



July 14, 2016

\$47,500,000 (not-to-exceed amount)
The Art Institute of Chicago

REQUEST	<p>Purpose: Bond proceeds will be loaned to The Art Institute of Chicago, a not for profit corporation (the “Borrower”), in order to assist the Borrower in providing a portion of the funds necessary to (i) refund all or a portion of the outstanding Illinois Finance Authority Revenue Bonds, The Art Institute of Chicago, Series 2009A (the “Refunded Bonds”) and (ii) pay certain expenses incurred in connection with the issuance of the Series 2016 Bonds and the refunding of the Refunded Bonds.</p> <p>Program: 501(c)(3) Revenue Bonds Extraordinary Conditions: None. No IFA Funds at risk. No State Funds at risk.</p>																
BOARD ACTION	Final Bond Resolution (One-time consideration)																
MATERIAL CHANGES	This is the first time this matter has been considered by the IFA Board of Directors.																
	<table border="0"> <tr> <td>2,129</td> <td>Current jobs</td> <td>N/A</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>N/A</td> <td>Construction jobs projected</td> </tr> </table>	2,129	Current jobs	N/A	New jobs projected	N/A	Retained jobs	N/A	Construction jobs projected								
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BORROWER DESCRIPTION	<ul style="list-style-type: none"> • Location: Chicago / Cook / Northeast • Type of entity: The Art Institute of Chicago was incorporated as an Illinois not-for-profit corporation in 1879 as both a museum and school with the visionary purpose to acquire and exhibit art of all kinds and to conduct programs of art education. The museum's collection now encompasses more than 5,000 years of human expression from cultures around the world, and the school's graduate and undergraduate programs are continually ranked among the best in the country. • The Art Institute of Chicago collects, preserves, and interprets works of art of the highest quality, representing the world’s diverse artistic traditions, for the inspiration and education of the public to provide appreciation and education in visual fine arts and design. 																
CREDIT INDICATORS	<ul style="list-style-type: none"> • The Art Institute of Chicago is applying for ratings in connection with this transaction. AIC currently has underlying long-term ratings of ‘A1’/’AA-’ (Moody’s/S&P). 																
STRUCTURE	<ul style="list-style-type: none"> • The plan of finance contemplates the public offering of the Series 2016 Bonds, issued in one or more series, by JP Morgan Securities, Inc. (the “Senior Manager”) and Loop Capital Markets, LLC (the “Co-Manager”). • The Series 2009A Bonds are subject to optional redemption on or after March 1, 2019, and therefore the Series 2016 Bonds will be an advance refunding (i.e., greater than 90 days) of the Series 2009A Bonds. • The Series 2016 Bonds are general obligations of the Institute under the Loan Agreement payable from any available funds. • Both sizing and interest rate modes will be determined based on evaluation of market conditions by the Institute and its financing team at pricing. • The final maturity of the Series 2016 Bonds is expected to be no later March 1, 2038, the current final maturity date of the Series 2009A Bonds being refunded (i.e., 22 years). 																
SOURCES AND USES	<table border="0"> <tr> <td colspan="2">Sources:</td> <td colspan="2">Uses:</td> </tr> <tr> <td>Series 2016 Bonds</td> <td>\$47,500,000</td> <td>Series 2009A Refunding</td> <td>\$47,500,000</td> </tr> <tr> <td>Equity</td> <td><u>400,000</u></td> <td>Costs of Issuance</td> <td><u>400,000</u></td> </tr> <tr> <td>Total</td> <td><u>\$47,900,000</u></td> <td>Total</td> <td><u>\$47,900,000</u></td> </tr> </table>	Sources:		Uses:		Series 2016 Bonds	\$47,500,000	Series 2009A Refunding	\$47,500,000	Equity	<u>400,000</u>	Costs of Issuance	<u>400,000</u>	Total	<u>\$47,900,000</u>	Total	<u>\$47,900,000</u>
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Total	<u>\$47,900,000</u>	Total	<u>\$47,900,000</u>														
RECOMMENDATION	Credit Review Committee recommends approval.																

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
July 14, 2016**

Project: The Art Institute of Chicago

STATISTICS

IFA Project:	12355	Amount:	\$47,500,000 (not-to-exceed amount)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Rich Frampton and Brad R. Fletcher
Location:	Chicago	County/	
		Region:	Cook / Northeast

BOARD ACTION

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

VOTING RECORD

This is the first time this matter has been considered by the IFA Board of Directors.

PURPOSE

Bond proceeds will be loaned to **The Art Institute of Chicago**, a not for profit corporation (the “**Borrower**”), in order to assist the Borrower in providing a portion of the funds necessary to (i) refund all or a portion of the outstanding Illinois Finance Authority Revenue Bonds, The Art Institute of Chicago, Series 2009A (the “**Refunded Bonds**”) and (ii) pay certain expenses incurred in connection with the issuance of the Series 2016 Bonds and the refunding of the Refunded Bonds.

IFA PROGRAM AND CONTRIBUTION

501(c)(3) Bonds are municipal bonds authorized under the Internal Revenue Code that enable 501(c)(3) corporations to finance capital projects furthering support of their mission. The IFA’s issuance of these Bonds will convey federal tax-exempt status on interest paid to bondholders, thereby enabling bondholders to accept a below market interest rate that is passed through to the borrower.

VOLUME CAP

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

JOBS

Current employment:	2,129	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

ESTIMATED SOURCES AND USES OF FUNDS

Sources:		Uses:	
Series 2016 Bonds	\$47,500,000	Series 2009A Refunding	\$47,500,000
Equity	<u>400,000</u>	Costs of Issuance	<u>400,000</u>
Total	<u>\$47,900,000</u>	Total	<u>\$47,900,000</u>

FINANCING SUMMARY

Structure/ Security:	<p>The plan of finance contemplates the public offering of the Series 2016 Bonds, issued in one or more series, by JP Morgan Securities, Inc. (the “Senior Manager”) and Loop Capital Markets, LLC (the “Co-Manager”).</p> <p>The Series 2016 Bonds are general obligations of the Institute under the Loan Agreement payable from any available funds.</p> <p>The Series 2009A Bonds are subject to optional redemption on or after March 1, 2019, and therefore the Series 2016 Bonds will be an advance refunding (i.e., refunding that will occur more than 90 days in advance of a scheduled call date) of the Series 2009A Bonds.</p>
Underlying Ratings:	<p>The Art Institute of Chicago is applying for ratings in connection with this transaction. The Art Institute currently has underlying long-term ratings of ‘A1’/’AA-‘ (Moody’s/S&P).</p>
Interest Rate:	<p>Both sizing and interest rate modes will be determined based on evaluation of market conditions by the Institute and its financing team at pricing.</p>
Maturity:	<p>The final maturity of the Series 2016 Bonds is expected to be no later March 1, 2038, the current final maturity date of the Series 2009A Bonds being refunded (i.e., 22 years).</p>
Estimated Closing Date:	<p>August 2016</p>
Rationale:	<p>The proposed Series 2016 Bonds will reduce monthly payments that will help The Art Institute of Chicago keep its fixed charges (including debt service payments) as low as possible.</p> <p>The Institute intends to use the funds made available by the lower debt service obligations to pay for various ongoing instructional and academic services as well as curatorial, library and collection services.</p>

BUSINESS SUMMARY

Background:	<p>The Art Institute of Chicago (“AIC”, the “Institute” or the “Borrower”) was incorporated as an Illinois not-for-profit corporation in 1879. The Institute received its original 501(c)(3) Determination Letter from the IRS in August 1925.</p> <p>Please see pp. 5-6 below for a list of the Institute’s Trustees, Life Trustees, Ex-Officio Honorary Trustees, and Ex-Officio Trustees.</p>
Description:	<p>The mission of The Art Institute of Chicago is to provide appreciation and education in visual fine arts and design. The Institute fulfills this mission through the following three areas:</p> <ol style="list-style-type: none">1. <i>Museum</i>: Its museum programs collect, conserve, research, publish, exhibit, and interpret an internationally significant permanent collection of objects of art and present temporary exhibitions of international importance, including loaned objects from other collections.<ul style="list-style-type: none">• The Museum’s permanent collection is comprised of approximately 300,000 works of art, including paintings, sculpture, prints, drawings, photographs, decorative arts, and textiles.• The Institute believes it has one of the finest collections of French Impressionism outside of Paris, one of the best collections of 19th Century prints and drawings in the Western Hemisphere, and a leading collection of Chinese bronzes and jades.

2. Academics: Its academic programs offer comprehensive undergraduate and graduate curricula through the School of the Art Institute that prepare visual artists, teachers of art, designers, and others in areas that include written, spoken, and media formats.
 - The School is a degree-granting institution that is fully accredited by the North Central Association of Colleges and Schools, and by the National Association of Schools of Art and Design.
 - The Institute believes that the School is one of the most prestigious and comprehensive professional art schools in the world.
 - In the Fall Term of 2015, the School had approximately 3,590 degree-seeking students. The School also offers 736 permanent beds of student housing at several nearby locations.
 - In the Fall Term of 2015, the School had 161 full-time faculty and 549 part-time faculty. Tenured faculty total 122. Faculty members are recognized with a number of awards including several John Simon Guggenheim Memorial Foundation Fellowships and a professor in the photography department was awarded the 2015 MacArthur Foundation “Genius Grant” fellowship.
3. Libraries: Operation of the Ryerson and Burnham Libraries are located in the main building of the Institute at 111 South Michigan Avenue in Chicago. These Libraries provide an important reference resource to students, museum members, staff, and art scholars internationally.

Attendance/
Membership:

A five-year summary of Museum attendance and Membership follows in the table below:

Table 1: Summary of Museum Attendance and Membership:

<u>FYE June 30</u>	<u>Attendance</u>	<u>Membership</u>
2011	1,432,000	91,796
2012	1,438,000	90,475
2013	1,539,000	98,774
2014	1,383,000	98,157
2015	1,517,000	98,726

Note: Both attendance and membership are significantly influenced by special exhibition activity.

AIC is current on payments relating to the Authority’s (or its predecessor’s) Series 1998A, Series 2000A, Series 2009A, Series 2010A, and IFA Series 2012A Bonds.

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

The Art Institute of Chicago, a not for profit corporation (the “**Corporation**”), has requested that the Authority issue not to exceed \$47,500,000 (excluding original issue discount or premium, if any) in aggregate principal amount of revenue bonds consisting of one or more series of Revenue Bonds, Series 2016 (the “**Series 2016 Bonds**”) and loan the proceeds thereof to the Corporation in order to assist the Corporation in providing a portion of the funds necessary to (i) refund all or a portion of the Authority’s Revenue Bonds, The Art Institute of Chicago, Series 2009A (the “**Refunded Bonds**”) and (ii) pay certain expenses incurred in connection with the issuance of the Series 2016 Bonds and the refunding of the Refunded Bonds, all as permitted by the Act (collectively, the “**Financing Purposes**”).

ECONOMIC DISCLOSURE STATEMENT

Applicant: The Art Institute of Chicago, 111 South Michigan Avenue, Chicago IL 60603 (c/o Alison Sowden, Executive Vice President and Chief Financial Officer, Tel: 312-499-4265, Email: asowden@artic.edu)
 Website: <https://www.artic.edu>
 Project name: The Art Institute of Chicago, Series 2016
 Location: Chicago (Cook County), IL
 Organization: Illinois not for profit corporation
 Trustees: A list of Trustees, Life Trustees, Ex Officio Honorary Trustees, and Ex Officio Trustees follows below:

Trustees	Life Trustees	
James N. Bay	Karen B. Alexander	Leonard Lavin
Anne Searle Bent	Marilynn B. Alsdorf	Lawrence F. Levy
Lester N. Coney	E. M. Bakwin	Julius Lewis
A. Steven Crown	Neil G. Bluhm	Barry L. MacLean
William M. Daley	Barbara Bluhm-Kaul	Lewis Manilow
Shawn M. Donnelley	John H. Bryan	H. George Mann
Jay Franke	Gilda Buchbinder	Beatrice Cummings Mayer
Denise B. Gardner	Kay Bucksbaum	Howard M. McCue III
Sarah Garvey	Linda Buonanno	Stuart D. Mishlove
Matthew Gibson	John Chapman	Isobel Neal
James A. Gordon	Francie Comer	Judith Neisser
Kenneth C. Griffin	Janet Duchossois	Alexandra C. Nichols
Joseph P. Gromacki	Fred Eychaner	Marian Pawlick
Ann Grube	Aaron Fleischman	Harvey Plotnick
Darrel Hackett	Mike Fox	John W. Rowe
Caryn Harris	Karen Frank	Shirley Welsh Ryan
John W. Jordan II	Barbara Franke	Ellen Sandor
Pamela Joyner	Stanley M. Freehling	Gordon Segal
Rita Knox	Jean Goldman	Stephanie Sick
Jay Krehbiel	Richard Gray	Brenda Shapiro
Eric P. Lefkofsky	Mary Winton Green	Manfred Steinfeld
Robert M. Levy	David C. Hilliard	Irving Stenn, Jr.
John Manley	Mary Jaharis	Donna Stone
Joseph Mansueto	Judy Keller	Melinda Martin Sullivan
Eric T. McKissack	Barbara Levy Kipper	Louis B. Susman
Cary D. McMillan	Frederick Krehbiel	Roger Weston
Samuel M. Mencoff	Anstiss Hammond Krueck	
Sylvia M. Neil		
Cynthia Perucca		
Anne Pramaggiore		
Thomas J. Pritzker		
Bob Rennie		
J. Christopher Reyes		
Linda Johnson Rice		
Andrew M. Rosenfield		
Michael Sacks		
Sophia Shaw		
Dr. Prabhakant Sinha		
Marilynn Thoma		
David J. Vitale		
Frederick H. Waddell		
Reeve Waud		

Ex Officio Honorary Trustees	Ex Officio Trustees
Rahm Emanuel Mayor, City of Chicago	Woman's Board Laura Werner, President
Bryan Traubert President, Chicago Park District	Board of Governors Cary D. McMillan, Chair
Michael P. Kelly General Superintendent and CEO, Chicago Park District	Sustaining Fellows Janet Duchossois, Chair
Dan Widawsky Comptroller, City of Chicago	Stephanie Sick, President
Officers	Auxiliary Board Toni Canada, President
Robert M. Levy Chair, Board of Trustees	Leadership Advisory Committee Rebecca Ford Terry, Co-Chair
Anne Searle Bent Vice Chair, Board of Trustees	Terra Foundation Marilynn Thoma
Cary D. McMillan Vice Chair, Board of Trustees	
Andrew M. Rosenfield Vice Chair, Board of Trustees	
David J. Vitale Vice Chair, Board of Trustees	
Frederick H. Waddell Vice Chair, Board of Trustees	
Jay Krehbiel Treasurer, Board of Trustees	
James Rondeau President and Eloise W. Martin Director, The Art Institute of Chicago	
Walter E. Massey President, School of the Art Institute	
Julia E. Getzels Executive Vice President, General Counsel and Secretary	
Alison Sowden Executive Vice President/ Chief Financial Officer	

PROFESSIONAL & FINANCIAL

Borrower Advisor:	Prager & Co., LLC	New York, NY	Mary Jane Darby Robert Kanzer Tim McNutt
Auditor:	Deloitte & Touche LLP	Chicago, IL	
Borrower's Counsel:	Polsinelli	Chicago, IL	Janet E. Ziegler
Underwriter/Senior Manager:	JP Morgan Securities, Inc.	Chicago, IL New York, NY	Michelle Salomon Lorenzo Mendez Benita Poon
Co-Manager:	Loop Capital Markets LLC	Chicago, IL	TJ Sheehy
Underwriter's Counsel:	Nixon Peabody LLP	Chicago, IL	Julie Seymour
Rating Agencies:	S&P Global Ratings	Chicago, IL	Jessica Wood Ashley Ramchandani
	Moody's Investor Services	Chicago, IL	Diane Viacava Dennis Gephardt
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP	New York, NY	Richard Chirls Eileen Heitzler Andrea Ball Jennifer Grew
Trustee:	Wells Fargo Bank	Chicago, IL	Gail Klewin Chitra Patel
IFA Counsel:	Chapman & Cutler LLP	Chicago, IL	Richard Tomei
IFA Financial Advisor:	Sycamore Advisors, LLC	Chicago, IL	Melanie Shaker

LEGISLATIVE DISTRICTS

Congressional:	7
State Senate:	3
State House:	5
