Exhibit B - QUALIFIED SCHOOL CONSTRUCTION BONDS

Illinois Program Guidelines

QSCB APPLICATION CYCLE: December 1, 2015 – January 15, 2016

The following defines and describes the QSCB program and its implications for public schools in Illinois.

Qualified School Construction Bonds (QSCB). The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) authorized the issuance of QSCBs to finance school construction and other eligible projects for public schools. The amount of QSCBs issued in each state is limited under federal law. The Illinois State Board of Education (ISBE) established a program for allocating the available allocation authority in Illinois. Under this program, qualified school districts or state education agencies can issue bonds to borrow funds with little to no interest cost. The proceeds can be used to construct, rehabilitate, or repair eligible public school facilities, or for certain land or equipment purchases. Since the proceeds can be used for rehabilitation or repair of a facility, district may use these low or no interest bonds in lieu of Fire Prevention (Health, Life, and Safety) bonds. Instead of receiving periodic interest payments from the issuer, the QSCB bondholder receives a federal income tax credit while the bond is outstanding, in an amount equal to a percentage of the face amount of the bond. Owners of qualified school construction bonds that provide tax credits ("tax credit qualified school construction bonds") will receive a tax credit if they own qualified school construction bonds on one or more quarterly credit allowance dates. Issuers of qualified school construction bonds that provide direct subsidy payments ("direct pay qualified school construction bonds") are entitled to receive direct subsidy payments for all or a portion of the interest payable on such bonds on an interest payment date. Owners of direct pay qualified school construction bonds will only receive taxable interest on the bonds and will not receive either tax credits or direct subsidy payments.)

(a) Eligibility Criteria

1. All school districts, except Chicago School District 299, are eligible to apply. Chicago School District 299 received a direct allocation from the Treasury.
    a. The district submitting an application must have the Fiscal Year 2014 Annual Financial Report on file with ISBE
    b. Districts ineligible to construct a new facility may still apply for repair and renovation projects

2. Eligible QSCB projects include all projects permitted to be financed with QSCBs under federal law, including:
    a. New construction of a public school owned facility
    b. Rehabilitation or repair of an existing public school owned facility
    c. Land acquisition for the facility to be constructed with the QSCB proceeds, and
    d. Equipment to be used in the facility that is being constructed, rehabilitated, or repaired with the proceeds of QSCBs
    NOTE: Lease payments may not be made with QSCB proceeds

(b) Application Process

1. Application shall be made through submission of ISBE Form 35-10, Qualified School Construction Bond (QSCB) program. ISBE Form 35-10 may be obtained from the State Board's website at http://www.isbe.state.il.us/finance/interest.htm.

2. Applications must be received from the districts on or before **January 15, 2016.**

3. Districts should not request more bonding authority than can be reasonably expected to be repaid or eligible to issue, and the district must expect that the QSCBs will be issued **within 18 months of receipt of authority.**
    a. Priority will be given to districts that are ready to start their project(s) – shovel ready.
        i. They can document they have successfully passed referendum if they are planning on building a new school, or
        ii. They can document they have successfully passed a referendum if they need to increase their debt extension limitation, or
        iii. They have the debt capacity to issue the amount requested and have the ability to start their project(s).

    Note: If QSCB Allocation is available after all districts that are ready to begin their projects have been allotted their requests, districts that need to pass a referendum will be prioritized. These districts will have 18 months to pass a referendum and issue the bonds.

    b. The bonding authority will revert back to ISBE for reallocation if the bonds have not been issued within **18 months of receipt of authority**

4. The application must include the following documents:
    a. A copy of the school board resolution approving the QSCB application as referenced in Section 18 of QSCB Application ISBE Form 35-10
    b. A clear and easily understood description of the planned project
    c. A signed assurance from the districts bond counsel stating the district's debt capacity at the time the application is submitted
    d. A copy of the certification that the district has successfully passed a referendum, if necessary
    e. A completed and signed QSCB Application, ISBE Form 35-10

(c) Allocation Process

1. Each eligible district will be limited to a maximum request of **$50,000,000**.

2. After the application deadline, School Business Services will review the applications for eligibility and completeness. Districts may be contacted for further information or clarification. The following will be **verified** (a-d) or **calculated** (e-g) for each application:
    a. If applicable, referendum has passed
        i. School districts building a new school must pass referendum per Article 10-22.36 of the School Code
        ii. School districts may need to pass a referendum to increase their debt extension limitation

b. The District has the ability to issue the debt requested given their debt extension limitation certified by the district's Bond Counsel
c. Concentration of low income as measured and reported on the latest General State Aid (GSA) claim
d. Available local resources per pupil from the latest GSA claim
e. Percentage of 2013 total tax rate over the median tax rate per type of school district: unit, elementary, high school, partial elementary unit district
f. Age of all of the district's educational facilities as per the Health/Life and Safety Facility Inventory
g. Calculate a facility capacity of all of the district's educational facilities utilizing data from the Health/Life and Safety Facility Inventory

3. After all information has been verified, each district will be ranked based on need and readiness as such;
   a) Referendum and debt capacity, districts are ready to begin their project – shovel ready
      i. The district has passed a referendum to construct a new school, if a new school is being built OR
      ii. The district has passed a referendum increasing their debt extension limitation (if required) OR
      iii. The district has the debt capacity to issue the amount requested and the ability to start their project(s)

      Note: If QSCB allocation is available after all districts that are ready to begin their projects have been allotted their requests, districts that need to pass a referendum will be prioritized. These districts will have 18 months to pass a referendum and issue the bonds.
   b) Highest concentration of low income as measured and reported on the Fiscal Year 2016 General State Aid claim
   c) Lowest available local resources per pupil as reported on the Fiscal Year 2016 General State Aid claim
   d) Highest Total Tax Rate for Tax Year 2013 as measured by the variance to the median Total Tax Rate by type of school district: unit, elementary, high school, partial elementary unit district
   e) Lowest building capacity per student weighted by age of facilities
      i. The formula establishes the actual available space per student for the district compared to the yearly published national averages for the square footage per student
      ii. From the ISBE Health/Life and Safety Facility Inventory, the age of the facility will be factored in to help establish conditions of older facilities and the need for more modern amenities (such as energy efficiency, accessibility, upgrade of electrical needs, and security)

As stated above, districts that are ready and capable of issuing the requested debt (a) will be prioritized first. Should more requests be received than authority available, the four individual ranks (b-e) will be added to determine an overall score, which will be used to determine a priority ranking of all applicants and provide a prioritized list of applicants. In the event of a tie for the final recipient placeholder, the lowest available local resources per pupil will prevail.

If QSCB allocation remains after all shovel ready districts have prioritized and allotted their requested amount, districts that are not shovel ready will be prioritized in the same process as denoted above. These districts will have 18 months to pass necessary referendums and issue their bonds.

4. After the State Board of Education approves, each district will be notified in writing. Districts whose applications have been denied and/or those with ineligible projects will also be notified.

5. ISBE will award full requests to qualified districts based on the prioritization list. When the remaining authority is not enough to completely fund the full request of the next district on the list, that district will be contacted and given the option to accept or decline a reduced allocation.

6. Any allotment balance remaining after the initial allocation process will revert to a state-wide allocation pool, to which unissued/returned allotments will be added. The state-wide pool may be reallocated at a later date to qualifying districts as determined by another round of applications.

Supplemental Information

1. In addition to previously stated requirements, there are a number of administrative items school districts must keep in mind:
    a. QSCB proceeds cannot be used to pay debt service or other outstanding debt obligations (except in some limited instances to pay interim financing – district should check with their bond counsel to determine if this is applicable to their issuance.)
    b. QSCB proceeds cannot be used to make lease payments
    c. The district is responsible for compliance with all applicable federal reporting requirements
    d. Each district must determine whether the purposes for which QSCBs are issued conform to state law regarding indebtedness
    e. Each district is responsible for repayment of the principal upon maturity
    f. If a district determines that its allotment will not be used, the district should notify ISBE as soon as possible at 217-785-8779.
    g. Districts must have all bonds issued **within 18 months of receipt of authority**. **Unused allotments will revert back to ISBE for reallocation**
    h. Districts must reasonably expect as of the issue date that a binding agreement will be entered into with a third party so that **at least 10% of the expenditures** are incurred within the **6-month period** beginning with the issue date of the bonds

2. Bond proceeds must be used for construction (including new construction), rehabilitation, or repair of a public school; or for land acquisition for the construction of a new facility.

    a. Eligible equipment expenditures: **equipment must be used in the portion of the public school facility to be constructed, rehabilitated, or repaired with QSCB funds**. This may include wiring and other infrastructure improvements related to providing technology and equipment for the new construction and rehabilitation or repair of existing structures, but not for personal computers or similar technology. Equipment will be project specific; e.g. new stove and freezer for kitchen renovation
    b. The land purchase and building project on such land must be with the same bond proceeds. Land cannot be purchased for a future project
    c. QSCB funds may not be used for stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public; or stand-alone facilities, such as a central office, whose purpose is not the education of children
    d. A maximum of 2% of the bond proceeds may be used for QSCB issuance costs
    e. Projects/construction contracts must be in compliance with the Davis-Bacon Act, which includes prevailing wage and labor standards established by the U.S. Department of Labor

3. The maximum term of indebtedness is set by the U.S. Treasury and is subject to change with current market conditions. https://www.treasurydirect.gov/govt/rates/rates_irstcb.htm.

4. The U.S. Treasury Department has allocated for 2009 the authority to issue QSCBs in Illinois in the face value amount of $244,435,000 and $251,167,000 for 2010.
    a. The maximum a single Local Education Agency (LEA) may apply for is $50,000,000
    b. The U.S. Treasury Department made a direct allocation to Chicago Public Schools 299 and therefore, the district is not eligible to make application for any of this authority

5. QSCBs must be issued **within 18 months of receipt of authority** and the proceeds spent within **3 years of issue** date.
    a. A minimum of **10 %** of the bond issuance proceeds **must be** obligated within 6 months of receiving bond funds
    b. A maximum of **2%** of the bond proceeds may be used for QSCB issuance costs

6. The information provided in this document is a summary of the principle requirements districts must meet to be eligible for the QSCB program. Because of the complexity of the program, and its very specific eligibility requirements, **no district should participate in this program without seeking legal advice from their bond counsel**.

7. There are many federal restrictions on the use of the QSCBs. If there is non-compliance, the federal subsidy will be nullified, negating the low cost benefit. The documentation required to be reported for these bonds is the responsibility of the school districts, as they work with their local bond counsel. Requirements QSCBs include, but are not limited to:

- Completion of IRS forms such as 1097-BTC and 8038-CP
- 100 percent of the bond proceeds must be used for construction of public school facilities, rehabilitation, or repair of school facilities, acquisition of land, or for equipment related to the project constructed or rehabilitated with bond proceeds
- 100 percent of bond proceeds must be spent within three years of the date of issuance

8. Federal restrictions as it relates to the issuers of QSCBs necessitates Charter schools who wish to apply for QSCB authority must enter into an agreement with their authorizing school district, not the charter school parent organization. The authorizing school district must be the entity to file the application and issue the debt on behalf of the Charter school.

9. The statutory authorization for the QSCB program can be found in Section 1521(a) of the American Recovery and Reinvestment Act of 2009 (Section 54F of the Internal Revenue Code). The U.S. Treasury Department's guidance on the Qualified School Construction Bonds program can be found in its entirety at the links below:
Internal Revenue Notice No. 2009-35 (http://www.irs.gov/pub/irs-drop/n-09-35.pdf)
Internal Revenue Notice No. 2010-17 (http://www.irs.gov/pub/irs-drop/n-10-17.pdf)
Internal Revenue Notice No. 2010-28 (http://www.irs.gov/pub/irs-drop/n-10-28.pdf)

Statement of Assurance

The Local Education Agency (listed above) applying for the Qualified School Construction Bond Program has carefully reviewed and understands the obligations required herein. The Local Education Agency's Bond Counsel has reviewed this document and discussed with the district the contents and certified the debt capacity.

District Superintendent Date

School Board President Date

Bond Counsel Date