

June 11, 2015

**\$22,000,000 (not-to-exceed)**

**Intrinsic Schools**

<b>REQUEST</b>	<p><b>Purpose:</b> Bond proceeds will be loaned to <b>Intrinsic Schools</b>, an Illinois not for profit corporation (the “<b>Borrower</b>”), in order to assist the Borrower in providing a portion of the funds necessary to refinance a loan incurred by the Borrower to finance costs of acquisition and renovation of an existing building and construction of an addition to the building, totaling approximately 58,000 square feet and located at 4540 West Belmont, Chicago, Illinois 60641, and owned and used by the Borrower as a charter school, and if deemed necessary or desirable, to pay a portion of the interest on the Series 2015 Bonds, establish a debt service reserve fund for the benefit of the Series 2015 Bonds, pay or reimburse costs of additional capital expenditures or related working capital expenditures pertaining to the school facilities, and/or pay certain expenses incurred in connection with the issuance of the Series 2015 Bonds (collectively, the “<b>Financing Purposes</b>”).</p> <p><b>Program:</b> Conduit 501(c)(3) Revenue Bonds  <b>Extraordinary Conditions:</b> None.</p>																
<b>BOARD ACTION</b>	Final Bond Resolution ( <i>One-time consideration</i> )																
<b>MATERIAL CHANGES</b>	None. This is the first time this financing has been presented to the Board of Directors.																
<b>JOB DATA</b>	<table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">42</td> <td style="text-align: center;">Current jobs</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">New jobs projected</td> </tr> <tr> <td style="text-align: center;">N/A</td> <td style="text-align: center;">Retained jobs</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">Construction jobs projected</td> </tr> </table>	42	Current jobs	N/A	New jobs projected	N/A	Retained jobs	N/A	Construction jobs projected								
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<b>DESCRIPTION</b>	<ul style="list-style-type: none"> <li>● Location: Chicago / Cook County / Northeast</li> <li>● Type of entity: Intrinsic Schools is an Illinois not-for-profit corporation.</li> <li>● Intrinsic Schools is a public charter high school (and middle school) system in Chicago founded in 2012.</li> <li>● Upon developing a curriculum, conducting community outreach and setting-up the infrastructure, the School opened its first temporary facility to students in August 2013 while construction of its Belmont was underway. The School served 183 students at the freshman grade level for the 2013-2014 school year and now, in its second year at its permanent site, serves 435 students in grades 7, 9 and 10. 8th and 11th grades will be added in 2016.</li> <li>● With a student population that is 90% minority and 86% low-income, Intrinsic is committed to serving the students with the greatest need, and to providing a high quality school option in an area where the existing public high schools are considered over-crowded.</li> </ul>																
<b>CREDIT INDICATORS</b>	<ul style="list-style-type: none"> <li>● The plan of finance contemplates an aggregate principal amount of up to \$22.0 million in Bonds issued on behalf of Intrinsic Schools and underwritten by <b>B.C. Ziegler &amp; Company</b> (the “<b>Underwriter</b>”).</li> <li>● Intrinsic Schools is not rated.</li> <li>● The Bonds will be sold through a Limited Public Offering to Accredited Investors (i.e., Qualified Institutional Buyers and Accredited Investors) consistent with IFA Bond Program Handbook requirements. Bonds will be sold in minimum denominations of \$100,000 (and in accordance with proposed amendments to the Bond Handbook under consideration pursuant to the adoption of IFA Resolution No. 2015-0611-AD13).</li> </ul>																
<b>SECURITY</b>	<ul style="list-style-type: none"> <li>● Bondholders will be secured by a general obligation of the School. Additionally, Bondholders are expected to be secured by a mortgage and security interest in the School’s assets, properties, or funds.</li> </ul>																
<b>MATURITY</b>	<ul style="list-style-type: none"> <li>● 2055 (not-to-exceed 40 years)</li> </ul>																
<b>INTEREST RATE</b>	<ul style="list-style-type: none"> <li>● The fixed-rate Bonds will bear an interest rate that is negotiated and established prior to closing, currently estimated at between 5.25% and 6.25% (as of May 31, 2015).</li> </ul>																
<b>SOURCES AND USES ESTIMATED</b>	<table style="width: 100%; border: none;"> <tr> <td colspan="2"><b>Sources:</b></td> <td colspan="2"><b>Uses:</b></td> </tr> <tr> <td style="width: 30%;">IFA Bonds</td> <td style="width: 20%; text-align: right;">\$22,000,000</td> <td style="width: 30%;">Conventional Debt Refinancing</td> <td style="width: 20%; text-align: right;">\$22,000,000</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;"><u>440,000</u></td> <td>Costs of Issuance</td> <td style="text-align: right;"><u>440,000</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>\$22,440,000</u></b></td> <td><b>Total</b></td> <td style="text-align: right;"><b><u>\$22,440,000</u></b></td> </tr> </table>	<b>Sources:</b>		<b>Uses:</b>		IFA Bonds	\$22,000,000	Conventional Debt Refinancing	\$22,000,000	Equity	<u>440,000</u>	Costs of Issuance	<u>440,000</u>	<b>Total</b>	<b><u>\$22,440,000</u></b>	<b>Total</b>	<b><u>\$22,440,000</u></b>
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<b>Total</b>	<b><u>\$22,440,000</u></b>	<b>Total</b>	<b><u>\$22,440,000</u></b>														
<b>RECOMMENDATION</b>	Credit Review Committee recommends approval.																

**ILLINOIS FINANCE AUTHORITY  
BOARD SUMMARY  
June 11, 2015**

**Project: Intrinsic Schools**

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**STATISTICS**

Project Number:	N-NP-TE-CD-8742	Amount:	\$22,000,000 (not-to-exceed)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Rich Frampton and Brad R. Fletcher
Location:	Chicago	County/	
		Region:	Cook County/Northeast

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**BOARD ACTION**

Final Bond Resolution ( <i>One-time consideration</i> )	
Conduit 501(c)(3) Revenue Bonds	No IFA funds at risk
Credit Review Committee recommends approval	No extraordinary conditions

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**VOTING RECORD**

None. This is the first time this matter has been presented to the IFA Board of Directors.

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**PURPOSE**

Bond proceeds will be loaned to **Intrinsic Schools**, an Illinois not for profit corporation (the “**Borrower**”), in order to assist the Borrower in providing a portion of the funds necessary to refinance a loan incurred by the Borrower to finance costs of acquisition and renovation of an existing building and construction of an addition to the building, totaling approximately 58,000 square feet and located at 4540 West Belmont, Chicago, Illinois 60641, and owned and used by the Borrower as a charter school, and if deemed necessary or desirable, to pay a portion of the interest on the Series 2015 Bonds, establish a debt service reserve fund for the benefit of the Series 2015 Bonds, pay or reimburse costs of additional capital expenditures or related working capital expenditures pertaining to the school facilities, and/or pay certain expenses incurred in connection with the issuance of the Series 2015 Bonds (collectively, the “**Financing Purposes**”).

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**IFA PROGRAM AND CONTRIBUTION**

501(c)(3) Bonds are a form of municipal bond financing that 501(c)(3) corporations can use to finance capital projects that will be used to further their charitable mission. IFA’s issuance will convey federal income tax-exempt status on interest earned on the Bonds paid to bondholders, thereby reducing the Borrower’s interest expense.

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**VOLUME CAP**

501(c)(3) Bonds do not require Volume Cap.

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**JOBS**

Current employment:	42	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

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**ESTIMATED SOURCES AND USES OF FUNDS**

Sources:		Uses:	
IFA Bonds	\$22,000,000	Conventional Debt Refinancing	\$22,000,000
Equity	<u>440,000</u>	Costs of Issuance	<u>440,000</u>
<b>Total</b>	<b><u>\$22,440,000</u></b>	<b>Total</b>	<b><u>\$22,440,000</u></b>

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### FINANCING SUMMARY

- Structure: The plan of finance contemplates an aggregate principal amount of approximately \$22.0 million in tax-exempt bonds offered in minimum denominations of \$100,000 and sold to Qualified Institutional Buyers and Accredited Investors consistent with IFA Bond Program Handbook requirements (and in accordance with proposed amendments to the Bond Handbook under consideration pursuant to the adoption of IFA Resolution No. 2015-0611-AD13).
- The bonds will be underwritten by B.C. Ziegler and Company.
- Security: Investors will be secured by a general obligation of the School. Additionally, bondholders are expected to be secured by a mortgage and security interest in the School's assets, properties, and funds.
- Interest Rate: The bonds will bear a fixed interest rate that will be negotiated and established prior to closing based on prevailing market conditions (and currently estimated at between 5.25% and 6.25% as of May 31, 2015).
- Maturity: Not-to-exceed 40 years (i.e., 2055)
- Estimated Closing Date: June/July 2015
- Rationale: The proposed tax-exempt financing will reduce monthly interest payments that (together with other funds available to the Borrower) will assist in helping Intrinsic keep fixed charges (including debt service payments) as low as possible. As a result, reduced debt service payments will allow Intrinsic to direct additional resources to the children and families it serves rather than overhead costs.

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### PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds will be loaned to **Intrinsic Schools**, an Illinois not for profit corporation (the "**Borrower**"), in order to assist the Borrower in providing a portion of the funds necessary to refinance a loan incurred by the Borrower to finance costs of acquisition and renovation of an existing building and construction of an addition to the building, totaling approximately 58,000 square feet and located at 4540 West Belmont, Chicago, Illinois 60641, and owned and used by the Borrower as a charter school, and if deemed necessary or desirable, to pay a portion of the interest on the Series 2015 Bonds, establish a debt service reserve fund for the benefit of the Series 2015 Bonds, pay or reimburse costs of additional capital expenditures or related working capital expenditures pertaining to the school facilities, and/or pay certain expenses incurred in connection with the issuance of the Series 2015 Bonds (collectively, the "**Financing Purposes**").

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## BUSINESS SUMMARY

Description: **Intrinsic Schools**, an Illinois not-for-profit corporation (“**Intrinsic**” or the “**Borrower**”) was founded in April 2012 and incorporated on June 8, 2012 under State of Illinois law. The Borrower is a 501(c)(3) not-for-profit corporation exempt from federal income taxes under the Internal Revenue Code.

Intrinsic Schools is governed by a 6-member Board of Directors (see pages 5-6).

Background: The School’s mission is to prepare all students for 21st century post-secondary success and to cultivate independent, intellectually curious learners. The mission is achieved by creating a new model that leverages technology to personalize learning. The School is a public charter school that promotes to integrate technology into teaching and learning in order to personalize the experience for each student. Each student will have an individual mobile device. In order to prepare all their students for acceptance into selective four-year colleges, the School provides all students with real world experiences.

Intrinsic addresses two critical needs in Chicago. First, it provides a rigorous academic program that provides students the preparation required for success in a competitive four-year university. Second, it addresses the need for a sustainable school model that leverages technology to expand the impact of teaching.

Intrinsic’s educational philosophy is driven by five main beliefs:

1. Education is a continuous process that addresses and meets students' intellectual, emotional, physical, and social needs.
2. Students learn best when they receive a mix of at-grade-level and at-instructional level instruction.
3. Learning experiences should be framed around larger essential questions that are relevant to students' lives and their interests.
4. If students are taught to set and monitor goals, they gain awareness and ownership of their learning and become motivated to achieve.
5. Technology can improve the educational experience for students if paired with great teaching.

During the 2012-2013 school year, Intrinsic was still in its incubation phase and developed a curriculum, conducted community outreach and set up the infrastructure to open the School. The School opened its first temporary facility to students in August 2013 at 17 N. State Street, Chicago. The School served 183 students at the freshman grade level for the 2013-2014 school year. The School is adding add one grade level per year until it is a full high school and middle school serving approximately 940 Chicago students in the 2017-2018 school year. Currently, Intrinsic serves 435 students in grades 7, 9 and 10. 8<sup>th</sup> and 11<sup>th</sup> grade initiate in 2016.

Intrinsic School students represent a diverse background of students from across Chicago. 75.1% of students are Hispanic, while 12.8% are Black, 8.2% are White, 2.5% are Asian, and 1.4% is Other. With a student population that is 90% minority and 86% low-income, Intrinsic is committed to serving the students with the greatest need, and to providing a high quality school option in an area where the existing public high schools are considered over-crowded.

The School is subject to a “Charter School Agreement” with the Board of Education of the City of Chicago (Chicago Public Schools). The agreement is for a term of five years ending on June 30, 2018. In December 2014, Intrinsic received a "Level1" rating from the Chicago Board of Education; in fact, Intrinsic came within a tenth of a point of the highest rating of Level1 +, which makes Intrinsic one of the best high schools in Chicago. As a result, on January 22, 2014, the Chicago Board of Education approved the opening of a second charter school by Intrinsic.

Additionally, the School has been certified as a charter school by the Illinois State Board of Education.

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**ECONOMIC DISCLOSURE STATEMENT**

Applicant: Intrinsic Schools, 4540 West Belmont, Chicago (Cook County), IL 60641

Contact: Matthew Shaw, Chief Financial Officer: (T) 773-680-0446; email: [mshaw@mdsadvisors.com](mailto:mshaw@mdsadvisors.com)

Website: <http://intrinsicschools.org/>

Site Location: Proceeds of the Series 2015 Bonds will refinance conventional debt undertaken in connection with Intrinsic’s campus located at 4540 West Belmont, Chicago, Illinois 60641.

Project name: IFA Charter School Revenue Bonds (Intrinsic Schools Project), Series 2015

Organization: Illinois not-for-profit established as a 501(c)(3) corporation under the Internal Revenue Code

Lessors of  
School

Properties: Intrinsic has entered into an operating lease for a parking lot at its Belmont campus with the lessor identified below:

<u>School Facility</u>	<u>Lessor</u>
Belmont Campus Parking Lot	17 N. State LLC <ul style="list-style-type: none"><li>• Principal Office: 55 East Jackson Blvd., Suite 500, Chicago, IL 60604</li><li>• Contact(s): Mr. Gerald Lee Nudo, Manager; and Mr. Laurence H. Weiner, Manager</li></ul>

Board of  
Directors:

The Intrinsic Schools’ Board of Directors has extensive leadership and oversight experience in both the corporate and non-profit sectors. They have demonstrated a strong commitment to the School in both time and resources and have contributed their expertise in key areas such as strategic planning, education, finance, law, fundraising/development, human resources, technology, and operations.

Following are brief bios for each board member:

**Jim Frank, Chairman of the Board** – In his capacity as President and CEO of Wheels Inc., Frank has led the international corporation to great success. Frank has been an innovator in the fleet management industry by designing and implementing the first IT systems that aggregated large amounts of data for improved fleet management. Frank has also been an industry leader, helping to shape regulatory and legislative issues affecting fleets. In addition to his role as Board Chair for Intrinsic Schools, Frank is currently Vice Chairman of the Board of Trustees of the University of Chicago Hospitals, a member of the Board of Trustees of the University of Chicago, Chair of the Finance Committee of the Field Museum of Chicago. He also serves on the Board of the Illinois Network of Charter Schools (INCS) and on the Board of Overseers at Northwestern University’s Kellogg School of Management.

**David Epstein, Treasurer of the Board** – Epstein is an entrepreneur with diverse experiences including in the areas of strategy, organizational management, start-up execution, finance and trading, law, real estate and construction. Epstein is a current Board member and has been an integral member of the design team to date making major contributions in strategy, governance and facility related matters. His broad range of expertise working with diverse organizations makes him a valuable Board member.

**Harriet Meyer** – Meyer is a nationally recognized leader in shaping public policies and creating innovative programs that help young, at-risk children and their families. In two decades as President of the Ounce of Prevention Fund, she established the organization as a national leader in advocating for and providing effective, research-driven early childhood education. Meyer has helped to shape policy, programs and funding for early childhood at both the state and national levels. Meyer also currently serves on a number of philanthropic and civic organization Boards. Meyer’s experiences managing a highly successful education non-profit organization, education advocacy and Board experiences will make her a valuable addition to the Board.

**Jim Palos** – Palos most recently served as the president of Wright College, the largest of the City Colleges of Chicago. In 2002 Palos founded and served as the first president of the Institute for Media and Entertainment (now a part of IESE Business School). The Manhattan-based school provides management education for media and entertainment executives. Previously Palos founded the Latino Education Alliance, an initiative to improve educational opportunities and outcomes for Latino students in Illinois. Palos received his BA from Columbia University in New York and his MBA from the Kellogg School of Management. Palos is a member of the Alumni Council for the Kellogg School. For six years Palos was a member of the Illinois State Board of Education. He is a past Fellow of Leadership Greater Chicago, and served as president of the alumni board for the organization. He was selected by *Crain’s Chicago Business* for its “40 under 40” listing.

**Justin Manly** - Manly is a Principal in the Chicago office of The Boston Consulting Group. He works primarily with Consumer Products companies in strategy and operations. He is a core member of the Consumer and Strategy practice areas and is an Innovation Strategy Topic Expert. Prior to joining BCG, Manly worked at Piper Jaffray where he focused on wealth management and institutional fixed income sales. He also spent time in the technology investment-banking group at Merrill Lynch. Manly holds an MBA with high distinction from the Ross School of Business at the University of Michigan. He also earned his Bachelor’s Degree in Economics from Dartmouth College.

**Josh Tolman** -Tolman has spent the last twenty years building quality software solutions for companies and consumers, with the last ten years focused on starting, growing, and selling Greenline Financial Technologies, a global electronic trading software company. Most recently, Tolman has shifted his focus towards education technology, serving as CTO of ThinkCERCA, an online provider of award-winning tools and resources to help schools personalize critical thinking instruction. Prior to becoming a member of the Board, Tolman also served as a strategic technology advisor for Intrinsic, and also serves on the board of CameronTec Americas. Tolman holds a BS in Computer Science and MBA in International Business from Washington University in St. Louis.

Management: Intrinsic Schools was founded by Melissa Zaikos, a nationally recognized education pioneer who previously oversaw more than 100 of Chicago's highest performing public schools.

Following is a brief bio:

**Melissa Zaikos, Principal, CEO & Founder** – Melissa Zaikos has significant experience leading a network of elementary and high schools and working with communities throughout Chicago. Most recently, Ms. Zaikos led the Pershing Network, a network of schools in the Southwest communities of Chicago. From 2005-2011, she was the Chief Area Officer for the AMP Schools, overseeing more than 100 schools within CPS, where student performance increased from 68% to 87% of students meeting or exceeding standards on the Illinois Standard Achievement Test (“ISAT”). The AMP Schools led the district in data-driven instruction as the first schools to utilize the Northwest Evaluation Association MAP assessment, which is now used district-wide. The AMP Schools also led the district in piloting various online curricula including ST Math and Compass Learning.

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**PROFESSIONAL & FINANCIAL**

Borrower's Counsel:	Cahill Law Office	Chicago, IL	Kevin Cahill
Auditor:	Ostrow Reisin Berk & Abrams Ltd.	Chicago, IL	
Bond Counsel:	Greenberg Traurig LLP	Chicago, IL	Matt Lewin
Underwriter:	B.C. Ziegler & Company	Chicago, IL	Scott Rolfs
		Chicago, IL	John McLaughlin
Underwriter's Counsel:	Nixon Peabody LLP	Chicago, IL	Julie Seymour
Trustee:	To be determined		
IFA Counsel:	Chapman & Cutler LLP	Chicago, IL	Rich Tomei
IFA Financial Advisor:	Acacia Financial Group, Inc.	Chicago, IL	Jim Beck

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**LEGISLATIVE DISTRICTS**

Congressional:	4
State Senate:	20
State House:	39

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**SERVICE AREA**

According to the Borrower, Intrinsic currently provides 435 Chicago students in grades 7, 9 and 10 with a high quality school option in an area where the existing public high schools are considered over-crowded. Intrinsic Schools is a public charter school that opened in the fall of 2013 with 185 ninth grade students and will grow to serve approximately 940 Chicago students in grades 7-12 in the 2017-2018 school year.