

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)  
501(c)(3) REVENUE BOND FINANCING PROGRAM**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Wildwood School Inc. (Wildwood or Borrower)	<b>Amount Requested:</b>	Not to exceed \$9,500,000
<b>Applicant Description:</b>	A California nonprofit public benefit corporation operating a coeducational, independent private school serving kindergarten through 12th grade.		
<b>Type of Bonds:</b>	Refunding		
<b>Bonds to be Refunded:</b>	Loan Agreement among California Bank & Trust, as Lender, and California Infrastructure and Economic Development Bank, as Issuer, and Wildwood School, Inc., as Borrower, dated as of December 1, 2009 (Prior Loan Obligation)		
<b>Prior Project :</b>	Capital projects of facilities owned and operated by Wildwood and located in Los Angeles County, California financed with the Prior Bonds (Prior Project) – see Plan of Finance contained herein.		
<b>Project Sites:</b>	12201 Washington Place, Culver City 90066 11811 Olympic Blvd, Los Angeles, 90064		
<b>Plan of Finance:</b>	The I-Bank will issue tax-exempt limited obligations (Tax-Exempt Obligations) and the proceeds (will be used to refund the Prior Loan Obligation and pay issuance costs. <b>Type of Issue:</b> Privately placed limited obligations with First Republic Bank, a Qualified Institutional Buyer. <b>Tax Status:</b> Tax-exempt. <b>Term:</b> 30 years. <b>Credit Enhancement:</b> None. <b>Credit Rating:</b> None; private placement with a qualified institutional buyer exception is applicable.		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Tax Exempt Obligations	\$9,000,000	Refund Prior Loan Obligation	\$8,700,000
		Costs of Issuance	300,000
<b>TOTAL SOURCES</b>	<b>\$9,000,000</b>	<b>TOTAL USES</b>	<b>\$9,000,000</b>
<b>Financing Team:</b>	<b>Special Counsel:</b> Kutak Rock LLP <b>Private Placement Purchaser:</b> First Republic Bank		
<b>Public Benefits:</b>	By refunding the Prior Loan Obligation, Wildwood estimates it will achieve approximately \$150,000 in debt service savings per year which will be used to provide additional funding for financial aid and efforts of the Wildwood Outreach Center, that support public and independent schools to create small, learner-centered schools.		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
May 21, 2013	13-03	Tara Dunn	
<b>Staff Recommendation:</b>	Staff recommends approval of Resolution 13-03 approving the issuance of tax-exempt obligations in an amount not to exceed \$9,500,000, to be sold through a private placement and loaning the proceeds to Wildwood School, Inc.		

## BACKGROUND AND HISTORY

Wildwood School (Wildwood or Borrower) was founded in 1971 by a group of parents who envisioned an elementary school curriculum that was experiential, academically challenging, project-based, and that honored the ways in which children learn. By 1993, the elementary school moved the kindergarten through 5th grade to its current site at 12201 Washington Place in Culver City (Washington Campus). The Washington Campus is owned and leased to Wildwood by the Culver City Unified School District. The Washington Campus lease expires in 2015 and includes an option for Wildwood to extend the lease through 2046.

In September 2000, Wildwood opened a middle school and upper school serving grades 6-8 and 9-12, respectively, at 11811 W. Olympic Boulevard in Los Angeles (Olympic Campus). The Olympic Campus property is a former film and television production facility in a busy commercial section of Los Angeles. It is owned and leased to Wildwood by an unrelated family trust. The Olympic Campus lease expires in 2030.

Wildwood has approximately 710 students enrolled in grades K-12 for the 2012-2013 school year.

Wildwood structures its elementary school program into multi-age primaries that blend kindergarten through 2nd grade students into classes of 24 staffed with both a head teacher and associate teacher. Wildwood's middle and upper school programs continue the philosophy of the elementary school by blending 7th and 8th grade, 9th and 10th grade, and 11th and 12th grade students, respectively, into classes with an average class size of 16 students.

Wildwood's upper school curriculum emphasizes the integration of all academic disciplines (e.g., math, science, history, literature) in the study of major cultural periods.

In addition to core subjects, 9th and 10th graders select a yearlong concentration in music, performing or visual arts. Juniors and seniors can choose electives in the arts as well as in numerous other subjects that lead to college-level work. Wildwood's internship program places juniors and seniors at job sites in an area of professional interest two afternoons a week.

Wildwood is fully accredited by the National Association of Independent Schools, California Association of Independent Schools and the Western Association of Schools and Colleges.

### **Community Involvement**

Students are required every year to develop, participate and foster public service projects. In the elementary school, children help with a local food bank and organize book drives. In the middle and upper school, community involvement is integrated as class time dedicated to off-site work with a local child services agency, local nursing homes, the homeless and families in need or at other local non-profit agencies. Wildwood also offers an international community involvement program where students travel abroad and perform community service in poor and undeveloped countries.

### **Financial Aid**

Approximately 11 percent of the student body receives \$2.35 million in financial aid annually.

### **Outreach**

From its Olympic Campus, Wildwood also operates the Wildwood Outreach Center (Center), which is devoted to supporting public and independent schools create small, learner-centered schools. The Center utilizes onsite workshops, campus visits, summer institutes and mentorship opportunities to achieve this objective. Wildwood offers itself as a learning laboratory where school professionals can observe the theory of personalized education in practice. The

workshops are funded from a combination of participant fees and Wildwood revenues. A list of the Wildwood's Board of Trustees is provided in Attachment A.

**Previous I-Bank Financing**

On December 15, 2009, the I-Bank Board approved the issuance of a \$9 million tax-exempt loan obligation (Prior Loan Obligation) for the benefit of Wildwood to finance and refinance capital projects of facilities owned and operated by Wildwood and located in Los Angeles County (see chart below).

**PLAN OF FINANCE**

Wildwood requests I-Bank to issue its tax-exempt obligations (Tax-Exempt Obligations)<sup>1</sup> in an amount not to exceed \$9,500,000 to effect the refunding of the Prior Loan Obligation for the benefit of a 501(c)(3) entity.

The Prior Loan Obligation was used to refund two prior tax-exempt obligations issued in 1999 and 2001 by the California Statewide Communities Development Authority (CSCDA) and finance additional improvements (Prior Project).

Prior Project	Facility
The California Statewide Communities Development Authority (CSCDA), Series 1999 Bonds (1999 Bonds) were used to construct and furnish a building addition and purchase technology equipment for the elementary school.	Washington Campus
The California Statewide Communities Development Authority (CSCDA), Series 2001 Bonds (2001 Bonds) were used to renovate leased facilities and purchase technology equipment for the secondary school.	Olympic Blvd
Additional improvements at the secondary school to reconfigure and convert two science labs into three labs combined with related classroom space.	Olympic Blvd

The Tax-Exempt Obligations will be used to (i) refund the Prior Loan Obligation, and (ii) pay for costs of issuance.

The purpose of the refunding is to lower the interest rates on the Wildwood's tax-exempt debt. The Tax-Exempt Obligations are to be sold in a private placement with First Republic Bank and the proceeds are then loaned to Wildwood pursuant to a loan agreement between I-Bank, Wildwood and First Republic Bank (Loan Agreement).

The Loan Agreement will have a stated term of 30 years. First Republic Bank is a Qualified Institutional Buyer (QIB) as defined in Section 144(A) promulgated under the Securities Act of 1933, as amended.

The principal and interest due under the Tax-Exempt Obligations shall be paid solely from the revenues to be received, by the I-Bank, consisting primarily of Wildwood's payment of its obligations under the Loan Agreement. In no event shall the Tax-Exempt Obligations be deemed to constitute a debt or liability or obligation of the State or any political subdivision thereof except as limited obligations of the I-Bank, or a pledge of the faith and credit or taxing power of the State

<sup>1</sup> Tax-Exempt Obligations means an issuer loan obligation and a borrower loan obligation.

or any political subdivision thereof, but shall be a limited obligation of the I-Bank payable from payments made by Wildwood under the Loan Agreement.

In accordance with the I-Bank “Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities” (Policies), the I-Bank’s general policy is to issue its revenue bonds and similar obligations bearing certain minimum ratings. The Policies provide that the I-Bank may waive the requirement for a credit rating where the applicant will use a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor.** The investor(s) will be required to sign a “sophisticated investor” letter acceptable to the I-Bank. Each investor must be a qualified institutional buyer (QIB) within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the I-Bank.
2. **Resale Limitations.** Depending on the circumstances of the proposed sale, the I-Bank may require conditions for the resale of the obligations after initial issuance.
3. **Minimum Denomination.** The I-Bank will require a minimum denomination of at least \$100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

The Tax-Exempt Obligations will only be offered to and subsequently purchased by First Republic Bank, and thus constitutes a private placement. In order to meet the I-Bank’s requirements for private placements, First Republic Bank must provide a sophisticated investor letter (Letter) at closing certifying, among other things, that: (i) it is a QIB; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Tax-Exempt Obligations and that it is able to bear the economic risks of such investment; and, (iii) provisions in the Loan Agreement that prohibit the sale of First Republic Bank’s interest in the Loan Agreement except to another QIB or an “accredited investor” within the meaning of Rule 501 promulgated under the Securities Act as well provisions that impose minimum denomination requirements.

## PUBLIC BENEFITS

By refunding the Prior Loan Obligation, Wildwood estimates it will achieve approximately \$150,000 in debt service savings per year which will be used to provide additional funding for financial aid and efforts of the Wildwood Outreach Center, that support public and independent schools to create small, learner-centered schools.



**ATTACHMENT A – GOVERNANCE AND MANAGEMENT**

<b>BOARD OF TRUSTEES</b>	
Landis Green	Head of School
Michael Novak	Chief Financial Officer
Jill Baldauf	Board of Trustees
Cynthia Berkshire	Board of Trustees
Joel Brand	Board of Trustees
Ken Brecher	Board of Trustees
Josh Donen	Board of Trustees
Valerie Faris	Board of Trustees
Jay Ferguson	Board of Trustees
Lisa Flashner	Board of Trustees
Marc T. Frankel	Board of Trustees
Peter Frankfurt	Board of Trustees
John Friedman	Board of Trustees
Patti Halpert	Board of Trustees
Nina Houghton	Board of Trustees
Shawn Levy	Board of Trustees
Lynn Loeb	Board of Trustees
David O'Connor	Board of Trustees
Andrew Palmer	Board of Trustees
Lyle Poncher	Board of Trustees
Lee Rosenbaum	Board of Trustees
Daron Watts	Board of Trustees