

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501 (c)(3) REVENUE BOND FINANCING**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Roessler-Chadwick Foundation Group ("Chadwick" or "Borrower")	Par Amount Requested:	Not to exceed \$30,000,000
Applicant Description:	The Borrower, Roessler-Chadwick Foundation Group, is a 501(c)(3) and is the sole member of the Roessler-Chadwick Foundation, a 501 (c)(3) non-profit public benefit corporation that operates Chadwick School, site of the 2020 Projects, (the "School") and Chadwick International, which is not part of this financing, two independent day schools that offer college preparatory education.		
Type of Financing:	Conduit Tax Exempt and/or Taxable Fixed Rate Obligations ("Obligations")		
Project Description:	The Borrower proposes to use the proceeds to (1) refinance IBank's 2017 Series A and B obligations ("Prior Obligations"); (2) finance and/or refinance (i) renovations to Roessler Hall, (ii) construction, installation, furnishing and equipping of a 14-unit faculty housing facility, (iii) construction and installation of an aquatics center, (iv) construction, equipping, furnishing and improvements of a 6,000 sq./ft. Center for Innovation and Research, including classrooms, (v) acquisition and installation of solar panels and campus lighting, (vi) renovation, equipping and improvement of existing faculty housing facilities, (vii) improvement of a baseball field, (viii) construction of a wellness center, (ix) renovations to a weight room, (x) other routine capital expenditures included in the Borrower's capital budget over the next three years and (xi) other related and appurtenant facilities and infrastructure ("2020 Projects"), and (3) pay certain cost of issuance associated with the Obligations.		
Project Site:	26800 South Academy Drive, Palos Verdes Peninsula, CA 90274; (Los Angeles County)		
Plan of Finance:	IBank will issue Tax-Exempt and/or Taxable Fixed Rate Obligations to refinance, in whole the Prior Obligations; fund the costs of 2020 Projects; and pay certain costs of issuance.		
Type of Issue:	Private Placement		
Tax Status:	Tax Exempt and/or Taxable		
Term:	30 years		
Guaranty:	Roessler Chadwick Foundation		
Credit Rating:	N/A		
IBank Fees:	Application Fee \$3,000; Issuance Fee \$45,000; Initial Annual Fee \$1,000 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-exempt and/or Taxable Obligations Proceeds	\$30,000,000	Refunding Prior Obligations	\$5,439,000
Borrower Equity	\$11,322,295	2020 Project Fund	\$35,583,295
		Cost of Issuance	\$300,000
TOTAL SOURCES	\$41,322,295	TOTAL USES	\$41,322,295
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Private Purchaser:	First Republic Bank		
Public Benefits:	The improvements to the campus will have a significant impact on the Schools finances and educational programs. The 2020 Projects are estimated to create 115 construction jobs. The refinancing of the Prior Obligations is expected to create a net present value savings of approximately \$421,320.00. The 2020 Projects will benefit Chadwick's campus by adding certain improvements, such as new classrooms, a swimming pool, solar panels, STEM classrooms, a wellness center and weight room.		

	Chadwick intends to use the financial savings from this transaction to direct additional resources towards the School.
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Date of Board Meeting: April 22, 2020	Resolution Number: 20-06	Prepared by: Steven Wright
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BACKGROUND AND HISTORY

Roessler-Chadwick Foundation ("Chadwick Foundation")

Chadwick Foundation, founded in 1935, is a California non-profit public benefit corporation which owns the Chadwick School and Chadwick International ; two educational, independent day schools for children from pre-kindergarten ("Pre-K") through 12th grade. Organized in 1963, and governed by a Board of Trustees, Chadwick Foundation has evolved over the years to meet the educational mission of the growing operations.

Roessler-Chadwick Foundation Group ("Chadwick")

Chadwick is a tax-exempt California nonprofit corporation that operates as a holding and operational entity supporting Chadwick Foundation. Chadwick was established as the sole corporate member of Chadwick Foundation in July 2015. A Board of Directors, a majority of whom serve on the Chadwick Foundation Board of Trustees, governs Chadwick. The reorganization established Chadwick as the sole corporate member of Chadwick Foundation and holder of certain real estate and endowment assets, and intellectual property.

Chadwick School

The Chadwick School was originally founded in 1935 in San Pedro, California. In 1938, the Chadwick School moved to Palo Verdes, California. After the retirement of its founders, Commander Chadwick and Mrs. Chadwick in 1963, the Chadwick School established the Chadwick Foundation and Board of Trustees. The Chadwick School is located on a 45-acre campus in Palos Verdes Peninsula, Los Angeles County. The campus includes 22 academic and administrative buildings. The Chadwick School currently has 870 students enrolled for the 2019-20 school year and provides college preparatory education to a diverse student body. Students have access to multiple science labs, dance and music studios, a swimming pool, computer labs, library and learning center staffed with three full-time librarians. The Chadwick School also has a video conference room that provides all K-12 students an opportunity to interact with peers at the CI campus. The Chadwick School's mission is to "develop global citizens with keen minds, exemplary character, self-knowledge and the ability to lead."

Chadwick International ("CI")

In 2010, Chadwick Foundation opened a second campus, CI, an American school located in Songdo, South Korea. CI operates as a Pre-K-12 school with a 2019-20 enrollment of approximately 1,200 students.

No portion of this financing will benefit CI.

Current leadership information is available in Appendix A. The California Secretary of State reports active status for the Borrower.

PROJECT DESCRIPTION

The 2020 Projects build upon the improvements financed by the Series 2017 Obligations.

The Borrower proposes to use the proceeds to (a) finance and/or refinance (i) improvements and renovations to Roessler Hall including, but not limited to, ADA access and seismic upgrades, (ii) the construction, installation, equipping, furnishing and of a 14-unit faculty housing facility, (iii) the construction and installation of an aquatics center, (iv) the construction, equipping, furnishing and improvement of a 6,000 square foot Center for Innovation and Research including classrooms, (v) the acquisition and installation of solar panels and campus lighting, (vi) the renovation, equipping and improvement of existing faculty housing facilities, (vii) the improvement of a baseball field, (viii) the construction of a wellness center, (ix) renovations to a weight room, (x) other routine capital expenditures included in the Borrower's capital budget over the next three years and (xi) other related and appurtenant facilities and infrastructure located on the Borrower's campus at 26800 South Academy Drive, Palos Verdes Peninsula, California 90274 (the "Campus"), and (b) refinance the Borrower's Series 2017A and 2017B Obligations under that certain Loan Agreement, dated as of December 1, 2017, by and among First Republic Bank, the Issuer and the Borrower, as discussed in detail below, and (c) pay certain costs of issuance in connection with the issuance of the Obligations (collectively, the "Project").

Refunding of IBank's Prior Obligations:

In December 2017, IBank issued Chadwick Series 2017A and Series 2017B Obligations to (1) refinance Chadwick's 2002 obligations originally issued by the California Statewide Communities Development Authority, the proceeds of which were used to: (a) construct and equip a new Middle School building, (b) construct and equip a new performing arts center, (c) construct and equip a parking garage, (d) renovate and expand the outdoor amphitheater, (e) install an air-conditioning unit to Roessler Hall, (f) construct and complete alternate routes of access to and from the campus, (g) construct, renovate and complete, and expand classroom facilities and, (h) other capital projects for improvements and technology upgrade of the campus located at 26800 South Academy Drive, Palos Verdes Peninsula, California 90274 (Prior Obligations), (2) finance the cost of additional construction, installation, equipping and furnishing of the School; and (3) pay certain costs of issuance in connection the Obligations

The Series 2017 Obligations were issued pursuant to a 2017 Loan Agreement and will be refunded in their entirety. The Series 2017A Obligation is currently outstanding in the amount of \$5,439,000 and will be refunded in its entirety. The Series 2017B Obligation, of which Borrower has drawn down \$1,255,988.26 as of December 31, 2019, will also be refunded. The outstanding amount of the Series 2017B Obligation may increase prior to the closing date and the entire outstanding amount will be refunded. Undrawn amounts of the Series 2017B Obligation will be included in the new money portion of the financing.

Faculty Housing Portion of the Project

The Borrower requests that approximately \$14 Million of the Obligation's proceeds be directed toward a faculty housing construction and improvements. The Legislation governing IBank, the Bergeson-Peace Infrastructure and Economic Development Bank Act (Government Code Section 63000 and following) (the "Act") provides that IBank shall not finance "any housing." The Act does not define the term "housing." Lender's counsel, Kutak Rock LLP ("Kutak"), submitted the Borrower's application to IBank. IBank staff have advised Kutak of the Act's housing prohibition and the likely application of this prohibition to the faculty housing component of the Project. Kutak has expressed the belief that the Act's housing prohibition was not intended to apply to faculty housing projects. IBank's General Counsel has sent the Board a memorandum discussing the Act's housing prohibition and its application to the faculty housing component of the Project. A memorandum prepared by

Kutak arguing that the Act does allow faculty housing projects has also been submitted to the Board.

Chadwick’s IBank Issued Outstanding Debt

Series	Issue Date	Par Amount	Outstanding as of 12/31/2019	Maturity Date	Purpose
2017A*	12/31/17	\$5,439,000	\$5,439,000	12/1/47	Refinance CSCDA debt
2017B*	12/31/17	\$12,561,000	\$1,255,988.26	12/1/47	Chadwick campus project

**The outstanding portions of the Series 2017A and 2017B loans will be refinanced with the proceeds of the Obligations.*

(See Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet
Roessler-Chadwick Foundation Group
Board Meeting Date: April 22, 2020

Par Amount:	Not to exceed \$30,000,000 in conduit Tax Exempt and/or Taxable Fixed Rate Obligations.
Type of Offering:	Private Placement
Lender:	First Republic Bank
Interest Rate*:	Not to exceed 2.95%
Maturity:	30-year maturity
Collateral:	Lien on all of the Borrower's and Roessler-Chadwick Foundation's personal property and a negative pledge on Borrower's real property.
Closing Date*:	May 15, 2020
Conduit Transaction:	The Obligations are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Obligations.

*Please note that Interest Rate and Closing Date are subject to change.

Financing Structure

The Obligations will be privately placed to First Republic Bank (“Lender”), a California state-chartered banking corporation. The Obligations are subject to transfer restrictions to certain affiliates and Qualified Institutional Buyers. The proceeds of the Obligations will be loaned to the Borrower pursuant to a Loan Agreement. The Obligations will be secured by a Security Agreement and Negative Pledge Agreement from the Borrower and the Chadwick Foundation and a Guaranty Agreement from the Chadwick Foundation. The terms are defined by 60 months interest only payments, followed by monthly payments of principal and interest, with a 30-year maturity. The Obligations shall bear interest on a 360-day basis at a rate of 2.95%.

The Obligations are expected to be issued in two Series. The Series A proceeds will be used to refinance the Prior Obligations. The Series B loan proceeds would be used to cover the costs of the 2020 Projects. The Lender would disburse the Series B proceeds pursuant to the Borrower’s draw requests.

Limited Obligations of IBank

The Obligations are payable solely from and secured solely by the pledge of the Borrower’s payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Obligations or subject to any personal liability or accountability by reason of the execution thereof. The Obligations are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

The School benefits the community through its Community Service Program (“CSP”). CSP includes activities such as students, faculty, and parents volunteering to tutor local public elementary students, interacting with developmentally challenged students and adults, and assisting local retirement communities. CSP is not a mandatory program, but a vast majority of the students participate in these outreach opportunities.

The Chadwick School also hosts free access to the public for plays, concerts, art installations, athletic competitions, and other performances and events.

The improvements to the campus will have a significant impact on Chadwick School’s finances and educational programs as it could help attract more students. The 2020 Projects are estimated to create 115 construction jobs during the construction period.

The refinancing of the Prior Obligations at a lower interest rate is expected to create a net present value savings of approximately \$421,320.00. The savings will go toward the Borrower’s mission to “develop global citizens with keen minds, exemplary character, self-knowledge and the ability to lead”, by directing additional resources towards the School.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	[MM/DD/YY]
Publications:	<i>Los Angeles Daily Journal and The Daily Recorder</i>
Date of TEFRA Hearing:	[MM/DD/YY]
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

APPENDIX A: GOVERNANCE AND MANAGEMENT

CHADWICK SCHOOL OFFICERS

Frederick T. Hill	President, Roessler-Chadwick Foundation Group
Dal Sohi	Head of School Roessler-Chadwick Foundation
John Kjenner	Chief Financial Officer

CHADWICK GROUP BOARD OF DIRECTORS

Nick Richardson , Board Chair	President, CEO Solartis, LLC Manhattan Beach, California
Bob Schuchard, Vice Chair	Attorney (Retired) N/A Manhattan Beach, California
Gregg Tenser, Treasurer	Treasurer N/A Westport, Connecticut
Christine Bucklin , Secretary	Managing Director Gryphon Investors Los Angeles, California
Velveth Schmitz , Member	City Councilwoman N/A Rolling Hills Estates, California
John Dryden, Member	Attorney Yulchon, LLC South Korea
Kurt Gibbs, Member	Owner, Architect Gibbs Architects Long Beach, California
Lisa A. Petrie, Member	Managing Director The Petrie Group Long Beach, California
J. Allison Quinlan, Member	Executive Recruiter N/A Long Beach, California
Lynne Rosenberg, Member	President Innovative Solutions Insurance Services, LLC El Segundo, California

Glen Payne , Member	Senior Trader Capital Group Companies Los Angeles, California
Matthew C Wilson , Member	Managing Director Oaktree Capital Management Los Angeles, California
Saskia Subramanian , Member	Research Sociologist UCLA Los Angeles, California
Armand Dawkins , Member	CEO Palatum Group Los Angeles, California
Patrice Harmon , Member	Operational Management Micros Inc. Manhattan Beach, California
Ted Hill , Member	President Roessler-Chadwick Foundation Group Palos Verdes, California
Ruth Macfarlane, Member	Professor University of Witwatersrand Los Angeles, California
Wayne Song , Member	Partner Morgan, Lewis & Bockius Los Angeles, California
Charles E. Toups , Member	Vice President Boeing Los Angeles, California

***Bold** indicates serving as a member on the Chadwick Board*

CHADWICK BOARD OF TRUSTEES

Velveth Schmitz , Board Chair	City Councilwoman N/A Rolling Hills Estates, California
Glen Payne , Vice Chair	Senior Trader Capital Group Companies Los Angeles, California
Matthew C Wilson , Treasurer	Managing Director Oaktree Capital Management Los Angeles, California

Saskia Subramanian , Secretary	Research Sociologist UCLA Los Angeles, California
Christine Bucklin , Member	Managing Director Gryphon Investors Los Angeles, California
Ty Childress, Member	Partner Jones Day Los Angeles, California
Jennifer Chou, Member	Assistant United States Attorney United States Attorney's Office Los Angeles, California
Armand Dawkins , Member	CEO Palatum Group Los Angeles, California
Jared Felt, Member	President Taiko USA Los Angeles, California
Pam Freer, Member	Founder Swiftwater Consultants Rolling Hills Estates, California
John O. Fukunaga, Member	Deputy General Counsel Sony Pictures Entertainment Los Angeles, California
Patrice Harmon , Member	Operational Management Micros Inc. Manhattan Beach, California
Ted Hill , Member	President Roessler-Chadwick Foundation Group Palos Verdes, California
Ruth Macfarlane , Member	Professor University of Witwatersrand Los Angeles, California
Nick Richardson , Member	President, CEO Solartis, LLC Manhattan Beach, California
Jason Ro, Member	Co-founding Principal RO Rockett Design Los Angeles, California
Derek Roth, Member	Partner Paul Hastings LLP Los Angeles, California
Retina Smith, Member	Founder, Manager N.A. Los Angeles, California
Wayne Song , Member	Partner Morgan, Lewis & Bockius Los Angeles, California
Brian Sweeney, Member	Real Estate Investment N.A. Los Angeles, California

Charles E. Toups , Member	Vice President Boeing Los Angeles, California
Eden Warner, Member	Independent Consultant N.A. Los Angeles, California

APPENDIX B: PROJECT PHOTOS



Solar Panels on the performing arts center



The Center for Innovation under construction

APPENDIX C: FINANCIAL STATEMENTS 2017 – 2019