

April 26, 2006

RESOLUTION PROVIDING FOR THE ISSUANCE OF UNLIMITED TAX GENERAL OBLIGATION BONDS (DEDICATED REVENUES - QUALIFIED ZONE ACADEMY PROJECTS), SERIES 2006A 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 City of Chicago, Illinois, constitutes one school district (the "School District"), which is a body politic and corporate by the name of the "Board of Education of the City of Chicago" (the "Board"); and

WHEREAS, the Board is governed by the seven-member Chicago Board of Education, as successor to the Chicago School Reform Board of Trustees; and

WHEREAS, the Board has heretofore determined that it is advisable, necessary and in the best interests of the Board and the residents of the School District to construct, repair, rehabilitate, acquire and equip school and administrative buildings, site improvements and other real and personal property in and for the School District (the "Program"), all in accordance with the estimates of cost, including the Board's Five-Year Capital Improvement Program, as heretofore approved and from time to time amended by the Board; and

WHEREAS, for the purpose, among others, of providing funds to pay a portion of the cost of the Program in accordance with the provisions of the Local Government Debt Reform Act of the State of Illinois, as amended (the "Debt Reform Act"), the Board, on the 22nd day of September 2004, adopted a resolution (the "2004 Authorization") authorizing the issuance of alternate bonds, being general obligation bonds payable from any revenue source, as provided by the Debt Reform Act (the "Alternate Bonds"), in an amount not to exceed \$965,000,000; and

WHEREAS, pursuant to and in accordance with the Debt Reform Act and the 2004 Authorization, the Board caused to be published on September 25, 2004, in the *Chicago Sun-Times*, a newspaper of general circulation within the School District, a copy of the 2004 Authorization and a notice that the Alternate Bonds are subject to a "back-door referendum" under the Debt Reform Act; and

WHEREAS, no petition asking that the issuance of the Alternate Bonds be submitted to referendum was filed with the Secretary of the Board by October 26, 2004, such date being thirty (30) days after the date of such publication; and

WHEREAS, pursuant to and in accordance with the provisions of the Bond Issue Notification Act of the State of Illinois, the Board called a public hearing (the "2004 Hearing") for the 22nd day of September 2004, concerning the intent of the Board to sell the Alternate Bonds authorized pursuant to the 2004 Authorization, over a period of years in one or more Series; and

WHEREAS, notice of the 2004 Hearing was given by publication at least once on September 3, 2004, being a date not less than seven (7) nor more than thirty (30) days before the date of the 2004 Hearing in the *Chicago Sun-Times*, the same being a newspaper of general circulation in the School District; and

WHEREAS, notice of the 2004 Hearing was also given by posting a copy of notice of the 2004 Hearing at least 48 hours prior to the start of the 2004 Hearing at the principal office of the Board and such notice remained posted until the start of such 2004 Hearing; and

WHEREAS, the 2004 Hearing was held on the 22nd day of September 2004, and at the 2004 Hearing, the Board explained the reasons for the proposed bond issue and permitted persons desiring to be heard an opportunity to present written or oral testimony within reasonable time limits; and

WHEREAS, the 2004 Hearing was finally adjourned on the 22nd day of September 2004; and

WHEREAS, pursuant to the 2004 Authorization, the Board has previously issued Alternate Bonds in an aggregate amount equal to \$656,830,000, consisting of its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004C, its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004D, its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2004E, its Unlimited Tax General Obligation Bonds (Dedicated Revenues – Albany Park Academy Project), Series 2004F, its Unlimited Tax General Obligation Bonds (Dedicated Revenues – Benito Juarez Community Academy Project), Series 2004G, its Unlimited Tax General Obligation Bonds (Dedicated Revenues – DePriest Elementary School Project), Series 2004H, its Unlimited Tax General Obligation Bonds (Dedicated Revenues – Westinghouse High School Project), Series 2005C, its Unlimited Tax General Obligation Bonds (Dedicated Revenues), Series 2005D and its Unlimited Tax General Obligation Bonds (Dedicated Revenues) Series 2005E (collectively, the “Outstanding Bonds”); 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 following projects as part of the Program: (i) the renovation, rehabilitation and equipping of any or all of the buildings and facilities located at the schools listed in Exhibit A for use by the Board as “qualified zone academies” (as defined in Section 1397E of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (collectively, the “Code”)), said projects to be known as the 2006 Qualified Zone Academy Projects (the “Academy Projects”), and (ii) paying bond discount and the costs of issuance incurred with respect to the financing of the Academy Projects (the costs associated with (i) and (ii) being collectively, the “Project Costs”); and

WHEREAS, in accordance with the provisions of the 2004 Authorization and the Debt Reform Act, the Board desires to issue not to exceed an additional \$7,000,000 of the Alternate Bonds so authorized (the “Bonds”), which Bonds may be issued from time to time, in one or more series, to finance a portion of the Project Costs; and

WHEREAS, pursuant to Section 1397E of the Code and an allocation of qualified zone academy bond allocation approved by the Illinois State Board of Education (the “ISBE”) for calendar year 2005 the Board is authorized to issue the Bonds as “qualified zone academy bonds” (the “QZABs”); and

WHEREAS, the Outstanding Bonds are payable from and the Bonds will be payable from: (i) the “2004 Authorization Pledged State Aid Revenues,” being not more than \$175,000,000 of State Aid payments to be made to the Board in any year pursuant to Article 18 of the School Code, or such successor or replacement act as may be enacted in the future, and (ii) the “Pledged Taxes”, being the ad valorem taxes levied or to be 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 2004 Authorization Pledged State Aid Revenues to pay the principal of and interest on such Outstanding Bonds and the Bonds; and

WHEREAS, the Board has determined that the 2004 Authorization Pledged State Aid Revenues will provide in each year an amount not less than 1.10 times debt service on the Bonds and the Outstanding Bonds, which determination is supported by the most recent audit of the Board, prepared by Deloitte & Touche LLP, which audit is for the fiscal year ended June 30, 2005 (the “2005 Audit”), being a fiscal year ending not earlier than eighteen (18) months previous to the time of issuance of the Bonds herein authorized and issued prior to January 1, 2007, which 2005 Audit has been presented to the Board and is on file with the Secretary of the Board (the “Secretary”); and

WHEREAS, the Board has determined that it may be advisable that either a placement agent (the “Placement Agent”) or an underwriter (the “Underwriter”) be designated by an Authorized Officer (as

defined herein), pursuant to (i) a Placement Agent Agreement (the "Placement Agent Agreement") between the Placement Agent and the Board, or (ii) a Contract of Purchase, providing for either a public offering or a limited public offering (the "Contract of Purchase"), between the Underwriter and the Board, as the case may be; and

WHEREAS, the Code authorizes a school district to reimburse itself for expenditures that it made for capital improvements from the proceeds of QZABs issued under Section 1397E of the Code, provided that the expenditures are for "qualified purposes", as defined in the Code, and the Board recognizes that it may incur such expenditures prior to its receipt of the proceeds of the Bonds; and

Whereas, the Board declares that Project Costs, if any, have been paid not more than 60 days prior to the adoption of this Resolution or will be paid on or after the adoption of this Resolution (any Project Cost incurred prior to the receipt of proceeds of the Bonds being, the "Induced Expenditures"); and

WHEREAS, the Board reasonably expects to reimburse all or a portion of any Induced Expenditures with the proceeds of the Bonds; and

WHEREAS, the Board intends to enact this Resolution to ensure that the reimbursements to the Board of the Induced Expenditures will satisfy the requirements of the Code; and

WHEREAS, the Board recognizes the possibility that the reasonable expectations of the Board with respect to the reimbursement of all or a portion of the Induced Expenditures with the proceeds of the Bonds may not be realized, and, as such, the Board intends to enact this Resolution for the alternate purpose of ensuring that declarations of intent of the Chief Financial Officer of the Board, in substantially the form previously used for declaring such intent, with appropriate revisions to reflect the issuance of the Bonds and such other revisions that the Chief Financial Officer shall determine as necessary and desirable, to reimburse certain alternate expenditures (the "Alternate Expenditures") relating to the renovation, rehabilitation, repair or equipping of certain alternate capital projects (collectively, the "Alternate Projects") with the proceeds of the Bonds will satisfy the requirements of the Code; and

WHEREAS, this Resolution declares the official intent of the Board to reimburse any Induced Expenditures through the issuance of the Bonds and to designate the Chief Financial Officer of the Board to declare the official intent of the Board to reimburse the Alternate Expenditures through the issuance of the Bonds; and

WHEREAS, it is necessary for the Board to authorize: (i) the issuance of the Bonds, (ii) the pledge of the 2004 Authorization Pledged State Aid Revenues and (iii) 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 Board of Education of the City of Chicago 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 President of the Board; (ii) the Chief Financial Officer of the Board; or (iii) any other officer or employee of the Board authorized to perform specific acts or duties hereunder by resolution or other action 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 Clerks" means, collectively, the County Clerks of the Counties of Cook and DuPage, Illinois.

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

"Investment Policy" means the 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 the General 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 17 hereof.

"Owner" means any person or persons 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.* The preambles of this Resolution are hereby incorporated into this text as if set out herein in full.

SECTION 3. *Issuance of Bonds – Direct.*

(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 \$7,000,000; and the Bonds may be issued, from time to time, in one or more series, in said principal amount, or such lesser principal amount, as may be determined by an Authorized Officer. To the extent that the Bonds are sold in one or more series, "Bonds" shall refer to each such series of Bonds.

(b) The Bonds shall be designated as "*Unlimited Tax General Obligation Bonds (Dedicated Revenues - Qualified Zone Academy Projects), Series 2006A*", with such additions, modifications or revisions as shall be determined to be necessary by an Authorized Officer at the time of the sale of the Bonds. To the extent necessary, the Chief Financial Officer shall designate a 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 April 27, 2006, and no later than January 1, 2007). The Bonds shall become due and payable on one or more dates not earlier than December 1, 2018, and not later than December 1, 2025, as determined by an Authorized Officer 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 an Authorized Officer at the time of issuance 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 an Authorized Officer 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 of \$5,000 in addition thereto (collectively, the "Authorized Denominations"). The Bonds shall be numbered as determined by an Authorized Officer at the time of sale of the Bonds.

(g) The Bonds and the Certificate of Authentication shall be in substantially the form previously used for similar qualified zone academy alternate bond financing of the Board, with appropriate revisions to reflect the terms and conditions of the Bonds and 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, in a manner designated by the Paying Agent, 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. 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, may sign any Bond on behalf of the Board.

(b) The Bonds shall bear a Certificate of Authentication, in substantially the form previously used for similar alternate bond financing of the Board, with appropriate revisions to reflect the Bonds and with such variations, omissions or insertions as are required or permitted by 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 the Authentication Agent shall have duly executed such Certificate of Authentication. 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 subsection (f), be exchanged for an equal aggregate principal amount of fully registered Bonds of any 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.

(e) The Board and any fiduciary thereof may deem and treat the person in whose name any Bond shall be registered upon the registration books of the Board as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal 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 nor any fiduciary 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. The Bond Registrar shall forthwith cancel all Bonds surrendered in any such exchanges. For any exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any required tax, fee or other governmental charge imposed in connection therewith.

(g) The Bond Registrar shall not make any registration or transfer of any Bonds unless the transferee has executed an investment letter in form and substance satisfactory to the Board, as determined by an Authorized Officer. 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 an Authorized 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 Authorized Officer is authorized to execute and deliver to the book-entry only depository selected by the Authorized 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 like 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 to the Board and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Bond Registrar with indemnity satisfactory to it and complying with such other reasonable regulations as the Bond Registrar may prescribe and paying such expenses as the Board and Trustee may incur. All Bonds so surrendered to the Bond Registrar shall be cancelled. Any such new Bonds issued pursuant to this subsection 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. *Use of Proceeds.*

(a) Subject to subsections (b) and (c) below, the proceeds from the sale of the Bonds shall be applied to the payment of a portion of the Project Costs associated with Academy Projects in amounts and at times determined by an Authorized Officer. Pending the application for such purposes, the proceeds of the Bonds shall be set aside, held and invested at the direction of the Chief Financial Officer as separate funds of the Board.

(b) One of the purposes of this Resolution, and of all declarations of intent to reimburse expenditures made pursuant to this Resolution, if any, are to satisfy the requirements of the Code. The Board reasonably expects to reimburse all or a portion of the Induced Expenditures with the proceeds of the Bonds. The maximum principal amount of the Bonds to be issued for the Academy Projects is \$7,000,000.

(c) The Board hereby designates the Chief Financial Officer of the Board to declare the official intent of the Board to reimburse Alternate Expenditures through the issuance of the Bonds. Copies of all declarations of official intent by the Chief Financial Officer (made on behalf of the Board) to reimburse Alternate Expenditures through the issuance of the Bonds pursuant to this Resolution, together with a copy of this Resolution, shall be filed in the office of the Secretary of the Board and shall be made available for public inspection in the manner required by law.

SECTION 6. *Payment of the Bonds; Pledge and Application of Pledged State Aid Revenues; Intercept Proceedings.*

(a) The Paying Agent shall establish a separate fund designated, as is appropriate at the time, as the Unlimited Tax General Obligation Bonds (Dedicated Revenues - Qualified Zone Academy Projects), Series 2006A Debt Service Fund (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 Owner of the Bonds solely for the purpose of paying the principal of the Bonds.

(b) In order to secure the payment of the principal of any and all Bonds, the Board hereby pledges the 2004 Authorization Pledged State Aid Revenues to the payment thereof. Further, the Board covenants and agrees to provide for, collect and apply such 2004 Authorization Pledged State Aid Revenues to the payment of the Bonds, as well as the Outstanding Bonds, all secured thereby and the provision of an additional .10 times debt. The determination of the sufficiency of the 2004 Authorization Pledged State Aid Revenues pursuant to this subsection is supported by reference to the 2005 Audit, and acceptance of the 2005 Audit by the Board serves as conclusive evidence that the conditions of Section 15 of the Debt Reform Act have been met. Unless other arrangements have been made pursuant to Section 6(f), the Board shall deposit with the Paying Agent for deposit, when received, into the Debt Service Fund an amount of 2004 Authorization Pledged State Aid Revenues sufficient for the Paying Agent to make all payments due and owing on a Principal Payment Date.

The Bonds, when issued, shall be secured on a parity basis with the Outstanding Bonds.

The moneys hereby pledged shall immediately be subject to the lien and pledge hereof without any physical delivery or further act, and the lien and pledge hereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board, irrespective of whether such parties have notice hereof.

(c) As described in Section 7 below, the Board has directed the County Collectors to deposit all collections of Pledged Taxes, if and when extended for collection, directly with the Paying Agent for application in accordance with the provisions of this Resolution. All Pledged Taxes received by the Paying 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) The Board and its officers will comply with all present and future applicable laws in order to ensure that the 2004 Authorization Pledged State Aid Revenues may be paid to the Board for application as provided for in this Resolution.

(f) To the extent authorized by law, if the Chief Financial Officer determines that it is in the financial interest of the Board to further secure the payment of the principal of the Bonds, the Chief Financial Officer may enter into an agreement with the State Superintendent of Education, State Comptroller, State Treasurer or any other governmental officer, agency or department of the State of Illinois (collectively, the "State Officials") to cause such officer, agency or department to deposit or cause to be deposited any amount of the 2004 Authorization Pledged State Aid Revenues with the appropriate Paying Agent or other escrow agent designated pursuant to this Resolution. The Chief Financial Officer is hereby authorized to file a copy of this Resolution with such State Officials. Actions, if undertaken, shall be in compliance with Section 350/13 of the Debt Reform Act, as amended from time to time.

SECTION 7. Tax Levy; Pledged Taxes.

(a) For the purpose of providing funds in addition to the 2004 Authorization Pledged State Aid 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 \$7,000,000 for the tax years 2017 through 2024, inclusive; *provided*, that the Chief Financial 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 \$7,000,000 or such lesser amount as is determined the Chief Financial 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 "Adjusted Pledged Taxes").

(b) A copy of this Resolution, certified by the Secretary of the Board, together with the written determination of the Chief Financial Officer described in sub-section (a) above, shall be filed with each of the County Clerks. The County Clerks shall ascertain the rate percent required to produce the Adjusted 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 Adjusted 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 Adjusted Pledged Taxes shall be deposited with the Paying Agent as provided in Section 6(c) hereof.

(c) An Authorized Officer 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 Adjusted Pledged Taxes as and when extended for collection directly with the Paying 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 Paying Agent of less than all of the Adjusted Pledged Taxes to be collected pursuant to this Resolution.

(d) So long as any of the Bonds remain Outstanding, the Board and its officers will comply with all present and future applicable laws in order to assure that the Adjusted Pledged Taxes may be levied, extended, collected and deposited in accordance with this Resolution.

(e) Upon a determination made by the Board during the calendar year prior to any Principal Payment Date that the 2004 Authorization Pledged State Aid 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 Adjusted Pledged Taxes levied for such year. The Board shall direct such abatement of the Adjusted 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 Adjusted Pledged Taxes, if any, to be extended for collection.

SECTION 8. *Investment of Moneys.* The Chief Financial Officer of the Board is hereby authorized to enter into or approve any such agreements with investment providers as shall be necessary in connection with the investment of any funds on deposit pursuant to 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 applicable 2004 Authorization Pledged State Aid Revenues to the payment of the Bonds, and the Board covenants and agrees to provide for, collect and apply the applicable 2004 Authorization Pledged State Aid Revenues to the payment of the Bonds and the provision of an additional .10 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 applicable 2004 Authorization Pledged State Aid Revenues, from the levy of the applicable Pledged Taxes, as provided in the Debt Reform Act and as set forth in this Resolution. The Bonds do not represent or constitute a debt of the Board within the meaning of any constitutional or any statutory limitation unless the applicable 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 applicable 2004 Authorization Pledged State Aid 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 applicable 2004 Authorization Pledged State Aid Revenues and Pledged Taxes and other moneys, securities and funds 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 applicable 2004 Authorization Pledged State Aid Revenues and Pledged Taxes in the manner and to the extent provided in this Resolution on a parity with the Outstanding Bonds. Except as provided in Section 11(b) hereof with respect to future parity pledges of the applicable 2004 Authorization Pledged State Aid Revenues, the 2004 Authorization Pledged State Aid Revenues and the Pledged Taxes, and subject to such lien, are and will be free and clear of any other pledge, lien, charge or encumbrance

thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by this 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 applicable 2004 Authorization Pledged State Aid Revenues and Pledged Taxes, and all the rights of the Owner in and to such applicable 2004 Authorization Pledged State Aid Revenues and Pledged Taxes, 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 applicable 2004 Authorization Pledged State Aid Revenues and Pledged Taxes which, shall at all reasonable times be available for the inspection of the Owner.

SECTION 10. *Qualified Zone Academy Requirements.*

(a) The Board covenants that not less than 95% of the proceeds from the sale of the Bonds will be used for a "qualified purpose" (as defined under the Code) with respect to the Academy Projects.

(b) 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 QZABs under the Code, and an Authorized Officer is authorized to execute and deliver such certifications or representations.

(c) By a prior resolution, the Board has approved the comprehensive educational plans for each of the Academy Projects, described in Exhibit B attached hereto, and the Board hereby reaffirms its approval of each said plan.

(d) An Authorized Officer is authorized to solicit, secure and to accept "qualified contributions" (as defined in the Code) for each of the Academy Projects as they determine to be necessary and in the best interests of the Board.

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

(a) Except as provided in sub-section (b) and (c) below, 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 2004 Authorization Pledged State Aid Revenues or the Pledged Taxes and shall not hereafter, except as expressly authorized in this Resolution, create or cause to be created any lien or charge on the 2004 Authorization Pledged State Aid Revenues or the Pledged Taxes.

(b) The Board reserves the right to issue additional bonds or other evidences of indebtedness payable from all or any portion of the 2004 Authorization Pledged State Aid Revenues (the "Additional Bonds") or any other source of payment which may be pledged under the Debt Reform Act, and any such Additional Bonds shall share ratably and equally in the applicable 2004 Authorization Pledged State Aid Revenues; provided, however, that no Additional Bonds shall be issued except in accordance with (i) the provisions of the Debt Reform Act as in existence on the date of issuance of the Additional Bonds, and (ii) this Section 11 and the relevant provisions of the resolutions, indentures and other documents authorizing the issuance of the Outstanding Bonds.

(c) The Board reserves the right to issue subordinate bonds or other evidences of indebtedness payable from the 2004 Authorization Pledged State Aid Revenues. Such subordinate obligations will be paid from the applicable 2004 Authorization Pledged State Aid Revenues available to the Board in each year in excess of those amounts required to be deposited with the Paying Agent under this Resolution and required to be deposited pursuant to the resolutions, indentures and other documents relating to the issuance of the Outstanding Bonds.

SECTION 12. *Purchase of the Bonds – Direct.*

(a) The Bonds shall be sold and delivered either to the purchaser(s) designated by an Authorized Officer or to the Placement Agent, pursuant to a Placement Agreement, or to the Underwriter, pursuant to the Contract of Purchase; provided that, in either case, (i) that the purchase price of the Bonds shall not be less than 90 percent of the principal amount thereof to be issued, and (ii) the fee paid to the Placement Agent or the Underwriter, if any, for services provided in connection with the sale of the Bonds shall not exceed 2% of the principal amount of the Bonds. An Authorized Officer is hereby authorized to execute and deliver on behalf of the Board a Placement Agent Agreement or the Contract of Purchase, which, if used, shall be in substantially the form previously used by the Board, with appropriate revisions to reflect the Bonds and such other revisions that the Authorized Officer shall determine as necessary and 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 or the Contract of Purchase, if any, including the execution of any documents or certificates incident thereto or necessary to carry out the provisions thereof. The Authorized Officer shall make a finding, in connection with the execution of the Placement Agent Agreement or the Contract of Purchase, if any, 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 Placement Agent Agreement or the Contract of Purchase, if any (and, if applicable, any agreement with a Bond Insurer), or in the issuance and sale of the Bonds or the Bonds, in accordance with the laws of the State and the Code of Ethics of the Board (Board Rule No. 04-0623-PO4).

(b) Subsequent to the sale of the Bonds, an Authorized Officer 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 (or Dates) 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 aggregate amount of the 2004 Authorization Pledged State Aid Revenues and the fiscal year or years of the Board for which the 2004 Authorization Pledged State Aid Revenues are so pledged for payment of the Bonds, (vi) the name of the Placement Agent or the Underwriter, if any, and the amount of compensation paid to the Placement Agent or the Underwriter, if any, in connection with such sale; (vii) the names of the purchaser(s) of the Bonds, (viii) if a bond insurance policy is obtained, as authorized herein, the identity of the Bond Insurer issuing the bond insurance policy and the premium thereon.

(c) The distribution of both a preliminary and a final disclosure document relating to the Bonds (collectively, the "Disclosure Documents"), in such form and with such provisions as shall be approved by an Authorized Officer, is hereby, in all respects, ratified, authorized and approved, and the proposed use by the Placement Agent or the Underwriter, if any, of the Disclosure Documents is hereby approved. The Authorized Officer is hereby authorized and directed to execute and deliver certifications as shall be reasonably requested by the Placement Agent or the Underwriter, if any, relating to information relating to the Board contained in the Disclosure Documents.

SECTION 13. *Bond Insurance.* In connection with the sale of the Bonds, an Authorized Officer is hereby authorized to obtain a bond insurance policy from such recognized bond insurer as such Authorized Officer shall determine (the "Bond Insurer") if said Authorized Officer determines such bond insurance policy to be desirable in connection with such sale of the Bonds. An Authorized Officer is also

authorized to enter into such agreements and make such covenants with any Bond Insurer that such Authorized Officer deems necessary.

SECTION 14. *Amendment of the Resolution.* Subject to Sections 15 and 16 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 Owner 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 Owner of such Bond so affected, 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 15. *Amendments Without Written Consent.* The Board may amend or modify this Resolution from time to time for any one or more of the following purposes without obtaining the prior written consent of the Owner 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 2004 Authorization Pledged State Aid Revenues or the Pledged Taxes sufficient to pay the principal of the Bonds; or

(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 interests of the Owner of the Bonds.

SECTION 16. *Amendments by Consent of Owner.*

(a) 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 14 and not authorized by Section 15 of this Resolution only pursuant to the written consent of the Owner(s) of a majority in outstanding principal amount of all Bonds.

(b) 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 16 of this Resolution, to take effect when and as provided in this Section. The Board shall mail a copy of such supplemental resolution, together with a written consent form, to the Owner(s) of the Bonds,

first class postage prepaid, at the address appearing for such Owner(s) upon the bond register maintained by the Bond Registrar. Failure to mail copies of such supplemental resolution and written consent form to any registered Owner shall not affect the validity of the supplemental resolution when assented to as provided in this Section.

SECTION 17. *Defeasance.*

(a) If the Board shall pay or cause to be paid, or there shall otherwise be paid, to the Owner(s) 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 under this Resolution 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 that 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 (as hereinafter defined), 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 QZABs. In such event, the Paying Agent shall send a notice to the Owner(s) 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 QZABs; (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) 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 18. *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 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 Owner of the Bonds shall look only to the Board for the payment of such Bonds.

SECTION 19. *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 20. *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 2004 Authorization Pledged State Aid Revenues or the Pledged Taxes as provided by this Resolution.

SECTION 21. *Contract.* The provisions of this Resolution shall constitute a contract between the Board and the Owner(s) 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 any Bonds are Outstanding.

SECTION 22. *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 Resolution; an appropriation of all "qualified contributions" received with respect to each of the Academy Projects for the purposes as determined jointly by the Board and the donor(s) making such contributions; and an appropriation of the 2004 Authorization Pledged State Aid Revenues and the Pledged Taxes for payment of the principal of the Bonds is hereby made as provided in this Resolution.

SECTION 23. *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 24. *Further Acts.*

(a) The Chief Financial Officer shall determine which schools, only from those listed in Exhibit A, shall have their Academy Projects funded from the proceeds of the QZABs issued as a result of said allocation. In making this determination, the Chief Financial Officer shall give consideration to how a particular school's Academy Project fits with the Board's Capital Improvement Plan as well as whether the school has secured its required private contribution.

(b) All actions of an Authorized Officer that are in conformity with the purposes and intent of this Resolution are hereby in all respects ratified, approved, and confirmed.

SECTION 25. *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 26. *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 27. *Interpretation.* As used herein, and unless the context shall otherwise indicate, the word "Bond" 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 28. *Effectiveness.* This Resolution is effective immediately upon its adoption.

EXHIBIT A

As provided for in this Resolution, and in accordance with the Code, the Chief Financial Officer of the Board may select any of the following schools for designation as a “qualified zone academy” and use the proceeds of any QZABs in furtherance of that school's approved educational plan:

John C. Burroughs
Fernwood
John M. Palmer
Ernst Prussing
William H. Ryder
Robert A. Black Magnet
David G. Farragut Career Academy
Charles Henderson Elementary
Sidney Sawyer Elementary

EXHIBIT B

The Board does hereby accept and approve the education plan of each school listed on Exhibit A, and copies of all approved educational plans are on file with the Secretary of the Board.