

January 23, 2002

**AMEND RESOLUTION 98-0826-RS8 RESOLUTION PROVIDING FOR THE ISSUANCE OF
QUALIFIED ZONE ACADEMY GENERAL OBLIGATION (ALTERNATE) BONDS, SERIES 1998
(BRONZEVILLE ACADEMY PROJECT), OF THE CHICAGO SCHOOL REFORM BOARD OF
TRUSTEES OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO**

Whereas, pursuant to the provisions of Article 34 of the School Code of the State of Illinois, as amended (the "*School Code*"), and particularly as amended by Public Act 89-15, approved and effective May 30, 1995, the City of Chicago, Illinois constitutes one school district (the "*School District*"), which is a body politic and corporate by the name of "Board of Education of the City of Chicago, Illinois," which School District is governed by the Chicago School Reform Board of Trustees (the "*Board*"); and

Whereas, in accordance with the applicable provisions of the School Code, the Local Government Debt Reform Act of the State of Illinois (the "*Act*"), a public hearing (the "*Hearing*") held on October 6, 1997 in accordance with the provisions of the Bond Issue Notification Act of the State of Illinois and a resolution adopted by the Board on October 6, 1997 (the "*1997 Authorizing Resolution*"), the Board is authorized to issue alternate bonds, being general obligation bonds payable from one or more of the revenue sources specified in the 1997 Authorizing Resolution, in an amount not to exceed \$1,500,000,000 for specified lawful corporate purposes of the Board (all in accordance with the estimates of cost, including the Board's Five-Year Capital Improvement Program, heretofore approved by the Board); and

Whereas, such lawful corporate purposes include: (i) the renovation, rehabilitation and equipping of the Bronzeville Armory at 3515 South Giles Avenue for use by the Board as a "qualified zone academy" (as defined in Section 1397E of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (collectively, "*the Code and Regulations*")), to be known as the Bronzeville Academy (collectively, the "*Bronzeville Academy Project*"); and (ii) paying bond discount and the costs of issuance related to the issuance of bonds to finance a portion of the costs of the Bronzeville Academy Project; and

Whereas, the Board has determined that it is advisable, necessary and in the best interests of the Board and the residents of the School District to undertake the Bronzeville Academy Project and to issue bonds to finance a portion of the costs of the Bronzeville Academy Project, all as more fully described in this Resolution; and

Whereas, pursuant to Section 1397E of the Code and Regulations and an allocation of qualified zone academy bond limitation approved by the Illinois State Board of Education, the Board is authorized to issue the Bonds as "qualified zone academy bonds" with respect to the Bronzeville Academy Project; and

Whereas, pursuant to the 1997 Authorization and the Hearing, the Board has heretofore issued its \$499,995,204.25 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1997A (the "*Series 1997A Bonds*"), pursuant to the provisions of a Trust Indenture, dated as of November 1, 1997, between the Board and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the "*Series 1997A Indenture*"); and

Whereas, in accordance with the provisions of the 1997 Authorization and the Hearing, the Board desires to issue not to exceed an additional \$14,000,000 of the bonds so authorized (the "*Bonds*"); and

Whereas, the Bonds will be payable from: (i) the "*Pledged Revenues*," being (A) those 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 of the State, as amended, or from such successor or replacement fund or act as may be enacted in the future (the "*Pledged Personal Property Replacement Tax Revenues*"), remaining after: (x) any required allocation thereof to provide for the payment of 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 said State Revenue Sharing Act, or such successor or replacement act as may be enacted in the future (the "*Statutory Claims*"); and (y) any required allocation thereof to provide for the payment of the Prior Bonds (as defined in the Series 1997A Indenture); and (B) 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 of Chicago (the "City") (the "*Intergovernmental Agreement Revenues*"); and (ii) the "*Pledged Taxes*," being the ad valorem taxes levied against all of the taxable property in the School District without limitation as to rate or amount pursuant to Section 7 of this Resolution, for the purpose of providing funds in addition to the Pledged Revenues to pay the principal of the Bonds, and the Bonds will be further secured by the moneys and securities on deposit in the Debt Service Fund established pursuant to this Resolution; and

Whereas, Section 704(B) of the Series 1997A Indenture authorizes the issuance of alternate bonds payable from the Pledged Revenues on a parity basis with the Series 1997A Bonds; and

Whereas, to provide additional security for the Bonds, the Board will provide for the deposit of the Pledged Revenues and the Pledged Taxes directly with Amalgamated Bank of Chicago, as Escrow Agent (the "*Escrow Agent*"), for application pursuant to the terms of the Master Alternate Bonds Escrow Agreement (the "*Escrow Agreement*"), dated as of November 1, 1997, by and between the Board and the Escrow Agent, as amended and supplemented by a supplement thereto reflecting the issuance of the Bonds; and

Whereas, the Board has determined that the Personal Property Replacement Tax Revenues, after the allocation thereof to the Statutory Claims, and the Intergovernmental Agreement Revenues will provide in each year an amount not less than 1.25 times debt service on the Bonds, the Series 1997A Bonds and the Prior Bonds to be paid from such sources. Such determination is supported by the Agreed Upon Procedures Report dated November 19, 1997 (the "*Report*") prepared by Arthur Andersen LLP, which Report is attached as *Exhibit A* and has been presented to the Board and is now on file with the Secretary of the Board; and

Whereas, a placement agent (the "*Placement Agent*") to be designated by the Chief Fiscal Officer of the Board will, pursuant to a Placement Agent Agreement (the "*Placement Agent Agreement*") between the Placement Agent and the Board, use its best efforts to solicit one or more purchasers for the Bonds, with the Bonds to be sold to such purchaser(s) as are designated by the Chief Fiscal Officer; and

Whereas, it is necessary for the Board to authorize the issuance of the Bonds and to authorize and direct the execution of a supplement to the Escrow Agreement, the Placement Agent Agreement and certain other agreements and the performance of acts necessary or convenient in connection with the implementation of this Resolution and the issuance of the Bonds.

Now, Therefore, Be It Hereby Resolved by the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, Illinois, as follows:

SECTION 1. Definitions. The following terms shall, for all purposes of this Resolution, have the following meanings unless a different meaning clearly appears from the context:

"*Authenticating Agent*" means the authenticating agent for the Bonds as designated by an Authorized Officer, and any successor or successors thereto appointed by an Authorized Officer.

"*Authorized Officer*" means (i) the Chief Fiscal Officer of the Board; (ii) the Controller of the Board; or (iii) any other officer or employee of the Board authorized to perform specific acts or duties hereunder by resolution duly adopted by the Board.

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

"Bond Registrar" means the bond registrar as designated by an Authorized Officer, and any successor or successors thereto appointed by an Authorized Officer

"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 of Chicago are authorized by law or executive order to close.

"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.

"Investment Policy" means the Chicago Public Schools Investment Policy approved by the Board, as currently in effect and as may be amended from time to time.

"Mandatory Sinking Fund Redemption Date" means any date on which a portion of the principal of the Bonds shall be payable pursuant to mandatory sinking funding redemption, as determined pursuant to Section 3(e) hereof.

"Maturity Date" means the final date on which the principal of the Bonds shall be due, as determined pursuant to Section 3(c) hereof.

"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 internal Counsel to the Board) or Bond Counsel.

"Outstanding" means, as of any date, all Bonds authenticated under this Resolution except: (i) any Bonds canceled by the Bond Registrar at or prior to such date; and (ii) Bonds deemed to have been paid as provided in Section 19 hereof.

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

"Paying Agent" means the corporate trust company, or bank having the power of a trust company, designated by an Authorized Officer as paying agent for the Bonds, and any such successor or successors thereto appointed by an Authorized Officer.

"Principal Payment Date" means the Maturity Date and any Mandatory Sinking Fund Redemption Date.

"State" means the State of Illinois.

SECTION 2. Incorporation of Preambles; Acceptance of Report. The preambles of this Resolution are hereby incorporated into this text as if set out herein in full. The Report is hereby accepted and approved by the Board. The determination of the sufficiency of the Pledged Revenues pursuant to this Resolution shall be supported by reference to the Report and acceptance of the Report by the Board shall be conclusive evidence that the conditions of Section 15 of the Act have been met.

SECTION 3. Issuance of Bonds.

(a) There shall be authorized the borrowing on the credit of and for and on behalf of the Board the aggregate principal amount of not to exceed \$14,000,000; and the Bonds may be issued in said principal

amount, or such lesser principal amount, as may be determined by either the President of the Board or the Chief Fiscal Officer of the Board (the "*Designated Officials*").

(b) The Bonds shall be designated as "*Qualified Zone Academy General Obligation (Alternate) Bonds, Series 1998 (Bronzeville Academy Project)*," with such additions, modifications or revisions as shall be determined to be necessary by either of the Designated Officials at the time of the sale of the Bonds. Amalgamated Bank of Chicago, Chicago, Illinois is appointed as the Paying Agent, Bond Registrar and Authenticating Agent for the Bonds. The Bonds shall be issued under and secured by and shall have the terms and provisions set forth in this Resolution.

(c) The Bonds shall be dated as of the date of their issuance (which date shall be no earlier than September 1, 1998). The Bonds shall become due and payable on a date (the "*Maturity Date*") not earlier than December 1, 2007, and not later than December 1, 2013, as determined by either of the Designated Officials at the time of sale of the Bonds.

(d) The Bonds shall not bear interest and no interest shall be payable on the Bonds.

(e) The Bonds shall not be subject to optional redemption. The Bonds may be subject to mandatory sinking fund redemption at par prior to the Maturity Date, as determined by a Designated Official at the time of sale of the Bonds. The provisions applicable to any such mandatory redemption, including, without limitation, provisions for selection of which Bonds, or portions thereof, shall be redeemed and the provisions for notice of such redemption shall also be as determined by a Designated Official at the time of sale of the Bonds and such provisions shall be set forth in the Bonds.

(f) The Bonds shall be issued only in fully registered form in denominations of \$100,000 or any integral multiple; provided, however, that to effectuate a mandatory sinking fund redemption of the Bonds, one or more Bonds may be issued in an integral multiple of \$10,000 but with a minimum denomination of \$100,000 (collectively, "*Authorized Denominations*"). The Bonds shall be numbered as determined by either of the Designated Officials at the time of sale of the Bonds.

(g) The Bonds and the Certificate of Authentication shall be in substantially the form set forth as *Exhibit B* attached hereto, with such variations, omissions or insertions as are required or permitted by this Resolution.

(h) The principal of the Bonds shall be payable upon surrender thereof at the principal office of the Paying Agent. The principal of the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 4. *Execution, Authentication, Registration, Exchange and Transfer.*

(a) The Bonds shall be executed in the name of the Board by the manual or facsimile signatures of its President and Secretary. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such offices. Any Bond may be signed on behalf of the Board by such persons who at the time of the execution of such Bond shall hold the proper office of the Board, although at the date of such Bond such persons may not have been so authorized or have held such office.

(b) The Bonds shall bear a Certificate of Authentication, substantially in the form set forth attached to this Resolution, executed manually by the Authenticating Agent. Only such Bonds as shall bear such Certificates of Authentication shall be entitled to any right or benefit under this Resolution, and no such Bond shall be valid or obligatory for any purpose until such Certificate of Authentication shall have been duly

executed by the Authentication Agent. Such Certificate of Authentication upon any such Bond executed on behalf of the Board shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the Owner thereof is entitled to the benefits of this Resolution.

(c) The Board shall cause a bond register for the registration and transfer of the Bonds to be maintained by the Bond Registrar. Any Bond, upon surrender at the principal corporate trust office of the Bond Registrar, with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Owner or its duly authorized attorney, may, at the option of the Owner and upon payment of any taxes, fees or charges as provided in sub-section (f), be exchanged for an equal aggregate principal amount of fully registered Bonds of any other Authorized Denominations.

(d) Each Bond shall be transferable only upon the registration books of the Board, which shall be kept for that purpose by the Bond 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 Bond 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 aggregate principal amount as the surrendered Bond.

(e) The Board may deem and treat the person in whose name any Bond shall be registered upon the Bond Registrar as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, the principal of 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 shall be affected by any notice to the contrary.

(f) In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall execute, authenticate and deliver Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges shall forthwith be canceled by the Bond Registrar. In connection with any exchange or transfer of Bonds, no service charge shall be made but the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid.

(g) The Bond Registrar shall not make any registration or transfer of any Bond unless the transferee has executed an investment letter substantially in the form attached as *Exhibit C* hereto. The Bond Registrar shall not be required to make any registration or transfer of any Bond during the 15 days prior to any Principal Payment Date.

(h) If so determined and directed by the Chief Fiscal Officer in connection with the sale of the Bonds, the Bonds may be issued in book-entry only form. In connection with the issuance of Bonds in book-entry only form, the Chief Fiscal Officer is authorized to execute and deliver to the book-entry depository selected by the Chief Fiscal Officer such depository's standard form of representation letter.

(i) In case any Bond shall become mutilated or be destroyed, stolen or lost, the Bond Registrar shall execute, authenticate and deliver, a new Bond of principal amount, as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Bond Registrar evidence satisfactory that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Bond Registrar with satisfactory indemnity and complying with such other reasonable regulations as the Bond Registrar may prescribe and paying such expenses as the Bond Registrar may incur. All Bonds so surrendered to the Bond Registrar shall be canceled. Any such new Bonds issued pursuant to this sub-section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Board, whether or not the

Bonds so alleged to be destroyed, stolen or lost shall be found at any time or be enforceable by anyone, shall be entitled to equal and proportionate benefits with all other Bonds issued under this Resolution.

SECTION 5. *Application of Proceeds.* The proceeds from the sale of the Bonds shall be applied to the payment of a portion of the costs of the Bronzeville Academy Project and to the cost of issuance of the Bonds. Pending the application for such purposes, the proceeds of the Bonds shall be set aside, held and invested at the direction of an Authorized Officer as separate funds of the Board.

SECTION 6. *Payment of the Bonds; Establishment of Debt Service Fund; Deposit of Pledged Revenues.*

(a) The Paying Agent shall establish a separate fund (the "Debt Service Fund") designated as the Debt Service Fund: Qualified Zone Academy General Obligation (Alternate) Bonds, Series 1998 (Bronzeville Academy Project) (the "*Debt Service Fund*"). The Debt Service Fund shall constitute a sinking fund, separate and segregated from all other funds and accounts of the Board, and is irrevocably pledged to the Owners of the Bonds solely for the purpose of paying the principal of the Bonds.

(b) As provided in the Intergovernmental Agreement, the Chief Financial Officer of the City has executed and delivered a written direction to each of the County Collectors to deposit all collections of the Intergovernmental Agreement Revenues 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 Paying Agent for deposit into the Debt Service Fund. All Intergovernmental Agreement Revenues received by the Paying Agent from the Escrow Agent shall be deposited promptly upon receipt in the Debt Service Fund.

(c) As described in Section 7(b) hereof, the Board has directed the County Collectors to deposit all collections of the Pledged Taxes, if and when extended for collection, directly with the Escrow Agent for application in accordance with the provisions of the Escrow Agreement. All Pledged Taxes received by the Paying Agent from the Escrow Agent shall be deposited promptly upon receipt into the Debt Service Fund.

(d) Amounts on deposit in the Debt Service Fund shall be applied to the payment of the principal of the Bonds coming due on each applicable Principal Payment Date. All amounts on deposit in the Debt Service Fund on the Business Day after the Maturity Date shall be withdrawn therefrom and paid to the Board free and clear of the lien and pledge of this Resolution.

(e) So long as any of the Bonds remain Outstanding, the Board will not agree to amend or supplement the Intergovernmental Agreement so as to authorize the modification or amendment of the direction described in sub-section (b), 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 as specified in the Escrow Agreement.

(f) The Board and its officers will comply with all present and future applicable laws in order to assure that the Intergovernmental Agreement Revenues may be allocated and paid to the Board for application as in the Escrow Agreement and in this Resolution.

SECTION 7. *Tax Levy; Pledged Taxes.*

(a) For the purpose of providing funds in addition to the Pledged Revenues, to pay the principal of the Bonds, there is levied upon all of the taxable property within the School District, a direct annual tax in the aggregate amount of \$14,000,000 for the years 2006 through 2012, inclusive; *provided*, that the Chief Fiscal Officer shall, in connection with the sale of the Bonds, determine: (i) the total amount of the direct annual tax which is required to be levied (which amount shall be \$14,000,000 or such lesser amount as is

determined by the Chief Fiscal Officer); (ii) the year (or years) for which such direct annual tax is to be levied; and (iii) the amount (or amounts) which is to be levied for each such year (the "Pledged Taxes").

(b) A copy of this Resolution, certified by the Secretary of the Board, together with the written determination of the Chief Fiscal Officer described in sub-section (a), shall be filed with each of the County Clerks. The County Clerks shall ascertain the rate percent required to produce the Pledged Taxes to be levied for each year set forth in such determination and shall extend the same for collection on the tax books in connection with other taxes levied for each such years, in and by the Board for general corporate purposes of the Board. In each such year, the Pledged Taxes shall be levied and collected by and for and on behalf of the Board in like manner as taxes for general corporate purposes of the Board are levied and collected, and in addition to and in excess of all other taxes, and when collected, the Pledged Taxes shall be deposited with the Escrow Agent, as provided in Section 6(c) hereof.

(c) Each of the Designated Officials is hereby authorized, pursuant to authority contained in Section 20-90 of the Property Tax Code of the State, as amended, to execute a written direction to the County Collectors to deposit the collections of the Pledged Taxes as and when extended for collection directly with the Escrow Agent, in order to secure the payment of the principal of the Bonds. So long as any of the Bonds remain Outstanding, the Board will not modify or amend such direction, except for such modifications or amendments as may be necessitated by changes in State law or procedures or rules, regulations or procedures 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 Escrow Agent of less than all of the Pledged Taxes to be collected pursuant to this Resolution.

(d) So long as there are any Outstanding 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, extended, collected and deposited in accordance with the Escrow Agreement and this Resolution.

(e) Upon a determination made by the Board during the calendar year prior to any Principal Payment Date that the Intergovernmental Agreement Revenues will be available in a timely manner to pay the principal of the Bonds coming due on such Principal Payment Date, the Board shall direct the abatement, in whole or in part, of the Pledged Taxes levied for such year. The Board shall direct such abatement of the Pledged Taxes 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, if any, to be extended for collection.

SECTION 8. *Investment of Moneys.*

(a) Moneys held in the Debt Service Fund shall be invested and reinvested at the written direction of an Authorized Officer, within the parameters of the Investment Policy, and so as to mature no later than necessary to pay the principal of the Bonds.

(b) Investment Securities in the Debt Service Fund shall be deemed at all times to be part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from liquidation of such investment shall be charged to such Fund.

(c) The Chief Fiscal Officer of the Board is hereby authorized to enter into or approve such agreements with investment providers as shall be necessary in connection with the investment of any funds on deposit under this Resolution, to the extent such investments are authorized under the terms of this Resolution and the Investment Policy.

SECTION 9. *General Covenants of the Board.*

(a) The Board covenants and agrees that it will pay, or cause payment to be made of, the principal of the Bonds coming due on each Principal Payment Date at the place and in the manner provided in this Resolution and in the Bonds.

(b) In order to secure the payment of the principal of the Bonds, the Board hereby pledges the Pledged Revenues to the payment of the Bonds, and the Board covenants and agrees to provide for, collect and apply the Pledged Revenues to the payment of the Bonds and the provision of an additional .25 times debt service.

(c) Once issued, the Bonds shall be and forever remain, until paid or defeased, the general obligation of the Board, for the payment of which its full faith and credit are pledged, and shall be payable, in addition to the Pledged Revenues, from the levy of the Pledged Taxes, as provided in the Act and as set forth in this Resolution, and from amounts on deposit in the Debt Service Fund. The 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 Bonds shall 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 have been paid from the Pledged Revenues for a complete fiscal year of the Board.

(d) If the Principal Payment Date for any Bond shall be extended, pursuant to the written consent of the Owner thereof, such Bond shall not be entitled, to the benefit of this Resolution (except moneys held in trust for the payment of such Bond) until the prior payment of the principal of all Bonds Outstanding the Principal Payment Date for which has not been extended.

(e) At any and all times the Board shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming, all and singular, the rights, and the Pledged Revenues, Pledged Taxes and other moneys, securities and funds hereby pledged or assigned, or which the Board may become bound to pledge or assign.

(f) The Board is duly authorized under all applicable laws to issue the Bonds and to pledge the Pledged Revenues, the Pledged Taxes and the moneys and securities on deposit in the Debt Service Fund in the manner and to the extent provided in this Resolution. Except as provided in Section 11(b) hereof with respect to future parity pledges of the Pledged Revenues, the Pledged Revenues, Pledged Taxes and the moneys and securities so pledged, and subject to such lien, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by this Resolution, and all action on the part of the Board to that end has been and will be duly and validly taken.

(g) The Bonds are and will be valid and legally enforceable obligations of the Board in accordance with their terms and the terms of this Resolution, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The Board covenants that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and laws of the State and this Resolution to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues, Pledged Taxes and the moneys and securities in the Debt Service Fund pledged under this Resolution and all the rights of the Owners in and to such Pledged Revenues, Pledged Taxes and such moneys and securities against all claims and demands.

(h) 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 Debt Service Fund which, shall at all reasonable times be available for the inspection of any Owner of the Bonds, or a representative duly authorized in writing.

SECTION 10. *Bonds as Qualified Zone Academy Bonds.*

(a) The Bonds are designated as "qualified zone academy bonds," pursuant to the Code and Regulations, with respect to the qualified zone academy to be established by the Board known as the Bronzeville Academy.

(b) The Board covenants that 95% of the proceeds of the Bonds will be used for a "qualified purpose" (as such term is defined under the Code and Regulations) with respect to the Bronzeville Academy.

(c) The Board also covenants that it will execute and deliver such certifications and representations as are determined by Bond Counsel to be required to qualify the Bonds as "qualified zone academy bonds" under the Code and Regulations and the Authorized Officers are authorized to execute and deliver such certifications or representations.

(d) The comprehensive educational plan for the Bronzeville Academy attached hereto as *Exhibit D* is hereby approved.

SECTION 11. *Additional Indebtedness; Obligations Payable from Pledged Revenues.*

(a) Except as provided in sub-section (b) and (d), the Board shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, which are secured by a pledge of or lien on the Pledged Revenues or the Pledged Taxes and shall not, except as expressly authorized in this Resolution, create or cause to be created any lien or charge on the Pledged Revenues or the Pledged Taxes.

(b) The Board reserves the right to issue alternate bonds in the future on a parity with and sharing ratably and equally in all or any portion of the Pledged Revenues with the Bonds ("*Additional Bonds*"), but only in accordance with and subject to the provisions of Section 704(B) of the Series 1997A Indenture.

(c) The Board reserves the right to issue bonds or other evidences of indebtedness payable from the Pledged Revenues subordinate to the Bonds in accordance with and subject to the provisions of the Series 1997A Indenture providing for the issuance of such bonds and other evidences of indebtedness

(d) Pursuant to Section 710 of the Series 1997A Indenture, which has or will be added to said Indenture as a result of a first supplemental indenture thereto, the Board reserves the right to issue bonds (herein called "First Lien Refunding Bonds") pursuant to the Act. Each First Lien Refunding Bond shall be secured by a pledge of and lien on the Personal Property Replacement Tax Revenues on a parity with the prior pledge of and lien on the Personal Property Replacement Tax Revenues heretofore provided as security for the payment of the "Prior Bonds" (as that term is defined in said first supplemental indenture). Subject to the conditions of issuance set forth in paragraph (B) of Section 710 of the Series 1997A Indenture, First Lien Refunding Bonds may be issued by the Board only to refund outstanding Prior Bonds or outstanding First Lien Refunding Bonds. As a prerequisite to the issuance of any First Lien Refunding Bonds, the Board shall secure the written consent of the Owner(s) of a majority in principal amount of the Bonds, issued pursuant to this Resolution, to the terms of this amendment.

SECTION 12. *Purchase of the Bonds; Placement Agent Agreement.*

(a) The Bonds shall be sold and delivered to the purchaser(s) designated by the Chief Fiscal Officer of the Board, in accordance with the terms of the Placement Agent Agreement; *provided*, (i) that the

purchase price of the Bonds shall be not less than 90 percent of the principal amount thereof to be issued, taking into consideration any original issue discount used in the marketing thereof; and (ii) the fee paid to the Placement Agent for services provided in connection with the sale of the Bonds shall not exceed 2% of principal amount of the Bonds. The Chief Fiscal Officer is hereby authorized to execute and deliver on behalf of the Board the Placement Agent Agreement, which shall be in substantially the form previously used for alternate bond financings of the Board, with appropriate revisions to reflect the private placement of the Bonds and such other revisions as the Chief Fiscal Officer shall determine as necessary or desirable in connection with the sale of the Bonds, and to do all things necessary and essential to effectuate the provisions of the Placement Agent Agreement, including the execution of any documents and certificates incidental thereto or necessary to carry out the provisions thereof. The Chief Fiscal Officer shall make a finding, in connection with the execution of the Placement Agent Agreement and the sale of the Bonds to the purchaser(s) thereof, that no person holding any office of the Board, either by election or appointment, is in any manner interested, either directly or indirectly, in his or her own name or in the name of any other Person, in such purchaser(s) or in this Resolution, the Escrow Agreement, the Placement Agent Agreement (or, if applicable, any agreement with a Bond Insurer), or in the issuance and sale of the Bonds, in accordance with the laws of the State and the Code of Ethics of the Board (Board Rule No. 95-0927-RU3).

(b) Subsequent to the sale of the Bonds, either or both of the Designated Officials shall file in the Office of the Secretary of the Board a notification of sale directed to the Board setting forth: (i) the aggregate principal amount of the Bonds; (ii) the price (as a percentage of par) at which the Bonds were purchased; (iii) the date of issuance, the Maturity Date, any Mandatory Sinking Fund Redemption Date and the applicable provisions for any such mandatory sinking fund redemption; (iv) the aggregate amount of the Pledged Taxes and the year or years for which the Pledged Taxes are levied, pursuant to Section 7(a) hereof; (v) the name of the Placement Agent and the amount of the compensation paid to the Placement Agent in connection with such sale; (vi) the name(s) of the purchaser(s) of the Bonds; and (vii) if a bond insurance policy is obtained as authorized herein, the identity of the Bond Insurer issuing the bond insurance policy;

(c) The distribution of a Private Placement Memorandum relating to the Bonds (the "*Private Placement Memorandum*"), in substantially the form attached hereto as *Exhibit E*, but with such changes as shall be approved by either of the Designated Officials, is hereby in all respects, ratified, authorized and approved, and the proposed use by the Placement Agent of the Private Placement Memorandum is hereby approved. Either of the Designated Officials is hereby authorized and directed to execute the Private Placement Memorandum on behalf of the Board.

SECTION 13. *Supplemental to the Escrow Agreement.* Each of the Designated Officials is hereby authorized to execute and deliver a supplement to the Escrow Agreement reflecting the issuance of the Bonds.

SECTION 14. *Bond Insurance.* In connection with the sale of the Bonds, each of the Designated Officials is hereby authorized to obtain a bond insurance policy from such recognized bond insurer as such Designated Official shall determine (the "*Bond Insurer*") if said Designated Official determines such bond insurance policy to be desirable in connection with such sale of the Bonds. Each Designated Official is also authorized to enter into such agreements and make such covenants with any Bond Insurer that such Designated Official deems necessary.

SECTION 15. *Amendment of the Resolution.* Subject to Sections 16 and 17 of this Resolution, the Board may amend or modify this Resolution from time to time and may modify the rights and obligations of the Board and of the registered owners of the Bonds by adopting a supplemental resolution to this Resolution. No such modification or amendment shall extend the Maturity Date, or otherwise alter or impair the obligation of the Board to pay the principal on any Bond without the express consent of the registered owner of such Bond, nor permit the preference or priority of any Bond over any other Bond, nor reduce the percentages of Bonds required for the written consent to an amendment or modification of this Resolution.

SECTION 16. *Amendments Without Written Consent.* The Board may amend or modify this Ordinance from time to time for any one or more of the following purposes without obtaining the prior written consent of any of the registered owners of the Bonds:

(a) To add additional covenants and agreements of the Board for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Board contained in this Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Additional Bonds and the incurring of obligations by the Board which are not contrary to or inconsistent with the limitations and restrictions on such issuance or incurring of obligations in effect prior to the adoption of such supplemental ordinance;

(c) To surrender any right, power or privilege reserved to or conferred upon the Board by the terms of this Resolution;

(d) To confirm as further assurance any covenant, lien, pledge or security interest created or recognized by the provisions of this Resolution;

(e) To take any further action necessary or desirable for the collection and application of the Pledged Revenues or the Pledged Taxes sufficient to pay the principal of the Bonds;

(f) To provide for the appointment of a successor or replacement Paying Agent, Bond Registrar or Authenticating Agent; or

(g) To correct any ambiguity or defect or inconsistent provisions in this Resolution or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable, provided that any such amendments or modifications are not contrary to or inconsistent with this Resolution as in effect prior to the adoption of any such supplemental resolution, and provided further that any such amendments or modifications are not adverse to the interest for the Owners of the Bonds.

SECTION 17. *Amendments by Consent of Owners.* The Board may amend or modify this Resolution from time to time for any purpose other than one or more of the purposes not prohibited in Section 15 and not authorized by Section 16 of this Resolution only pursuant to the consent of Owners of a majority in principal amount of all Bonds by written instrument.

SECTION 18. *Method of Obtaining Written Consent of Owners.* The Board may at any time adopt a supplemental resolution amending the provisions of the Bonds or of this Resolution, to the extent that such an amendment is permitted by the provisions of Section 17 of this Resolution, to take effect when and as provided in this Section. A copy of such supplemental resolution, together with a written consent form, shall be mailed by the Board to Owners of the Bonds, first class postage prepaid, at the address appearing for such owner upon the bond register maintained by the Bond Registrar. Failure to mail copies of such supplemental ordinance and written consent form to any registered Owner shall not affect the validity of the supplemental ordinance when assented to as provided in this Section.

SECTION 19. *Defeasance.*

(a) If the Board shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all of the Bonds, the principal to become due on each Principal Payment Date in the manner set forth in this Resolution and in the Bonds, then all covenants, agreements and other obligations of the Board to the

Owners of the Bonds shall thereupon be discharged and satisfied. In such event, the Paying Agent shall pay over and deliver to the Board all moneys or securities held by it pursuant to this Resolution which are no longer required for the payment of the principal of the Bonds.

(b) Bonds shall be deemed to have been paid within the meaning of this Section if the Board shall have deposited with the Paying Agent and there shall be held in trust by such Paying Agent either moneys in an amount which shall be sufficient, or Government Obligations, the principal of and interest on which when due will provide moneys which, without reinvestment, shall be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay when due the principal of the Bonds coming due on each Principal Payment Date; provided that the Board shall not make such a deposit unless prior thereto the Board shall have received an opinion of Bond Counsel to the effect that such deposit will not adversely affect the status of the Bonds as "qualified zone academy bonds". In such event, the Paying Agent shall send a notice to the Owners of the Bonds that such deposit has been made and that the Bonds are deemed to have been paid in accordance with this Resolution and stating that moneys are to be available for the payment of the principal of said Bonds on each Principal Payment Date. The Government Obligations and moneys deposited pursuant to this Section shall be held in trust solely for the payment of the principal of the Bonds. No payments of principal of any such Government Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal of said Bonds, unless after such withdrawal the amount held and the interest to accrue on Government Obligations so held shall continue to be sufficient to provide fully for the payment of the principal of said Bonds on each Principal Payment Date.

(c) The Government Obligations (or any portion thereof) held for the payment of the principal of the Bonds pursuant to sub-section (b) may not be sold, redeemed, invested, reinvested in any manner or other Government Obligations substituted therefor (any such direction to sell, redeem, invest, reinvest or substitute to be referred to as a "Subsequent Action") unless prior to the taking of such Subsequent Action, the Board shall have received: (i) an Opinion of Counsel to the effect that such Subsequent Action has been duly authorized by all necessary action on the part of the Board; (ii) an opinion of Bond Counsel to the effect that such deposit will not adversely affect the status of the Bonds as "qualified zone academy bonds"; (iii) an opinion or certificate from a nationally recognized firm of independent public accountants to the effect that the Government Obligations and cash available or to be available for payment of the Bonds after the taking of the Subsequent Action will remain sufficient to pay, without any further reinvestment thereof, the principal of the Bonds coming due on each Principal Payment Date in the manner provided in sub-section (b); and (iv) such other documents and showings as the Paying Agent may reasonably require.

(d) If after any such Subsequent Action there are any funds which are not needed for the payment when due of the principal of the Bonds, in accordance with the terms of this Resolution as demonstrated by the sufficiency opinion or certificate delivered pursuant to clause (iii) of sub-section (c), the Paying Agent shall transfer such funds to the Board to be applied to any lawful purpose.

(e) Amounts deposited for the payment of the principal of any Bonds deemed to be paid pursuant to this Section may be applied by the Board to the purchase of such Bonds in accordance with this subsection. Bonds may be purchased at any time prior to the Maturity Date. All such purchases shall be made at par, in such manner as the Treasurer of the Board shall determine. No purchase shall be pursuant to this sub-section if such purchase would result in the Paying Agent holding less than the moneys and Government Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to this sub-section.

(f) For purposes of this Section, "Government Obligations" means: (i) any 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.

SECTION 20. *Unclaimed Moneys.*

Anything in this Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the Maturity Date, if such moneys were held by the Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Paying Agent after the said date when such Bonds become due and payable, shall, at the written request of the Board, be repaid by the Paying Agent to the Board, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the Board for the payment of such Bonds.

SECTION 21. *No Recourse on the Bonds.*

(a) No recourse shall be had for the payment of the principal of the Bonds against any past, present or future member, director, officer, employee or agent of the Board, or any successor, public body or any person executing the Bonds, either directly or through the Board, under any rule of law or equity, statute or constitution or otherwise, and all such liability of any such officers, directors, members, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the issuance of the Bonds.

(b) No officer, director, agent or employee of the Board shall be individually or personally liable for the payment of the Bonds; but nothing herein contained shall relieve any such officer, director, agent or employee from the performance of any official duty provided by law.

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

SECTION 22. *Bondholder Remedies.* Any owner of a Bond may proceed by civil action to compel performance of all duties required by this Resolution, including the application of the Pledged Revenues and the Pledged Taxes as provided by this Resolution.

SECTION 23. *Contract.* The provisions of this Resolution shall constitute a contract between the Board and the owners of the Bonds, and no changes, additions or alterations of any kind shall be made to this contract, except as provided in this Resolution, so long as the Bonds are Outstanding.

SECTION 24. *Appropriation.* The provisions of this Resolution constitute an appropriation of the amounts received upon the sale of the Bonds for the purposes specified in Section 5 of this Ordinance and an appropriation of the amounts on deposit in the Debt Service Fund for payment of the principal of the Bonds as provided in this Resolution.

SECTION 25. *Headings.* Any headings preceding the texts of the several Sections of this Resolution shall be solely for convenience or reference and shall not constitute a part of this Resolution nor shall they affect its meaning, construction or effect.

SECTION 26. *Further Acts.* All actions of the Authorized Officers which are in conformity with the purposes and intent of this Resolution are hereby in all respects ratified, approved, and confirmed.

SECTION 27. *Severability.* The provisions of this Resolution are hereby declared to be severable; and if any section, phrase, or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases, or provisions.

SECTION 28. *Repealer.* All resolutions or parts of resolutions in conflict herewith are, to the extent of such conflict, hereby repealed. This Resolution is effective immediately upon its adoption.

SECTION 29. *Interpretation.* As used herein, and unless the context shall otherwise indicate, the words "Bond" and "Owner" shall include the plural as well as the singular number. As used herein, the terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution. Unless the context shall otherwise indicate, references herein to, sections and sub-sections and other subdivisions refer to the designated sections, sub-sections and other subdivisions of this Resolution as originally executed.

SECTION 30. *Effectiveness.* This Ordinance is effective immediately upon its passage.

02-0123-RS10

EXHIBIT A
AGREED UPON PROCEDURES REPORT

ARTHUR ANDERSEN

November 19, 1997

Arthur Andersen LLP

33 West Monroe Street
Chicago IL 60603-5385

Reform Board of Trustees
Board of Education of the City of Chicago
1819 West Pershing Road
Chicago, Illinois 60609

Dear Reform Board of Trustees Members:

We have performed the procedures enumerated below, which were agreed to by Andrew Gilchrist, Controller of the Board of Education of the City of Chicago (the "Board"), solely to assist you in connection with the issuance of Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues, Series 1997A) with respect to determining whether there is sufficient coverage in accordance with the Local Government Debt Reform Act, P.A. 85-1419 and sufficient authority to issue non-referendum debt funded by an alternate revenue source. This engagement is to apply agreed-upon procedures that were performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We performed procedures on the attached "Calculation of Maximum Debt Service Payable from Pledged Revenues," which was prepared by the Board, as described below. Results are also described below.

A. We compared the \$118 million of forecasted Personal Property Replacement Taxes ("PPRT") revenues for calendar year 1998 per column 1:

- To the fiscal year ended June 30, 1998 budget for the Board noting that the PPRT revenue per the budget exceeded \$118 million by \$4.9 million.

ARTHUR ANDERSEN

Reform Board of Trustees
Page 2
November 19, 1997

- To the Board's Comprehensive Annual Financial Reports for the fiscal years ended August 31, 1995, August 31, 1996 and the audited General Purpose Financial Statements for the ten month period ended June 30, 1997, included in Appendix D of the Official Statement dated November 19, 1997, noting PPRT revenues in each of those fiscal years of \$109,370,000, \$113,333,000 and \$118,858,000 respectively.
 - To a schedule, provided by the Board, that detailed PPRT cash receipts for the 12 months ended October 31, 1997, noting PPRT receipts of \$125,839,469.
- B. We traced the "Intergovernmental Agreement Revenues", included in Column 2, for the years 1998-2030 to the Intergovernmental Agreement between the Board and the City of Chicago dated October 1, 1997, noting the amounts to be in agreement.
 - C. We recomputed the "Total Pledged Revenues" in each of the years 1998-2030, by adding column 1 and column 2 noting amounts to be computed correctly.
 - D. We recomputed the "Maximum Debt Service" per column 4 (based on a 125% debt service coverage requirement) in each of the years 1998-2030 by dividing column 3 by 1.25 noting the "Maximum Debt Service" amounts to be correct.
2. We performed procedures on the attached "Comparison of Maximum Debt Service from Pledged Revenues to Projected Debt Service", which was prepared by the Board, and performed procedures as described below. Results are also described below.
 - A. We compared the "Maximum Debt Service" amounts per column 1 to the "Maximum Debt Service" amounts per column 4 per the "Calculation of Maximum Debt Service Payable from Pledged Revenues" schedule described above, noting all amounts to be in agreement.
 - B. We compared the "Debt Service on Prior Bonds" amounts per column 2 to page 26 of the Official Statement dated November 19, 1997, noting the amounts to be in agreement.

ARTHUR ANDERSEN

Reform Board of Trustees

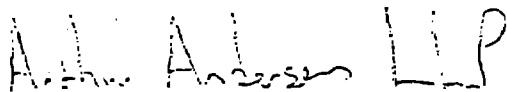
Page 3

November 19, 1997

- C. We compared the "Projected Debt Service on Bonds" per column 3 for each of the years 1998-2030 to the "Debt Service on the Bonds" column of the Debt Service Coverage Schedule on page 26 of the Official Statement, dated November 19, 1997, and noted the amounts to be in agreement.
- D. We recomputed the "Total Projected Debt Service" for each of the years 1998-2030, by adding column 2 and column 3 and noted all amounts to be computed correctly.
- E. We recomputed the "Excess (Deficiency)" per column 5 for each of the years 1998-2030 by subtracting column 4 from column 1, noting all amounts to be computed correctly.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Reform Board of Trustees of the Board of Education of the City of Chicago to assist in determining whether there is coverage in accordance with the local government Debt Reform Act, P.A. 85-1419 and sufficient authority to issue non-referendum debt funded by an alternate revenue source. This report should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes and specifically, this report should not be used or relied upon by the Underwriters or Underwriter's counsel for purposes of due diligence in connection with the bond issuance.



ARTHUR ANDERSEN LLP

**CHICAGO SCHOOL REFORM BOARD OF TRUSTEES
OF THE BOARD OF EDUCATION OF THE
CITY OF CHICAGO, ILLINOIS**
Calculation of Maximum Debt Service Payable from Pledged Revenues
(Amounts in thousand of Dollars)

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
<u>Calendar Year</u>	<u>PPRT Revenues</u>	<u>Intergovernmental Agreement Revenues</u>	<u>Total Pledged Revenues</u>	<u>Maximum Debt Service</u>
1998	118,000	0	118,000	94,400
1999	118,000	0	118,000	94,400
2000	118,000	0	118,000	94,400
2001	118,000	0	118,000	94,400
2002	118,000	0	118,000	94,400
2003	118,000	13,400	131,400	105,120
2004	118,000	13,400	131,400	105,120
2005	118,000	0	118,000	94,400
2006	118,000	18,200	136,200	108,960
2007	118,000	18,100	136,100	108,880
2008	118,000	18,800	136,800	109,440
2009	118,000	91,000	209,000	167,200
2010	118,000	91,000	209,000	167,200
2011	118,000	91,000	209,000	167,200
2012	118,000	91,000	209,000	167,200
2013	118,000	91,000	209,000	167,200
2014	118,000	91,000	209,000	167,200
2015	118,000	91,000	209,000	167,200
2016	118,000	91,000	209,000	167,200
2017	118,000	91,000	209,000	167,200
2018	118,000	91,000	209,000	167,200
2019	118,000	112,300	230,300	184,240
2020	118,000	142,100	260,100	208,080
2021	118,000	142,100	260,100	208,080
2022	118,000	142,100	260,100	208,080
2023	118,000	142,100	260,100	208,080
2024	118,000	142,100	260,100	208,080
2025	118,000	142,100	260,100	208,080
2026	118,000	142,100	260,100	208,080
2027	118,000	142,100	260,100	208,080
2028	118,000	142,100	260,100	208,080
2029	118,000	142,100	260,100	208,080
2030	118,000	142,100	260,100	208,080

* This schedule was prepared by the Controller's office of the Board of Education of the City of Chicago.

**CHICAGO SCHOOL REFORM BOARD OF TRUSTEES
OF THE BOARD OF EDUCATION OF THE
CITY OF CHICAGO, ILLINOIS**

**Comparison of Maximum Debt Service from Total Pledged
Revenues to Projected Debt Service**

(Amounts in thousands of dollars)

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>	<u>Column 5</u>
Calendar Year	Maximum Debt Service	Debt Service on Prior Bonds	Projected Debt Service on IGA Bonds	Total Projected Debt Service	Excess/ (Deficiency)
1998	94,400	50,282	26,302	76,584	17,816
1999	94,400	54,212	24,278	78,490	15,910
2000	94,400	54,210	24,278	78,488	15,912
2001	94,400	59,489	24,278	83,767	10,633
2002	94,400	59,488	24,278	83,766	10,634
2003	105,120	59,494	24,278	83,772	21,348
2004	105,120	59,482	24,278	83,760	21,360
2005	94,400	59,504	24,278	83,782	10,618
2006	108,960	59,502	24,278	83,780	25,180
2007	108,880	59,488	24,278	83,766	25,114
2008	109,440	59,509	24,278	83,787	25,653
2009	167,200	66,555	24,278	90,833	76,367
2010	167,200	66,545	24,278	90,823	76,377
2011	167,200	66,522	39,523	106,045	61,155
2012	167,200	66,582	39,523	106,105	61,095
2013	167,200	66,547	39,523	106,070	61,130
2014	167,200	66,548	39,523	106,071	61,129
2015	167,200	66,566	39,523	106,089	61,111
2016	167,200	66,538	39,523	106,061	61,139
2017	167,200	66,510	39,518	106,028	61,172
2018	167,200	66,539	39,520	106,059	61,141
2019	184,240	66,566	39,522	106,088	78,152
2020	208,080	66,556	46,999	113,555	94,525
2021	208,080	66,537	46,997	113,534	94,546
2022	208,080	66,535	47,001	113,536	94,544
2023	208,080	66,543	52,191	118,734	89,346
2024	208,080	66,563	52,186	118,749	89,331
2025	208,080	66,459	52,186	118,645	89,435
2026	208,080	66,523	52,191	118,714	89,366
2027	208,080	66,585	52,189	118,774	89,306
2028	208,080	0	52,186	52,186	155,894
2029	208,080	0	52,186	52,186	155,894
2030	208,080	0	52,188	52,188	155,892

* This schedule was prepared by the Controller's office of the Board of Education of the City of Chicago.

EXHIBIT B
FORM OF BOND

EXHIBIT B

FORM OF BOND

[Form of Bond-Front Side]

REGISTERED
NO. _____

REGISTERED
\$ _____

**CHICAGO SCHOOL REFORM BOARD OF TRUSTEES
OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO, ILLINOIS
QUALIFIED ZONE ACADEMY GENERAL OBLIGATION (ALTERNATE) BOND
SERIES 1998 (BRONZEVILLE ACADEMY PROJECT)**

See Reverse Side for
Additional Provisions

MATURITY DATE

DATED DATE
_____, 1998

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

[1] The CHICAGO SCHOOL REFORM BOARD OF TRUSTEES OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO, ILLINOIS (the "Board"), for value received, hereby promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount identified above on the Maturity Date specified above. This Bond shall not bear interest and no interest shall be payable on this Bond.

[2] Principal of this Bond is payable in lawful money of the United States of America, upon presentation and surrender hereof at the principal office of Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or replacement paying agent (the "Paying Agent") to the person in whose name this Bond is registered on the bond register maintained by Amalgamated Bank of Chicago, or any successor or replacement bond registrar (the "Bond Registrar").

[3] Reference is hereby made to the further provisions of this Bond on the reverse hereof and such further provisions shall for all purposes have the same as if set forth at this place.

[4] It is hereby certified, recited and declared that all acts and conditions required to be performed precedent to the issuance of this Bond have been performed in due time, form and manner as required by law; that the indebtedness of the Board, including the issue of Bonds of which this is one, does not exceed any limitation imposed by law; and that provision has been made for the collection of the Pledged Revenues and the Pledged Taxes to pay and discharge the principal hereof at maturity.

[5] This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been duly executed by the Authenticating Agent.

[6] IN WITNESS WHEREOF, the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, Illinois, has caused this Bond to be signed in its name and on its behalf by the manual or duly authorized facsimile signature of its President and attested by the manual or duly authorized facsimile signature of its Secretary, all as of the Dated Date identified above.

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES OF THE BOARD OF EDUCATION OF THE CITY OF CHICAGO, ILLINOIS

President, Chicago School Reform Board of Trustees

ATTEST:

Secretary, Chicago School Reform Board of Trustees

[Form of Certificate of Authentication]

Certificate of Authentication

This Bond is one of the Bonds described in the within-mentioned Resolution.

Date of Authentication and Delivery:

_____ By: _____

[Form of Bond-Reverse Side]

[7] This Bond is one of a duly authorized issue of \$_____ aggregate principal amount Qualified Zone Academy General Obligation (Alternate) Bonds, Series 1998 (Bronzeville Academy Project), of the Board (the "Bonds"), issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, including the Local Government Debt Reform Act of the State of Illinois, as amended (the "Act"), and a Bond Resolution dated August 19, 1998 (the "Resolution") for the principal purpose of financing "qualified purposes" with respect to a "qualified zone academy," as such terms are defined under Section 1397E of the Internal Revenue Code of 1986, as amended. Copies of the Resolution are on file at the office of the Bond Registrar and reference is hereby made to the Resolution for a description of the provisions, among others, with respect to the nature and extent of the security for the Bonds and the rights, duties and obligations of the Board and the Owners of the Bonds.

[8] [Insert applicable provisions for mandatory sinking fund redemption of the Bonds].

[9] The Bonds are payable ratably and equally from: (i) the "Pledged Revenues," being (A) those 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 of the State, as amended, or from such

successor or replacement fund or act as may be enacted in the future (the "*Pledged Personal Property Replacement Tax Revenues*"), remaining after: (x) any required allocation thereof to provide for the payment of 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 said State Revenue Sharing Act, or such successor or replacement act as may be enacted in the future (the "*Statutory Claims*"); and (y) any required allocation thereof to provide for the payment of the Prior Bonds (as defined in the Series 1997A Indenture); and (B) 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 of Chicago (the "*Intergovernmental Agreement Revenues*"); and (ii) the "*Pledged Taxes*," being the ad valorem taxes levied against all of the taxable property in the school district governed by the Board without limitation as to rate or amount for the payment of the Bonds. The Bonds are further secured by the moneys and securities on deposit in the Debt Service Fund. For the prompt payment of the principal of this Bond on the full faith, credit and resources of the Board are hereby irrevocably pledged. The Series 1997A Bonds have heretofore been issued having a parity claim with this Bond in the Pledged Revenues. The Resolution provides that Additional Bonds may be issued from time to time in the future on a parity with this Bond and the Series 1997A Bonds to share ratably and equally in all the Pledged Revenues upon compliance with certain requirements contained in the Resolution.

[10] This Bond is transferable, as provided in the Resolution, only upon the registration books of the Board maintained by the Bond Registrar by the Registered Owner hereof in person, or by its duly authorized attorney, upon surrender hereof with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or its duly authorized attorney, and thereupon a new registered Bond or Bonds, in the same principal amount, shall be issued to the transferee. The Board, the Bond Registrar and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of the principal hereof and for all other purposes.

[11] The Bonds are issuable only in fully registered form in denominations of \$100,000 or any integral multiple thereof [; provided, however, that to effectuate a mandatory sinking fund redemption of the Bonds, one or more Bonds may be issued in an integral multiple of \$10,000 but with a minimum denomination of \$100,000]. Subject to the conditions and upon the payment of the charges provided in the Bond, Bonds may be surrendered accompanied by a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or its duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity of any other authorized denominations.

[12] The Bond Registrar shall not make any registration or transfer of any Bond unless the transferee has executed an investment letter in accordance with the requirements of the Resolution. The Bond Registrar shall not be required to make any registration or transfer of any Bond during the 15 days prior to the Maturity Date.

[13] The Registered Owner of this Bond shall have the right to enforce the provisions of this Bond and the Resolution or to institute action to enforce the covenants set forth in the Resolution, or to institute, appear in or defend any suit or other proceedings with respect to the Bonds and the Resolution, all as provided in the Resolution.

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

[STATEMENT OF INSURANCE]

EXHIBIT C
FORM OF INVESTMENT LETTER

FORM OF INVESTMENT LETTER

[Letterhead of Investor]

(Purchase Date)

Chicago School Reform Board of
Trustees of the Board of Education
of the City of Chicago, Illinois
1819 W. Pershing Road
Chicago, Illinois 60609

[Placement Agent Name/Address]

Re: \$[Principal Amount] Chicago School Reform Board of
Trustees of the Board of Education of the City of Chicago,
Illinois Qualified Zone Academy General Obligation
Alternate Bonds, Series 1998 (Bronzeville Academy
Project)

Ladies and Gentlemen:

The undersigned (the "Investor") acknowledges that the above-referenced bonds (the "Series 1998 Bonds") were issued by the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago (the "Board") as "qualified zone academy bonds" within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended, pursuant to a bond resolution adopted by the Board on August 19, 1998 (the "Resolution"). The Investor hereby represents and warrants to you as follows:

1. The Investor proposes to purchase \$_____ aggregate principal amount of the Series 1998 Bonds.

2. The Investor understands that the Series 1998 Bonds are not currently required to be, have not been and are not intended to be registered under the Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state, and will be sold to the Investor in reliance upon certain exemptions from registration and in reliance upon the representations and warranties of the Investor set forth herein. The Investor has received and carefully reviewed the Private Placement Memorandum, dated August __, 1998, as supplemented by [list additional documentation provided] (the "Disclosure Documents"), understands the risks described therein, and understands and acknowledges that there may be other risks in such an investment which are not described therein. The Investor acknowledges that no written information, other than the Disclosure Documents, has been provided to the Investor on behalf of the Board.

3. The Investor agrees that, if the Series 1998 Bonds are disposed of by it, current information meeting the disclosure requirements of any applicable state and Federal securities laws then in effect, concerning the Series 1998 Bonds must be furnished to any prospective purchaser, and further acknowledges that any current exemption from registration of the Series 1998 Bonds does not affect or diminish such requirement.

4. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the Series 1998 Bonds in particular, and is capable of evaluating the merits and risks involved in an investment in the Series 1998 Bonds on the basis of the information requested and reviewed by the Investor, and its review as described herein. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the Series 1998 Bonds.

5. The Investor acknowledges that it is familiar with the conditions, financial and otherwise, of the Board. The Investor further acknowledges that it is familiar with (a) the nature and purpose of the Series 1998 Bonds, (b) the proposed application of the proceeds of the Series 1998 Bonds, (c) the nature of the security for the Series 1998 Bonds, (d) the denomination limitation of the Series 1998 Bonds, (e) the tax status of ownership interests in the Series 1998 Bonds, (f) the rights and remedies of the owners of the Series 1998 Bonds under the Resolution, and (g) the restrictions on transferability of the Series 1998 Bonds.

6. The Series 1998 Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Series 1998 Bonds, and the Investor intends to hold the Series 1998 Bonds for its own account and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Series 1998 Bonds. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

7. The business of the Investor is _____. As such, the Investor constitutes an "eligible taxpayer" within the meaning of Section 1397E(d)(6) of the Internal Revenue Code of 1986, as amended. The Investor is also an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) promulgated under the 1933 Act ("Rule 501"); it is aware that the sale of the Series 1998 Bonds to it is made in reliance on Rule 501. The Investor agrees that it will only offer, sell, pledge, transfer or exchange any of the Series 1998 Bonds it purchases (or any legal or beneficial interest therein) (i) in accordance with an available exemption from the registration requirements of Section 5 of the 1933 Act, (ii) in accordance with any applicable state securities laws, and (iii) in accordance with the provisions of the Series 1998 Bonds and the Resolution.

8. The Investor has received copies of the Disclosure Documents and acknowledges that it has had access to such financial and other information, and has been afforded the opportunity to ask such questions of representatives of the Board, and receive answers thereto, as the Investor deems necessary in order to verify the information contained in the Disclosure Documents.

9. The Investor has authority to purchase the Series 1998 Bonds and to execute this Investor Letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Series 1998 Bonds.

10. The Investor has been informed that the Series 1998 Bonds have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

11. Although the Investor does not intend at this time to dispose of all or any part of the Series 1998 Bonds, the Investor acknowledges that it has the right to sell and transfer the Series 1998 Bonds, subject to the delivery to the addressees hereof of a letter to the same effect as this Investor Letter, including this paragraph 11, with no revisions except as may be approved in writing by the addressees hereof. Failure to deliver such letter shall cause the purported transfer to be null and void.

Very truly yours,

[Name of Investor]

Dated: _____

By: _____

Name: _____

Title: _____

02-0123-RS10

EXHIBIT D

EDUCATIONAL PLAN FOR BRONZEVILLE ACADEMY

Background

The Chicago Public Schools (CPS) serves approximately 424,454 children from preschool to high school in 557 schools. Under the leadership of the Chicago School Reform Board of Trustees, since 1995 the CPS has initiated a series of unprecedented reform initiatives focusing ultimately on improved student achievement. Among the most important of these efforts is the campaign to renovate long-neglected school buildings, to build modern additions to severely overcrowded schools, and to seize the opportunity to construct a number of new schools.

The Bronzeville Armory Project is consistent with the Board's vision for a systemwide renaissance. In cooperation with the Bronzeville committee, the project has been developed with the understanding that students, when given the opportunity to learn under optimal conditions, will respond with optimum achievement.

The future Bronzeville High School ROTC Academy is to be located at 3519 South Giles Avenue on the site of the defunct Eighth Regiment Armory in the Bronzeville area of Chicago. As a key component of the larger Bronzeville Project, the new high school will anchor the redevelopment of the historic, largely African American community by providing a source of cultural as well as educational enrichment.

Needs Assessment

The Chicago Public Schools (CPS) serves a student population that is 89% minority and 82% low-income. Inadequate student achievement, despite moderate gains in recent years, continues to be the primary concern of the Board of Trustees. In addition, a high dropout rate and deteriorating student discipline continue to plague the system's high schools. The Bronzeville community and its neighboring high schools share those characteristics.

As a predominantly low-income, minority community, Bronzeville suffers from the same afflictions that inhibit similar communities in large urban centers nationwide. They include high crime rate, substandard housing, inadequate health services, and other social maladies.

Underachieving public schools may be included in the community profile. Currently, two CPS

high schools are situated in or near the Bronzeville community, Dunbar Vocational High School (3000 South King Drive) to the north, and Phillips High School (244 East Pershing Road) to the south. Specific relevant statistics for each of these schools are as follows:

	Dunbar H.S.	Phillips H.S.
Low-income students	68.7%	86.8%
Students not meeting state standards in reading	69%	87%
Students not meeting state standards in math	63%	86%
Drop-out rate	11.5%	45.7%
Ethnic composition	99.8% minority	100% minority

The Board has responded by taking significant intervention measures, especially at Phillips, and by planning Bronzeville Academy, an entirely new type of secondary school to be situated in the heart of the community.

The need for the new Bronzeville Academy also reaches beyond the boundaries of the immediate neighborhood. Conceived as an integrated, systemwide public school military academy, the new high school will satisfy a growing trend toward small schools that emphasize high academic standards and intensive character development. CPS currently operates the largest secondary JROTC program in the country, with 7,500 cadets participating in 40 schools. It is evident that the military school environment is gaining in popularity as parents, students, and the community increase their demands for a rigorously structured secondary school alternative.

Bronzeville Academy, therefore, promises to address the varied needs and concerns of its immediate community as well as the concerns of interested parents throughout the City of Chicago.

Program Plan

The Chicago Public Schools proposes to convert the historic Eighth Regiment Armory, at 3519 South Giles Avenue, for the purpose of establishing a military-oriented public secondary school, to be named the Bronzeville High School ROTC Academy. The new school will open at the beginning of the 1999-2000 school year as a citywide, multicultural, coeducational high school with a rigorous college preparatory and technical school-to-work curriculum and with a student capacity of 400. Significantly, it is to be an exemplary "small school," consistent with the Board's future vision. All students will be required to participate in a four-year JROTC military science program. Technical offerings will include aviation, business, computer, health and wellness, and graphic arts courses. Physical education classes will be available as electives.

Bronzeville Academy will be organized into four cohort groups of 100 students each. A teaching team will be assigned to each cohort. Total professional staff, including teachers, administrators, support personnel, and retired military teaching partners will number 66 by the fifth year.

In keeping with its mission and its ambitious curriculum, Bronzeville Academy will establish a demanding internal environment of traditional values, leadership, and team work. It is likely that the values instilled within the walls of this school will influence its students well beyond its walls.

Moreover, in addition to its secondary school, the Bronzeville Academy site will become the home of the new Museum of African American Military History and will also be available for Chicago Park District programs and for other community and cultural activities. A final phase of the project will be the development of an Olympic Training Center to train athletes in gymnastics, boxing, wrestling, and track and field.

Planning for the Bronzeville Academy involved the Bronzeville Committee and Chicago Public Schools leaders. Numerous elected officials, community organizations, and social service agencies have declared their support.

Since the Bronzeville Academy will be a Chicago public school, its governance will be in accordance with approved CPS policies and procedures. The school will operate under the auspices of an elected local school council (LSC) consisting of the principal, six parents, two teachers, two community residents, and one nonvoting student member. The principal and his administrative staff will oversee the day-to-day school functions. Although most school policies have been established systemwide by the Board, substantial decision-making authority resides with LSCs, including the use of categorical funds, principal selection, and dress code decisions.

Measurable objectives for this project focus on two distinct issues: (1) rehabilitation of the building; and (2) opening the facility according to the planned schedule. Appropriate transformation of the Eighth Regiment Armory, into a modern high school is to be completed by August 1999 and constitutes Phase I of the renovation project. Phase II, Phase III, and Phase IV will focus, respectively, on establishing of the Museum of African American Military History, a Community Cultural Center, and an Olympic Training Center. This proposal seeks funding for the physical renovation of the structure to accommodate each construction phase.

Financial Need

The estimated cost for the proposed conversion of the Eighth Regiment Armory into the Bronzeville Academy is \$12 to \$14 million. The Chicago Public Schools is requesting financial assistance totaling \$1.2 to \$1.4 million over 5 years. That total is to be matched 9:1 by the Rangel Bond Program, which will enable the completion of the project. The rehabilitation work is to be managed by the Public Building Commission.

The requested financial support will help make the rejuvenation of the Bronzeville community a reality. The outstanding new high school will serve Chicago's students by providing a state-of-the-art academic program and traditional ethical values within an historic building. Bronzeville High School ROTC Academy is destined to become a symbol of community renaissance and a source of pride for all Chicago.

02-0123-RS10

EXHIBIT E
PRIVATE PLACEMENT MEMORANDUM

NEW ISSUE

RATINGS: See "No Ratings" herein

THE SERIES 1998 BONDS DESCRIBED HEREIN ARE BEING OFFERED ONLY TO INSTITUTIONAL ACCREDITED INVESTORS CONSTITUTING "ELIGIBLE TAXPAYERS," AS DEFINED IN SECTION 1397E OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. POTENTIAL INVESTORS ARE SOLELY RESPONSIBLE FOR EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES 1998 BONDS AND ARE OFFERED HEREBY AN OPPORTUNITY TO OBTAIN INFORMATION FROM THE BOARD (SEE "PRIVATE PLACEMENT" HEREIN).

PRIVATE PLACEMENT MEMORANDUM

\$14,000,000

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES
OF THE BOARD OF EDUCATION OF THE
CITY OF CHICAGO, ILLINOIS

Qualified Zone Academy
General Obligation (Alternate) Bonds,
Series 1998
(Bronzeville Academy Project)

Dated: Date of Issuance

Due: [Date]

The Series 1998 Bonds will be issued as fully registered bonds in denominations of \$100,000 or any integral multiple thereof. Principal of the Series 1998 Bonds will be payable at maturity by Amalgamated Bank of Chicago, Chicago, Illinois, as bond registrar and paying agent for the Series 1998 Bonds. *The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity. There will be no interest payments on the Series 1998 Bonds prior to maturity or mandatory sinking fund redemption.*

The Series 1998 Bonds are being issued as "qualified zone academy bonds" within the meaning of Section 1397E of the Internal Revenue Code of 1986, as amended (the "Code"). As such, for Federal income tax purposes, "eligible taxpayers," as defined in Section 1397E of the Code, who own the Series 1998 Bonds will be entitled to a credit against taxable income (see "FEDERAL TAX CREDIT" herein). *Owners of Series 1998 Bonds not constituting "eligible taxpayers" within the meaning of Section 1397E of the Code will not be entitled to the credit applicable to qualified zone academy bonds thereunder.*

The Series 1998 Bonds are "Additional Bonds" issued on a parity basis with the Board's \$499,995,204.25 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues),

Series 1997A (the "Series 1997A Bonds"), and, as such, will be payable from Pledged Revenues as described herein. See "SECURITY FOR THE SERIES 1998 BONDS."

The proceeds from the sale of the Series 1998 Bonds will be used to (i) renovate, rehabilitate and equip a qualified zone academy known as the Bronzeville Academy, and (ii) pay costs of issuance of the Series 1998 Bonds. See "THE SERIES 1998 BONDS - Application of Proceeds" herein.

The Series 1998 Bonds are being offered by the Board, subject to the delivery of an approving legal opinion of Mayer, Brown & Platt, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the Board by its General Counsel, Marilyn F. Johnson, and by Katten Muchin & Zavis, Chicago, Illinois; and for the Placement Agent by _____, Chicago, Illinois. Delivery of the Series 1998 Bonds is expected to be made in Chicago, Illinois, on or about _____, 1998.

_____ is serving as placement agent in connection with this transaction.

[PLACEMENT AGENT NAME]

August __, 1998

USE OF THIS PRIVATE PLACEMENT MEMORANDUM

This Private Placement Memorandum is being furnished to a limited number of potential investors solely for the purpose of each such investor's consideration of the purchase of the Series 1998 Bonds described herein, and is not to be used for any other purpose or made available to anyone not directly concerned with the decision regarding such purchase. This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor is it to be construed as a contract or agreement between the Board and any purchaser of the Series 1998 Bonds. Interested investors are advised to contact the Board to secure further information concerning the transaction described herein.

No dealer, broker, salesman or other person has been authorized by the Board to give any information or to make any representation with respect to the Series 1998 Bonds, other than those contained in this Private Placement Memorandum (or otherwise obtained by the investor directly from the Board), and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board. The Board has furnished all information contained herein. The information and opinions expressed herein are subject to change without notice, and neither the delivery of this Private Placement Memorandum nor any sale of the Series 1998 Bonds shall, under any circumstance, create any implication that there has been no change since the date hereof (or since the date of any information included herein that is dated other than the date hereof) in the information contained herein, including that relating to the operations or financial affairs of the Board.

Where statutes, reports, agreements or other documents are referred to herein, reference should be made to such statutes, reports, agreements or other documents for more complete information regarding the rights and obligations of parties thereto, the facts and opinions contained therein and the subject matter thereof.

_____ (the "Placement Agent") is serving as placement agent in connection with the transaction described herein. The Placement Agent is not responsible for the accuracy or completeness of any statement made herein or any other representation made in connection with the transaction described herein.

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**CHICAGO SCHOOL REFORM BOARD OF TRUSTEES
OF THE BOARD OF EDUCATION OF
THE CITY OF CHICAGO, ILLINOIS**

TRUSTEES

Gery J. Chico
President

Norman R. Bobins
Dr. Tariq Butt
Avis LaVelle
Gene R. Saffold

MANAGEMENT

Paul G. Vallas
Chief Executive Officer

Cozette E. Buckney
Chief Education Officer

Timothy W. Martin
Chief Operating Officer

Kenneth C. Gotsch
Chief Fiscal Officer

Diane E. Minor
Chief Purchasing Officer

Marilyn F. Johnson
Board Attorney

Mayer, Brown & Platt
Bond Counsel

Austin Meade Financial Ltd.
Financial Advisor

INTRODUCTION

THE INFORMATION CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM IS QUALIFIED IN ITS ENTIRETY BY EACH POTENTIAL INVESTOR'S OPPORTUNITY TO CONTACT THE BOARD FOR FURTHER INFORMATION, AND THE MORE DETAILED INFORMATION SET FORTH IN THE ATTACHED EXHIBITS. EACH POTENTIAL INVESTOR IS ADVISED TO REVIEW CAREFULLY EACH OF THE ATTACHED EXHIBITS PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE SERIES 1998 BONDS.

All capitalized terms used herein that are not defined in this Introduction have the meanings set forth in EXHIBIT A hereto. All Exhibits hereto should be reviewed for a complete and detailed description of all the matters summarized herein.

The purpose of this Private Placement Memorandum, including the cover page and the Exhibits hereto, is to set forth information in connection with the private placement by the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, Illinois (the "Board") of its \$[Principal Amount] Qualified Zone Academy General Obligation (Alternate) Bonds, Series 1998 (Bronzeville Academy Project) (the "Series 1998 Bonds"). The Board constitutes the school district for the City of Chicago (the "City") and the boundaries of the school district (the "School District") are coterminous with those of the City.

The Series 1998 Bonds will be issued by the Board pursuant to the provisions of the School Code of the State of Illinois, 105 Illinois Compiled Statutes 5 (the "School Code"), the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the "Debt Reform Act") and a bond resolution adopted by the Board on August 19, 1998 (the "Resolution"). The Series 1998 Bonds are being issued on a parity with the Board's \$499,995,204.25 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1997A (the "Series 1997A Bonds"), issued under and secured by a Trust Indenture dated as of November 1, 1997, between the Board and Amalgamated Bank of Chicago (the "Series 1997A Indenture"). The Series 1997A Bonds are described in the Official Statement attached hereto as EXHIBIT A (the "Official Statement").

The Series 1998 Bonds are general obligations of the Board to the payment of which the Board will pledge its full faith and credit.

THE BOARD

General

The Board is a body politic and corporate and a school district of the State, having boundaries coterminous with the boundaries of the City. The Board is established under and governed by the School Code. The Board is not a home rule unit of government.

The Board maintains the system of public schools within the City primarily for grades kindergarten through twelve. Responsibility for the governance of the Board and policy-making for the public school system is currently vested in the five member Chicago School

Reform Board of Trustees (the "Reform Board of Trustees"). In addition, pursuant to amendments to the 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 in the Chicago public school system, including selection of principals.

Reform Board of Trustees

Pursuant to the provisions of Public Act 89-15, approved and effective May 30, 1995 (the "1995 Amendatory Act"), the then-existing 15 member Chicago Board of Education (the "Prior Board") was replaced with the Reform Board of Trustees. The Reform Board of Trustees adopts the budget, approves contracts (including collective bargaining agreements), levies real property taxes and establishes the general policies of the Board. The five members of the Reform Board of Trustees are appointed by the Mayor of the City (the "Mayor"), without consent or approval of the City Council. The Mayor designates one of the members as President of the Reform Board of Trustees.

Legislative Changes

Pursuant to the 1995 Amendatory Act and various additional amendments made to the School Code in 1996 and 1997, significant changes in the governance and management of the Board have been enacted, including the abolition of the Prior Board, the appointment of the Reform Board of Trustees, the appointment of central administrative officers and the suspension until July 1, 1999 of various financial control and oversight powers of the Chicago School Finance Authority (the "Authority"). These provisions by their terms expire in 1999. H.B. 2844 as passed by the Illinois General Assembly would extend the suspension of the oversight powers of the Authority until July 1, 2004. [H.B. 2844 was presented to the Governor for his approval on June 19, 1998.] [current status].

For a more detailed description of the Board see the caption "THE BOARD OF EDUCATION OF THE CITY OF CHICAGO" in the Official Statement.

THE SERIES 1998 BONDS

General

The Series 1998 Bonds will be issued as fully registered bonds and will be issued in denominations of \$100,000 or any integral multiple thereof.

The Series 1998 Bonds are being issued as "qualified zone academy bonds" within the meaning of Section 1397E of the Code. As such, for Federal income tax purposes, "eligible taxpayers," as defined in Section 1397E of the Code, who own the Series 1998 Bonds will be entitled to a credit against taxable income as described herein (see "Federal Tax Credit"). *Owners of the Series 1998 Bonds will receive no interest payments thereon.* Principal of the Series 1998 Bonds will be payable at maturity or upon mandatory sinking fund redemption by

Amalgamated Bank of Chicago, Chicago, Illinois, as bond registrar and paying agent for the Series 1998 Bonds.

The Series 1998 Bonds are "Additional Bonds" as authorized in the Series 1997A Indenture issued on a parity basis with the Series 1997A Bonds, and, as such, are payable from Pledged Revenues as herein described. See "SECURITY FOR THE SERIES 1998 BONDS" below.

Payment Schedule

The Series 1998 Bonds mature as to principal on [Date]. The Series 1998 Bonds do not bear interest.

Mandatory Sinking Fund Redemption Prior to Maturity

The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity at a price of par, without premium, on _____, _____ in the amount of \$ _____.

Application of Proceeds

The proceeds to be derived by the Board from the sale of the Series 1998 Bonds (\$ _____) are expected to be applied as follows: (a) \$ _____ for deposit in the Project Fund for application to renovate, rehabilitate and equip a qualified zone academy known as the Bronzeville Academy; and (b) \$ _____ for payment of Costs of Issuance and Placement Agent's fees.

SECURITY FOR THE SERIES 1998 BONDS

The Series 1998 Bonds are issued on a parity with the Series 1997A Bonds and as such are secured by and are payable (i) from Pledged Revenues, and (ii) to the extent that the Pledged Revenues are insufficient to pay the debt service on the Bonds, from the *ad valorem* taxes levied by the Board against all of the taxable property in the School District, without limitation as to rate or amount, and pledged under the Resolution as security for the Bonds. The security for the Series 1998 and the Series 1997A Bonds is more completely described in the Official Statement attached hereto as EXHIBIT A under the heading "SECURITY FOR THE BONDS."

The Pledged Revenues consist of the "Intergovernmental Agreement Revenues" and the "Pledged Replacement Tax Revenues". The "Intergovernmental Agreement Revenues" are the amounts to be paid to the Board by the City of Chicago, Illinois (the "City") pursuant to an Intergovernmental Agreement, dated as of October 1, 1997 (the "Intergovernmental Agreement"), between the Board and the City, which amounts are to be derived from the proceeds of *ad valorem* taxes levied in specified years by the City against all of the taxable property in the City. The Pledged Replacement Tax Revenues are 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 of the State, as amended, or from such successor or replacement fund or act as may be enacted in the future (the "Personal Property Replacement Tax Revenues"), that are received or to be received by the Board in any year and remaining after any required allocation thereof to provide for the payment of the Statutory Claims (as defined herein) and subject to the prior lien of the Board's \$350,000,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1996, dated April 1, 1996 (the "Series 1996 Bonds"), and \$500,000,000 Unlimited Tax General Obligation Bonds (Dedicated Tax Revenues), Series 1997, dated April 15, 1997 (the "Series 1997 Bonds" and, together with the Series 1996 Bonds, collectively referred to as the "Prior Bonds").

NO BOND INSURANCE

The Series 1998 Bonds will not be insured by a bond insurance policy. *The Series 1998 Bonds, even though issued on a parity with the Series 1997A Bonds under the Series 1997A Indenture, are not insured under the bond insurance policy insuring the Series 1997A Bonds as described in the Official Statement.*

DEBT SERVICE COVERAGE

Reference is made to the "Debt Service Coverage Schedule" set forth on page 26 of the Official Statement attached hereto as Exhibit A.

As required by the provisions of the Debt Reform Act, the Board has determined that Pledged Revenues in each year in which the Series 1998 matures will [equal or exceed 1.25 times debt service on all alternate bonds issued and outstanding and the Series 1998 Bonds.]

FEDERAL TAX CREDIT

This section summarizes certain material Federal income tax consequences relating to an investment in the Series 1998 Bonds. The summary only addresses such consequences to initial purchasers of the Series 1998 Bonds, and is based upon the current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, treasury regulations, administrative pronouncements and judicial decisions, all of which are subject to change, possibly with retroactive effect. This summary does not purport to be a complete discussion of all Federal income tax consequences relating to making an investment in the Series 1998 Bonds. The discussion herein concerning certain tax consequences with respect to an investment in the Series 1998 Bonds is included for general information only. All persons are urged to consult their own tax advisors to determine the specific tax consequences of making an investment in the Series 1998 Bonds, including any state, local or non-U.S. tax consequences.

In the opinion of Mayer, Brown & Platt, under existing law, and subject to the discussion below, the Series 1998 Bonds will qualify as "qualified zone academy bonds" under Section 1397E of the Code, and an "eligible taxpayer" who owns a Series 1998 Bond on the

"credit allowance date" will qualify for the tax credit allowable with respect to such Series 1998 Bond as a credit against the taxpayer's Federal income tax liability, assuming compliance by the Board with the requirements described below. Such compliance generally will be established at the time of issuance of the Series 1998 Bonds, except that in the case of the 95% Requirement (as defined below), if the Board is unable to actually spend 95% of the proceeds of the Series 1998 Bonds for a "qualified purpose" (as described below), the Board may apply certain remedial actions to preserve the qualification of a Series 1998 Bond as a qualified zone academy bond.

General

Section 1397E of the Code allows for a Federal income tax credit to an "eligible taxpayer" who owns a "qualified zone academy bond" on the "credit allowance date."

A "qualified zone academy bond" generally includes a bond issued as part of an issue if 95% of the proceeds are to be used for a "qualified purpose" with respect to a "qualified zone academy" established by a local education agency (the "95% Requirement"). A "qualified zone academy" includes any public school or academic program within the public school, below the post-secondary level, if (i) such public school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex work force, (ii) students in such public school or program are subject to the same academic standards and assessments as other students, (iii) the comprehensive education plan of such public school or program is approved by the local education agency and (iv) either the public school is located in an empowerment zone or enterprise community or there is a reasonable expectation as of the date of issuance of the bonds that at least 35% of the students attending such school or participating in such program will be eligible for free or reduced cost lunches under the school lunch program established under the National School Lunch Act. The Treasury Department and the Internal Revenue Service intend that owners of the Series 1998 Bonds may rely on the Board's determination that Bronzeville Academy (or academic program(s) within Bronzeville Academy) is a qualified zone academy if the determination has a reasonable basis.

A "qualified purpose" with respect to any qualified zone academy means (i) rehabilitating or repairing the public school facility in which the academy is established, (ii) providing equipment for use at such academy, (iii) developing course materials for education to be provided at such academy and (iv) training teachers and other such personnel in such academy.

A qualified zone academy bond must be issued by a state or local government within the jurisdiction of which such academy is located. In addition, the Board must certify that it has written assurances that a "private business contribution requirement" will be met. The Treasury Department and the Internal Revenue Service intend that this certification will be respected and may be relied upon by owners of the Series 1998 Bonds if the certification is reasonably made. For this purpose, the private business contribution requirement is met if the local education agency that established the qualified zone academy has written commitments from private entities to make "qualified contributions" having a present value as of the date of issue of the bonds of not less than 10% of the proceeds of the bond issue. For this purpose,

"qualified contributions" include (i) equipment for use in the qualified zone academy, (ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the class room, (iii) services of employees as volunteer mentors, (iv) internships, field trips, or other educational opportunities outside the academy for students or (v) any other property or service specified by the local education agency.

The Series 1998 Bonds have a term of _____, based on the fact that qualified zone academy bonds must have a maximum term which will result in the present value of the obligation to repay the principal on the bonds being equal to 50% of the face amount of the bonds, using as a discount rate a rate equal to 110% of the long term applicable Federal rate for tax exempt obligations, compounded semi-annually, for the month in which the bonds are issued.

Qualified zone academy bonds must also receive an allocation from the state equal to their face amount from the State's share of the national zone academy bond limitation for the calendar year. The Board has received such an allocation for the Series 1998 Bonds from the Illinois State Board of Education.

Eligible Taxpayer

An "eligible taxpayer" includes only a bank within the meaning of Section 581 of the Code, an insurance company to which subchapter L of the Code applies and a corporation actively engaged in the business of lending money.

Amount of Credit

The amount of the tax credit with respect to a qualified zone academy bond is the amount equal to the product of 110% of the long term applicable Federal rate (the "Applicable AFR"), compounded annually, for the month in which the bond is issued times the outstanding principal amount of the bond on the relevant credit allowance date. The Applicable AFR for _____, 1998--the month in which the Series 1998 Bonds will be issued--is equal to ___% and 110% of this Applicable AFR is equal to _____%.

A credit allowance date is the last day of the one year period beginning on the date of issuance on the bonds and the last day of each successive one year period thereafter. The applicable credit allowance date for the Series 1998 Bonds is _____.

Limitation on Credit

The tax credit allowed may not exceed the sum of the taxpayer's regular tax liability and alternative minimum tax liability under Section 55 of the Code less the taxpayer's other tax credits (except refundable tax credits set forth in subpart C of part IV of subchapter A of the Code).

Deduction of Unused Credit Amount

If a taxpayer cannot use all of the credit otherwise allowable for the taxable year, he may deduct the unused portion of the credit for the taxable year which includes the credit allowance date.

Passive Activity Rules

Section 469 of the Code generally provides that a passive activity credit may only be a credit against the Federal income tax on passive activity income. The tax credit with respect to a qualified zone academy is not considered a passive activity credit under Code Section 469(d), and, therefore, such credit is not subject to the above limitations with respect to passive activity credits.

Credit Amount Included in Income as Deemed Interest

Section 1397E (g) of the Code requires the owner of a Series 1998 Bond to include the amount of the credit in gross income. The regulations thereunder provide that such amount constitutes interest income, which an accrual method taxpayer must accrue as income over the one year period that ends on the credit allowance date. Thus, if such a taxpayer sold a Series 1998 Bond before any given credit allowance date, the taxpayer would have to accrue such interest income up to the date of sale but would not qualify for any of the tax credit for such credit allowance date. It would appear that because the subsequent purchaser would obtain the full credit for that credit allowance date, the purchase price would reflect the accrued interest amount. It would also appear that the receipt of such amount by the taxpayer would constitute a return of capital (tax basis) and not be subject to additional (i.e. double) taxation to the taxpayer. The deemed interest is not exempt from Illinois state income tax.

Original Issue Discount

A Series 1998 Bond will be treated as issued with original issue discount ("OID") equal to the excess of its "stated redemption price at maturity" over its "issue price." Generally, the issue price of a Series 1998 Bond will be the first price at which a substantial amount of Series 1998 Bonds included in the issue of which the Series 1998 Bond is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Series 1998 Bond is the total of all payments provided by the Series 1998 Bond that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a Series 1998 Bond that are unconditionally payable at least annually at a single fixed rate applied to the outstanding principal amount of the Series 1998 Bond. Although there is as yet no specific authority on this matter, the deemed interest on the Series 1998 Bonds probably would be considered qualified interest for purposes of the OID rules.

The owner of a Series 1998 Bond must generally include OID in income calculated on a constant-yield method before the receipt of cash attributable to such income, and generally will have to include in income increasingly greater amounts of OID over the life of

the Series 1998 Bond. The amount of OID includible in income by an owner of a Series 1998 Bond is the sum of the daily portions of OID with respect to the Series 1998 Bond for each day during the taxable year or portion of the taxable year on which the owner holds such Series 1998 Bond ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Series 1998 Bond may be of any length selected by the owner and may vary in length over the term of the Series 1998 Bond as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Series 1998 Bond occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Series 1998 Bond's adjusted issue price at the beginning of the accrual period and such Series 1998 Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Series 1998 Bond allocable to the accrual period. The "adjusted issue price" of a Series 1998 Bond at the beginning of any accrual period is the issue price of the Series 1998 Bond increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Series 1998 Bond that were not qualified stated interest payments. For purposes of determining the amount of OID allocable to an accrual period, if an interval between payments of qualified stated interest on the Series 1998 Bond contains more than one accrual period, the amount of qualified stated interest payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated pro rata on the basis of relative lengths, of each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval must be increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable at the maturity of the Series 1998 Bond (other than any payment of qualified stated interest) and (y) the Series 1998 Bond's adjusted issue price as of the beginning of the final accrual period.

Tax Basis

An owner's initial tax basis in a Series 1998 Bond generally will be equal to the purchase price paid by such owner for such Series 1998 Bond. An owner's tax basis in a Series 1998 Bond will be increased by the amount of OID that is included in the owner's income pursuant to the foregoing rules, and will be decreased by the amount of any cash payments received other than payments of qualified stated interest.

Credit's Affect on Estimated Income Tax Payments

Pursuant to a technical connection made by the recently enacted Internal Revenue Service Restructuring and Reform Act of 1998, the credit under Code Section 1397E may be taken into account by a taxpayer in computing the amount of quarterly estimated tax payments required to be paid by such taxpayer. Because the credit is only allowed for each taxable year in which a credit allowance date occurs, taxpayers will not be able to take any credit into

account in computing their estimated tax for the taxable year in which they purchase the Series 1998 Bonds.

Sale, Redemption or Retirement of Series 1998 Bonds

Upon the sale of a Series 1998 Bond for cash, a owner will recognize gain or loss equal to the difference between the amount of cash received (other than cash attributable to accrued interest) and such owner's adjusted tax basis in the Series 1998 Bond. Such gain or loss will be capital gain or loss if the Series 1998 Bond is a capital asset to such owner. Cash received attributable to accrued interest will constitute ordinary interest income to a cash method owner, and a return of capital with respect to interest accrued as income by an accrual method owner. Upon the redemption or retirement by the Board of a Series 1998 Bond for cash, an owner will recognize gain or loss equal to the difference between the amount of cash received (other than cash attributable to accrued interest) and such owner's adjusted tax basis in the Series 1998 Bond. Such gain or loss will be capital gain or loss if the Series 1998 Bond is a capital asset to such owner. Cash received attributable to accrued interest not recognized as OID income will constitute ordinary interest income to a cash method owner, and a return of capital with respect to interest accrued as income by an accrual method owner.

U.S. Federal Information Reporting and Withholding

Under current United States Federal income tax law, a 31% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the Series 1998 Bonds. In addition, certain persons making such payments are required to submit information returns (i.e., IRS Forms 1099) to the Internal Revenue Service with regard to those payments.

Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities. In the case of a non-corporate owner, information reporting normally will apply, but backup withholding generally will apply only if such owner (i) fails to furnish its Taxpayer Identification Number ("TIN"), (ii) furnishes an incorrect TIN, (iii) is notified by the Internal Revenue Service that it has failed to properly report payments of interest and dividends or (iv) under certain circumstances, fails to certify (on Internal Revenue Service Form W-9 or a proper substitute form), under penalties of perjury, that it has furnished a correct TIN and has not been notified by the Internal Revenue Service that it is subject to backup withholding for failure to report interest and dividend payments.

Any amounts withheld under the backup withholding rules from a payment to an owner will be refunded (or credited against the owner's United States Federal income tax liability, if any) provided that the amount withheld is claimed as Federal taxes withheld on the owner's United States Federal income tax return relating to the year in which the backup withholding occurred.

NO RATINGS

The Series 1998 Bonds are not rated by any credit rating agency. No application has been, or is expected to be, submitted to any credit rating agency in connection with the issuance of the Series 1998 Bonds.

FINANCIAL STATEMENTS

The financial statements of the Board as of and for the year ended [June 30, 1997], included in EXHIBIT D to this Private Placement Memorandum, have been audited by Arthur Andersen LLP, independent public accountants as indicated in their report included in EXHIBIT D.

FINANCIAL ADVISOR

The Board has engaged Austin Meade Financial Ltd. as Financial Advisor in connection with the authorization, issuance and sale of the Series 1998 Bonds. The Financial Advisor has provided advice on the plan of financing and structure of the Series 1998 Bonds and have reviewed certain legal and disclosure documents, including this Private Placement Memorandum, with respect to financial matters. Unless indicated to the contrary, the Financial Advisor has not independently verified the factual information contained in this Private Placement Memorandum, but has relied on the information supplied by the Board and other sources.

PRIVATE PLACEMENT

Pursuant to the [Name of Bond Placement Agreement] between the Board and the Placement Agent, the Placement Agent has agreed to use its best efforts to solicit purchases of the Series 1998 Bonds by institutional accredited investors also constituting "eligible taxpayers" within the meaning of Section 1397E of the Code. The Placement Agent will be paid a fee of \$[Placement Fee] by the Board on the date of issuance of the Series 1998 Bonds in consideration of such efforts.

The Series 1998 Bonds are being offered by the Board only to sophisticated investors constituting (a) institutional "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) promulgated under the United States Securities Act of 1933, as amended; and (b) "eligible taxpayers" within the meaning of Section 1397E of the Code. Section 1397E(d)(6) of the Code defines "Eligible Taxpayer" to mean: (i) a bank (within the meaning of Section 581 of the Code); (ii) an insurance company to which subchapter L of the Code applies; and (iii) a corporation actively engaged in the business of lending money. *Only "eligible taxpayers" are entitled to the tax credits afforded by ownership of the Series 1998 Bonds under Section 1397E of the Code.*

The Placement Agent has neither (1) made any investigation into the financial condition or affairs of the Board, nor (2) assumed any responsibility for any information or mate-

rials furnished by the Board to any prospective purchaser of the Series 1998 Bonds. Each prospective purchaser of the Series 1998 Bonds is being furnished a copy of this Private Placement Memorandum. In addition, each prospective purchaser is hereby offered the opportunity, prior to purchasing any Series 1998 Bonds, to ask questions of, and receive answers from, the Board concerning the terms and conditions of the offering, and to obtain any additional relevant information, to the extent the Board possesses the same or can acquire it without unreasonable effort or expense. Each purchaser, by purchasing the Series 1998 Bonds and delivering the required investor letter (a form of which is attached to this Private Placement Memorandum as EXHIBIT C), represents to the Board and the Placement Agent, among other things, that it has had an opportunity to ask questions of, and has received answers from, and that it has received all information and materials it regards as necessary to evaluate all merits and risks of its investment from, the Board. Inquiries concerning additional information should be directed in writing to the Board at 1819 W. Pershing Road, Chicago, Illinois 60609 (Telephone: 773/535-7942), Attention: Kenneth C. Gotsch, Chief Fiscal Officer.

Each purchaser of the Series 1998 Bonds must be able to bear the economic risk of such purchaser's investment in the Series 1998 Bonds. Each purchaser, by purchasing the Series 1998 Bonds and delivering the required investor letter, represents to the Board and the Placement Agent that it has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of securities, to be able to evaluate the merits and risks of its investment in the Series 1998 Bonds. Moreover, each purchaser, by purchasing the Series 1998 Bonds and delivering the required investor letter, agrees with the Board and the Placement Agent that (1) its purchase of the Series 1998 Bonds is for its own account, or as a fiduciary for others, for the purpose of investment and not with a view to distribution or resale, (2) it does not intend to resell the Series 1998 Bonds or grant participations therein, and (3) in the event it does resell the Series 1998 Bonds or grant participations therein, it will comply with all applicable state and Federal securities laws.

CERTAIN LEGAL MATTERS

Issuance of the Series 1998 Bonds is subject to the issuance of the approving legal opinion of Mayer, Brown & Platt, Chicago, Illinois, Bond Counsel. The proposed form of Bond Counsel opinion is included herein as EXHIBIT B. Certain legal matters will be passed upon for the Board by Marilyn F. Johnson, General Counsel, and by Katten Muchin & Zavis, Chicago, Illinois; and for the Placement Agent by [Name], Chicago, Illinois.

LITIGATION

General

The Board is involved in numerous lawsuits which arise out of the ordinary course of operating the school system, including, but not limited to, the lawsuits described in this Private Placement Memorandum. Some of the cases pending against the Board involve claims for substantial monies. 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.

Upon delivery of the Series 1998 Bonds, the Board will furnish a certificate to the effect that, among other things, there is no litigation pending in any court seeking to restrain or enjoin the issuance or delivery of the Series 1998 Bonds, or in any way contesting the validity or enforceability of the Series 1998 Bonds.

Pending Litigation

Certain litigation pending against the Board is described under the heading "LITIGATION" in the Official Statement. [Insert litigation update]

NO CONTINUING DISCLOSURE

The offering of the Series 1998 Bonds is exempt from the provisions of Rule 15c2-12 of the Securities and Exchange Commission and are not subject to continuing disclosure because the Series 1998 Bonds constitute municipal securities issued in "authorized denominations of \$100,000 or more" that are being sold to no more than thirty-five persons, each of whom the Placement Agent reasonably believes (1) has knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of the prospective investments and (2) is not purchasing for more than one account or with a view to distributing the Series 1998 Bonds.

The Board entered into the Continuing Disclosure Undertaking with respect to the Series 1997A Bonds to provide the disclosure rights, duties and obligations with respect to the Series 1997A Bonds. See "CONTINUING DISCLOSURE" and "THE UNDERTAKING" in the Official Statement.

AUTHORIZATION AND MISCELLANEOUS

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

**CHICAGO SCHOOL REFORM BOARD OF
TRUSTEES OF THE BOARD OF EDUCATION
OF THE CITY OF CHICAGO, ILLINOIS**

By _____
Chief Fiscal Officer

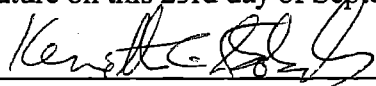
STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

DETERMINATION OF PLEDGED TAXES

As the duly qualified and acting Chief Fiscal Officer of the Chicago School Reform Board of Trustees of the Board of Education of the City of Chicago, Illinois (the "Board"), I certify as follows:

1. That, pursuant to Resolution No. 98-0826-RS8 (the "Bond Resolution"), the Board will issue its \$14,000,000 Qualified Zone Academy General Obligation (Alternate) Bonds, Series 1998 (Bronzeville Academy Project)(the "Series 1998 Bonds").
2. That, pursuant to Section 7(a) of the Bond Resolution, I have determined that:
 - (i) the total amount of the Pledged Taxes which is required to be levied is \$14,000,000; and
 - (ii) all of these Pledged Taxes are to be levied for the year 2010.

IN WITNESS WHEREOF, I have affixed my official signature on this 23rd day of September, 1998.



 Chief Fiscal Officer,
 Chicago School Reform Board of Trustees