since Fiscal Year 2010. The Foundation Formula Grant provided this amount per pupil less a school district's "available local resources" per pupil, which was calculated pursuant to a complex statutory formula that takes into account numerous locally–based factors. These factors included the equalized assessed valuation of property within a school district, an assumed property tax extension, and corporate personal property replacement tax ("PPRT") revenues. For a discussion of the sources of revenues of the Board see "FINANCIAL INFORMATION" in the Official Statement.

In addition, the "per pupil count" used in calculating the Foundation Formula Grant was the greater of a school district's best three months' average daily attendance in the previous year or an average of the best three months' average daily attendance in the previous three years (the "Per Pupil Count"). Since the Foundation Formula Grant portion of Historical State Aid Revenues paid to the Board was based on a Per Pupil Count, the level of enrollment and attendance in the school district could impact the amount of Historical State Aid Revenues received by the Board.

The Poverty Grant was calculated under the School Code for each school district within the State to provide additional funding for the impact of at–risk pupils in a school district and was calculated based on a school district's number and proportion of low–income students. This grant was not offset by the Board's *"available local resources."* A formula was used to calculate the Poverty Grant with payments that ranged from $355 to $2,994 per low–income student.

The total amount calculated by ISBE pursuant to the School Code for each school district was the sum of the Foundation Formula Grant and the Poverty Grant and was referred to as the "Statutory Claim." The portion of the Statutory Claim attributable to the Foundation Formula Grant was referred to as the "Foundation Formula Grant Statutory Claim" and the portion of the Statutory Claim attributable to the Poverty Grant was referred to as the "Poverty Grant Statutory Claim."

Historical State Aid Revenues could be increased or decreased annually from the prior year's Statutory Claims based on factors including adjustments to prior–year equalized assessed valuations or State Board of Education staff audits. Typically, there was a net increase to the yearly aggregate Historical State Aid Revenues entitlement as a result of these prior–year adjustments. Applicable State law imposed an annual cap on these adjustments of $25 million and proration of these payments across all school districts, resulting in an average annual adjustment to the Board of approximately $16.3 million.

Historical State Aid Revenues Received by the Board. Although the Board's Statutory Claim was calculated according to the formulas described above, the amount of Historical State Aid Revenues received by the Board in each Fiscal Year was impacted by several factors including the appropriation of funds by the Illinois General Assembly and the allocation of funds to State-Approved Charter Schools within the boundaries of the School District.

State–Approved Charter Schools. "State–Approved Charter Schools," which are separate from Board–sponsored charter schools that are funded as a part of the Board's annual budget, received Historical State Aid Revenues calculated on the same basis as the formulas used to determine the Board's Statutory Claim, and since Fiscal Year 2014 have been provided their share of Historical State Aid Revenues from the Board's allocation of Historical State Aid Revenues prior to the Board receiving such funds.

Fiscal Year 2010-2016 State Appropriation Proration. From Fiscal Year 2010 through Fiscal Year 2016, the General Assembly did not appropriate sufficient funds to fully fund the Statutory Claim for each school district in Illinois. In the event of an appropriation of less than the full amount of the Statutory Claims of Illinois school districts, ISBE equally prorated payments to school districts based on the amount of the appropriation as a percentage of the total aggregate amount of Statutory Claims for all school districts in the State. The resulting share of the Statutory Claim allocated to each school district is referred to as its "State Appropriation Proration." Because receipt of payments of Historical State Aid Revenues is subject to appropriation by the Illinois General Assembly, such payments are consequently subject to the availability of sufficient revenues of the State and competing obligations and spending priorities of the State.

Fiscal Year 2017 State Appropriation. For Fiscal Year 2017, rather than applying the Board's demographics to the traditional funding formula, the State's appropriation "held harmless" Historical State Aid Revenues funding to all school districts to the funding levels provided in Fiscal Year 2016 and provided $250 million in additional funding to by shared by school districts with a high concentration of low-income students providing approximately $102 million in additional funding to the Board.

APPENDIX I

INTERGOVERNMENTAL AGREEMENT

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Intergovernmental Agreement

between

City of Chicago

and

Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, Illinois

Dated as of October 1, 1997

INTERGOVERNMENTAL AGREEMENT

THIS INTERGOVERNMENTAL AGREEMENT, dated as of October 1, 1997, between the City of Chicago (the *"City"*), and the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, Illinois (the *"School Board"*), but actually executed and delivered on the date set forth below;

WITNESSETH:

WHEREAS, the City is a home rule unit of local government under Section 6 of Article VII of the Illinois Constitution of 1970, and as such may exercise any power and perform any function pertaining to its government and affairs; and

WHEREAS, Section 10 of Article VII of the Illinois Constitution of 1970 authorizes units of local government to contract among themselves in any manner not prohibited by law or ordinance and to use their credit, revenues and other resources to pay costs and to service debt related to intergovernmental activities; and

WHEREAS, the Intergovernmental Cooperation Act of the State of Illinois, as amended, authorizes public agencies to exercise any power or powers, privileges or authority which may be exercised by such public agency individually to be exercised and enjoyed jointly with any other public agency in the State of Illinois; and

WHEREAS, pursuant to the provisions of Article 34 of the School Code of the State of Illinois, as amended, the City constitutes one school district providing elementary and secondary education and other services to the inhabitants of the City, which school district is a body politic and corporate by the name of "Board of Education of the City of Chicago, Illinois" (the *"School District"*), governed by the School Board; and

WHEREAS, the School Board proposes to issue its general obligation alternate bonds from time to time pursuant to the Local Government Debt Reform Act of the State of Illinois, as amended (which alternate bonds, together with any obligations issued to refund or refinance said alternate bonds, shall be referred to herein as the *"School Building and Improvement Bonds"*), in order to provide funds to (i) construct, acquire and equip school and administrative buildings, site improvements and other real and personal property in and for the School District for the benefit of the inhabitants of the School District and the City, (ii) pay the cost of funding obligations or purchasing related investments of the School Board, (iii) refund obligations issued by or on behalf of the School Board, (iv) pay certain interest to accrue on the School Building and Improvement Bonds, (v) fund any necessary reserves in connection with the School Building and Improvement Bonds and (vi) pay costs of issuance thereof (collectively, the *"School Building and Improvement Project"*); and

WHEREAS, the provision of educational services and facilities to the inhabitants of the City pertains to the government and affairs of the City and is a lawful exercise of the home rule powers of the City; and

WHEREAS, it is necessary and in the best interests of the City to enter into this Intergovernmental Agreement with the School Board, pursuant to which the City will assist the School Board in the financing of the School Building and Improvement Project by assisting in servicing the debt incurred by the School Board through the issuance of the School Building and Improvement Bonds; and

WHEREAS, pursuant to an Ordinance adopted by the City Council of the City on October 1, 1997 (the *"Ordinance"*), the City has authorized and provided for the execution and delivery of this Intergovernmental Agreement by the Chief Financial Officer of the City appointed by the Mayor or, if there is no such officer then holding said office, the City Comptroller (each such officer being referred to herein as the *"Chief Financial Officer"*), and has levied a direct annual tax to provide funds for the making of the payments required hereunder; and

WHEREAS, pursuant to Resolution No. 97-1022-RS12 adopted by the School Board on October 22, 1997, the School Board has authorized the execution and delivery of this Intergovernmental Agreement by its Chairman or Chief Fiscal Officer; and

WHEREAS, the purpose of this Intergovernmental Agreement is to provide in detail the obligation of the City to assist in servicing the debt incurred by the School Board through the issuance of the School Building and Improvement Bonds and to set forth fully certain purposes, powers, rights, objectives and responsibilities of the City and the School Board in connection with the financing by the School Board of the School Building and Improvement Project;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and fc. other good and valuable consideration, the parties hereto agree as follows:

Section 1. School Building and Improvement Taxes; Obligation of City to Make Payments. Pursuant to the Ordinance, the City has levied a direct annual tax for each of the years 2002, 2003 and 2005 to 2030, inclusive, for the purpose of providing funds to the School Board to assist in servicing the debt incurred by the School Board through the issuance of the School Building and Improvement Bonds. On the date of execution and delivery of this Intergovernmental Agreement, such taxes have been levied for the years and in the amounts as follows (the *"School Building and Improvement Taxes"*):

For The Year	A Tax Sufficient To Produce The Sum Of:
2002	$ 13,400,000
2003	13,400,000
2004	-0-
2005	18,200,000
2006	18,100,000
2007	18,800,000
2008	91,000,000
2009	91,000,000
2010	91,000,000
2011	91,000,000
2012	91,000,000
2013	91,000,000
2014	91,000,000
2015	91,000,000
2016	91,000,000
2017	91,000,000
2018	112,500,000
2019	142,300,000
2020	142,300,000
2021	142,300,000
2022	142,300,000
2023	142,300,000
2024	142,300,000
2025	142,300,000
2026	142,300,000
2027	142,300,000
2028	142,300,000
2029	142,300,000
2030	142,300,000

Pursuant to authority contained in Section 20-90 of the Property Tax Code of the State of Illinois, as amended, the City has caused a written direction to be filed with the County Collectors of The Counties of Cook and DuPage, Illinois (the *"County Collectors"*), directing the County Collectors to deposit all collections of the School Building and Improvement Taxes directly with such escrow agent or trustee as shall be appointed by the School Board, with the approval of the Chief Financial Officer, in connection with the issuance of any of the School

Building and Improvement Bonds (the *"Escrow Agent"*), in order to provide security for the payment of the principal of and interest on the School Building and Improvement Bonds. The Board hereby covenants and agrees to provide the City with all information relating to the Escrow Agent from time to time necessary to permit the City to cause the deposit of the School Building and Improvement Taxes directly with the Escrow Agent when collected.

In connection with the distribution of collections of all property taxes levied by the City in each year in which the School Building and Improvement Taxes are extended for collection, the City hereby covenants and agrees to deliver, prior to the receipt of the first distribution of collections of property taxes in such year, to each of the County Collectors and to the Board, a Segregation Order (the *"Segregation Order"*) specifying the percentage of each distribution to be received during such year which is attributable to the School Building and Improvement Taxes and directing that such percentage of each such distribution be segregated and paid to the Escrow Agent. The Segregation Order will also require the County Collectors promptly, upon receipt of such property taxes for distribution, to segregate and pay directly to the Escrow Agent an amount equal to the amount of each such distribution multiplied by the percentage specified in the Segregation Order for the then-current year.

In the event that for any reason the collections of the School Building and Improvement Taxes are paid by the County Collectors directly to the City and are not deposited with the Escrow Agent as described in the preceding paragraph, such School Building and Improvement Taxes shall be promptly deposited by the City with the Escrow Agent or, if at any such time there shall be no Escrow Agent, paid by the City to the Treasurer of the School Board.

The obligations of the City to make payments hereunder are limited to and are payable solely and only from the amount of School Building and Improvement Taxes actually collected by the County Collectors on behalf of the City and deposited with the Escrow Agent or paid to the Treasurer of the School Board, as provided in the two preceding paragraphs.

The City agrees that it will take no action or fail to take any action which in any way would adversely affect the ability of the City to levy and collect the School Building and Improvement Taxes, other than to make abatements of School Building and Improvement Taxes authorized and permitted by this Intergovernmental Agreement.

Section 2. Application of Moneys Received by the School Board. The School Board hereby covenants and agrees that all School Building and Improvement Taxes received by the School Board pursuant to this Intergovernmental Agreement will be applied by the School Board solely and only to pay debt service on the School Building and Improvement Bonds.

Section 3. Agreements Regarding School Building and Improvement Project. (a) The City and the School Board hereby agree that the payments to be made hereunder by the City are being made solely to facilitate the provision of school, administrative and other educational facilities for the use and benefit of the inhabitants of the City through the completion of the School Building and Improvement Project and that the City shall acquire no title to or interest in the School Building and Improvement Project by virtue of such payments.

(b) The City and the School Board hereby understand and agree that the City is obligating itself to make payments hereunder in anticipation of the construction, acquisition and equipping by the School Board of the School Building and Improvement Project and that the financing of the School Building and Improvement Project by the School Board would not be economically feasible absent the payments due hereunder from the City to the School Board.

(c) The School Board hereby agrees to maintain complete and adequate books and records of the progress of the School Building and Improvement Project and the expenditure of all amounts received from the City pursuant to this Intergovernmental Agreement and to make such books and records available for review and examination by the City upon reasonable request.

Section 4. Agreements Regarding School Building and Improvement Bonds. (a) At the time of issuance by the School Board of any series of School Building and Improvement Bonds, the School Board shall deliver to the Chief Financial Officer a written notification of issuance of said series of School Building and Improvement Bonds setting forth the following information:

(i) whether the proceeds of said series of School Building and Improvement Bonds will be used to pay costs of the School Building and Improvement Project, to refund or refinance outstanding School Building and Improvement Bonds or a combination thereof;

(ii) the maturity schedule (including any mandatory sinking fund schedule) and interest rates for said series of School Building and Improvement Bonds;

(iii) a debt service schedule for said series of School Building and Improvement Bonds;

(iv) an aggregate debt service schedule for all School Building and Improvement Bonds then outstanding, giving effect to (A) the issuance of said series of School Building and Improvement Bonds and (B) the refunding or refinancing of any previously outstanding School Building and Improvement Bonds; and

(v) the identity of the Escrow Agent, if any, for said series of School Building and Improvement Bonds.

(b) The City and the School Board hereby agree that the City shall not in any manner be deemed to be an obligor on the School Building and Improvement Bonds or any credit enhancement thereof by virtue of its execution and delivery of this Intergovernmental Agreement.

(c) No owner, holder or credit enhancer of the School Building and Improvement Bonds shall be deemed to be a third party beneficiary of this Intergovernmental Agreement, nor shall any such owner, holder or credit enhancer of School Building and Improvement Bonds have any rights to enforce the provisions of this Intergovernmental Agreement against the City.

Section 5. *Abatement of School Building and Improvement Taxes.* (a) Not later than December 15 of each year (each such year being the *"Current Levy Year"*), the School Board shall file a written notification with the Chief Financial Officer setting forth the following:

(i) the School Building and Improvement Taxes levied by the City for the Current Levy Year as described in Section 1 of this Intergovernmental Agreement (the *"Current Levy"*);

(ii) the aggregate debt service payable on the School Building and Improvement Bonds during the one-year period beginning on the next succeeding January 2 (the *"Current Debt Service"*);

(iii) the amount of any funds (other than moneys on deposit with the Escrow Agent or any trustee for any of the School Building and Improvement Bonds) determined by the School Board to be on hand and available to the School Board to pay the debt service described in the preceding clause (ii) (the *"Available Funds"*);

(iv) the amount by which the School Building and Improvement Taxes levied for the Current Levy Year are to be abated (the *"Abatement Amount"*), which Abatement Amount shall equal the sum of (A) the Current Levy minus the Current Debt Service, plus (B) the Available Funds; and

(v) the amount of School Building and Improvement Taxes to be extended for the Current Levy Year, which shall be equal to the Current Levy minus the Abatement Amount.

(b) Upon receipt of the written notification described in paragraph (a), above, the Chief Financial Officer shall cause the abatement of the School Building and Improvement Taxes as described in Section 4(c) of the Ordinance.

(c) The Chief Financial Officer shall deliver to the School Board a copy of any certificate of tax abatement filed with The County Clerks of Cook and DuPage Counties, Illinois pursuant to Section 4(c) of the Ordinance.

(d) The School Board reserves the right to apply School Building and Improvement Taxes made available as a result of refunding outstanding School Building and Improvement Bonds to the payment of additional School Building and Improvement Bonds issued upon or subsequent to such refunding.

Section 6. Effective Date. This Intergovernmental Agreement shall become effective only upon the issuance by the School Board of any of the School Building and Improvement Bonds. If no School Building and Improvement Bonds are issued on or before June 30, 1999, this Agreement shall become null and void.

Section 7. Absolute and Irrevocable Conditions. All terms and conditions contained herein are intended to be absolute and irrevocable conditions hereof and are agreed to by the parties. It is hereby intended that no change in law or regulation subsequent to the date hereof shall affect any of the terms or provisions of this Intergovernmental Agreement. The City shall have no right to terminate, cancel or rescind this Intergovernmental Agreement, no right to withhold from the School Board payments due or to become due under this Intergovernmental Agreement, no right to recover from the School Board amounts previously paid under this Intergovernmental Agreement unless paid in error or contrary to the provisions of this Intergovernmental Agreement or law, no right of reduction or set-off against the amounts due or to become due under this Intergovernmental Agreement, and no lien on any amounts in any fund established by the School Board for any reason or on account of the existence or occurrence of any event, condition or contingency, whether foreseen or unforeseen or foreseeable or unforeseeable by the City or the School Board or any other person; it being the intent hereof that the City shall be absolutely and unconditionally obligated to make payments hereunder, subject to the limitations of Section 1 hereof.

Section 8. Indemnity. To the extent permitted by law, the School Board agrees to indemnify and hold the City harmless from and against, and to pay promptly after demand, any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever that the City may incur or suffer by reason of or in connection with the execution and delivery of this Intergovernmental Agreement or any other documents which may be delivered in connection herewith; except and only if and to the extent that any such claim, damage, loss, liability, cost or expense shall be caused by the willful misconduct or gross negligence of the City in performing its obligations under this Intergovernmental Agreement. The School Board, within 30 days after demand by the City, shall reimburse the City for any legal or other expenses incurred in connection with investigating or defending against any of the foregoing except if the same is due to the City's willful misconduct or gross negligence. The City shall promptly notify the School Board of its receipt of notice of the commencement, or threatened commencement, of any action subject to the indemnities contained in this Section; provided, however, that the failure of the City to so notify the School Board will not affect the obligation of the School Board to indemnify the City with respect to such action or any other action pursuant to this Section. The obligations of the School Board under this Section shall survive any expiration or termination of this Intergovernmental Agreement.

Section 9. Assignment. This Intergovernmental Agreement is made solely between the parties hereto, and may not be assigned.

Section 10. Severability. In the event any provision of this Intergovernmental Agreement shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11. Notices. Any notice, demand, direction, request or other instruments authorized or required by this Intergovernmental Agreement to be given to, delivered to or filed with the City, the Chief Financial Officer or the School Board shall be deemed to have been sufficiently given, delivered or filed for all purposes of this Intergovernmental Agreement if and when sent by registered mail, return receipt requested:

To the City or the Chief Financial Officer, if addressed to:	City of Chicago City Hall 121 North LaSalle Street Chicago, Illinois 60602 Attention: Chief Financial Officer
To the School Board, if addressed to:	Chicago School Reform Board of Trustees of the City of Chicago 1819 West Pershing Road Chicago, Illinois 60609 Attention: Chief Fiscal Officer

or at such other address as either party may furnish in writing to the other.

Section 12. Counterparts. This Intergovernmental Agreement 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 City has caused this Intergovernmental Agreement to be executed by its Chief Financial Officer, and the School Board has caused this Intergovernmental Agreement to be executed by its Chief Fiscal Officer and this executed Intergovernmental Agreement to be delivered by the parties hereto on the 3rd day of December, 1997.

CITY OF CHICAGO

By ______________________
Chief Financial Officer

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES
OF THE BOARD OF EDUCATION OF THE
CITY OF CHICAGO, ILLINOIS

By ______________________
Chief Fiscal Officer

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APPENDIX J

PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

TABLE OF CONTENTS

Introduction

Employees of the Board of Education of the City of Chicago (the "Board") participate in one of two defined benefit retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to Board employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Pension Code, Chapter 40, Act 5, Articles 1, 1A, 17, 20 and 22 of the Illinois Compiled Statutes (the "Pension Code") as separate legal entities and for the benefit of the members of the Retirement Funds. The two Retirement Funds are: (i) the Public School Teachers' Pension and Retirement Fund of Chicago (the "Pension Fund"), which covers teachers, educational, administrative, professional and other certified individuals employed by the Board, and (ii) the Municipal Employees' Annuity and Benefit Fund of Chicago (the "Annuity Fund"), which covers non-teacher employees of the Board and most civil servant employees of the City of Chicago (the "City").

The Pension Annual Financial Information is sourced primarily from documents published by the Retirement Funds (such information is collectively referred to as the "Third-Party Source Pension Information"). Except for certain information derived from the Comprehensive Annual Financial Reports of the Chicago Public Schools, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2016, the information contained herein pertaining to the Pension Fund relies on (i) the Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2016 (the "2016 Actuarial Valuation Report"), prepared by The Segal Company, independent actuaries and consultants engaged by the Pension Fund Board defined below (the "Pension Fund Actuaries"), and (ii) the comprehensive annual financial report of the Pension Fund for its Fiscal Year ending June 30, 2016 (the "Pension Fund 2016 CAFR"), prepared by the Pension Fund's administrative staff and its independent auditors Plante & Moran, PLLC Southfield, MI (the "Pension Fund Auditors"). The 2016 Actuarial Valuation Report and the Pension Fund 2016 CAFR are referred to herein as the "Pension Fund Source Information."

At the time of the preparation of this Disclosure, the Pension Fund 2016 CAFR and the 2016 Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the Pension Fund available to the Board. Copies of the Pension Fund 2016 CAFR and the 2016 Actuarial Valuation Report, as well as Pension Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be accessed at http://www.ctpf.org/general_info/Financial_lists.htm. None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into either this Disclosure or any Official Statements related to the respective series of bonds related to the Undertakings. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Pension Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Pension Fund Source Information.

Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein pertaining to the Annuity Fund relies on (i) the comprehensive annual financial reports of the Annuity Fund for its Fiscal Years ending December 31, 2015 and December 31, 2016 (the "Annuity Fund 2016 CAFR"), prepared by the Annuity Fund's administrative staff and its independent auditors, Bansley and Kiener, L.L.P., Chicago, Illinois, and (ii) the actuarial valuation of the Annuity Fund as of December 31, 2016 (the "2016 Annuity Fund Actuarial Valuation" and, together with the Annuity Fund 2016 CAFR, the "Annuity Fund Source Information"), prepared by The Segal Company, independent actuaries and consultants engaged by the Annuity Fund Board (the "Annuity Fund Actuaries," and, together with the Pension Fund Actuaries, referred to herein as the "Actuaries").

At the time of the preparation of this Disclosure, the Annuity Fund 2016 CAFR and the 2016 Annuity Fund Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the

Annuity Fund available to the Board. Copies of the Annuity Fund 2016 CAFR and the 2016 Annuity Fund Actuarial Valuation, as well as Annuity Fund CAFRs and Actuarial Valuation Reports from previous Fiscal Years, may be viewed at http://www.meabf.org/publications/. None of the information on such website, or on the links appearing on the url disclosed in the previous sentence, is incorporated by reference into either this Disclosure or any Official Statements related to the respective series of bonds related to the Undertakings. The Board takes no responsibility for, nor has it attempted to verify the accuracy of, the information contained on such websites. The Board has not independently verified the Annuity Fund Source Information and makes no representations nor expresses any opinion as to the accuracy of the Annuity Fund Source Information.

Healthcare benefits for certified teachers and administrators employed by the Board are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the "Health Insurance Program"). Subject to the exception noted above regarding information derived from the Board's CAFRs, the information contained herein regarding the Health Insurance Program can be found in the Pension Fund 2016 CAFR in accordance with GASB Statement No. 43, as well as the Public School Teachers' Pension and Retirement Fund of Chicago 2016 Health Insurance Plan Actuarial Valuation (the "2016 Health Insurance Plan Actuarial Valuation" and, together with relevant information in the Pension Fund 2016 CAFR, the "Health Insurance Plan Source Information"), prepared by the Actuaries. At the time of the preparation of this Disclosure, the Pension Fund 2016 CAFR and the 2016 Health Insurance Plan Actuarial Valuation are the most recent audit and actuarial valuation pertaining to the Health Insurance Program available to the Board. The Board has not independently verified the Health Insurance Plan Source Information and makes no representations nor expresses any opinion as to the accuracy of the Health Insurance Plan Source Information.

Capitalized terms used in this Disclosure and not otherwise defined have the meanings assigned to them in the respective Official Statements related to the particular series of bonds related to the Undertakings.

Overview of Retirement Funds

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement Funds are governed by the Pension Code. As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consist of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life. The amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, employees, the Board, the City, the State of Illinois (the "State") and, in certain instances, approved City charter schools make contributions to the Retirement Funds (the "Statutory Contributions"). The Board has historically paid its Statutory Contribution on the last day of its Fiscal Year. The Retirement Funds invest these contributions with the goal of achieving projected investment returns over time and increasing the assets of the Retirement Funds. Information, as reported by the Board, pertaining to the Retirement Funds and the Board's Statutory Contributions is contained in the Board's Comprehensive Annual Financial Reports of the Chicago Public Schools for each Fiscal Year, including the Comprehensive Annual Financial Report of the Chicago Public Schools for the Fiscal Year ended June 30, 2016.

The Retirement Funds' actuaries perform separate actuarial valuations of each of the Retirement Funds on an annual basis. These actuarial valuations calculate, among other things, the employer contributions, assets and liabilities of the Retirement Funds. In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by the actuary have a significant impact on the measures of financial position of the Retirement Funds.

Forward-Looking Statements and Actuarial Assumptions

The information included under the headings "–Background Information Regarding the Pension Fund," "– Pension Fund Contributions," "– Pensions for Other Board Personnel" and "– Other Post-Employment Benefits and Other Board Liabilities" relies to a large extent on Pension Fund Source Information. Actuarial assessments contained under such headings and in the Pension Fund Source Information are "*forward-looking*" information that reflects the judgment of the Pension Fund fiduciaries, including the Pension Fund Actuaries. A variety of factors impact the Unfunded Actuarial Liabilities and Funded Ratios of the Pension Fund and the Annuity Fund. Increases in member salaries and benefits, a lower rate of return on investment than that assumed by the respective Fund and insufficient contributions when compared to the employer's normal cost plus interest on the Unfunded Actuarial Liability will all cause an increase in the Unfunded Actuarial Liability and a decrease in the Funded Ratio. Conversely, decreases in member salaries and benefits, a higher return on investment than assumed and employer contributions in excess of the employer's normal cost plus interest will decrease the Unfunded Actuarial Liability and increase the Funded Ratio. In addition, changes in actuarial assumptions and certain other factors will have an impact on the Unfunded Actuarial Liability and the Funded Ratio. No assurances can be given that the Board, the City or the State will make the contributions necessary to meet any escalating costs incurred by the Retirement Funds.

The projections herein, including those in Table 4 under "– Pension Fund Contributions," are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on actuarial assumptions and assumptions made regarding such future events, including but not limited to the assumptions that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in Table 4 or with respect to any other statements and projections that constitute forward-looking statements or are based on actuarial assumptions.

Background Information Regarding the Pension Fund

General. The Pension Fund is a multiple-employer, defined-benefit public employee retirement system established by the State to provide annuity, disability, survivor, death, and health benefits for certain certified teachers and other employees of the Chicago Public Schools, Pension Fund employees and approved City charter schools. *"Defined-benefit"* refers to the fact that the Pension Fund pays a periodic benefit to retired employees and survivors in a fixed (defined) benefit amount determined at the time of retirement (benefits are increased annually in retirement by the defined Automatic Annual Increase factor, which is 3% for the Tier 1 members (hired before 2011) and ½ the rate of inflation for the Tier 2 members (hired after 2010)). The Pension Fund has a Fiscal Year ending June 30.

Membership. Participation in the Pension Fund is mandatory for teachers, educational, administrative, professional and other certified individuals employed by the Board. In addition, certified teachers and staff employed by City charter schools must also participate in the Pension Fund. As of June 30, 2016, according to the most recently available information, the Pension Fund had 133 participating employers consisting of the primary employer, Chicago Public Schools, 129 charter schools and the Pension Fund itself. The Pension Fund included 63,556 members consisting of 28,298 retirees and beneficiaries currently receiving benefits, 5,715 terminated members entitled to benefits but not yet receiving them, 18,557 vested current members and 10,986 nonvested current members.

Governance of the Pension Fund. The Pension Fund is governed by a 12 member Board of Trustees (the "Pension Fund Board") including six trustees elected by the active teacher membership, three trustees elected by the retired teacher membership, one trustee elected by the active principals and administrators, and two trustees appointed by the Board. The Pension Fund Board is authorized by State law to make investments, pay benefits, hire staff and consultants, and carry out all necessary functions in compliance with the Pension Code.

The Pension Fund Board is a fiduciary of the Pension Fund and is authorized to perform all functions necessary for operation of the Pension Fund. The Pension Code authorizes each pension board to make certain decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

The Pension Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Pension Fund, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Pension Fund are not construed to be debt imposed upon the Board. Such expenses are the obligation of the Pension Fund exclusively, as separate bodies politic and corporate.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Pension Fund or any act or practice which violates any provision of the Pension Code.

Benefits and Contributions. Article 17 of the Pension Code governs the retirement, survivor and disability benefits provided by the Pension Fund and establishes the statutorily required contributions from the Board, the State and participating employees. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the Board), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. The benefits available under the Pension Fund accrue throughout the time a member is employed by the Board. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the Board. The Pension Fund also provides certain disability benefits and retiree healthcare benefits to eligible members. Section 5 of Article XIII of the Illinois Constitution (the "Illinois Pension Clause") provides as follows:

"Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

For purposes herein, references to "*employee*" or "*member*" are references to the employees of the Board; the employees of the Pension Fund and approved City charter school employees that also participate in the Pension Fund.

Public Act 96-0889. On April 14, 2010, the Governor signed Public Act 96-0889 ("P.A. 96-0889") into law. P.A. 96-0889 was designed in part to provide relief to the Board from its pension funding obligations by extending the statutory deadline for the Board to bring the ratio of the actuarially determined value of the assets of the Pension Fund to its actuarially determined accrued liabilities to 90% and substantially reducing the Board's contribution requirements for Fiscal Years 2011, 2012 and 2013. In addition it provided reduced retirement benefits for future employees who become members of the Pension Fund after January 1, 2011. P.A. 96-0889 established a "*two-tier*" benefit system with less generous benefits for future employees who become members of the Pension Fund after January 1, 2011, as compared to those provided to current Board employees. Among other reforms, P.A. 96-0889:

- Increased the minimum age at which an employee may retire with unreduced benefits to age 67, from age 60 (or even younger based on a formula combining the age of the employee and the number of years of service);
- Reduced the Automatic Annual Increase adjustment for beneficiaries in retirement to the lower of 3% or 50% of the change in the Consumer Price Index for all urban consumers, whichever is lower, for employees hired after January 1, 2011;
- Increased the minimum age for eligibility of the Automatic Annual Increase adjustment stated above from age 61 to age 67
- Calculated benefits based on the highest continuous eight years of compensation in the employee's last 10 years of employment for employees hired after January 1, 2011;
- Capped the salary on which a pension may be calculated at $106,800 in 2011 (subject to certain adjustments for future inflation); and
- Suspended retirement annuities if the annuitant accepts another public sector job covered by a public retirement system.

Pension Fund Contributions

Required Contributions. The Pension Code requires funding of the Pension Fund from contributions by the Board (the employer), the State and employees. Board (and State) contributions are required (the "Statutory Required Contributions") only if the actuarially determined value of the assets as a percentage of its actuarially determined accrued liabilities (the "Funded Ratio") is less than 90%. The Pension Code does not require that assets of the Pension Fund at any time equal or exceed the actuarially determined accrued liabilities of the Pension Fund. On an annual basis, an actuarial valuation is performed by an independent actuary firm retained by the Pension Fund Board (each an "Actuarial Valuation") in order to determine the amount of required contributions. The Pension Code provides for an actuarially based funding ramp intended to maintain the actuarial assets of the Pension Fund at a level equal to 90% of the actuarial liabilities of the Pension Fund beginning in the 2059 Fiscal Year.

Member Contributions. The Pension Fund's active contributors make biweekly contributions to the Pension Fund from their salaries which contributions are currently set at 9% of covered payroll. Historically, as part of its collective bargaining agreement with the Chicago Teachers' Union ("CTU"), the Board has paid a substantial portion of the employee contribution in an amount equal to 7% of covered payroll**.** This contribution arrangement for the current CTU Pension Fund members was reaffirmed upon the final approval by the Board of a new collective bargaining agreement between the Board and CTU on December 7, 2016. New CTU Pension Fund members hired after January 1, 2017 will make their entire 9% employee contribution, but will receive a 7% increase to their base salary such that their total compensation does not decrease. Between January 1, 2017 and June 30, 2017, new hires will have 3.5% added to compensation. Beginning July 1, 2017, and thereafter, their base pay increase increases to 7%.

Employer Required Annual Statutory Contributions. Prior to the enactment of P.A. 96-0889, the Pension Code required that the Board's minimum contributions for each Fiscal Year be in an amount sufficient to bring the Funded Ratio to equal 90% by Fiscal Year 2045. P.A. 96-0889 extended the deadline to achieve the required 90% Funding Ratio by fourteen years from Fiscal Year 2045 to Fiscal Year 2059. In addition P.A. 96-0889 specified fixed Board contribution amounts for Fiscal Years 2011, 2012 and 2013 ($187,000,000, $192,000,000 and $196,000,000, respectively) which are substantially lower than the amounts which would otherwise be required by the Pension Code (required contributions were decreased approximately $400,000,000 for each of those years). This reduction in required contributions by the Board further increased the Unfunded Actuarial Liability of the Pension Fund. See Table 2 – "Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2005-2016."

Beginning in Fiscal Year 2014, the Board's minimum contributions for Fiscal Years 2014 through 2059, as determined by the Pension Fund, are required to be sufficient to bring the Actuarial Funded Percentage to 90% by the end of Fiscal Year 2059, and the Board will be required to make annual contributions to maintain the 90% Funded Percentage in each Fiscal Year thereafter. See Table 4 – "Projections of Contributions, Liabilities and Assets."

State and Board Required Payroll Contributions. The Pension Code requires that the State and Board each make an annual contribution to the Pension Fund equal to a defined percentage of total teacher payroll (0.544% of payroll for the "*State Payroll Contribution*" and 0.580% of payroll for the Board contribution for the "*Board Payroll Contribution*"). These contributions are not required in those years in which the Pension Fund Board has certified that the Pension Fund is at least 90% funded. The required contributions based on payroll for Fiscal Year 2016 were $12,105,000 for the State and $12,906,000 for the Board. The required contributions based on payroll for Fiscal Year 2017 were $12,186,000 for the State and $12,992,000 for the Board.[1] This required payroll contribution was added to the Pension Code by Public Act 90-0582, and was intended by the General Assembly to cover part of the cost of a benefit increase resulting from that Act.

In addition, Public Act 100-465 provides for an increase in the required State Contribution to the Pension Fund beginning for Fiscal Year 2018 in an approximate amount of $221 million to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that is provided to other school districts in the State for teachers' pensions. This increase in the State Contribution will bring the total contribution for Fiscal Year 2018 to approximately $233 million.

State Appropriation Contributions. The State historically made additional discretionary contributions to the Pension Fund from State appropriations in the amount of approximately $65,000,000 per year in addition to the State's required statutory contributions. These contributions were in furtherance of provisions of the Pension Code regarding the goal and intention of the State to make annual contributions to the Pension Fund in an amount that is between 20% and 30% of the amount of the annual State contribution to the other teachers' retirement system in the State. For several previous Fiscal Years the State discretionary appropriation was either reduced or not contributed. There were no discretionary contributions by the State in Fiscal Year 2016 or Fiscal Year 2017 to supplement the Board's required contribution. The Board does not anticipate that the State will make contributions in excess of its statutorily-required contributions in the future.

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[1] Source: Board Department of Finance.

In addition, Public Act 100-465 provides for an increase in the required State Contribution to the Pension Fund beginning for Fiscal Year 2018 in an approximate amount of $221 million to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that is provided to other school districts in the State for teachers' pensions. This increase in the State Contribution will bring the total contribution for Fiscal Year 2018 to $233 million.

Credit for State Contributions. The Pension Code provides that "*any contribution by the State to or for the benefit of the Fund . . . shall be a credit against any contribution required to be made by the Board of Education . . . .*"

The financial health of the Pension Fund and the projected impact of the Pension Fund's underfunding on future contributions required to be made by the Board in order to mitigate such underfunding have impacted the determination of the Board's creditworthiness by municipal bond rating agencies in recent years.

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Historical Contributions. The following table provides historical contribution information and the Actuarially Required Contribution (as defined herein) for Fiscal Years 2005-2016.

Table 1

Historical Contributions

(All dollar amounts are in millions)

		Employer Contributions			
Fiscal Year	**Employee Contributions**	**State Appropriations and Payroll Contributions[1]**	**BOE Contributions[2]**	**Total Employer Contributions**	**Actuarially Required Contribution (ARC)[3]**
2005	$158.6	$65.0	$ 9.7	$ 74.7	$258.9
2006	158.6	74.9	35.2	110.1	328.4
2007	148.2	75.2	92.0	167.2	370.2
2008	161.2	75.2	149.9	225.1	290.1
2009	166.8	74.8	188.2	263.1	292.1
2010	161.2	37.6	324.6	362.2	355.8
2011	167.0	10.4	168.0	178.4	425.6
2012	167.7	10.4	195.8	206.2	510.1
2013	165.9	10.9	234.5	245.4	585.5
2014	163.8	11.9	601.6	613.0	719.8
2015	168.1	62.2	634.4	696.5	728.5
2016	158.2	12.1	675.9	688.0	749.8

Sources: Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2005-2016.

(1) As discussed above under "– *State Appropriation Contributions*," the State historically appropriated $65 million in non-GSA funds to the Pension Fund except that for Fiscal Year 2004 the State failed to make such appropriation and instead provided that amount to the Board for capital purposes. The figures for Fiscal Years 2006 through 2009 reflect additional payroll contributions received from the State.

(2) "**BOE Contributions"** are comprised of a number of contributions that are described in Note 13 to the Chicago Public School Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2016 and are included in the **"Total Employer Contributions"** (**"Total Employer Contributions" - "State Appropriations" = "BOE Contributions"**). The numbers may differ from actuarially or statutorily required contribution amounts and have been the subject of various litigation proceedings.

(3) **"Actuarially Required Contributions"** do not include the required contributions associated with the Health Insurance Program as described below under "– Other Post-Employment Benefits and Other Board Liabilities." Also note that this concept is referred to in the Chicago Public Schools Comprehensive Annual Financial Reports as "*Annual Required Contributions*" – see footnote to section "– *Actuarial Process*" for explanation of naming convention herein.

Funded Status of Pension Fund. As of the end of its Fiscal Year 2016, the Pension Fund had liabilities of $20,46,140,298 and assets (excluding any amounts dedicated to retiree health insurance subsidies) of: (i) $10,610,746,831 if valued on an actuarial basis (using the "Asset Smoothing Method" (as described below), or (ii) $10,093,067,588 if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Pension Fund of approximately $9.63 billion on an actuarial basis (using the Asset Smoothing Method), and $10.15 billion on a market value basis and Funded Ratios of 52.41% on an actuarial basis (using the Asset Smoothing Method) and 49.85% on a market value basis. The Fiscal Year 2016 Actuarial Liability of $20,246,140,298 represents a net increase of $294.9 million compared to the Actuarial Liability as of June 30, 2015. Additional information regarding the financial condition of the Pension Fund, including the actuarial value of assets and actuarial liability can be found in the 2016 Actuarial Valuation Report. Information in the Actuarial Valuation regarding the reconciliation of change in Unfunded Actuarial Liability shows the impact of such factors as salaries, funding status and investment returns.

The following table summarizes the Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Fiscal Years 2005-2016 and the Annual Covered Payroll.

Table 2

Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund Based on Statutory Actuarial Valuations for Fiscal Years 2005-2016

(All dollar amounts are in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) ⁄ (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] ⁄ (c)
06/30/2005	$10,506,471,213**	$13,295,876,206	$2,789,404,993	79.02%	$1,968,612,235	141.7%
06/30/2006	10,947,998,433**	14,035,627,452	3,087,629,019	78.00%	1,944,358,215	158.8%
06/30/2007	11,759,699,063	14,677,184,345	2,917,485,282	80.12%	1,863,182,086	156.6%
06/30/2008	12,069,417,038	15,203,740,567	3,134,323,529	79.38%	1,914,558,916	163.7%
06/30/2009	11,493,255,754	15,683,241,527	4,189,985,773	73.28%	1,996,194,224	209.9%
06/30/2010	10,917,416,993	16,319,743,665	5,402,326,672	66.90%	2,107,934,080	256.3%
06/30/2011	10,109,314,922	16,940,626,445	6,831,311,523	59.67%	2,090,131,858	326.8%
06/30/2012	9,364,076,672	17,375,660,369	8,011,583,697	53.89%	2,224,903,121	360.1%
06/30/2013	9,422,519,190	19,044,533,016	9,622,013,826	49.48%	2,239,347,051	429.7%
06/30/2014	10,045,542,575	19,503,893,632	9,458,351,057	51.51%	2,233,280,995	423.5%
06/30/2015	10,344,375,122	19,951,289,974	9,606,914,852	51.85%	2,273,551,432	422.6%
06/30/2016	10,610,746,831	20,246,140,298	9,635,393,467	52.41%	2,281,268,890	422.4%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for its Fiscal Years ending June 30, 2005-2014, Exhibit III. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review, Valuation Information, Section 4, Exhibit I and Section 5, Exhibit 2 for Fiscal Years 2015-2016.

** Health Insurance Fund assets are included for Fiscal Years ending 6/30/2005 and 6/30/2006 and are excluded with the results for the Fiscal Year ending 6/30/2007 and thereafter.

Table 3

Actuarial Value of Assets, Actuarial Accrued Liability, Unfunded Actuarial Accrued Liability and Funded Ratio of the Pension Fund for Based on GASB No. 67 Actuarial Valuations Fiscal Years 2014-2016 (1)

Actuarial Valuation Date	Fiduciary Net Position (FNP) (a)**	Total Pension Liability (b)	Net Pension Liability (NPL) (b) - (a)	GASB 67 Funded Ratio (a) / (b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2014	$10,815,694,614	$20,316,899,952	$9,501,205,338	53.23%	$2,233,280,995	425.4%
06/30/2015	$10,689,954,320	$20,713,217,296	$10,023,262,976	51.61%	$2,273,551,432	440.9%
06/30/2016	$10,093,067,588	$21,124,697,012	$11,031,629,424	47.78%	$2,281,268,890	483.57%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation for its Fiscal Years ending June 30, 2005-2014, Exhibit III. Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review, Section 5, , Exhibit 2 for Fiscal Years 2015-2016.

(1) Excludes Health Insurance Fund Assets.

Table 4 shown on the following page presents projected required contributions, liabilities, assets, unfunded liability and funded ratios in the Fiscal Years 2016 through 2059 for the Pension Fund prepared by the Actuaries and which reflect the impact of P.A. 96-0889.

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Table 4

Projection of Contributions, Liabilities and Assets[1]

(Board contributions are based on P. A. 96-0889)

(All dollar amounts are in millions. Actuarial Liability and asset figures as of end of Fiscal Year.)

Fiscal Year	Employee Contributions	Required Employer Contributions	Additional State Contribution	Additional Board Contribution	Required Board of Education Contributions[2]	Total Actuarial Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Ratio
2017	187.3	745.4	12.2	13	720.2	20,680.40	10,812.60	9,867.80	52.30%
2018	193.4	784.4	11.7	12.5	760.2	21,128.40	10,769.50	10,359.00	51.00%
2019	199.7	809.8	12.1	12.9	784.9	21,593.20	10,808.30	10,784.90	50.10%
2020	206	835.5	12.5	13.3	809.8	22,075.90	11,047.30	11,028.60	50.00%
2021	212.5	861.8	12.8	13.7	835.2	22,577.20	11,317.10	11,260.10	50.10%
2022	219.1	888.6	13.2	14.1	861.2	23,098.60	11,620.70	11,477.90	50.30%
2023	225.8	915.8	13.7	14.6	887.6	23,641.40	11,956.20	11,685.20	50.60%
2024	232.6	943.4	14.1	15	914.3	24,206.50	12,321.80	11,884.70	50.90%
2025	239.4	970.9	14.5	15.4	941	24,793.80	12,718.20	12,075.60	51.30%
2026	246.1	997.8	14.9	15.9	967.1	25,403.50	13,145.60	12,257.90	51.70%
2027	252.5	1,023.90	15.3	16.3	992.4	26,033.40	13,602.40	12,431.00	52.20%
2028	258.5	1,048.40	15.6	16.7	1,016.10	26,683.60	14,087.90	12,595.70	52.80%
2029	264.3	1,071.60	16	17	1,038.60	27,352.00	14,600.40	12,751.60	53.40%
2030	269.7	1,093.90	16.3	17.4	1,060.20	28,037.00	15,138.80	12,898.20	54.00%
2031	275	1,115.30	16.6	17.7	1,081.00	28,736.40	15,701.70	13,034.70	54.60%
2032	280.2	1,136.30	16.9	18.1	1,101.30	29,449.30	16,289.20	13,160.10	55.30%
2033	285.4	1,157.30	17.2	18.4	1,121.60	30,172.70	16,900.30	13,272.40	56.00%
2034	290.4	1,177.70	17.6	18.7	1,141.40	30,904.80	17,534.40	13,370.20	56.70%
2035	295.3	1,197.50	17.8	19	1,160.60	31,642.10	18,190.50	13,451.60	57.50%
2036	300	1,216.40	18.1	19.3	1,178.90	32,379.50	18,864.60	13,515.00	58.30%
2037	304.4	1,234.40	18.4	19.6	1,196.40	33,122.50	19,564.00	13,588.60	59.10%
2038	308.7	1,251.70	18.7	19.9	1,213.30	33,855.60	20,275.80	13,579.80	59.90%
2039	312.7	1,268.10	18.9	20.2	1,229.10	34,571.90	20,995.30	13,576.70	60.70%
2040	316.5	1,283.60	19.1	20.4	1,244.00	35,265.70	21,718.20	13,547.40	61.60%
2041	320.1	1,298.20	19.4	20.6	1,258.20	35,930.70	22,440.70	13,490.00	62.50%
2042	232.6	1,312.30	19.6	20.9	1,271.90	36,559.00	23,157.50	13,401.50	63.30%
2043	326.8	1,325.30	19.8	21.1	1,284.50	37,144.70	23,864.70	13,280.00	64.20%
2044	329.9	1,337.90	19.9	21.3	1,296.70	37,686.90	24,562.60	13,124.30	65.20%
2045	333.2	1,351.30	20.1	21.5	1,309.60	38,181.70	25,250.60	12,931.10	66.10%
2046	336.6	1,365.00	20.3	21.7	1,323.00	38,632.40	25,933.00	12,699.30	67.10%
2047	340.6	1,381.10	20.6	21.9	1,338.50	39,042.90	26,616.80	12,426.10	68.20%
2048	345.1	1,399.40	20.9	22.2	1,356.30	39,417.00	27,310.10	12,106.90	69.30%
2049	350	1,419.40	21.2	22.6	1,375.70	39,759.90	28,021.00	11,738.90	70.50%
2050	355.5	1,441.70	21.5	22.9	1,397.30	40,076.20	28,758.70	11,317.50	71.80%
2051	361.5	1,465.90	21.9	23.3	1,420.80	40,367.00	29,529.30	10,837.70	73.20%
2052	367.9	1,491.70	22.2	23.7	1,445.80	406,337.00	30,342.30	10,294.70	74.70%
2053	374.6	1,519.10	22.6	24.1	1,472.40	40,879.70	31,198.40	9,681.30	76.30%
2054	381.6	1,546.70	23.1	24.6	1,499.10	41,095.40	32,102.40	8,993.00	78.10%
2055	388.6	1,575.80	23.5	25	1,527.30	41,286.30	33,062.80	8,223.50	80.10%
2056	396.1	1,606.40	23.9	25.5	1,556.90	41,452.90	34,086.70	7,366.20	82.20%
2057	404.1	1,638.70	24.4	26	1,558.20	41,603.50	35,189.90	6,413.60	84.60%
2058	412.4	1,672.50	24.9	26.6	1,621.00	41,740.20	36,383.70	5,356.50	87.20%
2059	420.8	1,706.50	25.4	27.1	1,653.90	41,870.40	37,683.30	4,187.00	90.00%

Source: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2016, Valuation Information, Section 4, Exhibit III.

(1) Total Actuarial Liability, Actuarial Value of Assets and Unfunded Actuarial Liability reflect the combined actuarial valuation of the pension and retiree health insurance benefits performed by the Actuaries. The projected amounts shown above assume that all of the actuarial assumptions from the June 30, 2016 actuarial valuation, including the 7.75% assumed rate of investment return, are exactly realized each year.

(2) Any discretionary contributions by the State of Illinois (other than the Additional State Contribution shown above) are to be credited against the required Board Payroll Contributions.

The projections in Table 4 rely on information produced by the Pension Fund's Actuaries (based on the actuarial assumptions employed by the Pension Fund) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results (including results of Fiscal Year 2016), and readers are cautioned not to place undue reliance on the prospective financial information. Neither the Board nor the Board's independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Investment Authority, Performance and Valuation of Assets. Investment authority for the Pension Fund is found in the Illinois Compiled Statutes, Chapter 40, Act 5, Articles 1 and 17. A discussion of the specific investment authority, policy provisions, diversification posture, performance objective and asset allocation is available in the Pension Fund 2016 CAFR. The Pension Fund maintains a highly diversified portfolio of investments among U.S. stocks, real estate, fixed income, private equity, and international investments.

Investment Return. The 2016 Actuarial Valuation Report assumes an investment rate of return on the assets in the Pension Fund. For valuation purposes, the assumed rate of return on the actuarial value of the assets for the year ending June 30, 2016 was 7.75%. This rate of return was the same as that used for the Fiscal Year ending June 30, 2015 and June 30, 2014 but was a decrease versus the ten Fiscal Years prior to the Fiscal Year ending June 30, 2014 where the Pension Fund assumed an investment rate of return of 8.0%. Due to the volatility of the market, however, the actual rate of return earned by the Pension Fund on its assets may be higher or lower than the assumed rate. The actual rate of return on an actuarial basis for the year ending June 30, 2016, was 8.6%. Since the actual return on an actuarial basis was greater than the assumed return, the Pension Fund experienced an actuarial gain with regard to its investments during the year ended June 30, 2016. The following table summarizes the actuarial and market investment returns on the assets in the Pension Fund for its Fiscal Years 2006-2016.

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Table 5

Investment Return

Fiscal Year	**Market Value**	**Actuarial Value**
2006	10.7%	9.6%
2007	17.7%	13.3%
2008	-5.3%	7.9%
2009	-22.4%	0.2%
2010	13.6%	-0.4%
2011	24.8%	-0.5%
2012	-0.4%	1.0%
2013	13.1%	11.2%
2014	17.9%	12.7%
2015	3.6%	8.2%
2016	-0.3%	8.6%
Average Returns		
Last 10 years:	5.3%	6.1%

Sources: Public School Teachers' Pension and Retirement Fund of Chicago Actuarial Valuation and Review as of June 30, 2016

Asset Smoothing. See "– Actuarial Methods – Actuarial Value of Assets" below for a discussion of the impact of Asset Smoothing on the valuation of investment returns.

Risks and Uncertainties. The Pension Fund invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Pension Fund's assets and impact required contributions.

The Actuarial Valuation

General. In addition to the process outlined herein, the Pension Code requires that the Pension Fund annually submit to the Board a report containing a detailed statement of the affairs of the Pension Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the funded status of the plan and establishes the statutorily required contribution amount. To calculate these amounts, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. Overall experience that is more favorable than anticipated (an actuarial gain), will have a decreasing effect on the contribution requirement. On the other hand, overall experience that is less favorable than expected (an actuarial loss) will have an increasing effect. A description of the statistics generated by the Pension Fund actuaries in the Actuarial Valuations follows in the next few paragraphs. The Governmental Accounting Standards Board ("GASB"), which is part of a private non-profit entity known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These GASB principles impact financial reporting by the Pension Fund and the employer but have no legal effect and do not impose any legal liability on the Board. Moreover, these GASB principles have no effect on the Pension Fund's statutorily required contribution amount. The references to GASB principles in this section do not suggest any legal effect or legal liability and should not be construed to suggest otherwise.

Actuarial Process. Under the Pension Code, the required employer contributions to fund the Pension Fund are determined by independent actuaries on an annual basis within nine months of the end of the Pension Fund's Fiscal Year. To meet the requirements of the Pension Code, the actuaries use demographic and other data (such as employee age, salary and service credits) and various assumptions (such as assumed investment return, estimated salary increases, interest rates, employee turnover, mortality and disability rates) to determine the amount that must be contributed in a given year. Because actuarial calculations reflect a long-term perspective, actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates are made about the future. On an annual basis, the Pension Fund's actuary then produces a report called the "Actuarial Valuation," in which the actuary reports on the Pension Fund's assets, liabilities and the Required Annual Statutory Contribution for the following Fiscal Year.

Actuarial Methods

Pension Fund actuaries can employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets. The Pension Fund calculates the respective Actuarial Value of Assets by smoothing investment gains and losses over a period of four years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 25% of the investment gain or loss realized in that year and each of the previous three years. "Asset Smoothing" is an allowable method of determining the actuarial contribution and expense levels according to GASB; however, note that GASB No. 67 reporting now uses the market value of plan assets in order to calculate the NPL. As a result of the use of the Asset Smoothing Method, only a portion of investment gains or losses will be recognized in the year when realized. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. The smoothing of unexpected gains and losses occurs over a period of 4 years. The gain or loss for a year is calculated as the total investment income on the market value of assets, minus expected investment return on the prior actuarial value of assets. The final actuarial value is equal to the expected actuarial value plus (or minus) 25% of the calculated gain (or loss) in the prior 4 years. "Asset Smoothing" lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the Unfunded Actuarial Accrued Liability ("UAAL") and the Funded Ratio that may otherwise occur as a result of market volatility. However, "Asset Smoothing" delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true market value of pension plan assets at the time of the measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually (e.g., GASB No. 67 for reporting of the NPL).

Actuarial Assumptions

Use of Estimates and Assumptions. The Actuarial Valuations of the Pension Fund use a variety of estimates and assumptions to calculate the Actuarial Liability and the Actuarial Value of Assets. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Pension Fund. Actual results almost always differ from those estimates and assumptions. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Liability, the Unfunded Actuarial Liability, the Funded Ratio or the actuarially calculated contributions and expense levels. Certain of these assumptions include the assumed rate of return on investments, mortality rates, termination rates, disability rates, retirement rates, salary progression, other interest rates used in the valuation, marital status, spouse's age and total service credit at retirement. The 2016 Actuarial Valuation Report, a copy of which may be viewed as described in "– Introduction" above, contains additional information on these assumptions.

The Pension Code requires the Pension Fund to conduct an actuarial experience review every five years. The purpose of the experience review is to determine the adequacy of the actuarial assumptions regarding mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the Pension Fund. Based upon the results of this review, the Pension Fund may change the actuarial assumptions as it deems appropriate.

Actuarial Valuation. The primary purpose of the Actuarial Valuation is to determine the amount the Board must contribute to the Pension Fund in a given Fiscal Year as provided in the Pension Code (the "Required Annual Statutory Contribution"). To determine the Required Annual Statutory Contribution, the actuary calculates both the "Actuarial Liability" and the "Actuarial Value of Assets." The Actuarial Liability is an estimate of the portion of the present value of the benefits that is attributable to the past service of the current employees and the retired members, which the Pension Fund is obligated to pay over time as those benefits become due. The Actuarial Liability is calculated by use of the Projected Unit Credit cost method and a variety of demographic assumptions (such as estimated salary increases, interest rates, employee turnover, mortality and disability rates). See Table 4, "Projection of Contributions, Liabilities and Assets" herein.

Any shortfall between the Actuarial Value of Assets and the Actuarial Liability is referred to as the "Unfunded Actuarial Liability" and represents the excess of the portion of the present value of benefits that is attributed to past service over the actuarial value of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the result obtained by dividing the Actuarial Value of Assets by the Actuarial Liability and is expressed as a percentage. An increasing Unfunded Actuarial Liability and a decreasing Funded Ratio from year to year signals a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing Unfunded Actuarial Liability and an increasing Funded Ratio indicates an improvement in the financial health of a pension plan because such change reflects a closing gap between the liabilities accrued by the pension plan and the assets necessary to pay those liabilities when they become due.

The Actuaries use the Actuarial Liability, the Actuarial Value of Assets and the Unfunded Actuarial Liability to compute the Required Annual Statutory Contribution for the Pension Fund in accordance with the Pension Code. See "– State and Board Required Payroll Contributions" herein.

GASB Statements 67, 68 and 71

On June 25, 2012, GASB approved two new standards for employee pension accounting and financial reporting by state and local governments. The two new GASB statements, Nos. 67 and 68 ("GASB 67" and "GASB 68" and collectively, the "Statements"), replace some of the requirements of previous GASB statements (Nos. 25, 27, and 50) related to pension plans. Some of the key changes imposed by the Statements include: (1) requiring governments for the first time to recognize a Net Pension Liability ("NPL"), which is the difference between the Total Pension Liability ("TPL"; i.e., the portion of the present value of projected benefit payments to employees that is attributed to their past service under the level percentage of payroll Entry Age Normal cost method and the blended discount rate as described in GASB 67 and 68) and pension assets (mostly investments reported at fair market value) as a liability of the employer; (2) immediate recognition of annual service cost (net of employee contributions), interest on the Total Pension Liability, expected return on assets (a negative component of expense), and immediate recognition of the effect on net pension liability of changes in benefit terms, and amortization of gains and losses (including changes in assumptions); (3) the effects on net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements. The use of the Statements will have an impact on the Unfunded Actuarial Liability. However, because the Board contributes to the Pension Fund pursuant to methods established by the Pension Code, the Statements would not impact the contributions made by the Board without legislative action. GASB 67 went into effect for Fiscal Year 2014 and GASB 68 became effective for Fiscal Year 2015.

GASB 68, Accounting and Financial Reporting for Pensions, was effective for the Board beginning with its Fiscal Year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this standard will result in an unfunded pension liability to be recognized on the Statement of Net Position.

GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, was effective for the Board with Fiscal Year 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

Actuaries, the Actuarial Process and GASB. GASB standards are completely independent from the Pension Code's requirements. GASB No. 67, which became effective for plan reporting for the Fiscal Year ending June 30, 2014 and is discussed in more detail below, relates to the reporting of an NPL and an Actuarially Determined Contribution ("ADC"). The NPL reported is equal to the difference between the TPL, as calculated using the level percentage of payroll Entry Age Normal Cost actuarial cost method and the blended discount rate as described in GASB 67, and the Plan's Fiduciary Net Position ("FNP", i.e., the market value of plan assets). The amount of the GASB No. 67 ADC reported is the employer's Normal Cost plus a 30-year fixed-period amortization payment on the UAAL beginning July 1, 2013 as a level percentage of payroll. Starting in Fiscal Years that begin after June 15, 2014, GASB Statement No. 68 changes the way that an employer's accounting expense is determined for a pension plan. Under the new method, the annual expense reported is determined on an actuarial basis (using the level percentage of payroll Entry Age Normal actuarial cost method and the blended discount rate as described in GASB 68) and by amortizing any unfunded liability over a period no longer than the average remaining service period of covered employees (actives and inactive employees combined).

Board's Contributions Not Related to GASB Standards. The Board's contribution to the Pension Fund is not based on the standards promulgated by GASB for reporting purposes. Instead, the Board's contribution is based on the requirements of the Pension Code. While both the GASB and the Pension Code calculations are determined utilizing actuarial techniques, there are many differences between these two calculations. Thus, the contribution amount required by the Pension Code is different than the GASB No, 67 ADC or the GASB No. 68 accounting expense amount. One primary difference is that the goal of the Pension Code's statutorily-required contribution amounts is to reach a Funded Percentage in the Pension Fund of 90% by 2059 via contribution amounts that remain a level percentage of salary over a 43-year period from FY 2017 to FY 2059; whereas, GASB's financial reporting standards require the calculation of an ADC or annual expense amount that amortizes the plan's entire UAAL over a shorter time period (i.e., over a 30-year fixed-period beginning July 1, 2016) and which is designed to recognize 100% of the total plan liability, rather than just 90% of the total plan liability.

Overlapping Taxing Bodies

The Board's tax base overlaps with numerous other units of government, including the Overlapping Taxing Districts and the State of Illinois. Certain of the Overlapping Taxing Districts and the State maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the "Other Retirement Funds"), many of which are also significantly underfunded. The underfunding of these Other Retirement Funds places a substantial additional potential burden on the City's taxpayers, who bear the burden of funding a portion of the contributions to such plans. Additional information regarding each of the Overlapping Taxing Districts and the State (including with respect to their pension plans) may be obtained on their respective websites. None of the information on such websites is incorporated by reference into this Disclosure and the Board takes no responsibility for the information contained therein nor has the Board attempted to verify the accuracy of such information.

Recent Reports Regarding the Pension Fund

For more information on the Pension Fund and the retirement funds of the overlapping taxing bodies, please refer to the State's Commission on Government Forecasting and Accountability ("COGFA") website. None of the information on such website is incorporated by reference into this Disclosure and neither the Board nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

The COGFA is a bipartisan, joint legislative commission intended to provide the State General Assembly with information relevant to the State's economy, taxes, and other sources of revenue and debt obligations of the State. Among COGFA's list of specific responsibilities is to make an annual estimate of public pension funding requirements and to prepare pension impact notes. Furthermore, COGFA has a mandate to report to the General Assembly on economic trends in relation to long-range planning and budgeting and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as the same may affect the State. As a result of these responsibilities, COGFA issues several reports on an annual basis which provide an overview of the financial condition of various Illinois pension funds, including the Pension Fund. The COGFA reports provide significant information on the funded status, historical and projected information with respect to pensions and a history of pension legislation. COGFA does not make findings in the COGFA Report.

Pensions for Other Board Personnel

Overview. Employees of the School District that are not members of the Pension Fund participate in the Annuity Fund which is considered a cost-sharing defined benefit, multiple employer plan. Except as described below in the section captioned "– *Members and Member Contributions*," the Board makes no direct contributions to the Annuity Fund. The Annuity Fund receives its income from three primary sources: a City tax levy; income from investments; and deductions from participating employees' salaries.

The Annuity Fund is administered under the direction of a five-member retirement board (the "Retirement Board") comprised of three elected members and the City Treasurer and the City Comptroller serving ex-officio. The Retirement Board sets investment policies and objectives, hires investment managers and investment consultants, reviews investment performance and makes the final decision in granting or denying rights, credits and benefits to members.

The Annuity Fund is a public employee retirement system established by the State of Illinois to provide annuity, disability, survivor, death, and health benefits for certain employees of the City and the Board. It is administered in accordance with the Pension Code and has a Fiscal Year ending December 31.

Legal Authority and Funding. Article 8 of the Pension Code governs the retirement, survivor and disability benefits provided by the Annuity Fund and establishes the statutorily required contributions from participating employers and employees. Current active members (totaling 30,296 active members as of December 31, 2016) contribute 8.5% of their salary. The Pension Code requires that the City of Chicago contribute 1.25 times the amount the member contributed two years prior (the "Annuity Fund Statutory Required Contributions"). The City is required to levy a tax at a rate not more than an amount equal to the total amount of contributions by the employees to the Annuity Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 1.25 annually. The Pension Code does not require that the Annuity Fund Statutory Required Contributions be sufficient to cover the actuarially determined contribution requirement (the "Annual Required Contribution"). For the past ten years the Annuity Fund Statutory Required Contribution has been less than the Annual Required Contribution and does not conform to the requirements of GASB 25.

Members and Member Contributions. As of December 31, 2016, the Annuity Fund had 72,408 total members including 25,236 retirees and beneficiaries, 16,876 inactive members entitled to benefits and 30,296 active members (of which 15,741 were vested and 14,555 were non-vested). As of December 31, 2015, the most recently available information, CPS employees comprised about 56% of the Annuity Fund's active participants. In Fiscal Year 2015, the Board agreed to pay (as it has done in recent years) 7% of current members salary to offset the required employees' contribution (8.5%) to the Annuity Fund. The Board received a portion of the cost of providing pension benefits from grants by the Federal government for career service employees paid from certain Federally-funded programs. In the opinion of the Board and its legal counsel, the Board has no statutory duty to contribute any sum to the Annuity Fund. In August 2015, the Board announced a scheduled end to contributions made by CPS directly on behalf of non-union employees. Over the three years ending in Fiscal Year 2019 (calendar year ending June 30, 2019), the biweekly contributions made by CPS will be phased out and replaced by offsetting increases in the biweekly contributions made directly by the employees. The CPS non-union employees who participate in either the Annuity Fund or the Pension Fund are subject to this change.

Funded Status of Annuity Fund. As of the end of its Fiscal Year 2016, the Annuity Fund had actuarial accrued liabilities of $15,055,348,696, compared to $14,655,261,717 as of the end of Fiscal Year 2015, and assets of: (i) $4,590,366,241, compared to $4,815,126,844 as of the end of Fiscal Year 2015, if valued on an actuarial basis (using the Asset Smoothing Method as required by the Pension Code, or (ii) $4,436,227,596, compared to $4,741,427,557 as of the end of Fiscal Year 2015, if valued based on market value. This results in an aggregate Unfunded Actuarial Liability of the Annuity Fund of approximately $10,464,982,455, compared to $9,840,134,873 as of the end of Fiscal Year 2015, on an actuarial basis (using the Asset Smoothing Method), and $10,619,121,100, compared to $9,913,834,160 as of the end of Fiscal Year 2015, on a market value basis; and Funded Percentages of 30.49% compared to 32.86% as of the end of Fiscal Year 2015, on an actuarial basis (using the Asset Smoothing Method) and 29.47% compared to 32.35% as of the end of Fiscal Year 2015, on a market value basis. The Actuaries project that, under current law and without additional funding, the Annuity Fund will not have assets on hand to make payments to beneficiaries beginning in 2025. As of the date of this Disclosure, the Actuaries have not reassessed the funding status of the Annuity Fund in light of the provisions of SB 14 (see, "– Legislation and Litigation Relevant to the Retirement Funds" below).

Other Post-Employment Benefits and Other Board Liabilities

Retiree Health Insurance Program. Healthcare benefits for certified teachers and administrators are provided under a cost sharing multiple-employer plan administered by the Pension Fund (the "Health Insurance Program"). The actuarial analysis is contained Pension Fund 2016 CAFR and is available by contacting the Public School Teachers' Pension & Retirement Fund of Chicago, 203 North LaSalle Street, Chicago, Illinois, 60601 or as described under "– Introduction" herein. A recipient of a retirement pension, survivor pension, or disability pension may be eligible to participate in the Health Insurance Program and premium rebate sponsored by the Pension Fund, provided the Pension Fund is the recipient's final pension system prior to retirement. The purpose of this program is to help defray the retired member's premium cost for health insurance. The member is responsible for paying the cost of the insurance and may purchase insurance from the Pension Fund's providers or other outside providers.

Each year, the Board of Trustees of the Pension Fund establishes a rebate percentage that is used to defray a portion of the cost of the insurance. The rebate percentage was 60% of the individual member's cost for calendar years 2012, 2013 and 2014; in 2015, the premium subsidy was lowered to 50%. Effective January 1, 2015, a premium subsidy of 50% has been used. In accordance with Illinois Compiled Statutes (ILCS) Article 40 Chapter 5 Article 17 Section 142.1, the total health insurance benefits provided in any one year may not exceed $65.0 million plus any previous year amounts authorized but not yet expended. This spending limit has changed several times within the last twenty years and is subject to further change if new legislation is passed. The statutory threshold, however, does not fall under the definition of a funding cap as set forth in GASB Statement No. 45, *Accounting and Financial Reporting of Employers for Postemployment Benefits Other than Pension*.

The Pension Fund has total discretion over the program, and no direct contributions are made for the subsidy. Although the Board does not contribute directly to retirees' health care premiums, the impact of the annual retiree healthcare payments from the Pension Fund does require increased contributions by the Board to build assets to the 90% funded percentage requirement. As of June 30, 2016, there were 18,063 retirees and beneficiaries in the Chicago Teachers' Pension Fund Retiree Health Insurance Program. This provision reduces the net position of the Pension Fund. The Board contributes to the Pension Fund on a level percentage of pay basis to the extent the Funded Ratio of the Pension Fund is less than 90%. Amounts diverted from the Pension Fund to the Health Insurance Program reduce the Funded Ratio of the Pension Fund and require subsequently increased contributions by the Board to build assets to the 90% funded percentage requirement for the Pension Fund.

Pursuant to the 2016 Health Insurance Plan Actuarial Valuation Report, as of June 30, 2016 (a) the total actuarial liability for the Health Insurance Program has been estimated to be $2,222,546,319, (b) the actuarial value of assets is $20,229,722, (c) the unfunded actuarial liability is $2,202,316,597, (d) the funded ratio is 0.91% and (e) the annual required contribution was $135,505,273. This estimate represents the amount of healthcare benefits under the Health Insurance Program, without any assumption as to a limit on the amount the Pension Fund may divert to the Health Insurance Program.

Sick Pay Benefits. In addition to the Pension and Health Insurance benefits noted above, as of June 30, 2016, the Board had $311,378,000 in accrued sick pay benefits. The Board provides sick pay benefits for substantially all of its employees. Additional information regarding sick pay benefits is included within Note 12 of the Chicago Public Schools Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2016.

Legislation and Litigation Relevant to the Retirement Funds

From time to time, legislation has been introduced in the State General Assembly that would reform the Retirement Funds and the formulae for State funding of school districts generally. Certain of such proposed legislation in the past has addressed changes to the Board's statutorily-required contribution formula, required State pension contributions, employee contributions and benefits (including cost of living adjustments and retirement ages). In addition, proposed legislation has addressed general State funding of schools which would incidentally impact the funds available to the Retirement Funds. The Board cannot predict if the State General Assembly will adopt and the Governor will sign any such legislation or the final form of any such legislation. In addition, the Board cannot predict if any such legislation if enacted, including particularly pension reform legislation, would withstand any legal challenges. Following is a discussion of recent legislation and certain pending legislation as of the date of the Disclosure.

Public Act 110-465 ("P.A. Act 110-465"), which became law in the summer of 2017, provides for an increase in the required annual State Contribution to the Board's Pension Fund in the amount of approximately $221 million in Fiscal Year 2018 to cover the "normal pension costs" of Board teachers and other covered employees, similar to State funding that has historically been provided to other school districts in the State for teachers' pensions. This $221 million will increase annually based on the Pension Fund's certification of the projected normal cost contribution and any required healthcare contributions. See "STATE FUNDING OF THE BOARD UNDER PUBLIC ACT 100-465" and "PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS" in the Official Statement.

Public Act 099-0521. In 2016, the State General Assembly adopted and Governor Rauner signed, Public Act 099-0521 that authorized the Board to annually levy a property tax on all real property within the boundaries of the School District at a rate not to exceed 0.383%. The proceeds from this additional tax are expected to be approximately $250 million in Fiscal Year 2017 and will be paid directly to the Pension Fund and to be credited to the Board's annual required contribution. The pension property tax levy is not subject to the limitations of PTELL and does not impact State Aid Revenues received by the Board. Public Act 099–0521 became effective June 1, 2017 and the Board has authorized the levy of this additional tax for tax year 2016 and expects that the full 2016 pension property tax levy will be collected in an approximate amount of $250 million with the second property tax installment payment expected to be due August 1, 2017. The Board's required Statutory Contribution to the Pension Fund was paid June 30, 2017 net of the expected Tax Year 2016 Pension Property Tax collection. The Board is negotiating an agreement with the Pension Fund relating to the treatment of the credit of the Pension Fund Property Tax against the Board's Statutory Contribution, but the Board can provide no assurance that such an agreement will be entered into with the Pension Fund.

P.A. 100-0023. Public Act 100-0023 ("P.A. 100-0023"), which became law in the summer of 2017, changed the funding requirements of the Annuity Fund and impacts the amounts of cost of living adjustments, retirement ages and employee contributions in order to address the Annuity Fund's underfunding. The impact of these changes will be seen in the information produced by the Annuity Fund in the current fiscal year ending June 30, 2018.

As of the date of this Disclosure, there is no litigation relevant to the Board's statutorily-required contribution formula, required State pension contributions, employee contributions or benefits (including cost of living adjustments and retirement ages) related to the Retirement Funds.

APPENDIX K

FORMS OF SPECIAL REVENUES OPINIONS

APPENDIX K-1
FORM OF SPECIAL REVENUES OPINION
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES),
SERIES 2017C, SERIES 2017D, SERIES 2017E AND SERIES 2017F

November 30, 2017

Board of Education of the City of Chicago
42 West Madison Street
Chicago, Illinois 60602

Re: Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C, Series 2017D, Series 2017E and Series 2017F – Special Revenues Opinion

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the "Board") in connection with the Board's issuance of its (i) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C in the aggregate principal amount of $351,485,000 (the "2017C Bonds"), issued pursuant to that certain Trust Indenture, dated as of November 1, 2017 (the "2017C Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as Trustee (the "Trustee"), (ii) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D in the aggregate principal amount of $79,325,000 (the "2017D Bonds"), issued pursuant to that certain Trust Indenture, dated as of November 1, 2017 (the "2017D Indenture"), by and between the Board, as issuer, and the Trustee, (iii) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E in the aggregate principal amount of $22,180,000 (the "2017E Bonds"), issued pursuant to that certain Trust Indenture, dated as of November 1, 2017 (the "2017E Indenture"), by and between the Board, as issuer, and the Trustee, and (iv) Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F in the aggregate principal amount of $165,510,000 (the "2017F Bonds" and together with the 2017C Bonds, the 2017D Bonds and the 2017E Bonds, the "Bonds"), issued pursuant to that certain Trust Indenture, dated as of November 1, 2017 (the "2017F Indenture" and together with the 2017C Indenture, the 2017D Indenture and the 2017E Indenture, each an "Indenture" and collectively the "Indentures"), by and between the Board, as issuer, and the Trustee.

The Board authorized its issuance of the Bonds pursuant to Resolution No. 17-0828-RS6, adopted by the Board on August 28, 2017, as amended by Resolution No. 17-1025-RS6, adopted by the Board on October 25, 2017 (together, the "Bond Resolution"). The Board's issuance of the Bonds pursuant to the Indentures and the Bond Resolution is referred to herein as the "Financing."

In preparing this opinion letter, we have reviewed the Indenture, the Bond Resolution, the Tax Exemption Certificate and Agreement, by and between the Board and the Trustee, dated November 30, 2017 (the "TECAs"), those certain Directions Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of each of the 2017C Bonds, the 2017D Bonds, the 2017E Bonds and the 2017F Bonds, each dated November 20, 2017 (each a "Deposit Direction" and collectively, the "Deposit Directions") and applicable statutes of the State of Illinois and the United States, as referenced herein. The Indentures, the Bond Resolution, the TECAs and the Deposit Directions are referred to herein, collectively, as the "Documents."

The proceeds of the Bonds will be used to (i) refund certain of the Board's Unlimited Tax General Obligation Bonds (Dedicated Revenues) and Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues) as described in this paragraph (the "Outstanding Bonds") and (ii) pay the costs of issuance of the Bonds. Specifically, the 2017C Bonds will be used to refund the following series of the Board's variable rate Unlimited Tax General Obligation Bonds (Dedicated Revenues): Series 2011C-1, Series 2011C-2, Series 2013A-1, Series 2013A-2 and Series 2015G. The 2017D Bonds will be used to refund the Board's variable rate Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2015A. The 2017E Bonds will be used to refund the Board's Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2005B. The 2017F Bonds will be used to refund the following series of the Board's Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues): Series 2007B and Series 2007C.

Payment of the 2017C Bonds and the 2017D Bonds are secured by, *inter alia*, the Board's pledge of and its granting of liens upon (i) State Aid payments to be made to the Board by the State of Illinois pursuant to Article 18 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code"), in the amounts specified in the 2017C Indenture (the "Series 2017C Pledged State Aid Revenues") and the 2017D Indenture (the "Series 2017D Pledged State Aid Revenues"), respectively and (ii) *ad valorem* property taxes levied by the Board pursuant to the Bond Resolution against all of the taxable property within the school district of the City of Chicago, Illinois (the "School District"), without limitation as to rate or amount in favor of the Trustee for the benefit of the holders of the 2017C Bonds (the "Series 2017C Pledged Taxes") and the 2017D Bonds (the "Series 2017D Pledged Taxes").

Payment of the 2017E Bonds are secured by *inter alia*, the Board's pledge of and its granting of liens upon (i) PPRT revenue payments to be made to the Board by the State of Illinois pursuant to Section 12 of the Illinois State Revenue Sharing Act, 30 Illinois Compiled Statutes 115 (the "State Revenue Sharing Act"), in the amounts specified in the 2017E Indenture (the "Series 2017E Pledged PPRT Revenues") and (ii) *ad valorem* property taxes levied by the Board pursuant to the Bond Resolution against all of the taxable property within the School District, without limitation as to rate or amount (the "Series 2017E Pledged Taxes") in favor of the Trustee for the benefit of the holders of the 2017E Bonds.

Payment of the 2017F Bonds are secured by *inter alia*, the Board's pledge of and its granting of liens upon (i) PPRT revenue payments to be made to the Board by the State of Illinois pursuant to Section 12 of the State Revenue Sharing Act, in the amounts specified in the 2017F Indenture (the "Series 2017F Pledged PPRT Revenues"), (ii) Intergovernmental Agreement Revenues payable to the Board pursuant to the Intergovernmental Agreement dated October 1, 1997, between the Board and the City of Chicago, as amended and supplemented from time to time, in the amounts specified in the 2017F Indenture (the "Pledged IGA Revenues"), and (iii) *ad valorem* property taxes levied by the Board pursuant to the Bond Resolution against all of the taxable property within the School District, without limitation as to rate or amount (the "Series 2017F Pledged Taxes") in favor of the Trustee for the benefit of the holders of the 2017F Bonds. (The Series 2017C Pledged Taxes, the Series 2017D Pledged Taxes, the Series 2017E Pledged Taxes, and the Series 2017F Pledged Taxes, collectively, the "Pledged Taxes".)

Capitalized terms used but not defined herein have the meanings assigned to them in the Indentures.

I. OPINIONS REQUESTED

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a "bankruptcy court") and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the "Bankruptcy Code") should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the respective Pledged Taxes by the Trustee to the payment of the respective Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) the respective Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the respective Indentures.

II. ASSUMPTIONS

We have examined the Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Documents and that the Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Documents submitted to us as originals; (d) the conformity of the Documents submitted to us as copies to the executed and delivered originals thereof; (e) the genuineness of all signatures on all Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Documents or otherwise in connection with the transactions contemplated by the Documents; (g) the representations and warranties of the Board set forth in the Documents are true as of the date hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee and the County Clerks and County Collectors (each, as defined below) have performed and will perform its obligations under applicable Illinois law and the Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of each of the Series of the Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

Summary of Financing

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the School District and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

In accordance with the provisions of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act"), on August 28, 2017, the Board adopted Resolution 17-0828-RS6 authorizing the issuance of Alternate Bonds (as defined in Section 3 of the Act), in an amount not to exceed $385,000,000, and subsequently amended the resolution on October 25, 2017, when the Board adopted Resolution 17-1025-RS6, increasing the authorized issuance of Alternate Bonds to an amount not to exceed $745,000,000.

The Bond Resolution reflects the Board's determination that is in the best interest of the School Board to restructure its indebtedness by refunding the Outstanding Bonds (the "Refunding Plan").

Refunding and the Project

From time to time, the Board approves its Capital Improvement Program for one or more subsequent fiscal years, which identifies various projects and associated budgets to construct, acquire and equip school and administrative buildings, perform site improvements and acquire and improve other real and personal property in and for School District (as from time to time amended by resolution of the Board, the "Project"). Each of the Outstanding Bonds subject to the Refunding Plan are Alternate Bonds that either were used to fund the Project (and the costs of issuing such Alternate Bonds) or to refund previous Alternate Bonds that can ultimately be traced directly back to Alternate Bonds, the proceeds of which were used to fund the Project (each such series of Alternate Bonds, the proceeds of which were used directly to fund the Project, "Original Project Bonds"). Attached as Schedule I hereto is a list tracing Outstanding Bonds used to refund and redeem Alternate Bonds back to the Original Project Bonds.

The indenture for each series of Original Project Bonds sets forth limitations on the Board's ability to access and use proceeds of such Original Project Bonds (each such indenture, an "Original Project Bond Indenture"). Under each Original Project Bond Indenture, the net proceeds of such Original Project Bonds issued thereunder were deposited in a Project Fund in the bond trustee's name for payment of the costs of the Project. The bond trustee was required to pay out moneys on deposit in the Project Fund to the Board in order to provide for the payment of Project costs only upon receipt by the trustee of a certificate of an authorized officer of the Board describing the Project costs to be paid and stating, *inter alia*, (i) that the costs are necessary and appropriate costs of the Project, (ii) the amount to be paid is reasonable and (iii) that no part of the requested payment was included in any prior certificate provided to the bond trustee.

Based on the Board's obligations under the Original Project Bond Indentures, we assume that all funds received from the sale of each series of Original Project Bonds were applied in compliance with the respective Original Project Bond Indenture and that all net proceeds of each series of Original Project Bonds, following the payment of the costs of issuance of such Original Project Bonds, were used to pay the costs of the Project, interest due on such Original Project Bonds and administrative expenses of the bond trustee.

Pledged Taxes

The 2017C Bonds and the 2017D Bonds are payable from and secured by a valid lien upon and pledge of the Pledged State Aid Revenues and the Series 2017C Pledged Taxes and the Series 2017D Pledged Taxes, respectively. The 2017E Bonds are payable from and secured by a valid lien on the Series 2017E Pledged PPRT Revenues and the Series 2017E Pledged Taxes. The 2017F Bonds are payable from and secured by a valid lien on the Series 2017F Pledged PPRT Revenues, the Pledged IGA Revenues and the Series 2017F Pledged Taxes. Under Section 3(a) of the Bond Resolution, the Board levied the Pledged Taxes for each series of Bonds upon all of the taxable property within the School District, in the years for which such series of Bonds is outstanding, for the stated purpose of providing funds, in addition to the Pledged State Aid Revenues, Pledged PPRT Revenues, Pledged IGA Revenues, as the case may be, and any other available revenues, to pay the principal of and interest on the Bonds.

Section 3(a) of the Bond Resolution further provides that the Pledged Taxes levied for each series of Bonds shall be a "direct annual tax" in an amount sufficient to produce the yearly sums set forth therein for each year such Bonds are outstanding. Section 3(b) of the Bond Resolution provides that the County Clerks of the Counties of Cook and DuPage, Illinois (the "County Clerks") shall ascertain the tax rate required to produce the aggregate Pledged Taxes specified in Section 3(a) of the Bond Resolution for each series of Bonds and shall extend the Pledged Taxes for collection on behalf of the Board. The Series 2017C Pledged Taxes have been levied for the years 2017 through and including 2033. The Series 2017D Pledged Taxes have been levied for the years 2017 through and including 2030. The Series 2017E Pledged Taxes have been levied for the years 2017 through and including 2020. The Series 2017F Pledged Taxes have been levied for the years 2017 through and including 2023. For each year, the levy of the Pledged Taxes immediately precedes the year in which the Pledged Taxes are to be extended and collected.

Deposit of Pledged Taxes with Trustee

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200/20-90 (the "Property Tax Code") and Section 6 of the Bond Resolution, the Designated Officials of the Board are authorized to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the "County Collectors") to deposit the collections of the Pledged Taxes directly with the Trustee under the applicable Indenture as an escrow agent designated by the Board in order to secure the payment of the Bonds. On November 20, 2017, the Board's Senior Vice President of Finance (who is among the Designated Officials under the Bond Resolution) issued the Deposit Directions to the County Collectors, pursuant to which the Board has directed the County Collectors to transfer the collections of the Pledged Taxes directly to the Trustee for deposit by the Trustee into a Pledged Taxes Account established pursuant to each of the Indentures. Section 504(B) of each Indenture, in turn, provides that all Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the Bonds subject to such Indenture due during the calendar year in which said Pledged Taxes are collected.

Section 706(A) of each Indenture provides that, as long as any of the Bonds under such Indenture remain outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in Illinois law, and procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; provided that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any year. Any modification of the respective Deposit Direction in a manner not permitted by the Indenture is an Event of Default thereunder.

We assume that certified copies of the Bond Resolution have been or will be timely filed with each of the County Clerks and County Collectors.

Payment of the Bonds; Extension and Abatement of Pledged Taxes

The Bonds bear interest from their date payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 of each year. The Series 2017C Bonds mature on December 1 in each of 2019 through 2027, inclusive, and in 2030 and 2034. The Series 2017D Bonds mature on December 1 in each of 2019 through 2027, inclusive, and in 2031. The Series 2017E Bonds mature on December 1, 2021. The Series 2017F Bonds mature on December 1 in each of 2018 through 2024, inclusive.

Pursuant to Section 5.4(A) of the 2017C Indenture and Section 504(A) of the 2017D Indenture, on or before February 15th of each year or such earlier date as may be necessary to permit the lawful abatement of the Series 2017C Pledged Taxes and Series 2017D Pledged Taxes as provided in Sections

5.4(A) and 7.6(B) of the 2017C Indenture and Sections 504(A) and 706(B) of the 2017D Indenture, respectively (the "Deposit Date"), the Board is required to deposit the respective Pledged State Aid Revenues into the respective Pledged State Aid Revenues Sub-Account maintained by the Trustee in such amounts as are necessary to cause the amount on deposit in those accounts to equal the total interest on and principal of the 2017C Bonds and 2017D Bonds that will become due and payable during the current Bond Year in which the Deposit Date occurs.[1] In any given year, provided that the Board has timely deposited the required amount of Pledged State Aid Revenues into the Pledged State Aid Revenues Sub-Accounts, pursuant to Section 5.4(A) and 7.6(B) of the 2017C Indenture and Sections 504(A) and 706(B) of the 2017D Indenture, the Board is required to file a notice with each of the County Clerks and County Collectors directing the abatement of the respective Pledged Taxes levied for the preceding calendar year, which would otherwise be extended and collected during such calendar year the Pledged State Aid Revenues are deposited with the Trustee. If, by February 15th of a given year, the amount of Pledged State Aid Revenues deposited into the State Aid Revenues Sub-Accounts is insufficient to pay the amounts due on the 2017C Bonds or 2017D Bonds during the current Bond Year, under the terms of the Bond Resolution, the respective Indentures and the Deposit Directions, the Series 2017C Pledged Taxes and the Series 2017D Pledged Taxes, as the case may be, are to be extended for collection in such amounts as necessary to provide sufficient funds to the Trustee to satisfy the amount of interest and principal that will become due and payable on the 2017C Bonds and/or the 2017D Bonds, as the case may be, during that Bond Year. Accordingly, under the terms of the Documents, the Series 2017C Pledged Taxes and the Series 2017D Pledged Taxes are required to be extended for collection every year, unless, and only to the extent that, the Board directs the County Clerks and County Collectors to abate the Pledged Taxes.

Pursuant to Section 504 of the 2017E Indenture, Pledged PPRT Revenues received by the Trustee from the Escrow Agent in each Year, are required to be promptly deposited in the Deposit Sub-Account until there is an amount of Pledged PPRT Revenues sufficient to pay all of the interest and principal of the 2017E Bonds scheduled to be paid during the Bond Year beginning on December 2 of such Year. Provided such deposit is sufficient, pursuant to Section 706(B), the Board is required to file a notice with each of the County Clerks and County Collectors directing the abatement of the respective Pledged Taxes levied for the preceding calendar year. If, by February 15th of a given year, the amount of Pledged PPRT Revenues deposited into the Deposit Sub-Account is insufficient to pay the amounts due on the 2017E Bonds during the current Bond Year, under the terms of the Bond Resolution, the 2017E Indenture and the Deposit Direction, the Series 2017E Pledged Taxes are to be extended for collection in such amounts as necessary to provide sufficient funds to the Trustee to satisfy the amount of interest and principal that will become due and payable on the 2017E during that Bond Year. Accordingly, under the terms of the Documents, the Series 2017E Pledged Taxes are required to be extended for collection every year, unless, and only to the extent that, the Board directs the County Clerks and County Collectors to abate the Pledged Taxes.

Pursuant to Section 504(A) of the 2017F Indenture: The Chief Financial Officer of the City of Chicago has directed each of the County Collectors to deposit all collections of Intergovernmental Agreement Revenues with the Escrow Agent, who will, in turn, deposit a portion of the Intergovernmental Agreement Revenues with the Trustee. All Pledged PPRT Revenues received by the Trustee in each calendar year are required to be promptly deposited in the Deposit Sub-Account until there is am amount of Pledged PPRT Revenues sufficient to pay all of the interest and principal scheduled to be paid from Pledged PPRT Revenues during the Bond Year beginning on December 2 of such year as

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[1] "Bond Year" is defined in each of the Indentures as each annual period beginning on December 2nd of a calendar year to and including December 1st of the next succeeding calendar year.

set forth on Exhibit B to the 2017F Indenture. All Intergovernmental Agreement Revenues received by the Trustee from the Escrow Agent in each Bond Year are required to be promptly deposited in the Intergovernmental Agreement Revenues Sub-Account. Pursuant to Section 504(A)(iii) of the 2017F Indenture, promptly after there shall have been deposited to the credit of the Deposit Sub-Account in any Year the requisite amount of Pledged PPRT Revenues the Board is required to take such actions as are necessary to abate the Pledged Taxes levied for the then-current calendar year to the extent of the amount of the interest on and principal of the Bonds scheduled to be paid from PPRT Revenues and Intergovernmental Agreement Revenues during the Bond Year beginning on December 2 of such calendar year as evidenced by Exhibit B to the 2017F Indenture; and, not earlier than December 3 of the then-current calendar year nor later than the last Business Day of the then-current calendar year, transfer all amounts on deposit in the Deposit Sub-Account into the Pledged PPRT Revenues Sub-Account.

Pursuant to Section 504(A)(iv) of the 2017F Indenture, in the event that as of the last Business Day of any calendar year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount of required Pledged PPRT Revenues, the Trustee will so notify the Board and the Board is required to take such actions as are necessary to cause the extension of the Pledged Taxes levied for such calendar year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the interest on and principal of the Bonds due during the Bond Year beginning on December 2 of the then-current calendar year and scheduled to be paid from Pledged PPRT Revenues; and on such last Business Day of such calendar year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the Pledged PPRT Revenues Sub-Account. All amounts on deposit in the Pledged PPRT Revenues Sub-Account and in the Intergovernmental Agreement Revenues Sub-Account on December 2 of each Year, will be withdrawn and paid to the Board, free and clear of the lien of the 2017F Indenture.

As discussed above, Section 5.4(B) of the 2017C Indenture, Section 504(B) the 2017D Indenture, Section 504(A) of the 2017E Indenture and Section 504(B) of the 2017F Indenture, expressly require that all Pledged Taxes received by the Trustee be applied to the payments due on Bonds during the year in which said Pledged Taxes are collected. In addition, each such section provides that –

> All amounts remaining in the Pledged Taxes Account on December 2 of any Year [the day after the final payment of the year is due] shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board *and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement*.

(Emphasis added.) Therefore, any excess Pledged Taxes after the payments due on the Bonds are made in a given Bond Year are credited back to the School District's taxpayers in the form of an abatement to the Educational Fund tax levy and may not be used by the Board.

Additional Assumptions

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and compliance with the covenants set forth in (i) Article III and Sections 5.1, 5.2, 5.2, 5.4, 7.5 and 7.6 of the 2017C Indenture, and (ii) Article III and Sections 501, 502, 503, 504, 705, and 706 in each of the 2017D Indenture, the 2017E Indenture and the 2017F Indenture. We further assume the following:

(a) the Board has not, and as long as the Bonds remain outstanding, will not amend, modify, revoke or attempt to revoke or replace or attempt to replace the Deposit

Directions with any instruction, direction or notice to the County Collectors materially inconsistent with the Deposit Directions;

(b) the Board has not, and as long as the Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Bond Resolution or the specific authorizations and other terms thereof or that amends or modifies the Bond Resolution in any manner that is materially inconsistent with the Bond Resolution or the facts and assumptions set forth in this opinion letter;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the Bonds and the Indentures shall be the valid, binding and legal general obligations of the Board, and: (i) the 2017C Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the 2017C Bonds on the Series 2017C Pledged State Aid Revenues and the Series 2017C Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2017C Bonds; (ii) the 2017D Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the 2017D Bonds on the Series 2017D Pledged State Aid Revenues and the Series 2017D Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2017D Bonds; (iii) the 2017E Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the 2017E Bonds on the Series 2017E PPRT Revenues and the Series 2017E Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2017E Bonds, and (iv) the 2017F Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the 2017F Bonds on the Series 2017F PPRT Revenues, Pledged IGA Revenues, and the Series 2017F Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2017F Bonds;

(d) No statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the Bonds, to levy and abate the Pledged Taxes and to direct the transfer and application of the Pledged Taxes as contemplated and required by the Documents, including, without limitation, Section 15 of the Act, applicable provisions of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the Bonds, and the holders of the Bonds as long as the Bonds remain outstanding;

(e) The Board is duly authorized under Illinois law to levy the Pledged Taxes for each year the Bonds are outstanding as more fully set forth in the Bond Resolution and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Pledged Taxes under the Bond Resolution;

(f) the Board will not use or assert the right to use the proceeds of the except to pay the costs of the Refunding Plan;

(g) the Board used the entire net proceeds of each series of Original Project Bonds, following the payment of the costs of issuance of such series of Original Project Bonds, to pay the costs of the Project, including capitalized interest on the Original Project Bonds;

(h) the Board used the entire net proceeds of each series of Alternate Bonds used to refund and redeem Original Project Bonds, following the payment of the costs of issuance of the such series of Alternate Bonds, to pay the costs of refunding and redeeming such Original Project Bonds, and, if such Alternate Bonds, were, in turn, later refunded and redeemed by one or more series of subsequently issued Alternate Bonds (including any issuances of Alternate Bonds for subsequent refundings and redemptions through the most current series of Alternate Bonds being refunded and redeemed from proceeds of the Bonds as set forth on Schedule I hereof), the entire net proceeds of such series of Alternate Bonds, following the payment of the costs of issuance of such series of Alternate Bonds, were used to pay the costs of such refunding(s) and redemption(s);

(i) the costs of the Project were limited to the costs of such projects and improvements and related expenses identified and described in the Board's approved and published Capital Improvement Program in effect at the time Original Project Bonds were issued and amended from time to time;

(j) to the extent the costs of the Project included administrative expenses, "soft costs" or expenses classified as working capital for purposes of the United States Internal Revenue Code, such expenses were directly related to the Project and would not have been incurred but for the Project and the financing of the Project; and

(k) the Pledged Taxes pledged for a series of the Bonds are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of such series of Bonds.

Except as set forth above, we have not reviewed any other documents with respect to the Board and have conducted no independent investigation with respect to any financing statement, amendment or continuation to a financing statement, federal or state tax lien, federal or state judgment lien, cause of action, complaint or similar document that may be filed by any party against the Board. Except as expressly discussed above, we have made no independent investigation of the facts referred to herein; and have reviewed and relied without independent investigation on the accuracy thereof. We have assumed that the Documents set forth the complete and final understanding of the parties with respect to the Financing. In respect of the opinions requested with respect to the Financing, we believe that our reliance on the representations, covenants and other provisions in the Documents relating to the purposes and permitted uses of the Pledged Taxes and the proceeds of the Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

III. DISCUSSION OF APPLICABLE LAW

Illinois Statutes

The Bonds will be issued pursuant to the provisions of Section 15 of the Act. Section 15, entitled "Double-barrelled bonds" states, in relevant part as follows:

> Whenever revenue bonds have been authorized to be issued pursuant to applicable law or whenever there exists for a governmental unit a

> revenue source,[2] the procedures set forth in this Section may be used by a governing body. General obligation bonds may be issued in lieu of such revenue bonds as authorized, and general obligation bonds may be issued payable from any revenue source. Such general obligation bonds may be referred to as "alternate bonds". Alternate bonds may be issued … only upon the conditions provided in this Section.

30 ILCS 350/15.

Among other required conditions for the issuance of alternate bonds, Section 15(e) of the Act provides that "[t]he enterprise revenues or revenue source, as applicable, *shall be in fact pledged* to the payment of the alternate bonds; and the governing body *shall covenant*, to the extent it is empowered to do so, to provide for, collect and apply such enterprise revenues or revenue source, as applicable, to the payment of the alternate bonds and the provision of not less than an additional .25 (or .10 [times debt service for governmental revenue source such as the state aid payments pledged for the payment of the 2017C Bonds]). 30 ILCS 350/15(e) (emphasis added). Section 15(e) further provides that "[t]he pledge and … the imposition of taxes in a given rate or amount, as provided in this Section for alternate bonds, shall constitute a continuing obligation of the governmental unit with respect to such … imposition and a continuing appropriation of the amounts received." *Id.* The governmental unit's covenants relating to alternate bonds "are enforceable by any bondholder of alternate bonds affected, any taxpayer of the governmental unit, and the People of the State of Illinois acting through the Attorney General." *Id.*

Section 15(e) of the Act provides that "alternate bonds … shall be payable from the levy of taxes as is provided in this Act for general obligation bonds. Section 16 of the Act, entitled "Levy for bonds" states that "[a] governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds … at any time prior to March 1 of the calendar year during which the tax will be collected." 30 ILCS 350/16.

Each Deposit Direction will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

> The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated escrow account* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added).

<u>Bankruptcy Law</u>

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public

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[2] Section 3(l) of the Act defines "revenue source" as "a source of funds, other than enterprise revenues, received or available to be received by a governmental unit and available for any one or more of its corporate purposes." 30 ILCS 350/3(l).

agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Section 901(a) of the Bankruptcy Code incorporates many but not all of the general provisions of the Bankruptcy Code governing cases commenced under other chapters of the Bankruptcy Code. Of particular significance to this opinion letter, Section 901(a) incorporates the automatic stay provisions of Section 362(a) and the lien limitation provisions of Section 552(a) of the Bankruptcy Code.

The Automatic Stay

Section 362(a) of the Bankruptcy Code, which provides for an automatic stay of certain actions and proceedings against the debtor or its property upon the commencement of a bankruptcy case, states, in relevant part, as follows:

> [A] petition filed under section 301, 302, or 303 of this title … operates as a stay, applicable to all entities, of—
>
> (1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title; ….
>
> (3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate;….
>
> (6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title….

Without more, the automatic stay imposed under Section 362(a) of the Bankruptcy Code might prevent the timely payment of municipal bonds after the commencement of a chapter 9 case.[3] However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the "1988 Amendments")) "to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law." S. Rep. No. 100-506, 100th Cong., 2d Sess., 4 (1988). The 1988 Amendments included Section 902(2) of the Bankruptcy Code, which defined the term "special revenues,"[4] and Section 922(d), which created a limited exception to the automatic stay with respect to "pledged special revenues." In particular, Section 922(d) provides that "[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues." 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of "special revenues" pledged to the holder of

3 Section 922(a) of the Bankruptcy Code supplements the automatic stay in chapter 9 cases by also staying (1) any action or proceeding against an officer or inhabitant of the debtor that seeks to enforce a claim against the debtor and (2) the enforcement of a lien on or arising out of taxes or assessments owed to the debtor. 11 U.S.C. § 922(a).

4 A discussion of what constitutes "special revenues" under Section 902(2) of the Bankruptcy Code, as relevant to this opinion letter, is set forth below.

bonds free of the automatic stay. 6 *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2013).

In the one reported decision interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama's chapter 9 case held that "pledged special revenues" as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term "pledged special revenues" as used in Section 922(d) "encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County's chapter 9." *Id.* (Emphasis added.) Accordingly, the court held, "[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these 'pledged special revenues' to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a)." *Id.*

As noted in *Collier*, however, "because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality." *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues and unwilling to apply them to payment of the bonds.

Whether or not particular municipal bonds are payable from special revenues, if they are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee or bondholder is entitled to certain protections from the harm caused by the imposition of the automatic stay.

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Section 362 or 922 is entitled to "adequate protection" of its interest in its collateral. 11 U.S.C. §§ 361, 362, made applicable in chapter 9 by 11 U.S.C. § 901(a); *In re County of Orange*, 179 B.R. 185, 190 (Bankr. C.D. Cal. 1995) (holding bankruptcy court has the power to order County to provide secured noteholders with adequate protection as a condition for the continuance of the automatic stay); *Collier* ¶ 922.04, at 922-8. A secured creditor is entitled to adequate protection of its secured interest to protect against or compensate for any diminution in value of that interest during the bankruptcy case as a result of the debtor's use of, or borrowing against, the property or as a result of the secured creditor being stayed from enforcing its interest. *See Collier* ¶ 361.01, at 361-3. A common example is where a debtor is authorized by the bankruptcy court to use a secured creditor's cash collateral to fund its administrative expenses. Section 361 of the Bankruptcy Code lists the means by which adequate protection may be provided, including cash payments, replacement liens on additional property and other relief that will result in the creditor realizing the "indubitable equivalent" of its secured interest in the debtor's property. 11 U.S.C. § 361. While those means are intended to prevent or to compensate for any further harm, they are not always successful. *Collier* ¶ 922.04, at 922-8. Thus, in chapter 9 cases, Section 922(c) of the Bankruptcy Code further provides that:

> If the debtor provides … adequate protection of the interest of the holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection such creditor has a claim arising from the stay of action against such property under section 362 or 922 of this title … *then such claim shall be allowable as an administrative expense under section 503(b) of this title.*

11 U.S.C. § 922(c) (emphasis added). Administrative expense claims must be paid in full as a condition to confirming a debtor's chapter 9 plan. 11 U.S.C. § 943(b)(5); *see* S. Rep. No. 100-506, 100th Cong., 2d Sess. 11 (1988). Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a revenue source of the debtor and who have been provided with adequate protection are entitled to a priority claim that must be paid in full in connection with the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

> (1) cause, including the lack of adequate protection of an interest in property of such party in interest;
>
> (2) with respect to a stay of an act against property under subsection (a) of this section, if—
>
> (A) the debtor does not have an equity in such property; and
>
> (B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured bondholder in chapter 9 that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

Continuation of Liens During Chapter 9 Case

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) "would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy." *In re Jefferson County, Alabama*, 474 B.R. at 267. "[E]liminating the potential loss of a creditor's lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments]." *Id.* at 268-69.

Therefore, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy "special revenues" of the debtor. Specifically, Section 928(a) provides that "[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of section 552(a). *Collier* ¶ 928.02, at 928-3.

Some industry participants have suggested that the protections of Section 928 were intended to apply only to revenue bonds, which lack the pledge of the municipal debtor's full faith and credit and rely solely on the pledged revenues for payment. *See, e.g.*, Special Revenues Analysis: California School

Districts and Beyond, at 3, published by Fitch Ratings on March 21, 2016, *available as of the date hereof at* www.fitchratings.com. Although there is some support for the suggestion that, in enacting Section 928, Congress was primarily concerned with preserving liens on special revenues securing revenue bonds,[5] the text of Section 928 (as well as Section 922(d)) is not limited to revenue bonds (or even bonds for that matter).[6] Moreover, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "*NBC Report*")[7] provides that "[p]roposed section 92[8] *does not distinguish between bonds backed solely by special revenues and so-called doublebarrelled bonds*. These latter bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes." *NBC Report*, at 21 (emphasis added). Further, several legal commentators have observed that Section 928 should apply with equal force to "double-barreled" bonds. *See Collier* 928.02[2], at 928-5 ("[I]t should not matter whether the security interest arising under the security agreement is recourse or nonrecourse, or in the language of municipal finance, whether the bonds are 'double-barreled.'"); *Robert S. Amdursky, The 1988 Municipal Bankruptcy Amendments: History, Purposes and Effects*, 22 Urban Lawyer 1, 8 (Winter 1990) ("Section 928 does not distinguish between bonds backed solely by special revenues and so-called 'double-barrelled' bonds. Double-barrelled bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes. Section 928 should protect the bondholders' lien on the special revenues securing the double-barrelled bonds."); *see also General Obligation Bonds: State Law, Bankruptcy and Disclosure Considerations*, National Association of Bond Lawyers (August 2014), at 18 ("Although the 1988 Amendments were intended to resolve concerns about treatment of revenue bonds in Chapter 9, holders of general obligation bonds also may be able to take advantage of these provisions if the security pledged for their bonds constitutes special revenues.").

Special Revenues

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of "special revenues." With respect to the Pledged Taxes, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that "special revenues" mean "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." 11 U.S.C. § 902(2)(E).

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5 S*ee* H. Rep. No. 100-1011, 100th Cong., 2d Sess., 4 (1988) (commenting that the termination of liens on post-bankruptcy revenues under Section 552(a) would cause "[t]he post-petition revenues generated by the asset financed [to] … not be used to repay *holders of revenue bonds*. Instead, the revenues would go into the general treasury, for distribution to all creditors of the municipality) (emphasis added).

6 Section 922(d)'s exception to the automatic stay applies to "indebtedness secured by [pledged special] revenues," and Section 928's protection of consensual liens against post-petition property of the debtor applies to liens on special revenues "resulting from any security agreement entered into by the debtor before the commencement of the case." Section 902(2)'s definition of special revenues does not even contain the word "bond".

7 Richard B. Levin and Lawrence P. King, "Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments," included in the Hearings before the Subcommittee on Courts and Administrative Practice of the Committee on the Judiciary, 100th Cong., 2d Sess. at 553 (S. Hrg. 100-1067, June 10, 1988).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. The *NBC Report* contains the following discussion:

> Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute "special revenues." Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

NBC Report, at 19 (emphasis added).

Second, the report of the Senate accompanying its version of the relevant bill (S. 1863) contains the following statements:

> Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be considered special revenues. Likewise, *any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

S. Rep. No. 100-506, 100th Cong., 2d Sess., 14 (1988) (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that "the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy,* where such revenues are meant to serve as security to the bondholders." H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that "[t]o meet the requirement of a 'special revenue' under this provision, taxes must be restricted in use to a specific project or system.… In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute 'special revenues.'" *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds "is not available for general municipal purposes in this case…. [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders." *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax "specifically required the net proceeds of the tax be used exclusively for the District." *Id.* at 148, n.1.

Heffernan is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes. The *Heffernan* decision is also notable, and relevant to the opinions expressed herein, because the special sales taxes were pledged to pay bonds that were, in turn, used to refinance the Heffernan Memorial Hospital District's outstanding indebtedness; the proceeds of the bond sale were used to purchase all claims against the debtor and make all payments due to creditors under its chapter 9 plan. Thus, the case implicitly recognized that the costs of *refinancing* debt used to fund project costs – there the costs of a hospital district – satisfies Section 902(2)(E)'s requirement that the taxes be "levied to *finance* one or more projects or systems." *See In re Heffernan Memorial Hospital District*, 202 B.R. at 148 ("The Authority will generate sufficient proceeds from the Bonds ... to pay creditors in accordance with the Plan. As a result, the District will be indebted to the Authority on account of its 'buying' all claims against the District."). However, the *Heffernan* decision does not suggest that the refinancing issue was raised or challenged by the parties.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra Kings Health Care District passed a resolution to levy "a continuing and direct ad valorem tax" on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at *6, 9-10. The bonds were issued by the debtor "for the purpose of financing the expansion, improvement, acquisition, construction, equipping and renovation of the Hospital." *Id.* at *7. The debtor's resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at *10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as "supported by sound business judgment" of the debtor and "in the best interest of creditors," but was not called upon to decide, and did not decide, whether the parties' stipulations were legally correct. *Id.* at *1.

IV. ANALYSIS

The Pledged Taxes' Qualification as Special Revenues

In the case of the Bonds, the Documents and applicable Illinois statutory law provide a reasonable basis to conclude that the Pledged Taxes should be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

With respect to the first requirement, the Bond Resolution and each of the Indentures provide a reasonable basis to conclude that the Pledged Taxes have been specifically levied to finance one or more projects. Section 3(a) of the Bond Resolution provides that they are "*hereby levied*," "[f]or the purpose of providing funds in addition to the Pledged Revenues to pay the principal of and interest on the Bonds." (Emphasis added.) Section 3(a) further describes the Pledged Taxes as a "direct annual tax" levied at a rate sufficient for each series of Bonds to achieve specified amounts of revenue for each year such series of Bonds is outstanding. Therefore, it is reasonably clear that the Pledged Taxes were "specifically levied" to repay the Bonds. No other purpose is contemplated or permitted by the Bond Resolution. Moreover, the Bond Resolution, which effectuates the levy of the Pledged Taxes, was adopted for the purpose of authorizing the issuance of the Bonds. Thus, as described by the *NBC Report*, the Pledged Taxes have been levied and will be collected, if necessary, "for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax." *NBC Report*, at 19.

Consideration must then be given to the purpose of the Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, we assume that the proceeds of the Bonds will be used only to pay the costs of the Refunding Plan. The Refunding Plan consists of the refunding of various series of Alternate Bonds as more fully set forth above. The net proceeds received by the Board from each series of Outstanding Bonds were either used to pay the costs of the Project or used to refund and redeem Alternate Bonds that can be traced back to Original Project Bonds, as well as to pay interest that became due on and the costs to issue the Outstanding Bonds. The proceeds received by the Board from the sale of each series of Original Project Bonds were used to finance capital improvement costs in connection with the Project as outlined in the Board's then-effective Capital Improvement Program, as well as to pay the costs of issuance of such series of Original Project Bonds.

Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the costs of their respective hospital districts.[8] Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the capital improvement costs of the School District constitute project costs, particularly where such costs were described and itemized in the Board's Capital Improvement Program. We have assumed, based on the Board's obligations with respect to the use of the net proceeds of Original Project Bonds under the Original Project Bond Indentures, that the proceeds of the underlying Original Project Bonds were in fact

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[8] In *Sierra Kings*, the court made clear that the bond proceeds were used to finance capital improvements, 2010 Bankr. LEXIS 6536, at *7, whereas, in *Heffernan*, the court's decision only states that the bond proceeds were used to fund the debtor's chapter 9 plan and does not clarify whether or not the creditor's claims related to capital improvements.

used to pay for capital improvement costs. We note that the costs of the Project may have included administrative expenses, including employee salaries appropriately allocated to the Project or professional fees and expenses, but we assume that all such costs were directly related to the Project and would not have been incurred but for the Project and the financing of the Project. We further assume that the Board did not use the proceeds of the Original Project Bonds, or any Alternate Bonds used to refund and redeem Original Project Bonds and, if such Alternate Bonds, were, in turn, later refunded and redeemed by one or more series of subsequently issued Alternate Bonds (including any issuances of Alternate Bonds for subsequent refundings and redemptions through the most current series of Alternate Bonds being refunded and redeemed pursuant to the Refunding Plan from proceeds of each series of Bonds, as set forth on Schedule II hereof), to pay its general operating expenses. We similarly assume that the Board will not use the proceeds of the Bonds to pay its general operating expenses.

The structure and characteristics of the Original Project Bonds, Alternate Bonds issued to refund and redeem the Original Project Bonds, and the Bonds are largely identical. Each are Alternate Bonds issued under Section 15 of the Act and each is, or was, secured by the same two-stage pledge of general state aid (or PPRT Revenues and/or Intergovernmental Agreement Revenues) and ad valorem property taxes – specially levied at the time of issuance for the purpose of repaying the subject bonds – that is described in this opinion letter with respect to the Bonds. Indeed, under the principles and analysis set forth in this opinion letter, the ad valorem property taxes pledged to the repayment of the Original Project Bonds should have qualified as special revenues under Section 902(2)(E) of the Bankruptcy Code at the time the Original Project Bonds were issued.

The text of Section 902(2)(E) of the Bankruptcy Code refers to taxes issued to "*finance* one or more projects or systems." We believe that a bankruptcy court should conclude that "refinancing" is a subset of "financing" for purposes of Section 902(2)(E) or, alternatively, under the particular facts of this case, view the Financing undertaken by the Board with respect to the Bonds as an indirect continuation of the Original Project Bonds, which were clearly issued for the purpose of funding costs of the Board's Capital Improvement Program. This conclusion is supported by the bankruptcy court's decision in *In re Heffernan Memorial Hospital District*, 202 B.R. at 148-49, which held that sales taxes pledged to pay amounts due on certain revenue bonds qualified as special revenues pursuant to Section 902(2)(E). In that case, the proceeds of the newly issued bonds were not used directly to fund capital improvement costs but were instead used to satisfy the existing indebtedness of the municipal debtor under its chapter 9 plan. Accordingly, we believe there is a reasonable basis to conclude that the costs of the Refunding Plan are costs of one or more projects of the Board and, consequently, that the Bonds will be used, as provided in Section 902(2)(E) to "finance one or more projects".

With respect to the second requirement under Section 902(2)(E), the Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged Taxes may not be used to finance the general expenses of the Board.

The Bonds are alternate bonds issued under Section 15 of the Act and are, therefore, the general obligation bonds of the Board "payable from a revenue source." 30 ILCS 350/15. Pursuant to the 2017C Indenture, the 2017C Bonds are payable and secured by the Series 2017C Pledged State Aid Revenues and the Series 2017C Pledged Taxes. Pursuant to the 2017D Indenture, the 2017D Bonds are payable and secured by the Series 2017D Pledged State Aid Revenues and the Series 2017D Pledged Taxes. Pursuant to the 2017E Indenture, the 2017E Bonds are payable and secured by the Series 2017E Pledged PPRT Revenues and the Series 2017E Pledged Taxes. Pursuant to the 2017F Indenture, the 2017F Bonds are payable and secured by the Series 2017F Pledged PPRT Revenues, the Pledged IGA Revenues and the Series 2017F Pledged Taxes. Section 15(e) of the Act requires that such revenue sources "be in fact pledged to the payment of the [Bonds]," and that the Board covenant … to provide for, collect and apply such … revenue source[s] … to the payment of the [Bonds]." 30 ILCS 350/15(e). Accordingly, Illinois law mandates that the Pledged Taxes be pledged to and used for the payment of the Bonds.[9] Section 15 of the Act provides no authority for the application of the Pledged Taxes to the Board's general operating expenses.

Pursuant to Section 6 of the Bond Resolution and Section 20-90 of the Property Tax Code, the Board has issued the Deposit Direction directing the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, into the Pledged Taxes Accounts maintained by the Trustee under the Indentures. Consistent with the requirements of Section 15(e) of the Act, Section 5.4(B) of the 2017C Indenture, Section 504(B) of the 2017D Indenture, Section 504(A) of the 2017E Indenture and Section 504(B) of the 2017F Indenture require that all Pledged Taxes received by the Trustee shall be applied to the payment of the respective Bonds due during the year in which the Pledged Taxes are collected. In the event that any excess Pledged Taxes remain on December 2nd of any year, after payment of the second and final payment due during a year, the Indentures require that such excess amount "shall be transferred to the Board and … appl[ied] … to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement." Finally, Section 4(e) of the Bond Resolution and corresponding provisions in each of the Indentures, require the Board to file a notice with each of the County Clerks and County Collectors directing the abatement of the Pledged Taxes reducing the Pledged Taxes for a series of Bonds for any year in which the amount levied is greater than the amount required to pay such series of Bonds, after taking into account the Pledged State Aid Revenues, Pledged PPRT Revenues and/or Pledged IGA Revenues, as the case may be.

Based on the foregoing, the Board has no access to, or authority to use, the Pledged Taxes for any purpose other than to pay the Bonds. To the extent extended and collected, the Pledged Tax revenues will be deposited directly with the Trustee and must be applied by the Trustee to the payment of the Bonds. To the extent there is any excess Pledged Taxes after paying the amounts due on the Bonds during a given year, the School District's taxpayers – the same tax base that would have provided the Pledged Tax revenues – will receive a credit in the form of an abatement of the Education Fund tax levy. Similarly, if the Pledged Taxes are not needed because Pledged State Aid Revenues, Pledged PPRT Revenues and/or Pledged IGA Revenues, as the case may be, are sufficient, the Board is required to abate the levy of the Pledged Taxes for that year. Thus, assuming the Documents are complied with, the Pledged Taxes cannot be used to pay the general operating expenses of the Board.

Exemption from the Automatic Stay

As we conclude the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), if the Board commenced a chapter 9 case, the County Collectors and the Trustee should continue to be able to, respectively, transfer and apply the Pledged Taxes to the payment of the Bonds in accordance with the terms of the Deposit Directions and the Indentures, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based

[9] Although we express no opinion as to whether Section 15(e) of the Act creates a statutory lien on the Pledged State Aid Revenues, the Pledged PPRT Revenues, the Pledged IGA Revenues or the Pledged Taxes for purposes Section 101(53) of the Bankruptcy Code, there is a reasonable basis to conclude that it does even though the Board has also granted liens on such revenues pursuant to the terms of the various Indentures. *See In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995) (holding that California created a statutory lien on the County's revenues where the applicable statute "permits the County to decide whether to pledge, and what to pledge. But the statute itself imposes the pledge, without further action by the County.").

on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged Taxes in the possession of the County Collectors or the Trustee at the time a chapter 9 case is commenced as well as Pledged Taxes that may be collected during the chapter 9 case. However, to the extent that, notwithstanding the Deposit Directions, the Board obtains possession of the Pledged Taxes (other than excess amounts), there is a risk that the payment of the Bonds will be stayed and that the Trustee will be required to seek appropriate relief from the bankruptcy court. We express no opinion regarding the Board's power to revoke the Deposit Directions or the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief.

Continuation of Lien on Pledged Taxes

Moreover, since the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), pursuant to Section 928(a) of the Bankruptcy Code the liens granted to the Trustee under the Indentures on the Pledged Taxes should remain valid and enforceable against any Pledged Taxes collected during a bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged Taxes collected prior to the commencement of such case.

Therefore, even if application of the Pledged Taxes to the payment of the Bonds is stayed, the Trustee, on behalf of the holders of the Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged Taxes, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged Taxes, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged Taxes before sharing pro rata in the Board's general treasury funds with unsecured creditors to the extent of any deficiency. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.[10]

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[10] To the extent that Pledged State Aid Revenues, Pledged PPRT Revenues and/or Pledged IGA Revenues, as the case may be, are deposited by the Board or Escrow Agent with the Trustee in an amount sufficient to pay the Bonds for the year and abate the Pledged Taxes and, thereafter, but prior to the actual payment of the Bonds for the year, the Board commences a chapter 9 case, the Trustee should nonetheless be found to hold an enforceable first priority lien against the Pledged State Aid Revenues, the Pledged PPRT Revenues and/or Pledged IGA Revenues, as the case may be (any such revenues, "Pledged Revenues"), to the extent in the Trustee's possession. We reach this conclusion because, under such facts, the Pledged Revenues would be property of the Board acquired *before* the commencement of its bankruptcy case such that Section 552(a) of the Bankruptcy Code would not affect the continuing validity of the Trustee's liens on such revenues. In addition, the Pledged Revenues would be held by the Trustee in segregated accounts, and thus likely to be considered subject to a perfected lien. Accordingly, in this situation, the Trustee would be entitled to assert the various rights of a secured creditor, as discussed herein, with respect to such Pledged Revenues. We do not conclude, however, that the Pledged Revenues are special revenues under Section 902(2) of the Bankruptcy Code and we express no opinion regarding the potential impact of the automatic stay upon the Trustee's ability to apply the Pledged Revenues to payment of the Bonds or regarding the ability of the Board to use such Pledged Revenues in its bankruptcy case, subject to providing adequate protection to the Trustee.

V. OPINIONS

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application by the Trustee of the Series 2017C Pledged Taxes to the payment of the 2017C Bonds, the Series 2017D Pledged Taxes to the payment of the 2017D Bonds, the Series 2017E Pledged Taxes to the payment of the 2017E Bonds, and the Series 2017F Pledged Taxes to the payment of the 2017F Bonds, should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the respective Indentures.

VI. QUALIFICATIONS AND LIMITATIONS

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this transaction. In particular, we found no reported cases that specifically address the meaning of the terms "finance" and "one or more projects" under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court's analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court should reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a State's authority to control its municipalities. These considerations may allow a bankruptcy court properly, among other things, to authorize the Board's use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board's property notwithstanding such property's status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Moreover, proceedings for reorganization under the Bankruptcy Code are usually complex multilateral negotiations with the threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions, 46 Bus.

Law. 717 (February 1991), and incorporate herein by reference the discussion of limitations and uncertainties involved in opinions of this nature discussed therein.

We express no opinion as to the law of any jurisdiction other than the federal bankruptcy laws of the United States of America or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion letter may be furnished to, but may not be relied upon by, the Board's professional advisers, municipal bond rating agencies engaged by the Board for the purpose of rating the 2017C Bonds, the 2017D Bonds, the 2017E Bonds and/or the 2017F Bonds and the professional advisers of any such rating agencies. We further consent to the inclusion of a copy of this opinion letter in the appendices to the preliminary official statement and the official statement with respect to the public offering of the Bonds.

Very truly yours,

KATTEN MUCHIN ROSENMAN LLP

SCHEDULE I

Tracing of Outstanding Bonds to Original Project Bonds

Series of Outstanding Bonds	Series of Original Project Bonds and Each Series of Refunding Alternate Bonds
Series 2005B	1997 Bonds, 2001A Bonds and 2001C Bonds
Series 2007B	1997 Bonds and 1997A Bonds
Series 2007C	1997 Bonds and 1997A Bonds
Series 2011C-1	2000C Bonds and 2000D Bonds
Series 2011C-2	2000C Bonds and 2000D Bonds
Series 2013A-1	2004C-1 Bonds; 2004C-2 Bonds; 2005D-1 Bonds; 2005D-2 Bonds; 2005E Bonds; 2009A-1 Bonds; 2009A-2 Bonds; 2009B Bonds; 2010A Bonds and 2010B Bonds
Series 2013A-2	2004C-1 Bonds; 2004C-2 Bonds; 2005D-1 Bonds; 2005D-2 Bonds; 2005E Bonds; 2009A-1 Bonds; 2009A-2 Bonds; 2009B Bonds; 2010A Bonds and 2010B Bonds
Series 2015A	2000B Bonds
Series 2015G	2000C Bonds and 2011D Bonds

APPENDIX K-2
FORM OF SPECIAL REVENUES OPINION
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES),
SERIES 2017G

November 30, 2017

Board of Education of the City of Chicago
42 West Madison Street
Chicago, Illinois 60602

Re: Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G – Special Revenues Opinion

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the "Board") in connection with the Board's issuance of its Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G in the aggregate principal amount of $126,500,000 (the "2017G Bonds"), issued pursuant to that certain Trust Indenture, dated as of November 1, 2017 (the "2017G Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as Trustee (the "Trustee").

The Board authorized its issuance of the 2017G Bonds pursuant to the following resolutions: (i) Resolution No. 16-0824-RS5, adopted by the Board on August 24, 2016 (the "Authorizing Resolution"), and (ii) Resolution No. 17-0828-RS6, adopted by the Board on August 28, 2017 (the "August Resolution") as amended by Resolution No. 17-1025-RS6, adopted by the Board on October 25, 2017 (together with the August Resolution, the "Bond Resolution"). The Bond Resolution, together with the Authorizing Resolution, are referred to herein as the "Resolutions"). The Board's issuance of the 2017G Bonds pursuant to the 2017G Indenture and the Bond Resolution is referred to herein as the "Financing."

In preparing this opinion letter, we have reviewed the 2017G Indenture, the Resolutions, the Tax Exemption Certificate and Agreement, by and between the Board and the Trustee, dated November 30, 2017 (the "TECA"), that certain Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G of the Board of Education of the City of Chicago, dated November 20, 2017 (the "Deposit Direction") and applicable statutes of the State of Illinois and the United States, as referenced herein. The 2017G Indenture, the Bond Resolution, the TECA and the Deposit Direction are referred to herein, collectively, as the "2017G Documents."

The 2017G Documents and the Authorizing Resolution are hereinafter collectively referred to as the "Documents".

The Financing will be used to finance a refunding plan (the "Refunding Plan") to restructure existing indebtedness of the Board by refunding various installments of principal and interest on certain of its outstanding Alternate Bonds (as defined below), as more fully set forth on Schedule I hereto (the "Outstanding Bonds"), as well as to pay the costs to issue the 2017G Bonds.

Payment of the 2017G Bonds is secured by, *inter alia*, the Board's pledge of and its granting of liens upon (i) State Aid payments to be made to the Board by the State of Illinois pursuant to Article 18 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code"), in the amounts specified in the 2017G Indenture (the "Pledged State Aid Revenues"), (ii) Personal Property Replacement Tax ("PPRT") revenue payments to be made to the Board by the State of Illinois pursuant to Section 12 of the Illinois State Revenue Sharing Act, 30 Illinois Compiled Statutes 115 (the "State Revenue Sharing Act"), in the amounts specified in the 2017G Indenture (the "Pledged PPRT Revenues") and (ii) *ad valorem* property taxes levied by the Board pursuant to the Bond Resolution against all of the taxable property within the school district of the City of Chicago, Illinois (the "School District"), without limitation as to rate or amount (the "Pledged Taxes") in favor of the Trustee for the benefit of the holders of the 2017G Bonds.

Capitalized terms used but not defined herein have the meanings assigned to them in the 2017G Indenture.

I. OPINIONS REQUESTED

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a "bankruptcy court") and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the "Bankruptcy Code") should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the Pledged Taxes by the Trustee to the payment of the 2017G Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the 2017G Indenture.

II. ASSUMPTIONS

We have examined the Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Documents and that the Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Documents submitted to us as originals; (d) the conformity of the Documents submitted to us as copies to the executed and delivered originals thereof; (e) the genuineness of all signatures on all Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Documents or otherwise in connection with the transactions contemplated by the Documents; (g) the representations and warranties of the Board set forth in the Documents are true as of the date hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee and the County Clerks and County Collectors (each, as defined below) have performed and will perform its obligations under applicable Illinois law and the Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of the 2017G Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

Summary of Financing

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the school district of the City of Chicago, Illinois (the "School District") and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

In accordance with the provisions of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act"), on August 24, 2016, the Board adopted the Authorizing Resolution authorizing the issuance of Alternate Bonds (as defined in Section 3 of the Act), in an amount not to exceed $945,000,000, and with respect to such Alternate Bonds (i) completed the backdoor referendum proceedings required by Section 15 of the Act and (ii) complied with the notice and hearing requirements of the Bond Issue Notification Act, 30 Illinois Compiled Statutes 352 (the "Notification Act"), thereby authorizing the Board to issue such Alternate Bonds up to said amount.

On August 28, 2017, as amended on October 25, 2017, the Board adopted the Bond Resolution authorizing the issuance of the 2017G Bonds for the purposes stated in the Bond Resolution as further described and limited in the 2017G Indenture. Specifically, the Bond Resolution reflects the Board's determination that is in the best interest of the School Board to restructure its indebtedness by refunding various installments of principal of and interest on the Outstanding Bonds.

Refunding and the Project

The Refunding Plan consists of the payment of various installments of interest on and principal of the Outstanding Bonds which will come due after the date hereof, as more fully set forth on Schedule I hereto.

From time to time, the Board approves its Capital Improvement Program for one or more subsequent fiscal years, which identifies various projects and associated budgets to construct, acquire and equip school and administrative buildings, perform site improvements and acquire and improve other real and personal property in and for School District (as from time to time amended by resolution of the Board, the "Project"). Each of the Outstanding Bonds subject to the Refunding Plan are Alternate Bonds that either were used to fund the Project (and the costs of issuing such Alternate Bonds) or to refund previous Alternate Bonds that can ultimately be traced directly back to Alternate Bonds, the proceeds of which were used to fund the Project (each such series of Alternate Bonds, the proceeds of which were used directly to fund the Project, "Original Project Bonds"). Attached as Schedule II hereto is a list tracing Outstanding Bonds used to refund and redeem Alternate Bonds back to the Original Project Bonds.

The indenture for each series of Original Project Bonds sets forth limitations on the Board's ability to access and use proceeds of such Original Project Bonds (each such indenture, an "Original Project Bond Indenture"). Under each Original Project Bond Indenture, the net proceeds of such Original Project Bonds issued thereunder were deposited in a Project Fund in the bond trustee's name for payment of the costs of the Project. The bond trustee was required to pay out moneys on deposit in the Project Fund to the Board in order to provide for the payment of Project costs only upon receipt by the trustee of a certificate of an authorized officer of the Board describing the Project costs to be paid and stating, *inter alia*, (i) that the costs are necessary and appropriate costs of the Project, (ii) the amount to be paid is reasonable and (iii) that no part of the requested payment was included in any prior certificate provided to the bond trustee.

Based on the Board's obligations under the Original Project Bond Indentures, we assume that all funds received from the sale of each series of Original Project Bonds were applied in compliance with the respective Original Project Bond Indenture and that all net proceeds of each series of Original Project Bonds, following the payment of the costs of issuance of such Original Project Bonds, were used to pay the costs of the Project, interest due on such Original Project Bonds and administrative expenses of the bond trustee**.**

Pledged Taxes

The 2017G Bonds are payable from and secured by a valid lien upon and pledge of the Pledged State Aid Revenues, the Pledged PPRT Revenues and the Pledged Taxes. Under Section 3(a) of the Bond Resolution, the Board levied the Pledged Taxes upon all of the taxable property within the School District, in the years for which any of the 2017G Bonds are outstanding, for the stated purpose of providing funds, in addition to the Pledged State Aid Revenues, the Pledged PPRT Revenues and any other available revenues, to pay the principal of and interest on the 2017G Bonds. Section 3(a) of the Bond Resolution further provides that the Pledged Taxes shall be a "direct annual tax" in an amount sufficient to produce the yearly sums set forth therein for each year the 2017G Bonds are outstanding. Section 3(b) of the Bond Resolution provides that the County Clerks of the Counties of Cook and DuPage, Illinois (the "County Clerks") shall ascertain the tax rate required to produce the aggregate Pledged Taxes specified in Section 3(a) of the Bond Resolution and shall extend the Pledged Taxes for collection on behalf of the Board. The Pledged Taxes have been levied for the years 2017 through and including 2043. For each year, the levy of the Pledged Taxes immediately precedes the year in which the Pledged Taxes are to be extended and collected. The Series 2017G Bonds consist of two term bonds, a $75,635,000 term bond maturing on December 1, 2034 (the "2034 Term Bond") and a $50,865,000 term bond maturing on December 1, 2044 (the "2044 Term Bond").

Deposit of Pledged Taxes with Trustee

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200/20-90 (the "Property Tax Code") and Section 6 of the Bond Resolution, the Designated Officials of the Board are authorized to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the "County Collectors") to deposit the collections of the Pledged Taxes directly with an escrow agent designated by the Board in order to secure the payment of the 2017G Bonds. On November 20, 2017, the Board's Senior Vice President of Finance (who is among the Designated Officials under the Bond Resolution) issued the Deposit Direction to the County Collectors, pursuant to which the Board has directed the County Collectors to transfer the collections of the Pledged Taxes directly to the Trustee for deposit by the Trustee into the Pledged Taxes Account established pursuant to the 2017G Indenture. Section 504(B) of the 2017G Indenture, in turn, provides that all Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the 2017G Bonds due during the calendar year in which said Pledged Taxes are collected.

Section 706(A) of the 2017G Indenture provides that, as long as any of the 2017G Bonds remain outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in Illinois law, and procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; provided that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the

Pledged Taxes to be collected in any year. Any modification of the Deposit Direction in a manner not permitted by the 2017G Indenture is an Event of Default thereunder.

We assume that certified copies of the Bond Resolution have been or will be timely filed with each of the County Clerks and County Collectors.

Payment of 2017G Bonds; Extension and Abatement of Pledged Taxes

The 2034 Term Bond is subject to mandatory redemption from annual sinking fund payments on December 1 of each of the years 2031 to 2033, both inclusive. The 2044 Term Bond is subject to mandatory redemption from annual sinking fund payments on December 1, 2043. The 2017G Bonds bear interest from their date payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 of each year.

Pursuant to Section 504(A) of the 2017G Indenture, on or before February 15th of each year or such earlier date as may be necessary to permit the lawful abatement of the Pledged Taxes as provided in Sections 504(A) and 706(B) of the 2017G Indenture (the "Deposit Date"), the Board is required to deposit Pledged State Aid Revenues into the State Aid Revenues Sub-Account and the Pledged PPRT Revenues into the Deposit Sub-Account maintained by the Trustee in such amounts as are necessary to cause the amount on deposit in those accounts to equal the total interest on and principal of the 2017G Bonds that will become due and payable during the current Bond Year in which the Deposit Date occurs.[1] In any given year, provided that the Board has timely deposited the required amount of Pledged State Aid Revenues into the State Aid Revenues Sub-Account and the Pledged PPRT Revenues into the Deposit Sub-Account, pursuant to Section 504(A) and 706(B) of the 2017G Indenture, the Board is required to file a notice with each of the County Clerks and County Collectors directing the abatement of the Pledged Taxes levied for the preceding calendar year, which would otherwise be extended and collected during such calendar year the Pledged State Aid Revenues and the Pledged PPRT Revenues are deposited with the Trustee. If, by February 15th of a given year, the amounts of Pledged State Aid Revenues deposited into the State Aid Revenues Sub-Account and Pledged PPRT Revenues into the Deposit Sub-Account are insufficient to pay the amounts due on the 2017G Bonds during the current Bond Year, under the terms of the Bond Resolution, the 2017G Indenture and the Deposit Direction, the Pledged Taxes are to be extended for collection in such amounts as necessary to provide sufficient funds to the Trustee to satisfy the amount of interest and principal that will become due and payable on the 2017G Bonds during that Bond Year. Accordingly, under the terms of the Documents, the Pledged Taxes are required to be extended for collection every year, unless, and only to the extent that, the Board directs the County Clerks and County Collectors to abate the Pledged Taxes.

As discussed above, Section 504(B) of the 2017G Indenture expressly requires that all Pledged Taxes received by the Trustee be applied to the payments due on 2017G Bonds during the year in which said Pledged Taxes are collected. In addition, Section 504(B) of the 2017G Indenture provides that –

> All amounts remaining in the Pledged Taxes Account on December 2 of any Year [the day after the final payment of the year is due] shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board *and apply such moneys to the abatement*

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[1] "Bond Year" is defined in the 2017G Indenture as each annual period beginning on December 2nd of a calendar year to and including December 1st of the next succeeding calendar year.

of the first Educational Fund tax levy for which the County Clerks will accept an abatement.

(Emphasis added.) Therefore, pursuant to Section 504(B), any excess Pledged Taxes after the payments due on the 2017G Bonds are made in a given Bond Year are credited back to the School District's taxpayers in the form of an abatement to the Educational Fund tax levy and may not be used by the Board.

Additional Assumptions

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and compliance with the covenants set forth in Article III and Sections 501, 502, 503, 504, 705, and 706 of the 2017G Indenture. We further assume the following:

(a) the Board has not, and as long as the 2017G Bonds remain outstanding, will not amend, modify, revoke or attempt to revoke or replace or attempt to replace the Deposit Direction with any instruction, direction or notice to the County Collectors materially inconsistent with the Deposit Direction;

(b) the Board has not, and as long as the 2017G Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Resolutions or the specific authorizations and other terms thereof or that amends or modifies the Resolutions in any manner that is materially inconsistent with the Resolutions or the facts and assumptions set forth in this opinion letter;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the 2017G Bonds and the 2017G Indenture shall be the valid, binding and legal general obligations of the Board, and the 2017G Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the 2017G Bonds, on each of the Pledged State Aid Revenues, the Pledged PPRT Revenues, and the Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2017G Bonds;

(d) No statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the 2017G Bonds, to levy and abate the Pledged Taxes and to direct the transfer and application of the Pledged Taxes as contemplated and required by the Documents, including, without limitation, Section 15 of the Act, applicable provisions of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the 2017G Bonds, and the holders of the 2017G Bonds as long as the 2017G Bonds remain outstanding;

(e) The Board is duly authorized under Illinois law to levy the Pledged Taxes for each year the 2017G Bonds are outstanding and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Pledged Taxes under the Bond Resolution;

(f) the Board will not use or assert the right to use the proceeds of the 2017G Bonds except to pay the costs of the Refunding Plan;

(g) the Board used the entire net proceeds of each series of Original Project Bonds, following the payment of the costs of issuance of such series of Original Project Bonds, to pay the costs of the Project, including capitalized interest on the Original Project Bonds;

(h) the Board used the entire net proceeds of each series of Alternate Bonds used to refund and redeem Original Project Bonds, following the payment of the costs of issuance of the such series of Alternate Bonds, to pay the costs of refunding and redeeming such Original Project Bonds, and, if such Alternate Bonds, were, in turn, later refunded and redeemed by one or more series of subsequently issued Alternate Bonds (including any issuances of Alternate Bonds for subsequent refundings and redemptions through the most current series of Alternate Bonds being refunded and redeemed from proceeds of the 2017G Bonds as set forth on Schedule II hereof), the entire net proceeds of such series of Alternate Bonds, following the payment of the costs of issuance of such series of Alternate Bonds, were used to pay the costs of such refunding(s) and redemption(s);

(i) the costs of the Project were limited to the costs of such projects and improvements and related expenses identified and described in the Board's approved and published Capital Improvement Program in effect at the time Original Project Bonds were issued and amended from time to time;

(j) to the extent the costs of the Project included administrative expenses, "soft costs" or expenses classified as working capital for purposes of the United States Internal Revenue Code, such expenses were directly related to the Project and would not have been incurred but for the Project and the financing of the Project; and

(k) the Pledged Taxes are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of the 2017G Bonds.

Except as set forth above, we have not reviewed any other documents with respect to the Board and have conducted no independent investigation with respect to any financing statement, amendment or continuation to a financing statement, federal or state tax lien, federal or state judgment lien, cause of action, complaint or similar document that may be filed by any party against the Board. Except as expressly discussed above, we have made no independent investigation of the facts referred to herein; and have reviewed and relied without independent investigation on the accuracy thereof. We have assumed that the Documents set forth the complete and final understanding of the parties with respect to the Financing. In respect of the opinions requested with respect to the Financing, we believe that our reliance on the representations, covenants and other provisions in the Documents relating to the purposes and permitted uses of the Pledged Taxes and the proceeds of the 2017G Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

III. DISCUSSION OF APPLICABLE LAW

Illinois Statutes

The 2017G Bonds will be issued pursuant to the provisions of Section 15 of the Act. Section 15, entitled "Double-barrelled bonds" states, in relevant part as follows:

> Whenever revenue bonds have been authorized to be issued pursuant to applicable law or whenever there exists for a governmental unit a revenue source,[2] the procedures set forth in this Section may be used by a governing body. General obligation bonds may be issued in lieu of such revenue bonds as authorized, and general obligation bonds may be issued payable from any revenue source. Such general obligation bonds may be referred to as "alternate bonds". Alternate bonds may be issued … only upon the conditions provided in this Section.

30 ILCS 350/15.

Among other required conditions for the issuance of alternate bonds, Section 15(e) of the Act provides that "[t]he enterprise revenues or revenue source, as applicable, *shall be in fact pledged* to the payment of the alternate bonds; and the governing body *shall covenant*, to the extent it is empowered to do so, to provide for, collect and apply such enterprise revenues or revenue source, as applicable, to the payment of the alternate bonds and the provision of not less than an additional .25 (or .10 [times debt service for governmental revenue source]). 30 ILCS 350/15(e) (emphasis added). Section 15(e) further provides that "[t]he pledge and … the imposition of taxes in a given rate or amount, as provided in this Section for alternate bonds, shall constitute a continuing obligation of the governmental unit with respect to such … imposition and a continuing appropriation of the amounts received." *Id.* The governmental unit's covenants relating to alternate bonds "are enforceable by any bondholder of alternate bonds affected, any taxpayer of the governmental unit, and the People of the State of Illinois acting through the Attorney General." *Id.*

Section 15(e) of the Act provides that "alternate bonds … shall be payable from the levy of taxes as is provided in this Act for general obligation bonds. Section 16 of the Act, entitled "Levy for bonds" states that "[a] governmental unit may levy a tax for the payment of principal of and interest on general obligation bonds … at any time prior to March 1 of the calendar year during which the tax will be collected." 30 ILCS 350/16.

The Deposit Direction will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

> The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated escrow account* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing

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2 Section 3(l) of the Act defines "revenue source" as "a source of funds, other than enterprise revenues, received or available to be received by a governmental unit and available for any one or more of its corporate purposes." 30 ILCS 350/3(l).

> authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added).

Bankruptcy Law

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Section 901(a) of the Bankruptcy Code incorporates many but not all of the general provisions of the Bankruptcy Code governing cases commenced under other chapters of the Bankruptcy Code. Of particular significance to this opinion letter, Section 901(a) incorporates the automatic stay provisions of Section 362(a) and the lien limitation provisions of Section 552(a) of the Bankruptcy Code.

The Automatic Stay

Section 362(a) of the Bankruptcy Code, which provides for an automatic stay of certain actions and proceedings against the debtor or its property upon the commencement of a bankruptcy case, states, in relevant part, as follows:

> [A] petition filed under section 301, 302, or 303 of this title … operates as a stay, applicable to all entities, of—
>
> (1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title; ….
>
> (3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate;….
>
> (6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title….

Without more, the automatic stay imposed under Section 362(a) of the Bankruptcy Code might prevent the timely payment of municipal bonds after the commencement of a chapter 9 case.[3] However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the "1988 Amendments")) "to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law." S. Rep. No. 100-506,

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[3] Section 922(a) of the Bankruptcy Code supplements the automatic stay in chapter 9 cases by also staying (1) any action or proceeding against an officer or inhabitant of the debtor that seeks to enforce a claim against the debtor and (2) the enforcement of a lien on or arising out of taxes or assessments owed to the debtor. 11 U.S.C. § 922(a).

100th Cong., 2d Sess., 4 (1988). The 1988 Amendments included Section 902(2) of the Bankruptcy Code, which defined the term "special revenues,"[4] and Section 922(d), which created a limited exception to the automatic stay with respect to "pledged special revenues." In particular, Section 922(d) provides that "[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues." 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of "special revenues" pledged to the holder of bonds free of the automatic stay. 6 *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2013).

In the one reported decision interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama's chapter 9 case held that "pledged special revenues" as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term "pledged special revenues" as used in Section 922(d) "encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County's chapter 9." *Id.* (Emphasis added.) Accordingly, the court held, "[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these 'pledged special revenues' to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a)." *Id.*

As noted in *Collier*, however, "because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality." *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues and unwilling to apply them to payment of the bonds.

Whether or not particular municipal bonds are payable from special revenues, if they are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee or bondholder is entitled to certain protections from the harm caused by the imposition of the automatic stay.

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Section 362 or 922 is entitled to "adequate protection" of its interest in its collateral. 11 U.S.C. §§ 361, 362, made applicable in chapter 9 by 11 U.S.C. § 901(a); *In re County of Orange*, 179 B.R. 185, 190 (Bankr. C.D. Cal. 1995) (holding bankruptcy court has the power to order County to provide secured noteholders with adequate protection as a condition for the continuance of the automatic stay); *Collier* ¶ 922.04, at 922-8. A secured creditor is entitled to adequate protection of its secured interest to protect against or compensate for any diminution in value of that interest during the bankruptcy case as a result of the debtor's use of, or borrowing against, the property or as a result of the secured creditor being stayed from enforcing its interest. *See Collier* ¶ 361.01, at 361-3. A common example is where a debtor is authorized by the bankruptcy court to use a secured creditor's cash collateral to fund its administrative expenses. Section 361 of the Bankruptcy Code lists the means by which adequate protection may be provided, including cash payments, replacement liens on additional property and other relief that will result in the creditor realizing the "indubitable equivalent" of its secured interest in the debtor's property.

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[4] A discussion of what constitutes "special revenues" under Section 902(2) of the Bankruptcy Code, as relevant to this opinion letter, is set forth below.

11 U.S.C. § 361. While those means are intended to prevent or to compensate for any further harm, they are not always successful. *Collier* ¶ 922.04, at 922-8. Thus, in chapter 9 cases, Section 922(c) of the Bankruptcy Code further provides that:

> If the debtor provides … adequate protection of the interest of the holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection such creditor has a claim arising from the stay of action against such property under section 362 or 922 of this title … *then such claim shall be allowable as an administrative expense under section 503(b) of this title.*

11 U.S.C. § 922(c) (emphasis added). Administrative expense claims must be paid in full as a condition to confirming a debtor's chapter 9 plan. 11 U.S.C. § 943(b)(5); *see* S. Rep. No. 100-506, 100th Cong., 2d Sess. 11 (1988). Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a revenue source of the debtor and who have been provided with adequate protection are entitled to a priority claim that must be paid in full in connection with the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

> (1) cause, including the lack of adequate protection of an interest in property of such party in interest;
>
> (2) with respect to a stay of an act against property under subsection (a) of this section, if—
>
> (A) the debtor does not have an equity in such property; and
>
> (B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured bondholder in chapter 9 that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

Continuation of Liens During Chapter 9 Case

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) "would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy." *In re Jefferson County, Alabama*, 474 B.R. at 267. "[E]liminating the potential loss of a creditor's lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments]." *Id.* at 268-69.

Therefore, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy "special revenues" of the debtor. Specifically, Section 928(a) provides that "[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of section 552(a). *Collier* ¶ 928.02, at 928-3.

Some industry participants have suggested that the protections of Section 928 were intended to apply only to revenue bonds, which lack the pledge of the municipal debtor's full faith and credit and rely solely on the pledged revenues for payment. *See, e.g.*, Special Revenues Analysis: California School Districts and Beyond, at 3, published by Fitch Ratings on March 21, 2016, *available at* www.fitchratings.com. Although there is some support for the suggestion that, in enacting Section 928, Congress was primarily concerned with preserving liens on special revenues securing revenue bonds,[5] the text of Section 928 (as well as Section 922(d)) is not limited to revenue bonds (or even bonds for that matter).[6] Moreover, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "*NBC Report*")[7] provides that "[p]roposed section 92[8] *does not distinguish between bonds backed solely by special revenues and so-called doublebarrelled bonds*. These latter bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes." *NBC Report*, at 21 (emphasis added). Further, several legal commentators have observed that Section 928 should apply with equal force to "double-barreled" bonds. *See Collier* ¶ 928.02[2], at 928-5 ("[I]t should not matter whether the security interest arising under the security agreement is recourse or nonrecourse, or in the language of municipal finance, whether the bonds are 'double-barreled.'"); *Robert S. Amdursky, The 1988 Municipal Bankruptcy Amendments: History, Purposes and Effects*, 22 Urban Lawyer 1, 8 (Winter 1990) ("Section 928 does not distinguish between bonds backed solely by special revenues and so-called 'double-barrelled' bonds. Double-barrelled bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes. Section 928 should protect the bondholders' lien on the special revenues securing the double-barrelled bonds."); *see also General Obligation Bonds: State Law, Bankruptcy and Disclosure Considerations*, National Association of Bond Lawyers (August 2014), at 18 ("Although the 1988 Amendments were intended to resolve concerns about treatment of revenue bonds in Chapter 9, holders of general obligation bonds also may be able to take advantage of these provisions if the security pledged for their bonds constitutes special revenues.").

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5 S*ee* H. Rep. No. 100-1011, 100th Cong., 2d Sess., 4 (1988) (commenting that the termination of liens on post-bankruptcy revenues under Section 552(a) would cause "[t]he post-petition revenues generated by the asset financed [to] … not be used to repay *holders of revenue bonds*. Instead, the revenues would go into the general treasury, for distribution to all creditors of the municipality) (emphasis added).

6 Section 922(d)'s exception to the automatic stay applies to "indebtedness secured by [pledged special] revenues," and Section 928's protection of consensual liens against post-petition property of the debtor applies to liens on special revenues "resulting from any security agreement entered into by the debtor before the commencement of the case." Section 902(2)'s definition of special revenues does not even contain the word "bond".

7 Richard B. Levin and Lawrence P. King, "Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments," included in the Hearings before the Subcommittee on Courts and Administrative Practice of the Committee on the Judiciary, 100th Cong., 2d Sess. at 553 (S. Hrg. 100-1067, June 10, 1988).

Special Revenues

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of "special revenues." With respect to the Pledged Taxes, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that "special revenues" mean "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." 11 U.S.C. § 902(2)(E).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. The *NBC Report* contains the following discussion:

> Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute "special revenues." Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

NBC Report, at 19 (emphasis added).

Second, the report of the Senate accompanying its version of the relevant bill (S. 1863) contains the following statements:

> Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be considered special revenues. Likewise, *any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

S. Rep. No. 100-506, 100th Cong., 2d Sess., 14 (1988) (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that "the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy,* where such revenues are meant to serve as security to the bondholders." H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that "[t]o meet the requirement of a 'special revenue' under this provision, taxes must be restricted in use to a specific project or system.… In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute 'special revenues.'" *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds "is not available for general municipal purposes in this case…. [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders." *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax "specifically required the net proceeds of the tax be used exclusively for the District." *Id.* at 148, n.1.

Heffernan is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes. The *Heffernan* decision is also notable, and relevant to the opinions expressed herein, because the special sales taxes were pledged to pay bonds that were, in turn, used to refinance the Heffernan Memorial Hospital District's outstanding indebtedness; the proceeds of the bond sale were used to purchase all claims against the debtor and make all payments due to creditors under its chapter 9 plan. Thus, the case implicitly recognized that the costs of *refinancing* debt used to fund project costs – there the costs of a hospital district – satisfies Section 902(2)(E)'s requirement that the taxes be "levied to *finance* one or more projects or systems." *See In re Heffernan Memorial Hospital District*, 202 B.R. at 148 ("The Authority will generate sufficient proceeds from the Bonds ... to pay creditors in accordance with the Plan. As a result, the District will be indebted to the Authority on account of its 'buying' all claims against the District."). However, the *Heffernan* decision does not suggest that the refinancing issue was raised or challenged by the parties.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72 Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra Kings Health Care District passed a resolution to levy "a continuing and direct ad valorem tax" on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at *6, 9-10. The bonds were issued by the debtor "for the purpose of financing the expansion, improvement, acquisition, construction, equipping and renovation of the Hospital." *Id.* at *7. The debtor's resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at *10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as "supported by sound business judgment" of the debtor and "in the best interest of creditors," but was not called upon to decide, and did not decide, whether the parties' stipulations were legally correct. *Id.* at *1.

IV. ANALYSIS

The Pledged Taxes' Qualification as Special Revenues

In the case of the 2017G Bonds, the Documents and applicable Illinois statutory law provide a reasonable basis to conclude that the Pledged Taxes should be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

With respect to the first requirement, the Bond Resolution and the 2017G Indenture provide a reasonable basis to conclude that the Pledged Taxes have been specifically levied to finance one or more projects. Section 3(a) of the Bond Resolution provides that they are "*hereby levied*," "[f]or the purpose of providing funds in addition to the Pledged Revenues to pay the principal of and interest on the [2017G] Bonds." (Emphasis added.) Section 3(a) further describes the Pledged Taxes as a "direct annual tax" levied at a rate sufficient to achieve specified amounts of revenue for each year the 2017G Bonds are outstanding. Therefore, it is reasonably clear that the Pledged Taxes were "specifically levied" to repay the 2017G Bonds. No other purpose is contemplated or permitted by the Bond Resolution. Moreover, the Bond Resolution, which effectuates the levy of the Pledged Taxes, was adopted for the purpose of authorizing the issuance of the 2017G Bonds. Thus, as described by the *NBC Report*, the Pledged Taxes have been levied and will be collected, if necessary, "for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax." *NBC Report*, at 19.

Consideration must then be given to the purpose of the 2017G Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, we assume that the proceeds of the 2017G Bonds will be used only to pay the costs of the Refunding Plan. The Refunding Plan consists of the payment of various installments of interest on and principal of the Outstanding Bonds as more fully set forth on Schedule I hereto, for the purpose of restructuring certain indebtedness of the Board. The net proceeds received by the Board from each series of Outstanding Bonds were either used to pay the costs of the Project or used to refund and redeem Alternate Bonds that can be traced back to Original Project Bonds, as well as to pay interest that became due on and the costs to issue the Outstanding Bonds. The proceeds received by the Board from the sale of each series of Original Project Bonds were used to finance capital improvement costs in connection with the Project as outlined in the Board's then-effective Capital Improvement Program, as well as to pay the costs of issuance of such series of Original Project Bonds.

Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the costs of their respective hospital districts.[8] Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the capital improvement costs of the School District constitute project costs, particularly where such costs were described and itemized in the Board's Capital Improvement Program. We have assumed, based on the Board's obligations with respect to the use of the net proceeds of Original Project Bonds under the Original Project Bond Indentures, that the proceeds of the underlying Original Project Bonds were in fact used to pay for capital improvement costs. We note that the costs of the Project may have included administrative expenses, including employee salaries appropriately allocated to the Project or professional fees and expenses, but we assume that all such costs were directly related to the Project and would not have been incurred but for the Project and the financing of the Project. We further assume that the Board did not use the proceeds of the Original Project Bonds, or any Alternate Bonds used to refund and redeem Original Project Bonds and, if such Alternate Bonds, were, in turn, later refunded and redeemed by one or more series of subsequently issued Alternate Bonds (including any issuances of Alternate Bonds for subsequent refundings and redemptions through the most current series of Alternate Bonds being refunded and redeemed pursuant to the Refunding Plan from proceeds of the 2017G Bonds, as set forth on Schedule II hereof), to pay its general operating expenses. We similarly assume that the Board will not use the proceeds of the 2017G Bonds to pay its general operating expenses.

The structure and characteristics of the Original Project Bonds, Alternate Bonds issued to refund and redeem the Original Project Bonds, and the 2017G Bonds are largely identical. Each are Alternate Bonds issued under Section 15 of the Act and each is, or was, secured by the same two-stage pledge of general state aid and ad valorem property taxes – specially levied at the time of issuance for the purpose of repaying the subject bonds – that is described in this opinion letter with respect to the 2017G Bonds. Indeed, under the principles and analysis set forth in this opinion letter, the ad valorem property taxes pledged to the repayment of the Original Project Bonds should have qualified as special revenues under Section 902(2)(E) of the Bankruptcy Code at the time the Original Project Bonds were issued.

The text of Section 902(2)(E) of the Bankruptcy Code refers to taxes issued to "*finance* one or more projects or systems." We believe that a bankruptcy court should conclude that "refinancing" is a subset of "financing" for purposes of Section 902(2)(E) or, alternatively, under the particular facts of this case, view the Financing undertaken by the Board with respect to the 2017G Bonds as an indirect continuation of the Original Project Bonds, which were clearly issued for the purpose of funding costs of the Board's Capital Improvement Program. This conclusion is supported by the bankruptcy court's decision in *In re Heffernan Memorial Hospital District*, 202 B.R. at 148-49, which held that sales taxes pledged to pay amounts due on certain revenue bonds qualified as special revenues pursuant to Section 902(2)(E). In that case, the proceeds of the newly issued bonds were not used directly to fund capital improvement costs but were instead used to satisfy the existing indebtedness of the municipal debtor under its chapter 9 plan. Accordingly, we believe there is a reasonable basis to conclude that the costs of the Refunding Plan are costs of one or more projects of the Board and, consequently, that the 2017G Bonds will be used, as provided in Section 902(2)(E) to "finance one or more projects".

With respect to the second requirement under Section 902(2)(E), the Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged Taxes may not be used to finance the general expenses of the Board.

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[8] In *Sierra Kings*, the court made clear that the bond proceeds were used to finance capital improvements, 2010 Bankr. LEXIS 6536, at *7, whereas, in *Heffernan*, the court's decision only states that the bond proceeds were used to fund the debtor's chapter 9 plan and does not clarify whether or not the creditor's claims related to capital improvements.

The 2017G Bonds are alternate bonds issued under Section 15 of the Act and are, therefore, the general obligation bonds of the Board "payable from a revenue source." 30 ILCS 350/15. Pursuant to the Bond Resolution and the 2017G Indenture, the 2017G Bonds are payable and secured by the Pledged State Aid Revenues, the Pledged PPRT Revenues and the Pledged Taxes. Section 15(e) of the Act requires that such revenue sources "be in fact pledged to the payment of the [2017G Bonds]," and that the Board covenant … to provide for, collect and apply such … revenue source[s] … to the payment of the [2017G Bonds]." 30 ILCS 350/15(e). Accordingly, Illinois law mandates that the Pledged Taxes be pledged to and used for the payment of the 2017G Bonds.[9] Section 15 of the Act provides no authority for the application of the Pledged Taxes to the Board's general operating expenses.

Pursuant to Section 6 of the Bond Resolution and Section 20-90 of the Property Tax Code, the Board has issued the Deposit Direction directing the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, into the Pledged Taxes Accounts maintained by the Trustee under the 2017G Indenture. Consistent with the requirements of Section 15(e) of the Act, Section 504(B) of the 2017G Indenture requires that all Pledged Taxes received by the Trustee shall be applied to the payment of the 2017G Bonds due during the year in which the Pledged Taxes are collected. In the event that any excess Pledged Taxes remain on December 2nd of any year, after payment of the second and final payment due during a year, the 2017G Indenture requires that such excess amount "shall be transferred to the Board and … appl[ied] … to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement." Finally, Section 4(e) of the Bond Resolution and Sections 504(A) and 706(B) of the 2017G Indenture, require the Board to file a notice with each of the County Clerks and County Collectors directing the abatement of the Pledged Taxes reducing the Pledged Taxes for any year in which the amount levied is greater than the amount required to pay the 2017G Bonds, after taking into account the Pledged State Aid Revenues, the Pledged PPRT Revenues, and additional revenues on deposit with the Trustee on or before February 15th of each year.

Based on the foregoing, the Board has no access to, or authority to use, the Pledged Taxes for any purpose other than to pay the 2017G Bonds. To the extent extended and collected, the Pledged Tax revenues will be deposited directly with the Trustee and must be applied by the Trustee to the payment of the Bonds. To the extent there is any excess Pledged Taxes after paying the amounts due on the 2017G Bonds during a given year, the School District's taxpayers – the same tax base that would have provided the Pledged Tax revenues – will receive a credit in the form of an abatement of the Education Fund tax levy. Similarly, if the Pledged Taxes are not needed because Pledged State Aid Revenues and Pledged PPRT Revenues are sufficient, the Board is required to abate the levy of the Pledged Taxes for that year. Thus, assuming the Documents are complied with, the Pledged Taxes cannot be used to pay the general operating expenses of the Board.

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[9] Although we express no opinion as to whether Section 15(e) of the Act creates a statutory lien on the Pledged State Aid Revenues, the Pledged PPRT Revenues or the Pledged Taxes for purposes Section 101(53) of the Bankruptcy Code, there is a reasonable basis to conclude that it does even though the Board has also granted liens on such revenues pursuant to the terms of the 2016 Indenture. *See In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995) (holding that California created a statutory lien on the County's revenues where the applicable statute "permits the County to decide whether to pledge, and what to pledge. But the statute itself imposes the pledge, without further action by the County.").

Exemption from the Automatic Stay

As we conclude the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), if the Board commenced a chapter 9 case, the County Collectors and the Trustee should continue to be able to, respectively, transfer and apply the Pledged Taxes to the payment of the 2017G Bonds in accordance with the terms of the Deposit Direction and the 2017G Indenture, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged Taxes in the possession of the County Collectors or the Trustee at the time a chapter 9 case is commenced as well as Pledged Taxes that may be collected during the chapter 9 case. However, to the extent that, notwithstanding the Deposit Direction, the Board obtains possession of the Pledged Taxes (other than excess amounts), there is a risk that the payment of the 2017G Bonds will be stayed and that the Trustee will be required to seek appropriate relief from the bankruptcy court. We express no opinion regarding the Board's power to revoke the Deposit Direction or the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief.

Continuation of Lien on Pledged Taxes

Moreover, since the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), pursuant to Section 928(a) of the Bankruptcy Code the liens granted to the Trustee under the 2017G Indenture on the Pledged Taxes should remain valid and enforceable against any Pledged Taxes collected during a bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged Taxes collected prior to the commencement of such case.

Therefore, even if application of the Pledged Taxes to the payment of the 2017G Bonds is stayed, the Trustee, on behalf of the holders of the 2017G Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged Taxes, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged Taxes, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the 2017G Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged Taxes before sharing pro rata in the Board's general treasury funds with unsecured creditors to the extent of any deficiency. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.[10]

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[10] To the extent that Pledged State Aid Revenues and Pledged PPRT Revenues are deposited by the Board with the Trustee in an amount sufficient to pay the 2017G Bonds for the year and abate the Pledged Taxes and, thereafter, but prior to the actual payment of the 2017G Bonds for the year, the Board commences a chapter 9 case, the Trustee should nonetheless be found to hold an enforceable lien against the Pledged State Aid Revenues and Pledged PPRT Revenues in the Trustee's possession. We reach this conclusion because, under such facts, the Pledged State Aid Revenues and Pledged PPRT Revenues would be property of the Board acquired *before* the commencement of its bankruptcy case such that Section 552(a) of the Bankruptcy Code would not affect the continuing validity of the Trustee's liens on such revenues. In addition, the Pledged State Aid Revenues and Pledged PPRT Revenues would be held by the Trustee in a segregated account, and thus likely to be considered subject to a perfected lien. Accordingly, in this situation, the Trustee would be entitled to assert the various rights of

V. OPINIONS

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the Pledged Taxes by the Trustee to the payment of the 2017G Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the 2017G Indenture.

VI. QUALIFICATIONS AND LIMITATIONS

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this transaction. In particular, we found no reported cases that specifically address the meaning of the terms "finance" and "one or more projects" under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court's analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court should reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a State's authority to control its municipalities. These considerations may allow a bankruptcy court properly, among other things, to authorize the Board's use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board's property notwithstanding such property's status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Moreover, proceedings for reorganization under the Bankruptcy Code are usually complex multilateral negotiations with the

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a secured creditor, as discussed herein, with respect to such Pledged State Aid Revenues and Pledged PPRT Revenues. We do not conclude, however, that the Pledged State Aid Revenues or the Pledged PPRT Revenues are special revenues under Section 902(2) of the Bankruptcy Code and we express no opinion regarding the potential impact of the automatic stay upon the Trustee's ability to apply the Pledged State Aid Revenues or the Pledged PPRT Revenues to payment of the 2017G Bonds or regarding the ability of the Board to use such Pledged State Aid Revenues or the Pledged PPRT Revenues in its bankruptcy case, subject to providing adequate protection to the Trustee.

threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions, 46 Bus. Law. 717 (February 1991), and incorporate herein by reference the discussion of limitations and uncertainties involved in opinions of this nature discussed therein.

We express no opinion as to the law of any jurisdiction other than the federal bankruptcy laws of the United States of America or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion letter may be furnished to, but may not be relied upon by, the Board's professional advisers, municipal bond rating agencies engaged by the Board for the purpose of rating the 2017G Bonds and the professional advisers of any such rating agencies. We further consent to the inclusion of a copy of this opinion letter in the appendices to the preliminary official statement and the official statement with respect to the public offering of the 2017G Bonds.

Very truly yours,

KATTEN MUCHIN ROSENMAN LLP

SCHEDULE I

Uses of Series 2017G Bond Net Proceeds

Series of Outstanding Bonds	Use of Series 2017G Bond Net Proceeds
2004A	$21,667,045.83 (escrow cost to 12/18/2017 redemption date including $527,250 12/1/2017 interest payment)
2006B	$9,960,265.97 (escrow cost to 12/18/2017 redemption date including $242,375 12/1/2017 interest payment)
2007D	$10,797,039.18 (escrow cost to 12/18/2017 redemption date)
2008C	$3,768,626.03 (escrow cost to 12/18/2018 redemption date)
2009D	$6,860,036.69 (escrow cost to 12/18/2018 redemption date)
2010F	$3,888,356.71 ($3,292,780.48 principal and interest on 12/1/2019 maturity; $595,576.23 6/1/2019 unassociated interest)
2011A	$10,308,542.78 (6/1/2019 unassociated interest)
2012A	$11,438,649.60 (6/1/2019 unassociated interest)
2012B	$302,313.18 (6/1/2019 unassociated interest)
2015C	$14,311,796.87 ($7,190,091.96 6/1/2019 unassociated interest; $7,121,704.91 12/1/2019 unassociated interest)
2015E	$500,074.25 (6/1/2019 unassociated interest)
2016A	$17,266,783.25 (6/1/2019 unassociated interest)
2016B	$4,767,178.12 (6/1/2019 unassociated interest)

SCHEDULE II

Tracing of Outstanding Bonds to Original Project Bonds

Series of Outstanding Bonds	Series of Original Project Bonds and Each Series of Refunding Alternate Bonds
2004A	1996 Bonds; 1997 Bonds and 2000A Bonds
2006B	Original Project Bonds
2007D	Original Project Bonds
2008C	1996 Bonds; 1997 Bonds; 2000A Bonds; 2003B Bonds and 2004B Bonds
2009D	2004D Bonds and 2004E Bonds
2010F	1996 Bonds; 1997 Bonds; 2000A Bonds; 2000B Bonds; 2000C Bonds; 2001A Bonds; 2001C Bonds; 2003A Bonds; 2003D Bonds; 2004A Bonds; 2004C-1 Bonds; 2004D Bonds; 2004E Bonds; 2005D-1 Bonds; 2006B Bonds; 2007D Bonds; 2008B Bonds; 2009C Bonds; 2009D Bonds and 2009F Bonds
2011A	Original Project Bonds
2012A	Original Project Bonds
2012B	2000B Bonds; 2003A Bonds; 2003D Bonds; 2004D Bonds; 2004E Bonds; 2006B Bonds; 2007D Bonds; 2008B Bonds; 2009D Bonds; 2009F Bonds and 2011A Bonds
2015C	2013B Bonds and 2013C Bonds
2015E	Original Project Bonds
2016A	1996 Bonds; 1997 Bonds; 1999A Bonds; 2000A Bonds; 2000B Bonds; 2000C Bonds; 2000D Bonds; 2001A Bonds; 2001C Bonds; 2003A Bonds; 2003B Bonds; 2003D Bonds; 2004A Bonds; 2004B Bonds; 2004C-1 Bonds; 2004C-2 Bonds; 2004D Bonds; 2004E Bonds; 2005A Bonds; 2005B Bonds; 2005D-1 Bonds; 2005D-2 Bonds; 2006B Bonds; 2007D Bonds; 2008B Bonds; 2009A-1 Bonds; 2009A-2 Bonds; 2009B Bonds; 2009C Bonds; 2009D Bonds; 2009F Bonds; 2010A Bonds; 2010B Bonds; 2010F Bonds; 2011A Bonds; 201 lC-1 Bonds; 2012A Bonds; 2013A-1 Bonds; and Educational Purposes Tax Anticipation Notes, Series 2015B (11/30/2015 draw)
2016B	Original Project Bonds

APPENDIX K-3
FORM OF SPECIAL REVENUES OPINION
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION BONDS
(DEDICATED REVENUES), SERIES 2017H

November 30, 2017

Board of Education of the City of Chicago
42 West Madison Street
Chicago, Illinois 60602

Re: Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H – Special Revenues Opinion

Ladies and Gentlemen:

We have acted as counsel to the Board of Education of the City of Chicago (the "Board") in connection with the Board's issuance of its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H, in the aggregate principal amount of $280,000,000 (the "2017H Bonds"), issued pursuant to that certain Trust Indenture, dated November 1, 2017 (the "2017H Indenture"), by and between the Board, as issuer, and Amalgamated Bank of Chicago, as trustee (the "Trustee").

The Board authorized its issuance of the 2017H Bonds pursuant to the following resolutions: (i) Resolution No. 16-0824-RS5, adopted by the Board on August 24, 2016 (the "Authorizing Resolution") and (ii) Resolution No. 17-1025-RS5, adopted by the Board on October 25, 2017 (the "Bond Resolution," and together with the Authorizing Resolution, the "Resolutions"). The Board's issuance of the 2017H Bonds pursuant to the 2017H Indenture and the Resolutions is referred to herein as the "Financing."

In preparing this opinion letter, we have reviewed the 2017H Indenture, the Resolutions, that certain Tax Exemption Certificate and Agreement, by and between the Board and the Trustee dated November 30, 2017 (the "TECA"), that certain Direction Regarding the Direct Deposit of Taxes Extended and Collected for the Payment of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H of the Board of Education of the City of Chicago, dated November 20, 2017 (the "Deposit Direction") and applicable statutes of the State of Illinois and the United States, as referenced herein. The 2017H Indenture, the Resolutions, the TECA and the Deposit Direction are referred to herein, collectively, as the "Bond Documents."

The Financing will be used to finance the costs to acquire, construct and equip school and administrative buildings, perform site improvements and acquire and improve other real and personal property in and for the Chicago Public School District (the "School District") all in accordance with the Board's Capital Improvement Program, as from time to time approved and amended by the Board, including interest to become due on and the costs to issue the 2017H Bonds ("Project Costs") and reimbursement of the Board for its prior payment of Project Costs.

Payment of the 2017H Bonds is secured by, *inter alia*, the Board's pledge of and its granting of liens upon (i) State Aid payments to be made to the Board by the State of Illinois pursuant to Article 18 of the School Code, 105 Illinois Compiled Statutes 5 (the "School Code"), in the amounts specified in the 2017H Indenture (the "Pledged State Aid Revenues"), (ii) PPRT revenue payments to be made to the Board by the State of Illinois pursuant to Section 12 of the Illinois State Revenue Sharing Act, 30 Illinois

Compiled Statutes 115, in the amounts specified in the 2017H Indenture (the "Pledged PPRT Revenues"), (iii) Intergovernmental Agreement Revenues payable to the Board pursuant to the Intergovernmental Agreement dated October 1, 1997, between the Board and the City of Chicago, as amended and supplemented from time to time, in the amounts specified in the 2017H Indenture (the "Pledged IGA Revenues" and together with the Pledged State Aid Revenues and the Pledged PPRT Revenues, the "Pledged Revenues"), and (iv) *ad valorem* taxes levied by the Board pursuant to the Bond Resolution against all of the taxable property in the School District without limitation as to rate or amount (the "Pledged Taxes") in favor of the Trustee for the benefit of the holders of the 2017H Bonds.

Capitalized terms used but not defined herein have the meanings assigned to them in the 2017H Indenture.

I. OPINIONS REQUESTED

In connection with the Financing, you have requested our opinions as to whether a federal court exercising bankruptcy jurisdiction (a "bankruptcy court") and which acted reasonably, after full consideration of all relevant factors, in a properly briefed, argued and presented case, and correctly applying applicable, currently reported decisional and statutory law, in a chapter 9 municipal bankruptcy case initiated by the Board under title 11 of the United States Code (as amended, the "Bankruptcy Code") should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the Pledged Taxes by the Trustee to the payment of the 2017H Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the 2017H Indenture.

II. ASSUMPTIONS

We have examined the Bond Documents in connection with this opinion letter. To the extent material to the opinions set forth herein, we have assumed: (a) the due authorization, execution and delivery of the Bond Documents by all parties thereto; (b) that all relevant parties have the legal power to act in the capacities in which they are to act, or have acted, under the Bond Documents and that the Bond Documents constitute the valid and legally binding obligations of such parties; (c) the authenticity of all Bond Documents submitted to us as originals; (d) the conformity of the Bond Documents submitted to us as copies to the executed and delivered originals thereof; (e) the genuineness of all signatures on all Bond Documents submitted to us; (f) no fraud, mistake or illegality on the part of any party to any of the Bond Documents or otherwise in connection with the transactions contemplated by the Bond Documents; (g) the representations and warranties of the Board set forth in the Bond Documents are true as of the date hereof in all respects material to the opinions herein; (h) each of the Board, the Trustee and the County Clerks and County Collectors (each, as defined below) will perform its obligations under applicable Illinois law and the Bond Documents in all respects material to the opinions herein except to the extent that such performance may be prohibited by bankruptcy or insolvency laws; (i) the Bond Documents are enforceable by and against the parties thereto in accordance with the terms thereof, except to the extent that enforceability may be limited by bankruptcy or insolvency laws or general principles of equity; (j) that the Trustee (or its successors), one or more of the holders of the 2017H Bonds (or any of their respective successors or assigns), and/or another party in interest who would be prejudiced by a determination contrary to the opinions set forth herein will timely object in a writing filed with, and present competent and relevant evidence to, the applicable court, as necessary, to oppose such a contrary determination; and (k) that none of the Bond Documents will be amended, modified or restated, and that none of the representations, warranties, covenants or other provisions therein will be waived, suspended or modified, in each instance, in any manner that is material to the issues addressed in this opinion letter.

Summary of Financing

Pursuant to the provisions of Article 34 of the School Code, the Board is in charge of the School District and is a body politic and corporate that may sue and be sued in all courts and places where judicial proceedings are had.

In accordance with the provisions of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Act"), on August 24, 2016, the Board adopted the Authorizing Resolution authorizing the issuance of Alternate Bonds (as defined in Section 3 of the Act), in an amount not to exceed $945,000,000, and with respect to such Alternate Bonds (i) completed the backdoor referendum proceedings required by Section 15 of the Act and (ii) complied with the notice and hearing requirements of the Bond Issue Notification Act, 30 Illinois Compiled Statutes 352, thereby authorizing the Board to issue such Alternate Bonds up to such amount.

To avail itself of the Authorizing Resolution, on October 25, 2017, the Board adopted the Bond Resolution authorizing the issuance of Alternate Bonds in the aggregate principal amount not to exceed $280,000,000 for the purposes of providing funds to pay (i) a portion of the Project Costs, (ii) certain capitalized interest on the 2017H Bonds, and (iii) the costs of issuance of the 2017H Bonds. The proceeds of the 2017H Bonds will not be used for the Board's general operating expenses.

Project Costs

As described above, the Project Costs consist of costs of acquisition, construction and equipping of school and administrative buildings, the performance of site improvements and the acquisition and improvement of other real and personal property within and for the School District in accordance with the Board's Capital Improvement Program. The Board approves and publishes its Capital Improvement Program at least once a year. The Capital Improvement Program for fiscal year 2018 (the "2018 Capital Program"), approved by the Board on August 28, 2017, includes $136 million of investments to provide for urgent facility renovation and maintenance projects as well as IT investments and school security equipment. The specific projects and improvements to be carried out pursuant to the 2018 Capital Program, along with the estimated costs therefor, are set forth in a budget annexed to the 2018 Capital Program. Similarly, the Board has approved and published written Capital Improvement Programs for each of fiscal years 2013 through 2017 and each such Program lists and describes the capital improvements and projects and their itemized estimated costs to be carried out by the Board in accordance with such Capital Improvement Programs. We have not reviewed the Board's Capital Improvement Programs for any year prior to fiscal year 2013 but assume for purposes of this opinion that such Programs have been approved and published and set forth plans and cost estimates to accomplish various capital improvements in a manner similar to the Capital Improvement Programs for fiscal years 2013 through 2017.

Pledged Taxes

The 2017H Bonds are payable from and secured by a valid lien upon and pledge of the Pledged State Aid Revenues, Pledged PPRT Revenues, Pledged IGA Revenues (collectively, the "Pledged Revenues") and the Pledged Taxes. Under Section 3(a) of the Bond Resolution, the Board levied the Pledged Taxes upon all of the taxable property within the School District, in the years for which any of the 2017H Bonds are outstanding, for the stated purpose of providing funds, in addition to the Pledged Revenues and any other available revenues, to pay the principal of and interest on the 2017H Bonds. Section 3(a) of the Bond Resolution further provides that the Pledged Taxes shall be a "direct annual tax" in an amount sufficient to produce the yearly sums set forth therein for each year the 2017H Bonds are outstanding. Section 3(b) of the Bond Resolution provides that the County Clerks of the Counties of

Cook and DuPage, Illinois (the "County Clerks") shall ascertain the tax rate required to produce the aggregate Pledged Taxes specified in Section 3(a) of the Bond Resolution and shall extend the Pledged Taxes for collection on behalf of the Board. The Pledged Taxes have been levied for the years 2019 through and including 2045. For each year, the levy of the Pledged Taxes immediately precedes the year in which the Pledged Taxes are to be extended and collected. The Series 2017H Bonds consist of two term bonds, a $120,000,000 term bond maturing on December 1, 2036 (the "2036 Term Bond") and a $160,000,000 term bond maturing on December 1, 2046 (the "2046 Term Bond").

Deposit of Pledged Taxes with Trustee

Pursuant to Section 20-90 of the Property Tax Code, 35 Illinois Compiled Statutes 200/20-90 (the "Property Tax Code") and Section 6 of the Bond Resolution, the Designated Officials of the Board are authorized to execute a written direction to the County Treasurers of the Counties of Cook and DuPage, Illinois (the "County Collectors") to deposit the collections of the Pledged Taxes directly with an escrow agent designated by the Board in order to secure the payment of the 2017H Bonds. On November 20, 2017, the Board's Senior Vice President of Finance (who is among the Designated Officials under the Bond Resolution) issued the Deposit Direction to the County Collectors, pursuant to which the Board has directed the County Collectors to transfer the collections of the Pledged Taxes directly to the Trustee for deposit by the Trustee into the Pledged Taxes Account established pursuant to the 2017H Indenture. Section 504(B) of the 2017H Indenture, in turn, provides that "[a]ll Pledged Taxes received by the Trustee shall be (i) deposited promptly upon receipt into the Pledged Taxes Account and (ii) applied to the payment of the interest on and principal of the [2017H Bonds] due during the [calendar year] in which said Pledged Taxes are collected."

Section 706(A) of the 2017H Indenture provides that, as long as any of the 2017H Bonds remain outstanding, the Board will not modify or amend the Deposit Direction, except for such modifications or amendments as may be necessitated by changes in Illinois law, and procedures, rules or regulations thereunder with respect to the collection and distribution of *ad valorem* property taxes; provided that no such modification or amendment shall provide for the deposit with the Trustee of less than all of the Pledged Taxes to be collected in any year. Any modification of the Deposit Direction in a manner not permitted by the 2017H Indenture is an Event of Default thereunder.

Payment of 2017H Bonds; Extension and Abatement of Pledged Taxes

The 2036 Term Bond is subject to mandatory redemption from annual sinking fund payments on December 1 of each of the years 2030 to 2035, both inclusive. The 2046 Term Bond is subject to mandatory redemption from annual sinking fund payments on December 1 of each of the years 2043 to 2045, both inclusive. During each year the 2017H Bonds are outstanding, payment of interest is due on the first day of June and December.

Pursuant to Section 504(A) of the 2017H Indenture, Pledged Revenues received by the Trustee pursuant to the 2017H Indenture are to be applied as follows:

(i) Pledged PPRT Revenues received by the Trustee in each calendar Year shall be deposited promptly upon receipt into the Deposit Sub-Account, until there shall be on deposit in said Sub-Account an amount of Pledged PPRT Revenues sufficient to pay all of the interest on and principal of the Series 2017H Bonds scheduled to be paid from Pledged PPRT Revenues during the Bond Year beginning on December 2 of such Year, as set forth on Exhibit C to the 2017H Indenture;

(ii) All Intergovernmental Agreement Revenues received by the Trustee in each Bond Year shall be deposited promptly upon receipt in the Intergovernmental Agreement Revenues Sub-Account;

(iii) In the event that as of the last Business Day of any Year there has been deposited to the credit of the Deposit Sub-Account an insufficient amount of Pledged PPRT Revenues to satisfy the requirements in subparagraph (i) above, the Board is required to cause the extension of the Pledged Taxes levied for such Year in an amount sufficient, when added to the amount then on deposit in the Deposit Sub-Account, to provide for the payment of the interest on and principal of the Bonds due during the Bond Year beginning on December 2 of the then-current Year and scheduled to be paid from Pledged PPRT Revenues; and on such last Business Day of such Year, transfer all amounts on deposit in the Deposit Sub-Account (whether or not sufficient for such purposes) into the PPRT Revenues Sub-Account;

(iv) On or before February 15 of each Year, the Board shall deposit to the credit of the State Aid Revenues Sub-Account such amounts derived from Pledged State Aid Revenues as shall be necessary to cause the amount on deposit in said Sub-Account and the Deposit Sub-Account to equal the interest on and principal of the Series 2017H Bonds scheduled to be paid from Pledged State Aid Revenues and Pledged PPRT Revenues during the then-current Bond Year, as set forth on Exhibit C to the 2017H Indenture. Once such deposit has been made, the Board is required by Section 706(B) of the 2017H Indenture to take such actions as are necessary to abate in full the Pledged Taxes levied to otherwise provide funds for the payment of the debt service on the Bonds during the then-current Bond Year.

In the event that on February 15 there has been deposited to the credit of the State Aid Revenues Sub-Account and the Deposit Sub-Account an insufficient amount to satisfy the amount described in the preceding paragraph, the Board is required to take such actions as are necessary to cause the extension of the Pledged Taxes levied for the calendar year next preceding the calendar year of such Deposit Date in an amount sufficient, when added to the amount then on deposit in the State Aid Revenues Sub-Account, to provide funds sufficient to satisfy such amount described in the preceding paragraph and set forth on Exhibit C to the 2017H Indenture.

As discussed above, Section 504(B) of the 2017H Indenture expressly requires that all Pledged Taxes received by the Trustee be applied to the payments due on 2017H Bonds during the year in which said Pledged Taxes are collected. In addition, Section 504(B) of the 2017H Indenture provides that –

> All amounts remaining in the Pledged Taxes Account on December 2 of any Year [the day after the final payment of the year is due] shall be transferred to the Board and the Board shall deposit such moneys into the Educational Fund of the Board *and apply such moneys to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement*.

(Emphasis added.) Therefore, pursuant to Section 504(B), any excess Pledged Taxes after the payments due on the 2017H Bonds are made in a given year are credited back to the School District's taxpayers in the form of an abatement to the Educational Fund tax levy and may not be used by the Board.

Additional Assumptions

In issuing these opinions, we have relied on and assume the accuracy of the Board's representations and warranties and compliance with the covenants set forth in Article III and Sections 501, 502, 503, 504, 705, and 706 of the 2017H Indenture. We further assume the following:

(a) the Board has not, and as long as the 2017H Bonds remain outstanding, will not amend, modify, revoke or attempt to revoke or replace or attempt to replace the Deposit

Direction with any instruction, direction or notice to the County Collectors materially inconsistent with the Deposit Direction;

(b) the Board has not and, as long as the 2017H Bonds remain outstanding, will not adopt any resolution that revokes or supersedes the Resolutions or the specific authorizations and other terms thereof or that amends or modifies the Resolutions in any manner that is materially inconsistent with the Resolutions or the facts and assumptions set forth in this opinion letter;

(c) as of the date the Board commences a chapter 9 bankruptcy case, the 2017H Bonds and the 2017H Indenture shall be the valid, binding and legal general obligations of the Board, and the 2017H Indenture shall constitute the valid pledge of the Board, and grant a valid lien in favor of the Trustee and for the benefit of the holders of the 2017H Bonds, on each of the Pledged State Aid Revenues, the Pledged PPRT Revenues, the Pledged IGA Revenues and the Pledged Taxes to secure the payment of the principal of, premium, if any, and interest on the 2017H Bonds;

(d) No statute, rule or regulation of the State of Illinois governing or supporting the Board's authority to issue the 2017H Bonds, to levy and abate the Pledged Taxes and to direct the transfer and application of the Pledged Taxes as contemplated and required by the Bond Documents, including, without limitation, Section 15 of the Act, applicable provisions of the School Code and Section 20-90 of the Property Tax Code, will be repealed or amended in a manner that materially and adversely affects the rights of the Trustee, with respect to the 2017H Bonds, and the holders of the 2017H Bonds as long as the 2017H Bonds remain outstanding;

(e) The Board is duly authorized under Illinois law to levy the Pledged Taxes for each year the 2017H Bonds are outstanding and has taken all actions required by law, or under any by-law or resolution of the Board, to properly effectuate the levy of the Pledged Taxes under the Bond Resolution;

(f) the Board will not use or claim the right to use the proceeds of the 2017H Bonds except to pay Project Costs;

(g) the Project Costs will be limited to the costs of such projects and improvements and related expenses identified and described in the Board's approved and published Capital Improvement Programs in effect and amended from time to time;

(h) to the extent the Project Costs include administrative expenses, "soft costs" or expenses classified as working capital for purposes of the United States Internal Revenue Code, such expenses are or will be directly related to the Project;

(i) the Pledged Taxes are not and, as of the date the Board commences a chapter 9 bankruptcy case, will not be, encumbered by any lien in favor of any party equal or senior in priority to that of the Trustee for the benefit of the holders of the 2017H Bonds.

Except as set forth above, we have not reviewed any other documents with respect to the Board and have conducted no independent investigation with respect to any financing statement, amendment or continuation to a financing statement, federal or state tax lien, federal or state judgment lien, cause of action, complaint or similar document that may be filed by any party against the Board. Except as expressly discussed above, we have made no independent investigation of the facts referred to herein; and have reviewed and relied without independent investigation on the accuracy thereof. We have assumed that the Bond Documents set forth the complete and final understanding of the parties with respect to the Financing. In respect of the opinions requested with respect to the Financing, we believe that our reliance on the representations, covenants and other provisions in the Bond Documents relating to the purposes and permitted uses of the Pledged Taxes and the proceeds of the 2017H Bonds is reasonable.

We cannot and do not warrant the truth and accuracy of the factual assumptions on which this opinion is based. We advise you, however, that the attorneys of our firm directly involved in representing the Board in connection with the Financing do not have any actual knowledge that any of the factual assumptions relied on herein are incorrect in any respect material to the opinions herein.

III. DISCUSSION OF APPLICABLE LAW

Illinois Statutes

The 2017H Bonds will be issued pursuant to the provisions of Section 15 of the Act. Section 15, entitled "Double-barrelled bonds" states, in relevant part as follows:

> Whenever revenue bonds have been authorized to be issued pursuant to applicable law or whenever there exists for a governmental unit a revenue source,[1] the procedures set forth in this Section may be used by a governing body. General obligation bonds may be issued in lieu of such revenue bonds as authorized, and general obligation bonds may be issued payable from any revenue source. Such general obligation bonds may be referred to as "alternate bonds". Alternate bonds may be issued … only upon the conditions provided in this Section.

30 ILCS 350/15.

Among other required conditions for the issuance of alternate bonds, Section 15(e) of the Act provides that "[t]he enterprise revenues or revenue source, as applicable, *shall be in fact pledged* to the payment of the alternate bonds; and the governing body *shall covenant*, to the extent it is empowered to do so, to provide for, collect and apply such enterprise revenues or revenue source, as applicable, to the payment of the alternate bonds and the provision of not less than an additional .25 … times debt service. 30 ILCS 350/15(e) (emphasis added). Section 15(e) further provides that "[t]he pledge and … the imposition of taxes in a given rate or amount, as provided in this Section for alternate bonds, shall constitute a continuing obligation of the governmental unit with respect to such … imposition and a continuing appropriation of the amounts received." *Id.* The governmental unit's covenants relating to alternate bonds "are enforceable by any bondholder of alternate bonds affected, any taxpayer of the governmental unit, and the People of the State of Illinois acting through the Attorney General." *Id.*

Section 15(e) of the Act provides that "alternate bonds … shall be payable from the levy of taxes as is provided in this Act for general obligation bonds. Section 16 of the Act, entitled "Levy for bonds" states that "[a] governmental unit may levy a tax for the payment of principal of and interest on general

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[1] Section 3(l) of the Act defines "revenue source" as "a source of funds, other than enterprise revenues, received or available to be received by a governmental unit and available for any one or more of its corporate purposes." 30 ILCS 350/3(l).

obligation bonds … at any time prior to March 1 of the calendar year during which the tax will be collected." 30 ILCS 350/16.

The Deposit Direction will be issued pursuant to Section 20-90 of the Property Tax Code, which provides as follows:

> The county collector *shall deposit* any amount of the tax proceeds of any taxing district, in accordance with the authorization of that district, *directly into a designated escrow account* established by the district to repay specific bonded, note, lease or installment contract indebtedness. The ordinance or resolution of the taxing district authorizing that disposition shall, within 10 days after adoption by the governing authority of the taxing district, be delivered to the county collector or county collectors in which the taxing district is situated.

35 ILCS 200/20-90 (emphasis added).

<u>Bankruptcy Law</u>

The Board is a municipality of the State of Illinois as defined by Section 101(40) of the Bankruptcy Code, which provides that "the term 'municipality' means [a] political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). As a municipality, to the extent the Board commences a bankruptcy case, it must do so under chapter 9 of the Bankruptcy Code. *See* 11 U.S.C. § 109.

Section 901(a) of the Bankruptcy Code incorporates many but not all of the general provisions of the Bankruptcy Code governing cases commenced under other chapters of the Bankruptcy Code. Of particular significance to this opinion letter, Section 901(a) incorporates the automatic stay provisions of Section 362(a) and the lien limitation provisions of Section 552(a) of the Bankruptcy Code.

<u>The Automatic Stay</u>

Section 362(a) of the Bankruptcy Code, which provides for an automatic stay of certain actions and proceedings against the debtor or its property upon the commencement of a bankruptcy case, states, in relevant part, as follows:

> [A] petition filed under section 301, 302, or 303 of this title … operates as a stay, applicable to all entities, of—
>
> (1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title; ….
>
> (3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate;….

(6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title….

Without more, the automatic stay imposed under Section 362(a) of the Bankruptcy Code might prevent the timely payment of municipal bonds after the commencement of a chapter 9 case.[2] However, in 1988, Congress enacted certain amendments to chapter 9, including the addition of Section 922(d) of the Bankruptcy Code (Pub. L. No. 100-597 (1988) (the "<u>1988 Amendments</u>")) "to correct unintended conflicts that [may have] exist[ed] between municipal law and bankruptcy law." S. Rep. No. 100-506, 100th Cong., 2d Sess., 4 (1988). The 1988 Amendments included Section 902(2) of the Bankruptcy Code, which defined the term "special revenues,"[3] and Section 922(d), which created a limited exception to the automatic stay with respect to "pledged special revenues." In particular, Section 922(d) provides that "[n]otwithstanding section 362 of this title and subsection (a) of this section, a petition filed under this chapter does not operate as a stay of application of pledged special revenues in a manner consistent with section [928] of this title to payment of indebtedness secured by such revenues." 11 U.S.C. § 922(d). Thus, Section 922(d) authorizes the application of "special revenues" pledged to the holder of bonds free of the automatic stay. 6 *Alan N. Resnick and Henry J. Sommer, Collier on Bankruptcy* ("*Collier*") ¶ 922.05[2], at 922-10 (16th Ed. Rev. 2013).

In a key decision interpreting Section 922(d) of the Bankruptcy Code, the bankruptcy court in Jefferson County, Alabama's chapter 9 case held that "pledged special revenues" as used in Section 922(d) include all special revenues against which Jefferson County granted a lien under its indenture to holders of certain sewer warrants, not just those in the possession of the indenture trustee or a receiver at the time the bankruptcy case was commenced. *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), *affirmed Mosley v. Jefferson County, Alabama (In re Jefferson County, Alabama)*, 2012 WL 3775758 (N.D. Ala.). The court explained further that the term "pledged special revenues" as used in Section 922(d) "encompasses those [revenues] that are received from the sewer system *before and after* the filing of the County's chapter 9." *Id.* (Emphasis added.) Accordingly, the court held, "[t]he result is that 11 U.S.C. § 922(d) excludes continued payment of these 'pledged special revenues' to the lienholder from being stayed under 11 U.S.C. § 362(a) or 11 U.S.C. § 922(a)." *Id.*

As noted in *Collier*, however, "because Section 922(d) is limited to an exception from the automatic stay, the provision does not suggest that its language compels payment of special revenues in the possession of the municipality." *Collier* ¶ 922.05[2], at 922-10. Therefore, notwithstanding Section 922(d), a bond trustee or bondholder may find it necessary to make a motion in the bankruptcy case for relief from the automatic stay or to demand adequate protection of its interests in the event that a municipal debtor is in possession or control of special revenues and unwilling to apply them to payment of the bonds.

Whether or not particular municipal bonds are payable from special revenues, if they are secured by a valid lien on the debtor's property during the bankruptcy case, a bond trustee or bondholder is entitled to certain protections from the harm caused by the imposition of the automatic stay.

A secured creditor in a chapter 9 case who will be harmed by the continuation of the automatic stay of Section 362 or 922 is entitled to "adequate protection" of its interest in its collateral. 11 U.S.C. §§

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2 Section 922(a) of the Bankruptcy Code supplements the automatic stay in chapter 9 cases by also staying (1) any action or proceeding against an officer or inhabitant of the debtor that seeks to enforce a claim against the debtor and (2) the enforcement of a lien on or arising out of taxes or assessments owed to the debtor. 11 U.S.C. § 922(a).

3 A discussion of what constitutes "special revenues" under Section 902(2) of the Bankruptcy Code, as relevant to this opinion letter, is set forth below.

361, 362, made applicable in chapter 9 by 11 U.S.C. § 901(a); *In re County of Orange*, 179 B.R. 185, 190 (Bankr. C.D. Cal. 1995) (holding bankruptcy court has the power to order County to provide secured noteholders with adequate protection as a condition for the continuance of the automatic stay); *Collier* ¶ 922.04, at 922-8. A secured creditor is entitled to adequate protection of its secured interest to protect against or compensate for any diminution in value of that interest during the bankruptcy case as a result of the debtor's use of, or borrowing against, the property or as a result of the secured creditor being stayed from enforcing its interest. *See Collier* ¶ 361.01, at 361-3. A common example is where a debtor is authorized by the bankruptcy court to use a secured creditor's cash collateral to fund its administrative expenses. Section 361 of the Bankruptcy Code lists the means by which adequate protection may be provided, including cash payments, replacement liens on additional property and other relief that will result in the creditor realizing the "indubitable equivalent" of its secured interest in the debtor's property. 11 U.S.C. § 361. While those means are intended to prevent or to compensate for any further harm, they are not always successful. *Collier* ¶ 922.04, at 922-8. Thus, in chapter 9 cases, Section 922(c) of the Bankruptcy Code further provides that:

> If the debtor provides … adequate protection of the interest of the holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection such creditor has a claim arising from the stay of action against such property under section 362 or 922 of this title … *then such claim shall be allowable as an administrative expense under section 503(b) of this title.*

11 U.S.C. § 922(c) (emphasis added). Administrative expense claims must be paid in full as a condition to confirming a debtor's chapter 9 plan. 11 U.S.C. § 943(b)(5); *see* S. Rep. No. 100-506, 100th Cong., 2d Sess. 11 (1988). Thus, bondholders prevented by the automatic stay from receiving payments and enforcing a security interest against a revenue source of the debtor and who have been provided with adequate protection are entitled to a priority claim that must be paid in full in connection with the debtor's chapter 9 plan to the extent that the value of their collateral was diminished during the debtor's bankruptcy case as a result of the debtor's use of the bondholders' collateral during the case.

In addition, pursuant to Section 922(b), the provisions of Section 362(d) of the Bankruptcy Code are applicable in chapter 9. As a result, secured creditors in chapter 9 cases are entitled to obtain relief from the automatic stay based upon a showing of one of the following:

> (1) … cause, including the lack of adequate protection of an interest in property of such party in interest;
>
> (2) with respect to a stay of an act against property under subsection (a) of this section, if—
>
> (A) the debtor does not have an equity in such property; and
>
> (B) such property is not necessary to an effective reorganization.

11 U.S.C. § 362(d). Therefore, through a combination of Sections 922 and 362(d), a secured bondholder in chapter 9 that is stayed from receiving payments or enforcing its rights as a result of the automatic stay is entitled to either adequate protection against any diminution in the value of its interest during the bankruptcy case or relief from the automatic stay. *See In re County of Orange*, 179 B.R. at 19 ("The County has the choice of either complying with the court's order for adequate protection or having the stay lifted. This does not unduly encroach on the County's ability to conduct its affairs free from court interference.").

Continuation of Liens During Chapter 9 Case

Section 552(a) of the Bankruptcy Code provides, in relevant part, that "property acquired by the estate or by the debtor after the commencement of the case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 552(a). Prior to the 1988 Amendments, Congress became concerned that Section 552(a) "would cause a pre-petition lien to be extinguished with respect to property acquired by a municipal debtor after the commencement of a bankruptcy." *In re Jefferson County, Alabama*, 474 B.R. at 267. "[E]liminating the potential loss of a creditor's lien on [municipal] revenues was a critical purpose behind the enactment of [the 1988 Amendments]." *Id.* at 268-69.

Therefore, the 1988 Amendments included Section 928 of the Bankruptcy Code, which preserves consensual liens on post-bankruptcy "special revenues" of the debtor. Specifically, Section 928(a) provides that "[n]otwithstanding section 552(a) of this title and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). For bonds secured by consensual liens on special revenues, Section 928 reverses the result that would otherwise follow from application of section 552(a). *Collier* ¶ 928.02, at 928-3.

The legislative history accompanying the 1988 Amendments suggests that in enacting Section 928, Congress was primarily concerned with preserving liens on special revenues securing revenue bonds, which lack the pledge of the municipal debtor's full faith and credit and rely solely on the pledged revenues for payment. *See, e.g.,* H. Rep. No. 100-1011, 100th Cong., 2d Sess., 4 (1988) (commenting that the termination of liens on post-bankruptcy revenues under Section 552(a) would cause "[t]he post-petition revenues generated by the asset financed [to] … not be used to repay holders of revenue bonds. Instead, the revenues would go into the general treasury, for distribution to all creditors of the municipality"). Nevertheless, Section 928 is not limited to revenue bonds and several commentators have observed that it should apply with equal force to "double-barreled" bonds – *i.e.*, general obligation bonds of the municipal debtor that are also secured by a pledge of specific revenues. *See Collier* ¶ 928.02[2], at 928-5 ("[I]t should not matter whether the security interest arising under the security agreement is recourse or nonrecourse, or in the language of municipal finance, whether the bonds are 'double-barreled.'"); *Robert S. Amdursky, The 1988 Municipal Bankruptcy Amendments: History, Purposes and Effects*, 22 Urban Lawyer 1, 8 (Winter 1990) ("Section 928 does not distinguish between bonds backed solely by special revenues and so-called 'double-barrelled' bonds. Double-barrelled bonds are backed not only by special revenues but also by the general credit of the municipality, including its power to levy property and other taxes. Section 928 should protect the bondholders' lien on the special revenues securing the double-barrelled bonds."); *see also General Obligation Bonds: State Law, Bankruptcy and Disclosure Considerations*, National Association of Bond Lawyers (August 2014), at 18 ("Although the 1988 Amendments were intended to resolve concerns about treatment of revenue bonds in Chapter 9, holders of general obligation bonds also may be able to take advantage of these provisions if the security pledged for their bonds constitutes special revenues.").[4]

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[4] Although beyond the scope of the opinions expressed herein, it is noteworthy that Section 552(a) applies by its terms only to "any lien resulting from any *security agreement* entered into by the debtor." 11 U.S.C. § 552(a) (emphasis added). Accordingly, Section 552(a) does not terminate statutory liens granted to bondholders against revenues of the debtor arising after the commencement of a chapter 9 case. A "statutory lien" is "a lien arising solely by force of a statute on specified circumstances or conditions…." 11 U.S.C. § 101(53); *see In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995) (holding that California created a statutory lien on the County's revenues where the applicable statute "impose[d] the pledge, without further action by the County.... [and] [t]he

Special Revenues

The key consideration in determining whether bondholders are entitled to the benefits and protections of Sections 922(d) and 928 of the Bankruptcy Code, discussed above, is whether the bonds are secured by a pledge of special revenues. Section 902(2) of the Bankruptcy Code lists five discrete categories of "special revenues." With respect to the Pledged Taxes, only one category, Section 902(2)(E), is relevant. Section 902(2)(E) provides that "special revenues" mean "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." 11 U.S.C. § 902(2)(E).

As with Sections 922(d) and 928, Section 902(2) was added to chapter 9 of the Bankruptcy Code as part of the 1988 Amendments. The legislative history of the 1988 Amendments provides some insight into what was intended to be included as special revenues. First, the Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments (the "*NBC Report*")[5] contains the following discussion:

> Property, sales, and income taxes would generally not be considered special revenues. However, some exceptions may exist. For example, *where a special property tax is levied and collected for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax, the revenues may constitute special revenues.* In these cases, there is generally a prohibition under State law on using the special tax revenue for any purpose other than payment of bonds. However, where the revenue may be used for other purposes, it should not constitute "special revenues." Similarly, a city may impose an additional one-half percent or one percent sales tax to finance a particular project, such as rapid transit. While general sales taxes would not constitute special revenues, with appropriate limitations on the use of the additional sales tax, it could constitute special revenues.

NBC Report, at 19 (emphasis added).

Second, the report of the Senate accompanying its version of the relevant bill (S. 1863) contains the following statements:

> Under clause (E) an incremental sales or property tax specifically levied to pay indebtedness incurred for a capital improvement and not for the operating expenses or general purposes of the debtor would be

County ha[d] no choice of the type of lien or its terms.") Thus, to the extent that municipal bonds are secured by a statutory lien on revenues of the debtor, the lien should remain effective against post-petition revenues of the debtor notwithstanding Section 552(a) and regardless of whether such revenues are special revenues under Section 902(2) of the Bankruptcy Code. However, the exemption from the automatic stay for the payment of bonds under Section 922(d) is only available to bonds secured by liens (consensual or statutory) on special revenues.

[5] Richard B. Levin and Lawrence P. King, "Report of the National Bankruptcy Conference on Proposed Municipal Bankruptcy Amendments," included in the Hearings before the Subcommittee on Courts and Administrative Practice of the Committee on the Judiciary, 100th Cong., 2d Sess. at 553 (S. Hrg. 100-1067, June 10, 1988).

> considered special revenues. Likewise, *any special tax or portion of a general tax specifically levied to pay for a municipal financing shall be treated as special revenues.* For this purpose a project or system may or may not be revenue-producing.

S. Rep. No. 100-506, 100th Cong., 2d Sess., 14 (1988) (emphasis added).

Finally, in discussing the addition of Section 902, the report of the House of Representatives accompanying bill H.R. 5347 states that "the intent is to define special revenues to include the revenue derived from a project *or from a specific tax levy,* where such revenues are meant to serve as security to the bondholders." H.R. Rep. No. 100-1101, at 6 (1988) (emphasis added). The forgoing excerpts make clear that special revenues include not only enterprise revenues generated by a project securing traditional revenue bonds, such as utility receipts, but also, under certain conditions, taxes specifically levied to secure municipal bonds, without distinction between revenue and general obligation bonds.

Two key requirements appear from the statute and the legislative history. *First*, the taxes must be specifically levied to finance one or more projects and *second*, the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

In *In re Heffernan Memorial Hospital District*, 202 B.R. 147, 149 (S.D. Cal. 1996), the bankruptcy court held that special sales taxes levied by the City of Calexico, California to secure the payment of revenue bonds issued to refinance the outstanding indebtedness of the debtor hospital district were special revenues pursuant to Section 902(2)(E) of the Bankruptcy Code. Citing the legislative history of the 1988 Amendments, the court stated that "[t]o meet the requirement of a 'special revenue' under this provision, taxes must be restricted in use to a specific project or system.… In other words, the focus is on the nature and scope of the restrictions placed on the use of the tax receipts. Taxes available for general municipal purposes do not constitute 'special revenues.'" *Id.* (internal quotations omitted). The court determined that the sales tax revenue stream pledged to secure the bonds "is not available for general municipal purposes in this case…. [r]ather, the Sales Tax Revenue stream is available only for the purpose of providing security and payment to the bondholders." *Id.* The court also noted that the applicable California statute authorizing the levy of the special sales tax "specifically required the net proceeds of the tax be used exclusively for the District." *Id.* at 148, n.1.

Heffernan is the only reported decision definitively holding that certain tax revenues qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. The case highlights the importance of the second of the two requirements for special revenue qualification under Section 902(2)(E) identified above—that the tax revenues must be restricted in use to pay the applicable bonds and may not be used for general municipal purposes. The *Heffernan* decision is also notable because the special sales taxes were pledged to pay bonds that were, in turn, used to refinance the Heffernan Memorial Hospital District's outstanding indebtedness. Thus, the case implicitly recognized that the costs of refinancing debt used to fund project costs – there the costs of a hospital district – satisfies Section 902(2)(E)'s requirement that the taxes be "levied to finance one or more projects or systems." *See In re Heffernan Memorial Hospital District*, 202 B.R. at 148 ("The Authority will generate sufficient proceeds from the Bonds ... to pay creditors in accordance with the Plan. As a result, the District will be indebted to the Authority on account of its 'buying' all claims against the District."). However, the *Heffernan* decision does not suggest that the refinancing issue was raised or challenged by the parties.

The case of *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, 2010 WL 10018073 (Bankr. E.D. Cal. Sept. 13, 2010), provides an example of property taxes that should qualify as special revenues under Section 902(2)(E) of the Bankruptcy Code. *See Alexander D. Flachsbart, Municipal Bonds in Bankruptcy: § 902 and the Proper Scope of "Special Revenues" in Chapter 9*, 72

Wash. & Lee L. Rev. 955, 1004-05 (Spring 2015). In that case, the Sierra Kings Health Care District passed a resolution to levy "a continuing and direct ad valorem tax" on all property within the District to secure the repayment of general obligations bonds. *In re Sierra Kings Health Care District*, 2010 Bankr. LEXIS 6536, at *6, 9-10. The debtor's resolution authorizing the bonds provided that the levied taxes were to be collected annually each year the bonds were outstanding in an amount sufficient to pay the principal and interest due on the bonds. *Id.* at *10. The resolution further required that the tax revenues be placed into a segregated sinking fund maintained by the Fresno County, California Treasurer and that any excess revenues were to be credited to the taxpayers of the County. *Id.* Thus, the debtor had no ability to use the special property tax revenues for any purpose other than to repay the bonds. The Sierra Kings Health Care District commenced a chapter 9 case and subsequently entered into a settlement agreement with the bondholders in which the parties stipulated that the property tax revenues were special revenues under Section 902(2)(E) of the Bankruptcy Code and pledged to secure the repayment of the bonds. The bankruptcy court approved the settlement agreement as "supported by sound business judgment" of the debtor and "in the best interest of creditors," but was not called upon to decide, and did not decide, whether the parties' stipulations were legally correct. *Id.* at *1.

IV. ANALYSIS

The Pledged Taxes' Qualification as Special Revenues

In the case of the 2017H Bonds, the Bond Documents and applicable Illinois statutory law provide a reasonable basis to conclude that the Pledged Taxes should be determined to be special revenues under Section 902(2)(E) of the Bankruptcy Code. As discussed, the key requirements for qualification as special revenues under Section 902(2)(E) are that (1) the taxes must be specifically levied to finance one or more projects and (2) the tax revenues must not be available to pay the issuer's general operating expenses or for purposes unrelated to the specified projects.

With respect to the first requirement, the Bond Resolution and the 2017H Indenture provide a reasonable basis to conclude that the Pledged Taxes have been specifically levied to finance one or more projects. Section 3(a) of the Bond Resolution provides that they are "*hereby levied*," "[f]or the purpose of providing funds in addition to the Pledged Revenues to pay the principal of and interest on the [2017H] Bonds." (Emphasis added.) Section 3(a) further describes the Pledged Taxes as a "direct annual tax" levied at a rate sufficient to achieve specified amounts of revenue for each year the 2017H Bonds are outstanding. Therefore, it is reasonably clear that the Pledged Taxes were "specifically levied" to repay the 2017H Bonds. No other purpose is contemplated or permitted by the Bond Resolution. Moreover, the Bond Resolution, which imposes the levy of the Pledged Taxes, was adopted for the purpose of authorizing the issuance of the 2017H Bonds. Thus, as described by the *NBC Report*, the Pledged Taxes have been levied and will be collected, if necessary, "for the specific purpose of paying principal and interest coming due on bonds issued in conjunction with the levy of the property tax." *NBC Report*, at 19.

Consideration must then be given to the purpose of the 2017H Bonds and whether the proceeds will be used to finance one or more projects of the Board. As discussed above, we assume that the proceeds of the 2017H Bonds will be used only to pay Project Costs. The Project is a series of construction projects and capital improvements outlined in the Board's Capital Improvement Program, as in effect and amended from time to time. Although we have found no case that has definitively decided what constitutes a project for purposes of Section 902(2)(E), in both the *Heffernan* and *Sierra Kings* cases, the debtors used the applicable bond proceeds to fund the capital improvement costs of their respective hospital districts. Therefore, we believe it is a reasonable extension of such cases, as well as the language of the statute, to conclude that the capital improvement costs of the School District constitute project costs, particularly where such costs are described and itemized in the Board's Capital Improvement Program. The costs of the Project may include certain administrative expenses, including employee salaries appropriately allocated to the Project or professional fees and expenses, but we assume that all such costs are directly related to the Project and that the Board will not use the proceeds of the 2017H Bonds to pay its general operating expenses.

With respect to the second requirement under Section 902(2)(E), the Bond Documents and applicable Illinois law provide a reasonable basis to conclude that the Pledged Taxes may not be used to finance the general expenses of the Board.

The 2017H Bonds are alternate bonds issued under Section 15 of the Act and are, therefore, the general obligation bonds of the Board "payable from a revenue source." 30 ILCS 350/15. Pursuant to the Bond Resolution and the 2017H Indenture, the 2017H Bonds are payable and secured by the Pledged State Aid Revenues and the Pledged Taxes. Section 15(e) of the Act requires that such revenue sources "be in fact pledged to the payment of the [2017H Bonds]," and that the Board covenant … to provide for, collect and apply such … revenue source[s] … to the payment of the [2017H Bonds]." 30 ILCS 350/15(e). Accordingly, Illinois law mandates that the Pledged Taxes be pledged to and used for the payment of the 2017H Bonds.[6] Section 15 of the Act provides no authority for the application of the Pledged Taxes to the Board's general operating expenses.

Pursuant to Section 6 of the Bond Resolution and Section 20-90 of the Property Tax Code, the Board has issued the Deposit Direction directing the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, into the Pledged Taxes Account maintained by the Trustee under the 2017H Indenture. Consistent with the requirements of Section 15(e) of the Act, Section 504(B) of the 2017H Indenture requires that all Pledged Taxes received by the Trustee shall be applied to the payment of the 2017H Bonds due during the year in which the Pledged Taxes are collected. In the event that any excess Pledged Taxes remain on December 2nd of any year, after payment of the second and final bond payment due during a year, the 2017H Indenture requires that such excess amount "shall be transferred to the Board and … appl[ied] … to the abatement of the first Educational Fund tax levy for which the County Clerks will accept an abatement." Finally, Section 4(e) of the Bond Resolution and Sections 504(A) and 706(B) of the 2017H Indenture, require the Board to file a notice with each of the County Clerks and County Collectors directing the abatement of the Pledged Taxes reducing the Pledged Taxes for any year in which the amount levied is greater than the amount required to pay the 2017H Bonds, after taking into account the Pledged Revenues and additional revenues on deposit with the Trustee.

Based on the foregoing, the Board has no access to, or authority to use, the Pledged Taxes for any purpose other than to pay the 2017H Bonds. To the extent extended and collected, the Pledged Tax revenues will be deposited directly with the Trustee and must be applied by the Trustee to the payment of the Bonds. To the extent there is any excess Pledged Taxes after paying the amounts due on the 2017H Bonds during a given year, the School District's taxpayers – the same tax base that would have provided the Pledged Tax revenues – will receive a credit in the form of an abatement of the Education Fund tax

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[6] Although we express no opinion as to whether Section 15(e) of the Act creates a statutory lien on the Pledged Revenues or the Pledged Taxes for purposes Section 101(53) of the Bankruptcy Code, there is a reasonable basis to conclude that it does even though the Board has also granted liens on such revenues pursuant to the terms of the 2017H Indenture. *See In re County of Orange*, 189 B.R. 499, 503 (C.D. Cal. 1995) (holding that California created a statutory lien on the County's revenues where the applicable statute "permits the County to decide whether to pledge, and what to pledge. But the statute itself imposes the pledge, without further action by the County.").

levy. Similarly, if the Pledged Taxes are not needed because Pledged Revenues are sufficient, the Board is required to abate the levy of the Pledged Taxes for that year. Thus, assuming the Bond Documents are complied with, the Pledged Taxes cannot be used to pay the general operating expenses of the Board.

Exemption from the Automatic Stay

As we conclude the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), if the Board commenced a chapter 9 case, the County Collectors and the Trustee should continue to be able to, respectively, transfer and apply the Pledged Taxes to the payment of the 2017H Bonds in accordance with the terms of the Deposit Direction and the 2017H Indenture, notwithstanding the automatic stay, as a result of the application of Section 922(d) of the Bankruptcy Code. We further believe, based on the text of Section 922(d) and the bankruptcy court's decision in *In re Jefferson County, Alabama*, 474 B.R. 228, 274 (Bankr. N.D. Ala. 2012), that Section 922(d) applies to Pledged Taxes in the possession of the County Collectors or the Trustee at the time a chapter 9 case is commenced as well as Pledged Taxes that may be collected during the chapter 9 case. However, to the extent that, notwithstanding the Deposit Direction, the Board obtains possession of the Pledged Taxes (other than excess amounts), there is a risk that the payment of the 2017H Bonds will be stayed and that the Trustee will be required to seek appropriate relief from the bankruptcy court. We express no opinion regarding the Board's power to revoke the Deposit Direction or the likely success of an application of the Trustee for relief from the automatic stay, adequate protection or similar relief, though we note that the Board's modification and, *a fortiori*, its revocation of the Deposit Direction in a manner contrary to Section 706(A) of the 2017H Indenture would be an Event of Default pursuant to Section 801(D) of the 2017H Indenture.

Continuation of Lien on Pledged Taxes

Again, as we conclude the Pledged Taxes should be characterized as special revenues under Section 902(2)(E), pursuant to Section 928(a) of the Bankruptcy Code the liens granted to the Trustee under the 2017H Indenture on the Pledged Taxes should remain valid and enforceable against any Pledged Taxes collected during the bankruptcy case of the Board to the same extent that such liens are valid and enforceable against the Pledged Taxes collected prior to the commencement of such case.

As a result, even if application of the Pledged Taxes to the payment of the 2017H Bonds is stayed, the Trustee, on behalf of the holders of the 2017H Bonds, should be entitled to assert the rights of a secured creditor in bankruptcy. These rights include the ability to seek adequate protection of the Trustee's secured interest in the Pledged Taxes, the right to receive an administrative priority claim as compensation for any diminution in the value of the Trustee's secured interest in the Pledged Taxes, if such a diminution claim exists notwithstanding the provision of adequate protection by the Board, and the right to seek relief from the automatic stay to pursue state law and contractual remedies against the Board. Most importantly, as secured creditors of the Board, the holders of the 2017H Bonds will be entitled to receive, under any chapter 9 plan confirmed by the bankruptcy court, a recovery equal to at least the present value of their interest in the Pledged Taxes before sharing pro rata in the Board's general treasury funds with unsecured creditors to the extent of any deficiency. Indeed, although a bondholder's secured creditor status in bankruptcy will not by itself affect the timing of payment, it will affect and likely improve materially the bondholder's ultimate recovery in the bankruptcy case relative to unsecured creditors.[7]

[7] To the extent that Pledged Revenues are deposited by the Board with the Trustee in an amount sufficient to pay the 2017H Bonds for the year and abate the Pledged Taxes and, thereafter, but prior to the actual payment of the

V. OPINIONS

Based on the assumptions and analysis set forth above in this opinion letter, the qualifications set forth below, and subject to the further qualification that there is no binding precedent dealing with facts similar to those set forth in this opinion letter, it is our opinion that a federal court exercising bankruptcy jurisdiction, in a properly briefed, argued and presented case, and exercising reasonable judgment and discretion after full consideration of all relevant factors and applying legal theories and principles subscribed to by federal courts exercising bankruptcy jurisdiction, should determine that the Pledged Taxes are "special revenues" as that term is defined in Section 902(2)(E) of the Bankruptcy Code and that, consequently, (i) application of the Pledged Taxes by the Trustee to the payment of the 2017H Bonds should not be automatically stayed as a result of the commencement of such a bankruptcy case by the Board and (ii) Pledged Taxes collected on behalf of the Board after the commencement of such a bankruptcy case should remain subject to the lien granted in favor of the Trustee under the 2017H Indenture.

VI. QUALIFICATIONS AND LIMITATIONS

While we believe that our opinions set forth herein are supported by sound analysis of existing law, we found no reported cases containing all the material facts and circumstances that are present in this transaction. In particular, we found no reported cases that specifically address the meaning of the terms "finance" and "one or more projects" under Section 902(2)(E) of the Bankruptcy Code. In rendering our opinions, we have thus relied on cases discussing certain of the facts and circumstances that are present in this transaction and on secondary authorities, including legislative history and legal commentaries, discussing the treatment of municipal bonds in bankruptcy. We also note that certain of the cases and authorities we have examined are arguably inconsistent with the opinions expressed herein, but we believe that those cases and authorities are distinguishable and should not control a court's analysis. Consequently, the opinions set forth herein are not a guarantee of a particular outcome or result but an opinion as to the decision a court should reach if the issue were properly presented to it and the court followed the applicable existing legal principles. The recipients of this opinion letter should take these limitations into account in analyzing the bankruptcy risks associated with the Financing. The foregoing opinions are expressly subject to there being no fact material to this opinion letter that has not been communicated to us.

We also note that bankruptcy courts have broad equitable powers and that municipalities are given considerable discretion in chapter 9 cases to manage their property and affairs as a result of Constitutional limitations on the power of federal courts to impair a State's authority to control its municipalities. These considerations may allow a bankruptcy court properly to, among other things,

2017H Bonds for the year, the Board commences a chapter 9 case, the Trustee should nonetheless be found to hold an enforceable lien against the Pledged Revenues in the Trustee's possession. We reach this conclusion because, under such facts, the Pledged Revenues would be property of the Board acquired *before* the commencement of its bankruptcy case such that Section 552(a) of the Bankruptcy Code would not affect the continuing validity of the Trustee's liens on such revenues. In addition, the Pledged Revenues would be held by the Trustee in a segregated account, and thus likely to be considered subject to a perfected lien. Accordingly, in this situation, the Trustee would be entitled to assert the various rights of a secured creditor, as discussed herein, with respect to such Pledged Revenues. We do not conclude, however, that the Pledged Revenues are special revenues under Section 902(2) of the Bankruptcy Code and we express no opinion regarding the potential impact of the automatic stay upon the Trustee's ability to apply the Pledged Revenues to payment of the 2017H Bonds or regarding the ability of the Board to utilize such Pledged Revenues in its bankruptcy case, subject to providing adequate protection to the Trustee.

authorize the Board's use of property in its bankruptcy case that is subject to the valid liens of bondholders or to order the continuation of the automatic stay or to issue a supplemental injunction to stay the payment of bonds or the use of the Board's property notwithstanding such property's status as special revenues or the applicability of Section 922(d) of the Bankruptcy Code. Moreover, proceedings for reorganization under the Bankruptcy Code are usually complex multilateral negotiations with the threat of protracted litigation before the bankruptcy court as a forum. This atmosphere is sometimes utilized to induce compromise and settlement of even strong legal positions. The risk of confirmation of a chapter 9 plan of adjustment that involves a negotiated outcome cannot be addressed by a legal opinion.

We also refer you to the Special Report by the TriBar Opinion Committee, Opinions in the Bankruptcy Context: Rating Agency, Structured Financing and Chapter 11 Transactions, 46 Bus. Law. 717 (February 1991), and incorporate herein by reference the discussion of limitations and uncertainties involved in opinions of this nature discussed therein.

We express no opinion as to the law of any jurisdiction other than the federal bankruptcy laws of the United States of America or to any issue not expressly addressed herein. The opinions set forth herein are limited to the effect of the present state of the federal bankruptcy law of the United States, insofar as it relates to the issue of special revenues. This opinion letter is given on the date hereof and we assume no obligation to advise you of changes in fact or law that may hereafter be brought to our attention. In rendering this opinion letter, we assume no obligation to revise or supplement this opinion letter should the present laws, or the interpretation thereof, be changed.

This opinion letter is being furnished only to and may be relied upon only by the Board and solely in connection with the Financing, and is not to be used, circulated or quoted to any other person or entity, relied upon, published or otherwise referred to for any purpose without our express prior written consent. Copies of this opinion letter may be furnished to, but may not be relied upon by, the Board's professional advisers, municipal bond rating agencies engaged by the Board for the purpose of rating the 2017H Bonds and the professional advisers of any such rating agencies. We further consent to the inclusion of a copy of this opinion letter in the appendices to the preliminary official statement and the official statement with respect to the public offering of the 2017H Bonds.

Very truly yours,

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APPENDIX L

REFUNDED BONDS

APPENDIX L-1
BONDS TO BE REFUNDED WITH PROCEEDS OF THE SERIES 2017C BONDS, SERIES 2017D BONDS, SERIES 2017E BONDS AND SERIES 2017F BONDS

Series	Maturity	Interest Rate (%)	Redemption Date	Par Amount ($)	CUSIP
2007B	12/01/2017	5.000	N/A	15,265,000	167505AA4
2007B	12/01/2019	5.000	12/18/2017	16,835,000	167505AC0
2007B	12/01/2020	5.000	12/18/2017	25,155,000	167505AD8
2007B	12/01/2021	5.000	12/18/2017	26,410,000	167505AE6
2007B	12/01/2022	5.000	12/18/2017	27,735,000	167505AF3
2007B	12/01/2023	5.000	12/18/2017	34,310,000	167505AG1
2007B	12/01/2024	5.000	12/18/2017	36,020,000	167505AH9
Total				**181,730,000**	
2007C	12/01/2018	4.125	12/18/2017	415,000	167505AU0
2007C	12/01/2019	4.250	12/18/2017	435,000	167505AV8
2007C	12/01/2020	4.250	12/18/2017	455,000	167505AW6
2007C	12/01/2021	4.375	12/18/2017	475,000	167505AX4
2007C	12/01/2024	4.500	12/18/2017	1,555,000	167505AY2
Total				**3,335,000**	
2005B	12/01/2021	5.000	12/18/2017	22,735,000	1675013A1
Total				**22,735,000**	
2011C-1	03/01/2032	Variable(1)	12/18/2017	40,300,000	167505PE0
Total				**40,300,000**	
2011C-2	03/01/2032	Variable(1)	12/18/2017	39,700,000	167505PF7
Total				**39,700,000**	
2013A-1	03/01/2026	Variable(1)	12/18/2017	71,685,000	167505QA7
Total				**71,685,000**	
2013A-2	03/01/2035	Variable(1)	12/18/2017	124,320,000	167505QB5
Total				**124,320,000**	
2015A	03/01/2032	Variable(1)	12/18/2017	80,300,000	167505QM1
Total				**80,300,000**	
2015G	03/01/2032	Variable(1)	12/18/2017	79,800,000	167505QN9
Total				**79,800,000**	

(1) Currently paying interest at a fixed rate of 9.000%

APPENDIX L-2
BONDS TO BE REFUNDED WITH PROCEEDS OF THE SERIES 2017G BONDS

A portion of the proceeds of the Series 2017G Bonds will be used to restructure a portion of the Board's outstanding debt by (a) refunding certain of the Board's Unlimited Tax General Obligation Bonds (Dedicated Revenues) maturing on or prior to December 1, 2020. as shown in the table below, and (b) financing the payment of "Existing Debt Service" consisting of certain interest payments on outstanding bonds of the Board unassociated with the refunding of any principal amounts, due on June 1, 2019 and December 1, 2019 in the amounts of $53,659,838 and $20,481,750, respectively. See "**PLAN OF FINANCE**" in the Official Statement.

Series	Maturity	Interest Rate (%)	Redemption Date	Par Amount ($)	CUSIP
2004A	12/01/2020	5.0	12/18/2017	21,090,000	167501R23
Total				**21,090,000**	
2006B	12/01/2019	5.0	12/18/2017	9,695,000	1675015V3
Total				**9,695,000**	
2007D	12/01/2019	5.0	12/18/2017	10,780,000	167505BV7
Total				**10,780,000**	
2008C	12/01/2019	5.0	12/01/2018	3,645,000	167505ET9
Total				**3,645,000**	
2009D	12/01/2019	5.0	12/01/2018	6,635,000	167505JK3
Total				**6,635,000**	
2010F	12/01/2019	5.0	N/A	3,085,000	167505NV4
Total				**3,085,000**	

APPENDIX M

ECONOMIC AND DEMOGRAPHIC INFORMATION

Set forth below is certain economic and demographic information regarding the City of Chicago, whose boundaries are coterminous with the boundaries of the School District governed by the Board. Sources of information are set forth in footnotes. With respect to non-Board sources, the Board considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Overview

The Chicago metropolitan area has a population of 9.5 million people, with over 4.7 million employees. [1][2] Chicago's large and diverse economy contributed to a gross regional product of more than $651 billion in 2016.[3]

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.[4]

The Chicago Public School system is the third largest school district in the nation and the City Colleges of Chicago operate seven colleges and serve approximately 91,626 students.[5]

The Chicago metropolitan area's largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality, and manufacturing.[6]

Transportation

According to statistics compiled by Airports Council International in 2016, O'Hare ranked sixth worldwide and third in the United States in terms of total passengers while Midway ranked 26th in the United States. [7] According to the Chicago Department of Aviation, O'Hare and Midway had 78.0 and 22.7 million in total passenger volume in 2016, respectively. O'Hare supports substantial international

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1 U.S. Census Bureau (2016). American Community Survey 1-year estimates. Retrieved from Census Reporter Profile page for Chicago-Naperville-Elgin, IL-IN-WI Metro Area. https://censusreporter.org/profiles/31000US16980-chicago-joliet-naperville-il-in-wi-metro-area/

2 U.S. Bureau of Labor Statistics, "Chicago Area Employment – August 2017," https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm

3 U.S. Bureau of Economic Analysis, "Table 1. Current-Dollar Gross Domestic Product (GDP) by Metropolitan Area," https://www.bea.gov/newsreleases/regional/gdp_metro/2017/pdf/gdp_metro0917.pdf

4 Chicago Department of Aviation, "Monthly Operations, Passengers, Cargo Summary by Class, December 2016," http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx

5 City Colleges of Chicago, "Fiscal Year 2016 Statistical Digest," http://www.ccc.edu/menu/pages/facts-statistics.aspx

6 U.S. Bureau of Labor Statistics, "Chicago Area Economic Summary, September 27, 2017," https://www.bls.gov/regions/midwest/summary/blssummary_chicago.pdf

7 Airports Council International "2016 North American (ACI-NA) Top 50 Airports," http://www.aci-na.org/content/airport-traffic-reports

service with international passengers constituting approximately 15% of total enplaned passengers in 2016.[8]

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,888 buses operating over 130 routes and 1,301 route miles, making 18,843 trips per day and serving 10,813 bus stops; 1,492 rail cars operating over 8 routes and 224 miles of track, making 2,276 trips each day and serving 145 stations; and 1.64 million rides on an average weekday and over 515 million rides a year (bus and train combined).[9]

Population

Chicago is home to over 2.7 million people that live in more than one million households.[10] The City's population increased nearly .3% since the 2010 Census.[11]

The population of the United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 and the estimate for 2016 is set forth below.

Population[12]
1980—2016

Year	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2016 Estimate	323,127,513	12,801,539	5,203,499	2,704,958

35.6% of Chicago's residents (age 25 or older) have bachelor's degrees, which is higher than the national average of 29.8%.[13]

[8] Chicago Department of Aviation Airport Budget Statistics, "Monthly Operations, Passengers, Cargo Summary by Class, December 2016," http://www.flychicago.com/business/CDA/factsfigures/Pages/airtraffic.aspx

[9] Chicago Transit Authority, "CTA Facts at a Glance, Spring 2016," http://www.transitchicago.com/about/facts.aspx

[10] U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/fact/table/chicagocityillinois,US/PST045216 (accessed October 16 2017).

[11] U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed October 16 2017).

[12] U.S. Census Bureau, "State and County QuickFacts—USA," https://www.census.gov/quickfacts/table/PST045216/00; "State and County QuickFacts—Cook County, Illinois," https://www.census.gov/quickfacts/table/RHI805210/17031; "State and County QuickFacts—Illinois (State)," https://www.census.gov/quickfacts/table/PST045215/17 (accessed October 16 2017).

[13] U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/PST045215/1714000,00 (accessed October 16 2017).

Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago MSA is set forth below for the years 2007 through 2016.

Per Capita Income[14]
2007—2016

Year	United States	State of Illinois	Cook County	Chicago MSA
2007	39,821	42,265	46,662	45,763
2008	41,082	43,358	47,176	46,488
2009	39,376	40,994	43,289	43,264
2010	40,277	41,698	43,664	43,803
2011	42,461	43,724	45,332	45,807
2012	44,282	45,654	47,872	48,281
2013	44,493	46,646	49,141	49,057
2014	46,464	48,563	52,380	51,597
2015	48,190	50,377	54,714	53,886
2016	49,571	52,098	Unavailable	Unavailable

Chicago's 2015 median household income is $48,522, compared to $57,574 in Illinois and $53,889 in the U.S., and Chicago ranks 7th among other major metropolitan areas on the cost of living index.[15, 16]

14 U.S. Bureau of Economic Analysis, "Interactive Data," http://www.bea.gov/iTable/index.cfm (accessed October 17, 2017).

15 U.S. Census Bureau, "State and County QuickFacts—Chicago (city), Illinois," https://www.census.gov/quickfacts/table/RHI805210/1714000; "State and County QuickFacts—USA," https://www.census.gov/quickfacts/table/PST045216/00; "State and County QuickFacts—Illinois (State)," https://www.census.gov/quickfacts/table/PST045215/17 (accessed October 16 2017).

16 World Business Chicago, "Cost of Living Index – Top 10 Metros (2015)" http://www.worldbusinesschicago.com/cost-living-index/ (accessed October 16, 2017).

Employment

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2008 through 2017 is set forth below.

Employment (in thousands)[17,18]
2008—2017

Year	Chicago	Cook County	Chicago MSA	State of Illinois
2008	1,238	2,461	4,528	5,949
2009	1,172	2,327	4,291	5,657
2010	1,182	2,301	4,246	5,613
2011	1,120	2,316	4,305	5,677
2012	1,202	2,359	4,375	5,751
2013	1,216	2,365	4,443	5,805
2014	1,228	2,450	4,502	5,873
2015	1,255	2,495	4,623	5,958
2016	1,282	2,577*	4,651	6,012
2017**	1,278	Unavailable	4,611	6,037

* September 2016 data.
** August 2017 data.

17 U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://www.bls.gov/bls/employment.htm (accessed October 17, 2017).
18 US Bureau of Labor Statistics, "Local Area Unemployment Statistics," http://beta.bls.gov/dataViewer/view/timeseries/LAUCT171400000000005 (accessed October 16, 2017).

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for August 2017 is shown in the following table.

Percentage of Total Non-Farm Employment by Major Industry Sector
August 2017*[19, 20]

Sector	Chicago MSA	Illinois	United States
Trade, Transportation and Utilities	19.8%	20.0%	18.7%
Government	10.9%	13.7%	15.2%
Education and Health Services	15.4%	15.3%	15.8%
Professional and Business Services	18.7%	15.7%	14.2%
Leisure and Hospitality	10.4%	9.9%	10.8%
Manufacturing	7.5%	9.4%	8.5%
Financial Activities	7.2%	6.5%	5.8%
Construction	3.7%	3.6%	4.7%
Other Services	4.3%	4.2%	3.9%
Information	2.0%	1.7%	1.9%
Mining and Logging	0.0%	0.1%	0.5%
Total	100.0%	100.0%	100.0%

*not seasonally adjusted

[19] U.S. Bureau of Labor Statistics, http://www.bls.gov/regions/midwest/il_chicago_md.htm https://www.bls.gov/eag/eag.il.htm (accessed October 17, 2017).

[20] U.S. Bureau of Labor Statistics, "Current Employment Statistics (National)," http://www.bls.gov/web/empsit/ceseeb1a.htm (accessed October 17, 2017).

The City of Chicago's average annual unemployment rate decreased from 11.2% in 2010 to 5.9% in 2016, while statewide, Illinois' unemployment rate dropped from 10.4% in 2010 to 5.7% in 2016.[21] In August 2017, the Chicago MSA's preliminary unemployment rate was 4.8%.[22]

The annual unemployment rates (percent of population, not seasonally adjusted) for the United States, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2008 through year-to-date for 2017.

Annual Unemployment Rates [23]
2008—2017

Year	Chicago	Cook County	Chicago MSA	State of Illinois	United States
2008	7.0	6.4	6.1	6.3	5.8
2009	11.1	10.6	10.2	10.2	9.3
2010	11.2	10.9	10.6	10.4	9.6
2011	10.9	10.4	9.9	9.7	8.9
2012	10.0	9.6	9.1	9.0	8.1
2013	10.1	9.7	9.1	9.1	7.4
2014	7.8	7.5	7.1	7.1	6.2
2015	6.6	6.2	5.9	6.0	5.3
2016	6.5	6.2	5.8	5.9	4.9
2017*	6.1	5.7	5.3	5.2	4.4

* August 2017 data.

[21] U.S. Bureau of Labor Statistics, "State and Metro Area Employment, Hours, & Earnings," https://www.bls.gov/news.release/archives/laus_01242017.pdf (accessed October 17, 2017).

[22] U.S. Bureau of Labor Statistics, "Local Area Employment Statistics," https://www.bls.gov/news.release/pdf/laus.pdf (accessed October 17, 2017).

[23] Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/ILCOOK1URN (accessed October 17, 2017).

Employers

The principal non-governmental employers in the Chicago MSA for 2016 are set forth below.

Principal Chicago MSA Non-Governmental Employers[24]

2016

Employer	Number of Employees	Percentage of Total Employment
Advocate Health Care	18,930	1.48%
University of Chicago	16,374	1.28
Northwestern Memorial Healthcare	15,747	1.23
J.P. Morgan Chase & Co.	15,229	1.19
United Continental Holdings Inc.	15,157	1.18
Walgreens Boots Alliance Inc.	12,685	0.99
Northwestern University	10,241	0.80
Presence Health	10,183	0.79
Abbott Laboratories	9,800	0.76
Jewel Food Stores, Inc.	9,660	0.75

[24] See the Board's Comprehensive Annual Financial Report set forth in APPENDIX B to this Official Statement. See also Chicago Comprehensive Annual Financial Report for the year ended December 31, 2016, https://www.cityofchicago.org/content/dam/city/depts/fin/supp_info/CAFR/2016/CAFR_2016.pdf

Top Taxpayers

The top property taxpayers in Chicago in 2015 based on 2015 EAV are shown in the following table.

Top Ten Property Taxpayers 2015[25]
($ in thousands)

Rank	Property	2015 EAV	% of Total EAV
1	Willis Tower	$ 386,933	0.55%
2	AON Building	239,092	0.34
3	Blue Cross Blue Shield Tower	238,631	0.34
4	Water Tower Place	215,481	0.30
5	300 N. LaSalle	196,095	0.28
6	Franklin Center	194,504	0.27
7	Chase Plaza	193,365	0.27
8	Citadel Center	187,291	0.26
9	Prudential Plaza	186,795	0.26
10	Three First National Plaza	182,523	0.26
	Total	$2,220,710	3.13%

As shown in the table, the top ten taxpayers account for less than 3.5% of the City's total tax base.

[25] Chicago Comprehensive Annual Financial Report for the year ended December 31, 2016, http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements/2015_Financial_Statements.html

APPENDIX N

FORMS OF OPINIONS OF CO-BOND COUNSEL

APPENDIX N-1
FORM OF OPINION OF CO-BOND COUNSEL
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES),
SERIES 2017C

November 30, 2017

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $351,485,000 principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017C (the "Bonds") of the Board of Education of the City of Chicago (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 17-0828-RS6 adopted by the Board on August 28, 2017 (the "August Resolution") as amended by Resolution 17-1025-RS6, adopted by the Board on October 25, 2017 (the "October Resolution") and a Trust Indenture dated as of November 1, 2017 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). The August Resolution, as amended by the October Resolution, is herein referred to as the "Bond Resolution". Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated November 30, 2017. The Bonds bear interest from their date at the rate of five per centum (5.00%) per annum, payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 in each year.

The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2019	$22,610,000
2020	22,945,000
2021	23,340,000
2022	23,700,000
2023	32,125,000
2024	32,300,000
2025	27,910,000
2026	22,295,000
2027	22,680,000
2030	69,630,000
2034	51,950,000

The Bonds maturing on or after December 1, 2030 are subject to redemption prior to maturity at the option of the Board, in such principal amounts and from such maturities as the Board shall determine and by lot within a maturity, on December 1, 2027 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing in the years 2030 and 2034 are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

2030 Bonds		2034 Bonds	
Year	Principal Amount	Year	Principal Amount
2028	$22,990,000	2031	$22,165,000
2029	23,215,000	2032	9,970,000
		2033	9,940,000

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 provided to the purchasers of the Bonds.

The Bonds are issued as “alternate bonds” under Section 15 of the Local Government Debt Reform Act for the purpose of refunding alternate bonds of the Board.

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the August Resolution and the October Resolution, to enter into the Indenture and to authorize the Bonds.

The August Resolution and the October Resolution have been duly adopted.

The Bond Resolution is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District governed by the Board for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Pledged State Aid Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds 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 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing 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 Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the Bond Resolution and the 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.

Very truly yours,

APPENDIX N-2
FORM OF OPINION OF CO-BOND COUNSEL
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES),
SERIES 2017D

November 30, 2017

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $79,325,000 principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017D (the "Bonds") of the Board of Education of the City of Chicago (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 17-0828-RS6 adopted by the Board on August 28, 2017 (the "August Resolution") as amended by Resolution 17-1025-RS6, adopted by the Board on October 25, 2017 (the "October Resolution") and a Trust Indenture dated as of November 1, 2017 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). The August Resolution, as amended by the October Resolution, is herein referred to as the "Bond Resolution". Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated November 30, 2017. The Bonds bear interest from their date at the rate of five per centum (5.00%) per annum, payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 in each year.

The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2019	$ 5,290,000
2020	5,445,000
2021	5,630,000
2022	5,775,000
2023	5,920,000
2024	6,105,000
2025	6,200,000
2026	6,360,000
2027	6,500,000
2031	26,100,000

The Bonds maturing on December 1, 2031 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 December 1, 2027 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing in the year 2031 are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following table, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

Year	Principal Amount
2028	$6,490,000
2029	6,675,000
2030	6,815,000

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 provided to the purchasers of the Bonds.

The Bonds are issued as "alternate bonds" under Section 15 of the Local Government Debt Reform Act for the purpose of refunding alternate bonds of the Board.

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the August Resolution and the October Resolution, to enter into the Indenture and to authorize the Bonds.

The August Resolution and the October Resolution have been duly adopted.

The Bond Resolution is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District governed by the Board for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Pledged State Aid Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds 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 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing 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 Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the Bond Resolution and the 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.

Very truly yours,

APPENDIX N-3
FORM OF OPINION OF CO-BOND COUNSEL
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES),
SERIES 2017E

November 30, 2017

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $22,180,000 principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017E (the "Bonds") of the Board of Education of the City of Chicago (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 17-0828-RS6 adopted by the Board on August 28, 2017 (the "August Resolution") as amended by Resolution 17-1025-RS6, adopted by the Board on October 25, 2017 (the "October Resolution") and a Trust Indenture dated as of November 1, 2017 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). The August Resolution, as amended by the October Resolution, is herein referred to as the "Bond Resolution". Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated November 30, 2017. The Bonds mature (without option of prior redemption) on December 1, 2021 and bear interest from their date at the rate of five per centum (5.00%) per annum payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 in each year.

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 provided to the purchasers of the Bonds.

The Bonds are issued as "alternate bonds" under Section 15 of the Local Government Debt Reform Act for the purpose of refunding alternate bonds of the Board.

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the August Resolution and the October Resolution, to enter into the Indenture and to authorize the Bonds.

The August Resolution and the October Resolution have been duly adopted.

The Bond Resolution is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District governed by the Board for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Pledged PPRT Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds 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 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing 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 Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the Bond Resolution and the 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.

Very truly yours,

APPENDIX N-4
FORM OF OPINION OF CO-BOND COUNSEL
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES),
SERIES 2017F

November 30, 2017

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $165,510,000 principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017F (the "Bonds") of the Board of Education of the City of Chicago (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 17-0828-RS6 adopted by the Board on August 28, 2017 (the "August Resolution") as amended by Resolution 17-1025-RS6, adopted by the Board on October 25, 2017 (the "October Resolution") and a Trust Indenture dated as of November 1, 2017 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). The August Resolution, as amended by the October Resolution, is herein referred to as the "Bond Resolution". Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated November 30, 2017. The Bonds bear interest from their date at the rate of five per centum (5.00%) per annum, payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 in each year.

The Bonds mature (without option of prior redemption) on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2018	$ 585,000
2019	17,475,000
2020	24,760,000
2021	25,995,000
2022	27,300,000
2023	33,855,000
2024	35,540,000

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 provided to the purchasers of the Bonds.

The Bonds are issued as "alternate bonds" under Section 15 of the Local Government Debt Reform Act for the purpose of refunding alternate bonds of the Board.

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the August Resolution and the October Resolution, to enter into the Indenture and to authorize the Bonds.

The August Resolution and the October Resolution have been duly adopted.

The Bond Resolution is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District governed by the Board for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Intergovernmental Agreement Revenues, the Pledged PPRT Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds 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 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing 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 Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the Bond Resolution and the 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.

Very truly yours,

APPENDIX N-5
FORM OF OPINION OF CO-BOND COUNSEL
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(DEDICATED REVENUES),
SERIES 2017G

November 30, 2017

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $126,500,000 principal amount of Unlimited Tax General Obligation Refunding Bonds (Dedicated Revenues), Series 2017G (the "Bonds") of the Board of Education of the City of Chicago (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 16-0824-RS5, adopted by the Board on August 24, 2016 (the "2016 Authorizing Resolution"), Resolution 17-0828-RS6 adopted by the Board on August 28, 2017 (the "August Resolution") as amended by Resolution 17-1025-RS6, adopted by the Board on October 25, 2017 (the "October Resolution") and a Trust Indenture dated as of November 1, 2017 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). The August Resolution, as amended by the October Resolution, is herein referred to as the "Bond Resolution". Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated November 30, 2017. The Bonds bear interest from their date at the rate of five per centum (5.00%) per annum, payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 in each year.

The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2034	$75,635,000
2044	50,865,000

The Bonds are subject to redemption prior to maturity at the option of the Board, in such principal amounts and from such maturities as the Board shall determine and by lot within a maturity, on December 1, 2027 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

2034 Bonds		2044 Bonds	
Year	Principal Amount	Year	Principal Amount
2031	$17,550,000	2043	$25,055,000
2032	18,420,000		
2033	19,350,000		

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 provided to the purchasers of the Bonds.

The Bonds are issued as "alternate bonds" under Section 15 of the Local Government Debt Reform Act for the purpose of funding debt service payments and refunding alternate bonds of the Board.

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the 2016 Authorizing Resolution, the August Resolution and the October Resolution, to enter into the Indenture and to authorize the Bonds.

The 2016 Authorizing Resolution, the August Resolution and the October Resolution have been duly adopted.

The 2016 Authorizing Resolution and the Bond Resolution are presently in full force and effect, are valid and binding upon the Board and are enforceable in accordance with their terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District governed by the Board for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Pledged State Aid Revenues, the Pledged PPRT Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds 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 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing 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 Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the 2016 Authorizing Resolution, the Bond Resolution and the 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.

Very truly yours,

APPENDIX N-6
FORM OF OPINION OF CO-BOND COUNSEL
RELATED TO
UNLIMITED TAX GENERAL OBLIGATION BONDS
(DEDICATED REVENUES),
SERIES 2017H

November 30, 2017

The Board of Education of the City of Chicago
Chicago, Illinois

Dear Members:

We have examined a record of proceedings relating to the issuance of $280,000,000 principal amount of Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2017H (the "Bonds") of the Board of Education of the City of Chicago (the "Board"). The Bonds are authorized and issued pursuant to the School Code, 105 Illinois Compiled Statutes 5, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, Resolution 16-0824-RS5, adopted by the Board on August 24, 2016 (the "2016 Authorizing Resolution"), Resolution 17-1025-RS5, adopted by the Board on October 25, 2017 (the "Bond Resolution") and a Trust Indenture dated as of November 1, 2017 securing the Bonds (the "Indenture") by and between the Board and Amalgamated Bank of Chicago, as trustee (the "Trustee"). Terms used herein, which are defined in the Indenture, shall have the meanings set forth in the Indenture unless otherwise defined herein.

The Bonds are issuable in the form of fully registered bonds in the denominations of $100,000 and any integral multiple of $5,000 in excess of $100,000. The Bonds delivered on original issuance are dated November 30, 2017. The Bonds bear interest from their date at the rate of five per centum (5.00%) per annum, payable on June 1, 2018 and semiannually thereafter on June 1 and December 1 in each year.

The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table:

Year	Principal Amount
2036	$120,000,000
2046	160,000,000

The Bonds are subject to redemption prior to maturity at the option of the Board, in such principal amounts and from such maturities as the Board shall determine and by lot within a maturity, on December 1, 2027 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

2036 Bonds		2046 Bonds	
Year	Principal Amount	Year	Principal Amount
2030	$ 9,740,000	2043	$37,120,000
2031	15,475,000	2044	38,980,000
2032	16,250,000	2045	40,925,000
2033	17,060,000		
2034	17,915,000		
2035	21,310,000		

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 provided to the purchasers of the Bonds.

The Bonds are issued as "alternate bonds" under Section 15 of the Local Government Debt Reform Act for the purpose of raising moneys to construct, acquire and equip school buildings in and for the school district governed by the Board (the "School District").

Interest on the Bonds is not exempt from Illinois income taxes.

We are of the opinion that:

The Board had and has the right and power to adopt the 2016 Authorizing Resolution and the Bond Resolution, to enter into the Indenture and to authorize the Bonds.

The 2016 Authorizing Resolution and the Bond Resolution have been duly adopted, are presently in full force and effect, are valid and binding upon the Board and are enforceable in accordance with their terms.

The Indenture has been duly authorized, executed and delivered by the Board, is presently in full force and effect, is valid and binding upon the Board and is enforceable in accordance with its terms.

The Bonds have been duly authorized and issued, are valid and legally binding general obligations of the Board, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

The full faith and credit of the Board are irrevocably pledged to the punctual payment of the Bonds and the Board has power and is obligated to levy ad valorem taxes upon all the taxable property within the School District for the punctual payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Indenture creates the valid pledge which it purports to create of the Trust Estate, consisting of the Intergovernmental Agreement Revenues, the Pledged State Aid Revenues, the Pledged PPRT Revenues, the Pledged Taxes and the other moneys, securities and funds held thereunder, subject to the application thereof to the purposes permitted by the Indenture.

The Board has taken all necessary action to cause the County Collectors of the Counties of Cook and DuPage to deposit the Pledged Taxes directly with the Trustee for application pursuant to the Indenture.

Under existing law, interest on the Bonds 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 Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing 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 Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The Board has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the Bonds, the 2016 Authorizing Resolution, the Bond Resolution and the 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.

Very truly yours,

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BOARD OF EDUCATION OF THE CITY OF CHICAGO • UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (DEDICATED REVENUES), SERIES 2017C-F
AND UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED REVENUES), SERIES 2017H

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