



City of Chicago



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Office of the City Clerk

Document Tracking Sheet

Meeting Date:	10/8/2014
Sponsor(s):	Emanuel (Mayor)
Type:	Ordinance
Title:	Loan agreement and contract with IFF Pay for Success I LLC to serve at-risk children to increase school readiness and reduce later public school spending
Committee(s) Assignment:	Committee on Finance

FIN.



OFFICE OF THE MAYOR
CITY OF CHICAGO

RAHM EMANUEL
MAYOR

October 8, 2014

TO THE HONORABLE, THE CITY COUNCIL
OF THE CITY OF CHICAGO

Ladies and Gentlemen:

At the request of the Chief Financial Officer, I transmit herewith, together with Aldermen Thomas, Moreno, Ervin, Balcer, Suarez, and Mitts, an ordinance authorizing an issuance of social impact bonds.

Your favorable consideration of this ordinance will be appreciated.

Very truly yours,

Mayor

ORDINANCE

AN ORDINANCE authorizing the City of Chicago to provide assistance to the Board of Education of the City of Chicago to enable said Board to implement high quality pre-kindergarten programs in certain schools through the execution and delivery by the City of a Loan Agreement and Pay-For-Success Contract, an Intergovernmental Agreement and an Escrow Agreement as authorized and provided for herein.

WHEREAS, the City of Chicago (the "*City*") is a body politic and corporate under the laws of the State of Illinois and a home rule unit under Article VII of the Illinois Constitution of 1970 and, as such, may exercise any power and perform any function pertaining to its government and affairs including, without limitation, the power to regulate for the protection of the public health, safety, morals and welfare; and

WHEREAS, pursuant to the provisions of Article 34 of the School Code of the State of Illinois, as amended, the City, having a population exceeding 500,000, constitutes one school district, which school district is a body politic and corporate by the name of the "Board of Education of the City of Chicago" (the "*Board*"); and

WHEREAS, the Board desires to implement high quality pre-kindergarten programs (collectively, the "*CPS CPC Program*") in certain schools serving at-risk children, in order to increase school readiness and reduce later public school spending on special education, student retention, individual intervention and English language training; and

WHEREAS, it is in the best interests of the inhabitants of the City that the City provide assistance to the Board through support of the CPS CPC Program and the benefits that will result from the CPS CPC Program; and

WHEREAS, the City will secure the funds necessary to support the CPS CPC Program through certain borrowings (the "*Loan Advances*") from IFF Pay For Success I, LLC, an Illinois limited liability company (the "*Project Coordinator*"), pursuant to the terms of a Loan Agreement and Pay For Success Contract between the City, acting through its Department of Family and Support Services ("*DFSS*"), and the Project Coordinator in substantially the form attached hereto as *Exhibit I* (the "*Pay For Success Contract*"); and

WHEREAS, the City will transfer to, or cause to be deposited with, the Board the Loan Advances received from the Project Coordinator to provide support for operational costs for the CPS CPC Program pursuant to the terms of an Intergovernmental Agreement between the City, by and through DFSS, and the Board in substantially the form attached hereto as *Exhibit II* (the "*Intergovernmental Agreement*"); and

WHEREAS, the obligation of the City to provide for the repayment of the Loan Advances is limited solely and only to amounts available to the City pursuant to Section 2 hereof to make City Pay-For-Success Payments (as defined in the Pay For Success Contract) and amounts

transferred to the City by the Board as Board Pay-For-Success Payments (as defined in the Pay For Success Contract) pursuant to the Intergovernmental Agreement, in each case only to the extent the CPS CPC Program results in the achievement of certain measures of success, determined as provided in the Pay For Success Contract and the Intergovernmental Agreement; and

WHEREAS, the obligation of the City to make City Pay-For-Success Payments to the extent the same shall become due and payable in accordance with the terms of the Pay For Success Contract will be secured by the deposit from time to time of certain appropriated funds of the City into certain Subaccounts held pursuant to an Escrow Agreement among the City, the Project Coordinator and an Escrow Agent designated as provided in Section 4 hereof, in substantially the form attached hereto as *Exhibit III* (the "*Escrow Agreement*"); and

WHEREAS, it is in the best interests of the inhabitants of the City and necessary for the welfare of the government and affairs of the City to authorize the execution and delivery of the Pay For Success Contract, the Intergovernmental Agreement and the Escrow Agreement (collectively, the "*City Agreements*") providing for (i) the borrowing of the Loan Advances pursuant to the Pay For Success Contract on the terms authorized herein and therein, (ii) the transfer to, or the deposit with, the Board of the Loan Advances for application to the CPS CPC Program as provided in the Intergovernmental Agreement and the Pay For Success Contract and (iii) the repayment of the Loan Advances from the sources authorized herein and as provided in the City Agreements; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

Section 1. The City Council of the City (the "*City Council*"), after a public meeting heretofore held on this Ordinance by the Committee on Finance of the City Council, pursuant to proper notice and in accordance with the findings and recommendations of such Committee, hereby finds that all of the recitals contained in the preambles to this Ordinance are full, true and correct and does incorporate them into this Ordinance by this reference.

Section 2. The Commissioner of DFSS (the "*Commissioner*") is hereby authorized to execute and deliver the Pay For Success Contract substantially in the form attached hereto as *Exhibit I*, but with such revisions in text as the Commissioner shall determine are necessary or desirable, the execution thereof by the Commissioner to evidence the City Council's approval of all such revisions. The City shall receive Loan Advances from the Project Coordinator pursuant to the Pay For Success Contract. The maximum principal amount of the Loan Advances made to the City pursuant to the Pay For Success Contract is limited to \$17,500,000.

The obligation of the City to fund City Pay-For-Success Payments for the repayment of the Loan Advances or to make any other payments required by the Pay For Success Contract shall not constitute a general obligation of the City, but shall be made solely and only from amounts appropriated by this City Council on an annual basis (including \$624,253 of the amount heretofore appropriated by this City Council as described in Section 4 hereof), each such annual amount described in the Pay For Success Contract as the City Project Year

Appropriated Amount. The maximum aggregate liability that the City may incur for City Pay-For-Success Payments pursuant to the Pay For Success Contract is limited to \$4,500,000.

The obligation of the City to (i) transfer to the Project Coordinator the Board Pay-For-Success Payments received by the City from the Board pursuant to the Intergovernmental Agreement or (ii) make any other payments required to be made by the City pursuant to the Pay For Success Contract on behalf of the Board shall not constitute a general obligation of the City, but shall be made solely upon receipt by the City from the Board of Board Pay-For-Success Payments pursuant to the Intergovernmental Agreement.

Section 3. The Commissioner is hereby authorized to execute and deliver the Intergovernmental Agreement substantially in the form attached hereto as *Exhibit II*, but with such revisions in text as the Commissioner shall determine are necessary or desirable, the execution thereof by the Commissioner to evidence the City Council's approval of all such revisions.

Section 4. The Commissioner is hereby authorized to execute and deliver the Escrow Agreement substantially in the form attached hereto as *Exhibit III*, but with such revisions in text as the Commissioner shall determine are necessary or desirable, the execution thereof by the Commissioner to evidence the City Council's approval of all such revisions. The Commissioner and the Chief Financial Officer of the City (the "*Chief Financial Officer*") are each hereby authorized to designate a bank or trust company that is an approved depository of City funds to serve as Escrow Agent. The deposit with the Escrow Agent on the date of execution and delivery of the Escrow Agreement of funds heretofore appropriated for the current fiscal year from the Corporate Fund of the City to DFSS for Early Childhood Education Program in an aggregate amount not to exceed \$624,253 for further deposit into the Kindergarten Readiness Cohort I Subaccount and the Third Grade Literacy Cohort I Subaccount created under the Escrow Agreement is hereby approved. The making of the Subsequent Deposits (as defined in the Escrow Agreement) from time to time, as required by the terms of the Escrow Agreement, shall be subject to future appropriation by this City Council. The amount of each Subsequent Deposit to the respective Cohort Subaccounts established under the Escrow Agreement shall not exceed the respective amounts set forth in the form of Escrow Agreement attached hereto without further action by this City Council.

Section 5. This Ordinance is prepared in accordance with the powers of the City as a home rule unit under Article VII of the 1970 Illinois Constitution. The appropriate officers of the City, including the Commissioner and the Chief Financial Officer appointed by the Mayor of the City, are hereby authorized to do all such things and to execute and deliver such additional documents, agreements and certificates as shall be necessary in connection with the execution and delivery of the City Agreements and further, to take such actions and do such things as shall be necessary to perform, carry out, give effect to and consummate the transactions contemplated by this Ordinance and the City Agreements, including, but not limited to, the exercise following the execution and delivery of any of the City Agreements of any power or authority delegated to such official of the City under this Ordinance with respect to the City Agreements upon the execution and delivery thereof, but subject to any limitations on or restrictions of such power or authority as herein set forth, and any actions heretofore taken by

such officers of the City in accordance with the provisions of this Ordinance are hereby ratified and approved.

Section 6. To the extent that any ordinance, resolution, rule, order or provision of the Municipal Code of Chicago (the "*Municipal Code*"), or part thereof, is in conflict with the provisions of this Ordinance, the provisions of this Ordinance shall be controlling. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance. No provision of the Municipal Code or violation of any provision of the Municipal Code shall be deemed to render voidable at the option of the City any document, instrument or agreement authorized hereunder or to impair the validity of this Ordinance or the City Agreements authorized by this Ordinance; *provided further* that the foregoing shall not be deemed to affect the availability of any other remedy or penalty for any violation of any provision of the Municipal Code.

Section 7. This Ordinance shall be published by the City Clerk, by causing to be printed in special pamphlet form at least five copies hereof, which copies are to be made available in her office for public inspection and distribution to members of the public who may wish to avail themselves of a copy of this Ordinance.

Section 8. This Ordinance shall be in full force and effect from and after its adoption, approval by the Mayor and publication as provided herein.

EXHIBIT I

LOAN AGREEMENT AND PAY FOR SUCCESS CONTRACT

between

CITY OF CHICAGO

AND

IFF PAY FOR SUCCESS I, LLC,
an Illinois limited liability company

Dated

_____, 2014

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LOAN AGREEMENT AND PAY FOR SUCCESS CONTRACT

This Loan Agreement and Pay for Success Contract (the "*Contract*") dated _____, 2014 is between the CITY OF CHICAGO (the "*City*"), through its Department of Family and Support Services ("*DFSS*"), and IFF PAY FOR SUCCESS I, LLC, an Illinois limited liability company (the "*Project Coordinator*"), the sole member of which is IFF, an Illinois not-for-profit corporation. The City and the Project Coordinator are referred to collectively herein as the "*Parties.*" Capitalized terms used herein and not otherwise defined shall have the meaning set forth in *Appendix A*.

WITNESSETH:

WHEREAS, the City is a body politic and corporate under the laws of the State of Illinois and a home rule unit under Article VII of the Illinois Constitution of 1970 and, as such, may exercise any power and perform any function pertaining to its government and affairs including, without limitation, the power to regulate for the protection of the public health, safety, morals and welfare; and

WHEREAS, pursuant to the provisions of Article 34 of the School Code of the State of Illinois, as amended, the City, having a population exceeding 500,000, constitutes one school district, which is a body politic and corporate by the name of the "Board of Education of the City of Chicago" (the "*Board*"); and

WHEREAS, the Board desires to implement high quality pre-kindergarten programs (collectively, the "*CPS CPC Program*") in certain schools identified by the Board as serving at-risk children, in order to increase school readiness and reduce later public school spending on special education, student retention, individual intervention and English language training; and

WHEREAS, initial support for operational costs for the CPS CPC Program will come from funds provided by the Lenders in the form of loans made to the Project Coordinator which funds are, pursuant to this Contract, loaned by the Project Coordinator to the City (the hereinafter defined Loan Advances); and

WHEREAS, pursuant to the Ordinance adopted by the City on _____, 2014 (the "*Ordinance*"), the City has determined that it is in the best interests of the inhabitants of the City that the City provide assistance to the Board through support of the CPS CPC Program and the benefits that will result from the CPS CPC Program and agrees, pursuant to this Contract, to repay through the use of lawfully available and appropriated monies that portion of such loans from the Project Coordinator as specified herein to the extent that the CPS CPC Program is successful; and

WHEREAS, the Board has determined that it is in the best interests of the Board to provide additional support for the CPS CPC Program and that the benefits that will result from the CPS CPC Program are in the best interest of the Board, and agrees, pursuant to the Intergovernmental Agreement with the City dated the date hereof (the "*Intergovernmental*

Agreement”), to transfer to the City pursuant to the Intergovernmental Agreement, through the use of lawfully available and budgeted monies, a portion of the funds necessary to repay loans from the Project Coordinator to the extent that the CPS CPC Program is successful; and

WHEREAS, the Project Coordinator will (i) borrow amounts from the Lenders and loan such amounts to the City for the funding of the CPS CPC Program, (ii) engage and oversee the services of the Evaluator pursuant to the Evaluation Agreement, (iii) engage and oversee the services of the Technical Services Provider pursuant to the Technical Services Agreement, (iv) collect City Pay-For-Success Payments and Board Pay-For-Success Payments made by the Board to the City pursuant to the Intergovernmental Agreement, both as repayments of Loan Advances made by the Project Coordinator hereunder, and apply each to the repayment of the Loans in accordance with the Loan Documents, (v) provide information and reports to the Board, the City and the Lenders pursuant to the terms of the Core Documents, and (vi) pay certain administrative costs in accordance with the applicable Project Year Budget that have been approved by the Board, the City and the Lender Committee; and

WHEREAS, pay-for-success contracts such as this Contract are intended to create incentives for improved performance and reduced costs, allow for more rapid learning about which early childhood programs are most effective, and serve to accelerate the implementation of new, more effective solutions to issues that threaten the welfare of the City; and

WHEREAS, pay-for-success contracts provide a mechanism to bring an increased level of financial support from the private and not-for-profit sectors to innovative social programs, allowing for the creation of the optimal set of services needed to create long-term, preventative social service programs, resulting in better social outcomes for the targeted population, and savings to the government through a reduction in the amount of remediation expenses tied to the targeted population; and

WHEREAS, as provided in this Contract, payments by the City of City Pay-For-Success Payments pursuant to this Contract will only be made upon demonstrated achievement of specific, measurable goals and will be made solely and only from the City Project Year Appropriated Amount for each applicable Project Year; and

WHEREAS, as provided in this Contract, payments by the City, on behalf of the Board, of Board Pay-For-Success Payments pursuant to this Contract will only be made upon demonstrated achievement of specific, measurable goals and will be made by the City solely and only from amounts transferred to the City pursuant to the Intergovernmental Agreement with respect to each applicable Project Year; and

WHEREAS, the obligation of the City to provide for the repayment of the Loan Advances is limited solely and only to amounts available to the City to make City Pay-For Success Payments and amounts deposited by the Board in the Board Designated Account as Board Pay-For-Success Payments pursuant to the Intergovernmental Agreement; and

WHEREAS, to the extent the Board, through the CPS CPC Program, is successful in increasing kindergarten readiness and/or improving third grade literacy as set forth in the Evaluation Plan, the City's obligations to repay the Loan Advances will become effective and a portion of the Loan Advances and, in turn, the Loans will be repaid on the terms set forth herein and in the Project Coordinator's agreements with the Lenders; and

WHEREAS, to the extent the Board, through the CPS CPC Program, is successful in reducing expenditures for special education services as set forth in the Evaluation Plan, the Board's obligations to make Board Pay-For-Success Payments to the City pursuant to the Intergovernmental Agreement will become effective and a portion of the Loan Advances and, in turn, the Loans will be repaid on the terms set forth herein, in the Intergovernmental Agreement and in the Project Coordinator's agreements with the Lenders; and

NOW, THEREFORE, the Parties intend to enter into this Contract with the goals of funding the CPS CPC Program to the extent provided herein, measuring and providing for the payment and application of the Pay-For-Success Payments as contemplated hereby, and repaying the Loans on the terms set forth herein and in the Project Coordinator's agreements with the Lenders.

ARTICLE I.

INTRODUCTION

Section 1.01. Term of this Contract. This Contract and the rights and obligations of the Parties will become effective on, and services under this Contract will commence as of, the date hereof, and will remain in effect until the last payments due from the City (either as payments of City Pay-For-Success Payments or transfers of Board Pay-For-Success Payments made pursuant to the Intergovernmental Agreement) are paid in accordance with this Contract (the "*Final Termination Date*"), unless terminated earlier or extended pursuant to the terms of this Contract.

Section 1.02. Purpose. The purpose of this Contract is to provide for the funding of the CPS CPC Program to the extent provided herein and to establish the method of determining Pay-For-Success Payments and the terms under which Pay-For-Success Payments will be made.

Section 1.03. Project Year Supplements. The City shall direct the Board to prepare (in consultation with the Technical Services Provider), not later than June 1 of each Project Year, commencing with the Initial Project Year, a Project Year Supplement for the Subsequent Project Year. If necessary, the deadline for the Board to prepare the Project Year Supplement can be extended twice, each extension for a period of up to one month and each extension with the Approval of the Lender Committee; provided, however, the deadline for preparation of such Project Year Supplement for the Subsequent Project Year shall not extend beyond July 31, unless waived by the City with the Approval of the Lender Committee. In order for a Project Year Supplement to be adopted, it will be necessary for the Board, the City and the Project Coordinator, with the Approval of the Lender Committee, to agree upon the Project Year Supplement for the Subsequent Project Year by August 15. As and when a Project Year Supplement is mutually agreed to by the Board, the City and the Project Coordinator, with the

Approval of the Lender Committee, the terms of such Project Year Supplement will be deemed to be incorporated by reference herein, and, to the extent provided by any Project Year Supplement, the terms of such Project Year Supplement and any applicable appendices thereto will replace and supersede the corresponding provisions and/or appendices of this Contract. Each Project Year Supplement will set forth for the applicable Subsequent Project Year: (i) the Board Project Year Budgeted Amount, (ii) the City Project Year Appropriated Amount, (iii) the size of the Subsequent Project Year Cohort, (iv) the Project Year Budget including the IFF Program Transfer Amounts, (v) the "base case" level of Pay-For-Success Payments resulting from a change in the size of the Subsequent Project Year Cohort and (vi) any revisions to the Core Program Principles for the Subsequent Project Year.

ARTICLE II.

CPS CPC PROGRAM; PERFORMANCE TARGETS

Section 2.01. Description of CPS CPC Program. The five major goals of the CPS CPC Program are to (1) promote readiness for kindergarten in language and literacy, math, science, and socio-emotional learning; (2) increase proficiency and excellence in early school achievement, including reading, math, and science; (3) enhance social adjustment and psychological development in the early grades, including socio-emotional learning, school commitment, and self-control; (4) increase parent involvement and engagement in children's education throughout early childhood; and (5) enhance educational attainment, career opportunities, and the personal development for parents and family members.

Section 2.02. Performance Measurement. As set out in the Evaluation Plan, which is attached hereto as *Appendix B*, the City will direct the Escrow Agent to transfer funds from the City PFS Escrow Account to the City Designated Account based on the Evaluator's evaluation of the CPS CPC Program's success with respect to (i) Kindergarten Readiness and (ii) Third Grade Literacy. In addition, as set out in Section 3.02(a) hereof, the City will direct the Board to transfer to the Board Designated Account any Board Pay-For-Success Payments owed to the City pursuant to the Intergovernmental Agreement. Reference is made to the attached Evaluation Plan for a detailed description of the evaluation criteria and performance measurement criteria. The Project Coordinator shall not amend or waive any provision of the Evaluation Plan without the prior written consent of the Board and the City and the Approval of the Lender Committee.

Section 2.03. Evaluation Roles. (a) Simultaneously with the execution and delivery of this Contract, the Project Coordinator is entering into the Evaluation Agreement with the Evaluator. The parties hereto anticipate that the Evaluator will deliver a final Evaluation Plan within ninety (90) days of the funding of the initial Loan Advance. Pursuant to the Evaluation Agreement, the Evaluator will be responsible for, all in accordance with the Evaluation Plan, (i) determining the CPS CPC Program's demonstrated success with respect to Kindergarten Readiness, Third Grade Literacy and reductions in the use of SPED resources, (ii) making the calculations described in Sections 3.01(a) and 3.01(b) of this Contract and in Article Four of the Intergovernmental Agreement, (iii) applying the evaluation criteria, performance measurement criteria and evaluation methodology set forth in the Evaluation Plan, (iv) giving notice to the

Board, the City, the Project Coordinator and the Lenders of the amounts due as Pay-For-Success Payments, and (v) performing such other functions as are set forth in the Evaluation Plan and the Evaluation Agreement. The Project Coordinator shall not replace the Evaluator or any successor thereto or amend or waive or consent to any deviation from any provision of the Evaluation Agreement without the prior written approval of the Board and the City with the Approval of the Lender Committee. For the Project Years ending June 30, 2015 and 2016, the Project Coordinator shall compensate the Evaluator, for all services provided pursuant to the Evaluation Agreement, using proceeds of a grant provided by the Finnegan Family Foundation. For the Project Years commencing with the Project Year ending June 30, 2017, the City shall use Other Funding Sources to compensate the Project Coordinator, who shall use such funds to pay the Evaluator, to the extent Other Funding Sources are available for such purpose. To the extent that Other Funding Sources are not available to compensate the Evaluator for the Project Years commencing with the Project Year ending June 30, 2017, the City shall use proceeds of Loan Advances to compensate the Project Coordinator, which Loan Advances shall be in the maximum aggregate principal amount of \$319,000. No such use of Loan Advances to pay the Evaluator shall increase the City's maximum obligations to make City Pay-For-Success Payments hereunder or the Board's maximum obligations to make Board Pay-For-Success Payments under the Intergovernmental Agreement.

(b) Simultaneously with the execution and delivery of this Contract, the Project Coordinator is entering into the Technical Services Agreement with the Technical Services Provider. The Project Coordinator shall not replace the Technical Services Provider without the prior written approval of the Board and the City with the Approval of the Lender Committee. The City shall use certain proceeds of the initial Loan Advance to compensate the Project Coordinator, who shall use such funds to pay the Technical Services Provider, for all services provided pursuant to the Technical Services Agreement during the Initial Project Year, all as specified in *Appendix C* hereto. For Project Years subsequent to the Initial Project Year, the Project Coordinator shall compensate the Technical Services Provider from Other Funding Sources to the extent Other Funding Sources are available. In the event that Other Funding Sources are not available to compensate the Technical Services Provider, the Technical Services Provider's role with respect to the CPS CPC Program will terminate.

(c) The Project Coordinator shall not, without the prior written consent of the Board and the City, certify any fee or expense amount to the Lender Representative.

(d) The City shall use certain proceeds of the initial Loan Advance to compensate the Project Coordinator, who shall use such funds to pay the attorneys listed in *Appendix C* hereto (the "Attorneys"), for all services provided in connection with the transactions described herein, in the amounts specified in *Appendix C* hereto.

Section 2.04. Provision of Information. Each of the Parties hereby agrees to provide, and the City shall require in the Intergovernmental Agreement that the Board shall provide, such information as is required pursuant to this Contract and/or the Evaluation Plan to each other and to the Evaluator as is necessary for each Party to carry out its respective evaluation and other responsibilities in accordance with this Contract and the Evaluation Plan. Each of the Parties acknowledges that it will be bound by publicity provisions included as *Appendix D* hereto, which

provisions are deemed to be incorporated by reference into this Contract. The Project Coordinator shall not, without the prior written consent of the City and the Board, disseminate or release, or consent to the dissemination or release by the Lenders of, any Promotional Material (as defined in the GSSIF Senior Loan Agreement).

In the event that the Project Coordinator or the Evaluator shall resign or be replaced, the Project Coordinator shall, and shall direct the Evaluator to, return all documents, analyses and other data prepared by or received from the Evaluator under the Evaluation Agreement (the "*Work Products*") to the Board. The Project Coordinator may furnish Work Products and copies thereof to the Lenders, its legal advisors and accountants, or, with the consent of the City and the Board, to other parties.

Section 2.05. Funding of CPS CPC Program. (a) The Initial Project Year Funding Schedule is set forth in the Funding Plan attached as *Appendix C* to this Contract under the heading "Initial Project Year Funding Schedule." The Subsequent Project Year Funding Schedule for each Subsequent Project Year shall be set forth in the Project Year Supplement for such Project Year. A Funding Schedule may be amended or modified from time to time by replacement of the Funding Schedule by the Project Coordinator with the prior written approval of the Board and the City and the Approval of the Lender Committee. The Project Year Budget for the Initial Project Year is attached as part of *Appendix C* to this Contract under the heading "Initial Project Year Budget." The Project Year Budget for each Subsequent Project Year shall be set forth in the applicable Project Year Supplement for such Project Year. A Project Year Budget may be amended from time to time with the prior written approval of the Board, the City and the Project Coordinator and the Approval of the Lender Committee. The Project Coordinator and the City agree that the Funding Schedule and the Project Year Budget are based on a "base case" level of Pay-For-Success Payments and that actual Pay-For-Success Payments may be greater or lesser than the "base case" and the CPS CPC Program costs may be less than the "base case" as required by the terms of this Contract depending on the operational savings realized by a reduction in the number of children in the CPS CPC Program Population (provided that in no event will any reduction in any Project Year Cohort be made without the prior written approval of the Board and the City and the Approval of the Lender Committee).

(b) The Project Coordinator shall loan the IFF Program Transfer Amounts for each Project Year (each, a "*Loan Advance*") to the City hereunder in accordance with the applicable Program Budget to fund the CPS CPC Program. Such IFF Program Transfer Amounts shall be transferred, on behalf of the City to satisfy its obligations under the Intergovernmental Agreement, by the Project Coordinator promptly upon receipt from the Lenders, or by the Lenders directly, to an account designated by the Board. To the extent that the Project Coordinator does not receive any IFF Program Transfer Amounts from the Lenders, the Project Coordinator's obligation set forth in this paragraph shall be of no force and effect with respect to such amounts.

ARTICLE III.

PAY-FOR-SUCCESS PAYMENTS

Section 3.01. City Pay-For-Success Payments Calculation, Payment and Cap.

(a) *Kindergarten Readiness.* Pursuant to the Evaluation Agreement, commencing with the Project Year ending June 30, 2016 and ending on June 30 of the last Project Year in which a Project Year Cohort completes kindergarten, the Project Coordinator will direct the Evaluator to calculate, in accordance with the Evaluation Plan, the Total Number of Kindergarten Ready Children (as such term is used and described in the Evaluation Plan) for the applicable Project Year Cohort and to notify the City, the Project Coordinator, the Board and the Lenders by the October 1 following the completion of each Project Year to be evaluated of the amount of City Pay-For-Success Payments due from the City as a result (the "*Kindergarten Readiness Payments*"); *provided, however*, that if the City shall determine, within ten (10) Business Days of receipt of such notice, that the calculation of the amounts set forth by the Evaluator contains any manifest mathematical error, the City shall give notice describing such error to the Evaluator, the Board, the Project Coordinator and the Lenders, and each of such parties will work in good faith to resolve the error (and upon such resolution the City shall promptly pay the required amount as so resolved). The Kindergarten Readiness Payments shall be transferred from the City PFS Escrow Account to the City Designated Account within thirty days after the date of such notice from the Evaluator.

(b) *Third Grade Literacy.* Pursuant to the Evaluation Agreement, commencing with the Project Year ending June 30, 2019 and ending on June 30 of the last Project Year in which a Project Year Cohort completes third grade, the Project Coordinator will direct the Evaluator to calculate, in accordance with the Evaluation Plan, the Total Number of Third Grade Children Reading at Grade Level (as such term is used and described in the Evaluation Plan) for the applicable Project Year Cohort and to notify the City, the Project Coordinator, the Board and the Lenders by the October 1 following completion of each Project Year to be evaluated of the amount of City Pay-For-Success Payments due from the City as a result (the "*Third Grade Literacy Payments*" and, together with the Kindergarten Readiness Payments, the "*City Pay-For-Success Payments*"); *provided, however*, that if the City shall determine, within ten (10) Business Days of receipt of such notice, that the calculation of the amounts set forth by the Evaluator contains any manifest mathematical error, the City shall give notice describing such error to the Evaluator, the Board, the Project Coordinator and the Lenders, and each of such parties will work in good faith to resolve the error (and upon such resolution the City shall promptly pay the required amount as so resolved). Such Third Grade Literacy Payments shall be transferred from the City PFS Escrow Account to the City Designated Account within thirty days after the date of such notice from the Evaluator. If the results of the Third Grade Literacy Test do not reflect CPC Funded Program Enrollees' performance At Grade Level that is consistent with Historic Results, then the Project Coordinator and the City with the Approval of the Lender Committee will select an alternative Third Grade Literacy Test under which the percentage of CPC Funded Program Enrollees who perform At Grade Level is consistent with Historic Results.

(c) *Lack of Information from Board.* If, after receipt of notice (provided in accordance with the Evaluation Agreement) from the Evaluator to the Board that specified information that the Board is responsible for providing to the Evaluator and that is required to calculate Pay-For-Success Payments with respect to a particular Project Year Cohort in accordance with the Evaluation Agreement, the Board fails to provide such information required by the Evaluator with respect to such Project Year Cohort within 14 Business Days, the City Pay-For-Success Payments shall be calculated in accordance with Article Two, Section 5(e) of the Intergovernmental Agreement.

(d) *Caps on City's Pay-For-Success Payments.* The City Pay-For-Success Payments to be made pursuant to Section 3.01(a) and Section 3.01(b) above shall be capped in accordance with the provisions of *Appendix C* hereto for purposes of the Initial Project Year Cohort, the related Project Year Supplement for each Subsequent Project Year Cohort and the Pay For Success Escrow Agreement.

(e) The Project Coordinator and the City agree that the City shall not under any circumstances cause any City Pay-For-Success Payment to be made other than to the City Designated Account.

(f) If for any Project Year no notice described in Section 3.01(a) or (b) is received by the City from the Evaluator by October 15 of the applicable Project Year, then the City shall notify the Board, the Project Coordinator and the Lender Committee of such failure, and the Project Coordinator shall replace the Evaluator as promptly as practicable, subject to the approval of the City and the Board and the Approval of the Lender Committee.

Section 3.02. Board Pay-For-Success Payments Calculation, Payment and Cap.

(a) *Reduction in SPED Spending.* Pursuant to the Evaluation Agreement, commencing with the Project Year ending June 30, 2016 and ending on June 30 of the last Project Year in which a Project Year Cohort completes sixth grade, the Project Coordinator will direct the Evaluator to calculate, in accordance with the Evaluation Plan, the Total Number of Special Education Slots Avoided (as such term is used and described in the Evaluation Plan) for each Project Year Cohort and to notify the City, the Project Coordinator, the Board and the Lenders by the October 1 following completion of each Project Year to be evaluated of the amount of Board Pay-For-Success Payments due from the Board as a result (the "*SPED Payments*"); *provided, however*, that if the Board shall determine, within ten (10) Business Days of receipt of such notice, that the calculation of the amounts set forth by the Evaluator contains any manifest mathematical error, the Board shall give notice describing such error to the Evaluator, the City, the Project Coordinator and the Lenders, and each of such parties will work in good faith to resolve the error (and upon such resolution the Board shall promptly pay the required amount as so resolved). Pursuant to the Intergovernmental Agreement, the City has directed the Board to deposit such SPED Payments in the Board Designated Account.

(b) *Lack of Information from Board.* If, after receipt of notice (provided in accordance with the Evaluation Agreement) from the Evaluator to the Board that specified information that the Board is responsible for providing to the Evaluator and that is required to

calculate Pay-For-Success Payments with respect to a particular Project Year Cohort in accordance with the Evaluation Agreement, the Board fails to provide such information required by the Evaluator with respect to such Project Year Cohort within 14 Business Days, the Board Pay-For-Success Payments shall be calculated in accordance with Article Two, Section 5(e) of the Intergovernmental Agreement.

(c) *Caps on Board's Pay-For-Success Payments.* The Board Pay-For-Success Payments to be made pursuant to Section 3.02(a) above shall be capped in accordance with the provisions of the Intergovernmental Agreement and as set forth in *Appendix C*.

(d) The Project Coordinator and the City agree that the City shall not under any circumstances cause any Board Pay-For-Success Payment received by the City to be made other than to the Board Designated Account.

Section 3.03. City PFS Escrow Account. The City PFS Escrow Account has been established pursuant to the Pay-For-Success Escrow Agreement and subject to terms that have been approved by the Project Coordinator and the Lender Committee. The Initial City Project Year Appropriated Amount in an amount equal to \$624,253 has been deposited into the City PFS Escrow Account for the Initial Project Year pursuant to the Ordinance. For each Subsequent Project Year, the City shall deposit the City Project Year Appropriated Amount for such Subsequent Project Year into the City PFS Escrow Account. The terms of the Pay-For-Success Escrow Agreement shall not be modified, revoked or amended without prior Approval of the Lender Committee. During the year immediately preceding each of the first three Subsequent Project Years, the City shall cause the Office of Budget and Management of the City and the Mayor to include in the proposed annual budget submitted to the City Council an amount equal to the City Project Year Appropriated Amount set forth on *Appendix C* under the heading "Projected City Project Year Appropriated Amount" for any Subsequent Project Year. The parties hereto acknowledge and agree that there shall be no default by the City hereunder if the City Project Year Appropriated Amount is not included (or is only partially included) in the budget adopted by the City Council, and the City acknowledges that in such event the Lenders will have the discretion not to make any further Loans for the applicable Project Year.

Section 3.04. Investments. The funds on deposit in the City PFS Escrow Account shall be invested in accordance with the Pay-For-Success Escrow Agreement.

Section 3.05. Wind-Up. Not later than 15 Business Days following the final payment of City Pay-For-Success Payments due hereunder, any remaining amounts in the City PFS Escrow Account that are not otherwise due to the Project Coordinator will be released to the City pursuant to the terms of the Pay-For-Success Escrow Agreement.

Section 3.06. Limitation on City Obligations. (a) The obligation of the City to fund City Pay-For-Success Payments or to make any other payments required by this Contract shall not constitute a general obligation of the City. All City Pay-For-Success Payments to be made by the City for each Project Year hereunder shall be made solely and only from the City Project Year Appropriated Amount on deposit in the City PFS Escrow Account for such Project Year.

(b) The City covenants and agrees that once any City Project Year Appropriated Amount has been deposited in the City PFS Escrow Account, there is no legal or other requirement pursuant to which the authority of the City to disburse such City Project Year Appropriated Amount pursuant to this Contract can be affected or such City Project Year Appropriated Amount can be withdrawn, reduced or applied other than in accordance with this Contract.

(c) The obligation of the City to transfer Board Pay-For-Success Payments to the Project Coordinator or to make any other payments required by this Contract on behalf of the Board shall not constitute a general obligation of the City and shall be made solely upon receipt by the City of the Board Pay-For-Success Payments from the Board necessary to make such payments pursuant to the Intergovernmental Agreement.

(d) The City has no obligation to implement, supervise or maintain the CPS CPC Program.

Section 3.07. City Pay-For-Success Payments. On each date that City Pay-For-Success Payments are due from the City pursuant to Section 3.01(a) and/or Section 3.01(b) above, the City shall direct the Escrow Agent to withdraw the required amount from the City PFS Escrow Account and wire transfer such amount to the City Designated Account in accordance with this Contract and the Pay-For-Success Escrow Agreement.

Section 3.08. Board Pay-For-Success Payments. On each date that Board Pay-For-Success Payments are due pursuant to Section 3.02(a) above, the City shall require the Board, pursuant to the Intergovernmental Agreement, to wire transfer such amounts to the Board Designated Account.

Section 3.09. Repayment of Loan Advances. The Pay-For-Success Payments deposited in the Designated Accounts pursuant to this Contract shall constitute repayment of the Loan Advances made by the Project Coordinator to the City hereunder. The parties hereto acknowledge that it is expected that the Project Coordinator will apply the funds on deposit in the Designated Accounts in accordance with the Priority of Payments Schedule. Each Loan Advance shall bear interest at the rate of 0% per annum. The maximum aggregate principal amount of the Loan Advances to be made hereunder is \$ _____. The final maturity date of the Loan Advances is December 31 of the year that the last Subsequent Project Year Cohort completes twelfth (12th) grade. Upon any waiver, extension or forgiveness of repayment of the Loans by the Lenders, the Project Coordinator shall notify the City and the Board of any such waiver, extension or forgiveness and payment by the City of the corresponding amount of Loan Advances shall be likewise waived, extended or forgiven. The Lenders and the Project Coordinator shall cooperate in good faith with the City and the Board to agree upon and determine any corresponding changes that are required in the amount of any City Pay-For-Success Payments or Board Pay-For-Success Payments as a result of such waiver, forgiveness or extension of the corresponding amount of Loan Advances.

Section 3.10. Payment of the Project Coordinator Fees and Expenses. The parties hereto agree that the Project Coordinator will be compensated in the amounts and at the times set

forth in *Appendix C* hereto for all services provided pursuant to this Agreement and the Loan Agreements, and all audit and tax expenses of the Project Coordinator (which expenses are capped at \$10,000 annually) will be reimbursed, from proceeds of the initial Loan Advance for each Project Year made by the Project Coordinator to the City. The fee of the Project Coordinator shall be deemed to be earned in accordance with *Appendix C* hereto. If at any time the Project Coordinator resigns or is replaced and is required, pursuant to the terms of the Loan Agreements, to repay any unearned portion of its compensation to the Lenders, the return of such unearned portion shall be deemed a repayment of the corresponding amount of a Loan Advance but shall not result in any adjustment in the amount of any City Pay-For-Success Payments or Board Pay-For-Success Payments.

Section 3.11. Third Party Fees. The Project Coordinator shall be solely responsible to pay any and all third party vendors', advisors', legal counsel's and other professional service providers' costs, fees and expenses incurred in management of this Contract and any related agreements (other than the costs, fees and expenses of the Evaluator, the Technical Services Provider and the Attorneys, which are being paid as provided herein) and performing its obligations hereunder and thereunder, and the City shall have no liability for any of the foregoing costs, fees and expenses, including, but not limited to, fees paid to any financial advisor for assisting with this Contract and identifying and enlisting the Lenders for services provided under this Contract; provided, however, that the fees of the Evaluator, the Technical Services Provider and the Attorneys shall be paid from the sources of funds identified in Section 2.03(a), (b) and (d).

Section 3.12. Termination With Respect to Subsequent Project Year. If, for any Subsequent Project Year, the Board Project Year Budgeted Amount or the City Project Year Appropriated Amount is less than the amount reflected for such Subsequent Project Year in *Appendix C* hereto under the heading "Projected Board Budgeted Program Funds", "Projected Board Pay-For-Success Funds" or "Projected City Project Year Appropriated Amount," respectively, or a Project Year Supplement is not mutually agreed to by the Board, the City and the Project Coordinator with Approval of the Lender Committee, then each of the City and the Project Coordinator shall have the right by notice to the other and to the Lenders to terminate this Contract with respect to such and all future Subsequent Project Years; *provided*, that no such termination shall affect the obligations of the Project Coordinator and the City pursuant to this Contract for the Initial Project Year and any Subsequent Project Years prior to the Subsequent Project Year with respect to which such notice of termination is given.

ARTICLE IV.

OVERSIGHT AND REPORTING

Section 4.01. Operational Meetings. During the term of this Contract, the City, the Board and the Project Coordinator will maintain a committee comprised of the City, the Board, the Technical Services Provider and other local, state and national educational experts, which may include a representative from the University of Minnesota, the McCormick Foundation, the University of Chicago Consortium on Chicago School Research, Erikson Institute and other experts both nationally and statewide (the "*Steering Committee*") to highlight any concerns,

discuss trends and monitor progress of the CPS CPC Program. The Project Coordinator shall direct the Board to prepare and submit a quarterly report (except during the Initial Project Year, when the Board shall prepare and submit a monthly report) (the "*CPS CPC Program Services Report*") to the Steering Committee for the Steering Committee's review and discussion.

(a) The Steering Committee shall hold quarterly meetings (except during the Initial Project Year when such meetings shall be held monthly) (an "*Operational Meeting*") during the term of this Contract. Each Operational Meeting may be attended by the Evaluator. In addition, each Lender is entitled to have one representative attend meetings of the Steering Committee; *provided* that (i) such representative will not have the right to vote on any matter before the Steering Committee; and (ii) the Lenders or their representatives shall not attend any part of an Operational Meeting that addresses an identifiable individual CPC Funded Program Enrollee.

(b) As required under the Technical Services Agreement, the Technical Services Provider shall prepare and circulate the agenda for each Operational Meeting to the attendees at least two Business Days in advance of each meeting.

(c) As required under the Technical Services Agreement, the Technical Services Provider shall prepare and circulate minutes of all Operational Meetings within five Business Days after the meeting to all participants. Participants shall have five Business Days to comment on the draft minutes after which the minutes will be deemed approved.

(d) Any of the members of the Steering Committee may call for a special meeting of the Steering Committee upon two Business Days' prior written notice to discuss an urgent matter. The notice for the special meeting of the Steering Committee shall include the agenda and reason for the special meeting.

(e) All Operational Meetings may be held in person or by phone or similar communication medium.

ARTICLE V.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PROJECT COORDINATOR

Section 5.01. Organization, Good Standing and Qualification. The Project Coordinator represents and warrants that it is an Illinois limited liability company duly organized, validly existing and in good standing under the laws of the State of Illinois and has all requisite corporate power and authority to own, operate and lease its properties and assets, to carry on its business as currently conducted, and to enter into and perform its obligations under this Contract and to consummate the transactions contemplated hereby.

Section 5.02. Authorization; Enforceability. The Project Coordinator has all requisite corporate power and authority to enter into, execute and deliver this Contract and to perform its

obligations hereunder. The execution and delivery of this Contract, the performance of the obligations hereunder, and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Project Coordinator, and no other corporate proceedings or actions on the part of the Project Coordinator are necessary to authorize the execution and delivery of this Contract by the Project Coordinator and the consummation of the transactions contemplated hereby. This Contract has been duly and validly executed and delivered by the Project Coordinator and constitutes the valid and binding obligation of the Project Coordinator, enforceable in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights generally, or (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

Section 5.03. Non-Contravention. The execution and delivery of this Contract by the Project Coordinator does not, and the performance by the Project Coordinator of its obligations hereunder and the consummation of the transactions contemplated hereby shall not: (a) conflict with, result in any violation of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person or another party a right of termination, cancellation or acceleration of any obligation or result in a loss of a benefit or an increase in a cost or liability under: (i) any provision of the certificate of incorporation, bylaws or other applicable organizational documents of the Project Coordinator; (ii) any contract, lease, agreement or instrument by which the Project Coordinator is bound or to which the Project Coordinator's assets or properties are subject or (iii) any law or governmental order applicable to or binding on the Project Coordinator or any of the Project Coordinator's assets and properties (except in each of (i), (ii) or (iii), where such conflict, violation, default, termination, cancellation, acceleration or loss would not reasonably be expected to have a material adverse effect on the Project Coordinator or its ability to perform services under this Contract).

Section 5.04. Governmental Consents. No consent, approval, authorization, license, governmental order or permit of, or declaration, filing or registration with, or notification to, any governmental authority is required to be made or obtained, and no consent or approval of any other person is required to be obtained by the Project Coordinator in connection with the execution, delivery and performance of this Contract or the consummation of the transactions contemplated hereby.

Section 5.05. Compliance with Laws; Litigation. (a) To the knowledge of the Project Coordinator, the Project Coordinator is in material compliance with all applicable laws, including, without limitation, laws that are applicable to its properties and assets, the conduct of its operations and the performance of its services.

(b) There is no action of any nature pending or, to the knowledge of the Project Coordinator, threatened, relating to or affecting the Project Coordinator or any of its properties or assets, or that challenges or seeks to prevent, enjoin or delay the transactions contemplated in this Contract, nor, to the knowledge of the Project Coordinator, is there any reasonable basis therefor or any facts, threats, claims or allegations that would reasonably be expected to result in any such action.

(c) To the knowledge of the Project Coordinator, none of its current officers or directors has been convicted of, or pleaded guilty or entered a plea of no contest to, any felony.

Section 5.06. Financial Statements. (a) Prior to accepting any funds, the Project Coordinator will have in place systems and processes that are customary for a not-for-profit organization, which may include entering into an agreement with a third party to provide such services to the Project Coordinator, and that are designed to: (i) provide reasonable assurances regarding the reliability of its financial statements and (ii) in a timely manner accumulate and communicate to the Project Coordinator's principal executive officer and principal financial officer the type of information that is required to be disclosed in its financial statements.

(b) Neither the Project Coordinator, nor, to the knowledge of the Project Coordinator, any of its affiliates, employees, auditors, accountants or representatives has received or otherwise obtained knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the adequacy of such systems and processes or the accuracy or integrity of its financial and accounting systems. To the knowledge of the Project Coordinator, no employee has provided or threatened to provide information to any governmental authority regarding the commission of any crime or the violation of any law applicable to the Project Coordinator or any part of its operations.

Section 5.07. Use of Proceeds. The Project Coordinator will use the Pay-For-Success Payments in the manner specified in the Loan Agreements.

Section 5.08. Access to Information. The Project Coordinator shall and shall cause its officers, employees, auditors and agents to: (i) afford the officers, employees and authorized agents and representatives of the City, the Board and the Evaluator reasonable access, during normal business hours and upon a minimum of five Business Days' prior written notice, to its books and records directly related to this Contract and (ii) make available to such persons, the management, employees, officers, directors, accountants and auditors of the Project Coordinator as the City may from time-to-time reasonably request, during normal business hours and upon a minimum of five Business Days' prior written notice.

Section 5.09. Performance of the Evaluator. The Project Coordinator will be responsible for enforcing the provisions of its contract with the Evaluator, including ensuring the timing of the Evaluator's reports, analysis, and other obligations under this Contract, including the Evaluation Plan. Such enforcement rights shall include the termination and replacement of the Evaluator under its agreement for failure to comply with its obligations hereunder or thereunder. Any such replacement is subject to the consent of the Board, the City and the Lender Committee, such consent not to be unreasonably withheld. Notwithstanding anything to the contrary contained herein, the parties acknowledge and agree that in no event shall the Project Coordinator be held responsible for any failure of the Evaluator to perform its obligations under its contract(s) with the Project Coordinator, including the Evaluation Agreement or for the Evaluator's misconduct or negligence.

Section 5.10. Performance of the Technical Services Provider. The Project Coordinator will be responsible for enforcing the provisions of its contract with the Technical Services

Provider, including ensuring the timeliness and completeness of the Technical Services Provider's duties and obligations hereunder and under the Technical Services Provider's contract. Such enforcement rights shall include the termination and replacement of the Technical Services Provider under its agreement for failure to comply with its obligations hereunder or thereunder. Any such replacement is subject to the consent of the Board, the City and the Lender Committee, such consent not to be unreasonably withheld. Notwithstanding anything to the contrary contained herein, the Parties acknowledge and agree that in no event shall the Project Coordinator be held responsible for any failure of the Technical Services Provider to perform its obligations under its contracts with the Project Coordinator, including the Technical Services Agreement or for the Technical Services Provider's misconduct or negligence.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF THE CITY

Section 6.01. Organization. The City represents and warrants that it is a body politic and corporate under the laws of the State of Illinois and a home rule unit under Article VII of the Illinois Constitution of 1970 and, as such, may exercise any power and perform any function pertaining to its government and affairs including, without limitation, the power to regulate for the protection of the public health, safety, morals and welfare.

Section 6.02. Powers as to Contract and Pledge. The City is duly authorized under all applicable laws to enter into, execute and deliver this Contract. The execution and delivery of this Contract, the performance of the obligations hereunder, and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the City and no other proceedings or actions on the part of the City are necessary to authorize the execution and delivery of this Contract and the consummation of the transactions contemplated hereby. This Contract has been duly and validly executed and delivered by the City and constitutes a valid and binding obligation of the City, enforceable in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights generally, or (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies. The amounts deposited by the City into the City PFS Escrow Account in accordance with this Contract are and will be free and clear of any pledge, lien, charge or encumbrance with respect thereto prior to, or of equal rank with, the pledge created by this Contract. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the amounts under this Contract and all the rights of the Project Coordinator and its successors and permitted assigns under this Contract against all claims and demands of all persons whomsoever.

Section 6.03. Covenant as to City PFS Escrow Account. The City covenants and agrees that amounts deposited to the City PFS Escrow Account shall not be diverted from the purposes identified in this Contract except as provided herein.

Section 6.04. Non-Contravention; No Violation. Neither the adoption of the Ordinance and compliance with the provisions thereof nor the execution and delivery of and performance

by the City of its obligations under this Contract violate any applicable law or administrative regulation of the State of Illinois or the United States of America or any department, division, agency or instrumentality of either, or any applicable judgment or decree to which the City is subject, or conflicts in a material manner with, or constitutes a material breach of or a material default under, any loan agreement, bond, note, resolution, ordinance, indenture, agreement or other instrument to which the City is a party or is otherwise subject.

Section 6.05. Governmental Consents. No consent, approval, authorization, license, governmental order or permit of, or declaration, filing or registration with, or notification to, any governmental authority other than the Ordinance is required to be made or obtained, and no consent or approval of any other person is required to be obtained by the City in connection with the execution, delivery and performance of this Contract or the consummation of the transactions contemplated hereby.

Section 6.06. Litigation. There is no action of any nature pending or, to the knowledge of the City, threatened against, relating to or affecting the City or any of its properties or assets, or that challenges or seeks to prevent, enjoin or delay the transactions contemplated in this Contract, nor, to the knowledge of the City, is there any reasonable basis therefor or any facts, threats, claims or allegations that would reasonably be expected to result in any such action.

ARTICLE VII.

REMEDIES, POWERS AND OBLIGATIONS AND INDEMNIFICATION OF THE PROJECT COORDINATOR

Section 7.01. Timeliness of Pay-For-Success Payments. If the City fails to make any Pay-For-Success Payment required by this Contract when due, the Project Coordinator will provide notice to the City of such failure (and if the Project Coordinator fails to give such notice, the Lender Representative may give such notice to the City), and the City will have 30 days after the receipt of such notice to make such Pay-For-Success Payment (at the end of which period if the required Pay-For-Success Payment has not been made then the City will be deemed to be in breach of its obligations to make Pay-for-Success Payments under this Contract, subject to the limitations on obligations to make Board Pay-for-Success Payments set forth in Section 7.02 below).

Section 7.02. Remedies for Breach by the City. If the City is in breach of its obligations to make Pay-For-Success Payments under this Contract, then the Project Coordinator may proceed to protect its rights hereunder and may seek to compel compliance by the City with the terms and provisions hereof by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof, or in aid of the execution of any power herein granted, and may exercise any other right or remedy upon such breach as may be granted under any other applicable provisions of law. Nothing herein shall permit the Project Coordinator to compel the City Council of the City to include a City Project Year Appropriated Amount in any final budget or annual appropriation ordinance approved by the City Council for any year. Notwithstanding anything to the contrary contained herein, the parties acknowledge and agree that in no event shall the City be held responsible for any failure of the Board to perform its obligations or make

its required payments under the Intergovernmental Agreement with the City or for the Board's misconduct or negligence.

Section 7.03. Termination of the Project Coordinator Services. If the Project Coordinator fails to perform its obligations hereunder in any material respect and does not cure such failure within thirty days after having received written notice of such failure from the City, the City may terminate the Project Coordinator's participation under this Contract in accordance with the provisions of Section 7.11.

Section 7.04. Enforcement of Rights. The City may proceed to protect its rights hereunder and may seek to compel compliance by the Project Coordinator with the terms and provisions hereof by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof, or in aid of the execution of any power herein granted, and may exercise any other right or remedy upon such default as may be granted under any other applicable provisions of law.

Section 7.05. Powers of the Project Coordinator. The Project Coordinator is irrevocably authorized and empowered to (a) enter into and perform its obligations under this Contract, the other Core Documents, and any other agreement to which it may be a party in connection with the CPS CPC Program and (b) to act as set forth in this Contract or as requested by an unanimous act of the City, the Board, and the Lenders.

Section 7.06. No Implied Duties. The Project Coordinator shall not have any duties, responsibilities, or obligations other than those expressly assumed by it in this Contract and the other Core Documents to which it is a party. The Project Coordinator shall not be required to take any action that is contrary to applicable law or any provision of this Contract, or the other Core Documents to which it is a party or that may result in recourse liability to it or its parent.

Section 7.07. Appointment of Agents and Advisors. The Project Coordinator may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, accountants, appraisers, or other experts or advisors selected by it in good faith as it reasonably requires, *provided* that no such execution shall relieve the Project Coordinator from any responsibility that it would have had it executed such powers or duties directly.

Section 7.08. Solicitation of Instruction. (a) The Project Coordinator may at any time solicit written confirmatory instructions, in the form of a unanimous written instruction of the City, the Board and the Lenders (a "*Unanimous Act of the Program Parties*") or an order of a court of competent jurisdiction, as to any action that it is requested to take, or that it proposes to take, in the performance of any of its obligations under this Contract or any other Core Document that is not clearly provided for or as to which the Project Coordinator has reasonable doubt as to the terms of such obligation.

(b) No written direction given to the Project Coordinator by a Unanimous Act of the Program Parties that is not otherwise expressly provided for in this Contract or another Core Document and that in the reasonable judgment of the Project Coordinator imposes, purports to

impose, or would reasonably be expected to impose upon the Project Coordinator any obligation or liability not set forth in or arising under this Contract and the other Core Documents shall be binding upon the Project Coordinator unless the Project Coordinator elects, at its sole option, to accept such direction. The acceptance of such direction may be conditioned upon the delivery to the Project Coordinator of security or indemnity satisfactory to the Project Coordinator against any and all costs, losses, liabilities, or expenses that may be incurred by it by reason of taking or continuing to take such direction.

Section 7.09. Indemnification. The City further agrees to indemnify and save the Project Coordinator harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder that are not due to its negligence or default; provided, however, that any payments required for such indemnification are subject to funds being legally available therefor.

Section 7.10. Entitled to Rely. The Project Coordinator may seek and rely upon, and shall be fully protected in relying upon, any judicial order or judgment, any advice, opinion or statement of legal counsel, independent consultants, and other experts selected by it in good faith and upon any certification, instruction, notice, opinion, report, or other writing delivered to it by any transaction participant (including, without limitation, the Evaluator and the Technical Services Provider) in compliance with the provisions of this Contract, or any other Core Document, without being required to determine the authenticity thereof, the correctness of any fact stated therein, or the propriety or validity of service thereof.

Section 7.11. Resignation or Removal of the Project Coordinator. Subject to and effective only upon (i) the appointment of a successor Project Coordinator as provided in Section 7.12, (ii) the acceptance of such appointment by the successor Project Coordinator in a written instrument that is accepted by the City and the Board, (iii) the assumption by such successor Project Coordinator of the obligations of the Project Coordinator under the Loan Documents in a written assumption agreement and (iv) Approval of the Lender Committee:

(a) the Project Coordinator may resign at any time by giving not less than 45 days' notice of resignation to each of the Lenders, the Evaluator, the City and the Board, provided that such notice period may be waived by the Unanimous Act of the Program Parties; and

(b) the Project Coordinator may be removed at any time, with or without cause, by Unanimous Act of the Program Parties.

Section 7.12. Appointment of Successor to the Project Coordinator. Upon any such resignation or removal described in Section 7.11, a successor to the Project Coordinator may be appointed by a Unanimous Act of the Program Parties. If no successor to the Project Coordinator has been so appointed and accepted such appointment within 120 days after the predecessor Project Coordinator gave notice of resignation or was removed, the retiring Project Coordinator may petition any court of competent jurisdiction for appointment of a successor Project Coordinator. The Project Coordinator shall fulfill its obligations hereunder until a

successor Project Coordinator has accepted its appointment as the Project Coordinator and the provisions of Section 7.13 have been satisfied.

Section 7.13. Succession. When the person appointed as successor Project Coordinator accepts such appointment, such person shall succeed to and become vested with all the rights, powers, privileges, and duties of the predecessor Project Coordinator, and the predecessor Project Coordinator shall be discharged from its duties and obligations hereunder with respect to acts and omissions occurring after to the effective date of the Project Coordinator's resignation or removal. Thereafter the predecessor Project Coordinator shall continue to have such responsibility under this Contract and the other Core Documents as the predecessor Project Coordinator would have had if the Project Coordinator had not resigned or been removed but only with respect to acts or omissions occurring prior to the effective date of such resignation or removal.

ARTICLE VIII.

AMENDMENT; MISCELLANEOUS

Section 8.01. Amendment. This Contract may be amended by the Parties for any reason in writing, including, but, not limited to substitution of one or more of the appendices hereto, or to extend the term of this Contract with the approval of the Board (which approval shall not be unreasonably withheld), and, with respect to any amendments that could affect the amount or timing of the Pay-For-Success Payments, with the Approval of the Lender Committee. The Loan Agreements shall not be amended by the parties thereto without the prior written consent of the City and the Board.

Section 8.02. Successors and Assigns. Neither the Project Coordinator nor the City shall assign rights, duties and obligations under this Contract without the consent of the other Party hereto and the Lender Committee. The rights and obligations of the Project Coordinator and the City shall inure to and be binding upon their respective successors and assigns.

Section 8.03. Notices. Any request, authorization, direction, notice, consent, waiver or other document provided by this Contract shall be in writing and shall be deemed sufficiently given when mailed by registered or certified mail, postage prepaid, or sent by electronic mail, subject to recognition or delivered during business hours as follows:

To the City at:

City of Chicago
Department of Family and Support Services
1615 West Chicago Avenue, 5th Floor
Chicago, Illinois 60622
Attention: Commissioner

With a copy to:

City of Chicago Department of Law
121 North LaSalle Street, Room 600
Chicago, Illinois 60602
Attention: Finance and Economic Development Division

City of Chicago Department of Finance
121 North LaSalle Street, Room 700
Chicago, Illinois 60602
Attention: Chief Financial Officer

To the Project Coordinator at:

IFF Pay for Success I, LLC
1 North LaSalle Street, Suite 700
Chicago, Illinois 60602
Attention: Joe Neri, Chief Executive Officer

In the case of all notices, with a copy to the Lenders and the Board as follows:

To the Board at:

Board of Education of the City of Chicago
42 West Madison Street, 2nd Floor
Chicago, Illinois 60602
Attention: Chief Financial Officer

With a copy to:

Board of Education of the City of Chicago
1 North Dearborn Street, 9th Floor
Chicago, Illinois 60602
Attention: General Counsel

To the GSSIF Senior Lender at:

Goldman Sachs Social Investment Fund, L.P.
c/o Goldman Sachs Bank USA
Urban Investment Group
200 West Street
New York, New York 10282
Attention: Andrea Phillips

With a copy to:

Goldman Sachs Bank USA
Urban Investment Group
200 West Street
New York, New York 10282
Attention: Andrea Gift

And with a copy by electronic mail to: gs-uig-docs@gs.com

To the NT Senior Lender at:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60603
Attention: Deborah L. Kasemeyer,
Chief Community Reinvestment Act Officer
with a copy by electronic mail to: Dlk@ntrs.com

with a copy to:

Kirkland & Ellis, LLP
300 North LaSalle Street
Chicago, Illinois 60654
Attention: Maureen E. Sweeney, P.C.
with a copy by electronic mail to: maureen.sweeney@kirkland.com

To the Subordinate Lender at:

Pritzker Family Foundation
111 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Attention: Jen Levine
with a copy by electronic mail to: jbpritzker@pritzkergroup.com

with a copy to:

Kirkland & Ellis, LLP
300 North LaSalle Street
Chicago, Illinois 60654
Attention: Maureen E. Sweeney, P.C.
with a copy by electronic mail to: maureen.sweeney@kirkland.com

As to all of the foregoing, to such other address as the addressee shall have given in writing to the one giving notice. Notice hereunder may be waived prospectively or retroactively

by the Person entitled to the notice, but no waiver shall affect any notice requirement as to other Persons.

Section 8.04. Agreement Not for the Benefit of Other Parties. (a) Except as set forth in clause (b) of this Section 8.04, this Contract is not intended for the benefit of and shall not be construed to create rights in parties other than the City and the Project Coordinator.

(b) The City acknowledges that the Project Coordinator has collaterally assigned the right to payment set forth in this Contract to the Lenders (together with their successors and assigns, the "Assignees") as collateral for the obligations of the Project Coordinator to the Assignees, and the City hereby consents to such collateral assignment. The City agrees that no amendment to the payment provisions of this Contract and no consent or waiver to the payment provisions by the Project Coordinator hereunder shall be valid without the prior written consent of each Assignee. Each Assignee shall be a third party beneficiary of the payment provisions of this Contract and shall be entitled to rely upon and enforce the payment provisions hereof.

Section 8.05. Severability. In case any provision of this Contract shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, *provided* that the allocation of benefits and burdens under this Contract shall not thereby be materially altered.

Section 8.06. Counterparts. This Contract may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

Section 8.07. Captions. The captions and table of contents of this Contract are for convenience only and shall not affect the construction hereof.

Section 8.08. Governing Law. All issues concerning this Contract shall be governed by and construed in accordance with the laws of the State of Illinois without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Illinois.

Section 8.09. Waiver of Jury Trial. Each Party to this Contract hereby waives to the fullest extent permitted by law, any right to trial by jury of any claim, demand, action, or cause of action (A) arising under this Contract or (B) in any way connected with or related or incidental to the dealings of the Parties hereto in respect of this Contract or any of the transactions related hereto, in each case whether now existing or hereafter arising, and whether in Contract, tort, equity, or otherwise. To the extent permitted by law, each Party to this Contract hereby agrees and consents that any such claim, demand, action, or cause of action shall be decided by court trial without a jury and that the Parties to this Contract may file an original counterpart or a copy of this Contract with any court as written evidence of the consent of the Parties hereto to the waiver of their right to trial by jury.

Section 8.10. Merger; Entire Agreement. The parties understand and agree that their entire agreement with respect to the subject matter hereof is contained herein and in the other Core Documents and in the documents, exhibits, schedules and plans referenced herein or therein, attached hereto or thereto or entered into pursuant hereto or thereto. It is further understood and agreed that all prior understandings and agreements heretofore had between the parties are merged in this Contract and such other documents which alone fully and completely expresses their agreement and that the same is entered into after full investigation, neither party relying on any statement or representation not explicitly set forth in this Contract or such other documents.

Section 8.11. City Standard Contract Provisions. The City's Standard Contract Provisions attached hereto as *Appendix F* are deemed to be incorporated by reference into this Contract.

Section 8.12. Business Days. To the extent that any payment hereunder is due on a day that is not a Business Day, such payment shall be deemed to be due on the next Business Day.

IN WITNESS WHEREOF, the Parties have caused this Contract to be duly executed all as of the date first above written.

CITY OF CHICAGO

By: _____
Name: Evelyn Diaz
Commissioner, Department of
Family and Support Services

IFF PAY FOR SUCCESS I, LLC

By: _____
Name: Joe Neri
Title: Chief Executive Officer of
The Managing Member

SIGNATURE PAGE
(to the Pay for Success Contract)

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APPENDIX A

DEFINITIONS

In addition to the terms defined herein, each the following terms has the following meaning herein:

“Advance” shall mean a Project Year Initial Advance or a Project Year Subsequent Advance, as the context shall require.

“Approved by the Lender Committee” or “Approval of the Lender Committee” means that a proposed action or decision has been unanimously approved in advance by the members of the Lender Committee.

“At Grade Level” means reading at or above the 25th percentile of the PARCC test or, if another Third Grade Literacy Test is used, such other level as is determined by the City, the Board and the Evaluator with the Approval of the Lender Committee.

“Board” has the meaning set forth in the Recitals to the Pay For Success Agreement.

“Board Budgeted Pay-For-Success Funds” shall have the meaning ascribed thereto in the Intergovernmental Agreement.

“Board Budgeted Program Funds” shall have the meaning ascribed thereto in the Intergovernmental Agreement.

“Board Designated Account” means the account of the Project Coordinator with the Depository Bank to which the Board’s Pay-For-Success Payments due under the Intergovernmental Agreement are deposited that is subject to the control of the Lenders pursuant to the DACA.

“Board Pay-For-Success Payments” means the payments that the Board is required to make to the City pursuant to the Intergovernmental Agreement and that the City is required to deposit, or to direct the Board to deposit, in the Board Designated Account pursuant to the Pay For Success Agreement to repay a portion of the Loan Advances.

“Board Project Year Budgeted Amount” means the amount budgeted by the Board to fund the Project Year Program for the applicable Project Year.

“Business Day” shall mean any day other than a Saturday, Sunday or a public holiday, or the equivalent for banks generally under the laws of the State of New York or the State of Illinois.

“City” has the meaning set forth in the Preamble to the Pay For Success Agreement.

“City Designated Account” means the account of the Project Coordinator with the Depository Bank to which the City’s Pay-For-Success Payments are deposited that is subject to the control of the Lenders pursuant to the DACA.

“City Pay-For-Success Payments” means the payments that the City is required to deposit in the City Designated Account pursuant to the Pay For Success Agreement to repay a portion of the Loan Advances.

“City PFS Escrow Account” means the escrow account established by the City pursuant to the Pay-For-Success Escrow Agreement into which the City Project Year Appropriated Amount for each Project Year is deposited.

“City Project Year Appropriated Amount” means the amount appropriated by the City to make Kindergarten Readiness Payments and Third Grade Literacy Payments under the Pay For Success Contract for a Project Year Cohort.

“Contract” has the meaning set forth in the Recitals to the Pay For Success Agreement.

“Core Documents” means the Pay For Success Agreement, the Intergovernmental Agreement, the Loan Documents, the Evaluation Agreement and the Technical Services Agreement.

“Core Program Principles” means the principles of the CPS CPC Program attached to the Pay For Success Agreement as *Appendix E*.

“CPC” means the Child Parent Centers operated by the Board.

“CPS CPC Funded Program Enrollee” means a child who has received instruction pursuant to the CPS CPC Program that has been funded by the Project Coordinator using proceeds of funding provided by the Lenders.

“CPS CPC Funded Program Slot” means a slot or seat for a child or children to receive instruction pursuant to the CPS CPC Program that has been funded using the IFF Program Transfer Amounts.

“CPS CPC Program” means a program of preschool education provided by the Board in certain schools identified by the Board as serving at-risk children to increase school readiness and reduce later public school spending on special education, student retention, individual intervention and English language training.

“CPS CPC Program Population” has the meaning set forth in the Intergovernmental Agreement.

“CPS CPC Program Services” has the meaning set forth in the Intergovernmental Agreement.

“CPS CPC Program Services Report” means the report prepared by the Board and delivered to the Evaluator in the form agreed to by the Board and the Evaluator as set forth in the Evaluation Plan.

“Deposit Account Control Agreement(s)” or “DACA(s)” means the deposit account control agreement(s), dated as of the date hereof, by and among the Project Coordinator, the Depository Bank, the Senior Lenders and the Subordinate Lender.

“Depository Bank” means BMO Harris Bank, N.A., a national association, and the depository bank for the Designated Accounts.

“Designated Accounts” means the accounts of the Project Coordinator with the Depository Bank that are subject to the control of the Lenders pursuant to the DACA.

“Evaluation Agreement” means, for the Initial Project Year, the independent evaluator agreement, dated as of the date hereof, by and between the Evaluator and the Project Coordinator and, for any Subsequent Project Year (or for any period after the Evaluation Agreement for the Initial Project Year is terminated), the evaluation agreement entered into in accordance with Section 2.03 of the Pay For Success Agreement.

“Evaluation Plan” means the evaluation plan implemented by the Evaluator to validate the success of the CPS CPC Program and attached to the Pay For Success Agreement as *Appendix B* (as such evaluation plan may be amended from time to time with the approval of the City and the Board and the Approval of the Lender Committee).

“Evaluator” means, as of the date of any reference thereto, the party to the Evaluation Agreement providing evaluation services as contemplated by the Core Documents.

“Final Termination Date” has the meaning set forth in Section 1.01 of the Pay For Success Agreement.

“Funding Agreement(s)” means the Senior Loan Documents and the Subordinate Loan Documents, individually or collectively, as the context shall require.

“Funding Schedule” means the Initial Project Year Funding Schedule or a Subsequent Project Year Funding Schedule as the context shall require.

“GSSIF Senior Lender” means the Goldman Sachs Social Investment Fund, L.P., a Delaware limited partnership, and its successor and assigns.

“GSSIF Senior Loan” means the senior loan in the original principal amount of up to \$7.5 million provided by the GSSIF Senior Lender to the Project Coordinator pursuant to the GSSIF Senior Loan Agreement to finance the CPS CPC Program.

“GSSIF Senior Loan Agreement” means the senior loan agreement by and between the GSSIF Senior Lender and the Project Coordinator.

“GSSIF Senior Obligations” means all obligations and liabilities of the Project Coordinator to the GSSIF Senior Lender under the Senior Loan Documents.

“Head Teacher or Director” means an employee of the CPS who provides day to day support in the functioning of the CPS CPC Program.

“Historic Results” means CPS students’ results on the Third Grade Literacy Test over the past ten years from the date of the applicable Third Grade Literacy Test.

“IFF” means IFF, an Illinois not-for-profit corporation.

“IFF Program Transfer Amounts” means the amounts that the Project Coordinator is required to loan and transfer to the City for distribution to the Board pursuant to the Intergovernmental Agreement for each applicable Project Year to fund the provision of the CPS CPC Program to the Initial Project Year Cohort or the applicable Subsequent Project Year Cohort (but not in excess of the corresponding Project Draw Request submitted by the Board pursuant to the Intergovernmental Agreement).

“Initial Project Year” means the period from the date of execution and delivery of the Pay For Success Agreement through June 30, 2015.

“Initial Project Year Cohort” means 374 children.

“Initial Project Year Funding Schedule” means the schedule on which (subject to the applicable terms and conditions of the respective Loan Documents) each Lender will fund its Loan to the Project Coordinator during the Initial Project Year.

“Intercreditor and Subordination Agreement” means the intercreditor and subordination agreement, dated as of the date hereof, by and among the Lenders and the Project Coordinator.

“Intergovernmental Agreement” means the intergovernmental agreement, dated as of the date hereof, between the City and the Board.

“Kindergarten Readiness” has the meaning set forth in the Evaluation Plan.

“Kindergarten Readiness Payments” has the meaning set forth in Section 3.01 of the Pay For Success Agreement.

“Lender Committee” means a committee comprised of designees appointed by the Senior Lenders and the Subordinate Lender; *provided* that (i) from and after the date on which all obligations owed by the Project Coordinator to the GSSIF Senior Lender have been paid in full, the GSSIF Senior Lender shall no longer be entitled to appoint a designee to the Lender Committee, and (ii) from and after the date on which all obligations owed by the Project Coordinator to the NT Senior Lender have been paid in full, the NT Senior Lender shall no longer be entitled to appoint a designee to the Lender Committee.

“Lender Representative” means (i) so long as all obligations owed by the Project Coordinator to the GSSIF Senior Lender have not been paid in full, GSSIF, and (ii) after all obligations owed by the Project Coordinator to the GSSIF Senior Lender have been paid in full and so long as all obligations owed by the Project Coordinator to the NT Senior Lender have not been paid in full, the NT Senior Lender, and (iii) after all obligations owed by the Project Coordinator to the GSSIF Senior Lender and the NT Senior Lender have been paid in full and so long as all obligations owed by the Project Coordinator to the Subordinate Lender have not been paid in full, the Subordinate Lender.

“Lenders” means Senior Lenders and Subordinate Lender, individually or collectively, as the context shall require.

“Loan Advance” means each loan of funds, consisting of IFF Program Transfer Amounts, to the City by the Project Coordinator pursuant to the Pay For Success Agreement.

“Loan Agreements” means the GSSIF Senior Loan Agreement, the NT Senior Loan Agreement and/or the Subordinate Loan Agreement, individually or collectively, as the context shall require.

“Loan Documents” means the Senior Loan Documents and the Subordinate Loan Documents, individually or collectively, as the context shall require.

“Loans” means the Senior Loans and/or the Subordinate Loan individually or collectively, as the context shall require.

“MFS” means Metropolitan Family Services, an Illinois not-for-profit corporation.

“NT Senior Lender” means The Northern Trust Company, an Illinois banking corporation.

“NT Senior Loan” means the senior loan in the original principal amount of \$5.5 million provided by the NT Senior Lender to the Project Coordinator pursuant to the NT Senior Loan Agreement to finance the CPS CPC Program.

“NT Senior Loan Agreement” means the senior loan agreement by and between the NT Senior Lender and the Project Coordinator.

“Operational Meeting” has the meaning set forth in Section 4.01 of the Pay For Success Agreement.

“Ordinance” has the meaning set forth in the Recitals to the Pay For Success Agreement.

“Other Funding Sources” means sources of funding, including grants and charitable contributions, other than the Pay-For-Success Payments and the Loans.

“Parent Resource Teacher or PRT” means an employee of CPS who conducts daily parent workshops, and one on one conferences with parents to support parental engagement in the classroom, provide supports to families with community resources, and education to families on best practices with their children at home and in school.

“Pay For Success Agreement” means this Loan Agreement and Pay For Success Contract.

“Pay-For-Success Escrow Agreement” means the City of Chicago Pay-For-Success Escrow Agreement among the City, the Project Coordinator and _____, as escrow agent, pursuant to which the City PFS Escrow Account is maintained and amounts held therein are disbursed.

“Pay-For-Success Payments” means Board Pay-For-Success Payments and/or the City Pay-For-Success Payments, individually or collectively, as the context shall require.

“Performance Measures” has the meaning set forth in the Intergovernmental Agreement.

“Pledge and Security Agreement” means the pledge and security agreement, dated as of the date hereof, by and among the Project Coordinator on the one hand and the Senior Lenders on the other hand.

“Project Coordinator” has the meaning set forth in the Preamble to the Pay For Success Agreement.

“Project Draw Request” shall have the meaning set forth in the Intergovernmental Agreement.

“Project Year” means each successive 12-month period during the term commencing on the Project Year Initial Advance Date, with each Project Year corresponding to a Fiscal Year of the Board.

“Project Year Budget” for each Project Year shall mean the Board’s budget for such Project Year as Approved by the Lender Committee reflecting (i) the IFF Program Transfer Amounts for such Project Year and (ii) the Board’s costs of the administration of the Project Year Program for the applicable Project Year.

“Project Year Cohort” means the Initial Project Year Cohort or the Subsequent Project Year Cohort as the context shall require.

“Project Year Initial Advance Date” shall mean, for each Project Year, the date on which the Project Coordinator initially transfers IFF Program Transfer Amounts to the City for a particular Project Year Cohort.

“Project Year Program” means the program of the Project Coordinator’s funding of the CPS CPC Program for an applicable Project Year.

“Project Year Subsequent Advance Date” shall mean the date, subsequent to the Project Year Initial Advance Date, on which the Project Coordinator transfers IFF Program Transfer Amounts to the City for a particular Project Year Cohort.

“Project Year Supplement” means a supplement prepared by the Board, in consultation with the Technical Services Provider, and agreed to by the City, the Board and the Project Coordinator and Approved by the Lender Committee, with respect to each Subsequent Project Year to reflect for such Project Year (i) the Board Project Year Budgeted Amount, (ii) the City Project Year Appropriated Amount, (iii) the size of the Subsequent Year Project Cohort, (iv) the Project Year Budget including the IFF Program Transfer Amounts, (v) the “base case” level of Pay-For-Success Payments resulting from a change in the size of the Subsequent Project Year Cohort and (vi) any revisions to the Core Program Principles for the Subsequent Project Year.

“Promotional Material” has the meaning set forth on *Appendix D* to the Pay For Success Agreement.

“Rating Services” means the nationally recognized rating services, or any of them, that shall have assigned ratings to any of the Board’s long-term indebtedness as requested by or on behalf of the Board, and which ratings are then currently in effect.

“School-Community Representative” means an employee of CPS who serves as a direct liaison between the CPC Center and the community by monitoring students’ attendance and supporting the recruitment, application, registration and enrollment of students through community outreach, home visits, and coordinated efforts with the Collaborative Leadership team.

“Semi-Annual Period” means the semi-annual period ending June 30 or December 31, as applicable.

“Senior Lender(s)” means the GSSIF Senior Lender and/or the NT Senior Lender, individually or collectively, as the context shall require.

“Senior Lender Intercreditor Agreement” means the intercreditor agreement, dated as of the date hereof, by and between the GSSIF Senior Lender, the NT Senior Lender and the Project Coordinator.

“Senior Loan(s)” means the GSSIF Senior Loan and/or the NT Senior Loan, individually or collectively, as the context shall require.

“Senior Loan Document(s)” means the GSSIF Senior Loan Agreement, the NT Senior Loan Agreement, the Pledge and Security Agreement and the DACA, individually or collectively as the context shall require.

“SPED Payments” has the meaning set forth in Section 3.02 of the Pay For Success Agreement.

“Steering Committee” has the meaning set forth in Section 4.01 of the Pay For Success Agreement.

“Subordinate Lender” means the Pritzker Family Foundation, an Illinois not-for-profit corporation, and its successor and assigns.

“Subordinate Loan” means the subordinate social impact loan provided by the Subordinate Lender to the Project Coordinator pursuant to the Subordinate Loan Agreement to finance the CPS CPC Program.

“Subordinate Loan Agreement” means the loan agreement by and between the Subordinate Lender and the Project Coordinator.

“Subordinate Loan Documents” has the meaning ascribed to the term “Loan Documents” in the Subordinate Loan Agreement.

“Subsequent Project Year” means each Project Year subsequent to the Initial Project Year.

“Subsequent Project Year Cohort” means, for any Subsequent Project Year, such number of children set forth in the Project Year Supplement for such Subsequent Project Year Cohort.

“Subsequent Project Year Funding Schedule” means the schedule on which (subject to the applicable terms and conditions of the respective Loan Documents) each Lender will fund its Loan to the Project Coordinator during the applicable Subsequent Project Year.

“Success” has the meaning set forth in the Intergovernmental Agreement.

“Technical Services Agreement” means the technical services agreement, dated as of the date hereof, between the Project Coordinator and the Technical Services Provider.

“Technical Services Provider” means MFS or such other provider of the services contemplated by the Technical Services Agreement as is approved by the Board, the City, the Project Coordinator and the Lender Committee.

“Third Grade Literacy” has the meaning set forth in the Evaluation Plan.

“Third Grade Literacy Payments” has the meaning set forth in Section 3.01 of the Pay For Success Agreement.

“Third Grade Literacy Test” means the PARCC standardized test or such other national test that is equivalent to the PARCC standardized test and that is agreed upon by the City and the Board with the Approval of the Lender Committee.

“Unanimous Act of the Program Parties” has the meaning set forth in Section 7.08 of the Pay for Success Agreement.

APPENDIX B
EVALUATION PLAN

Chicago Child-Parent Center Social Impact Bond
Evaluation Plan

October 5th 2014

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VII. APPENDICES

INTRODUCTION AND STUDY OBJECTIVES

The purpose of this document is to describe the methodology to be used to evaluate the impact of the Child Parent Center (CPC) Social Impact Bond (SIB) expansion on three primary impact outcomes: Special Education Utilization, Kindergarten Readiness, and Third Grade Literacy. This document also describes additional research questions that the Evaluator will seek to explore in collaboration with CPS to help the CPCs improve their performance. This methodology will be developed in conjunction with CPS and other experts in the early education field.

Participants in the CPC program (the Treatment Group) will be compared to groups of matched comparison students who did not have a CPC experience through the use of a propensity score matching algorithm. One comparison group will consist of children who did not attend any form of CPS Pre-K (No Pre-K comparison group). Another group will consist of children who attended some other type of CPS pre-K program, such as Head Start or Pre-School for All (Other Pre-K comparison group).

Payments based on Special Education utilization for the SIB project will be calculated using the difference in outcomes between the Treatment group and the No Pre-K comparison group.

Payments based on Kindergarten Readiness and Third Grade literacy will be calculated using outcomes of the treatment group relative to national standards

The Other CPS Pre-K comparison group will be used for sensitivity analyses and for addressing other research questions not related to payment triggers.

For the purposes of calculating payments owed as part of the SIB transaction, impacts will be estimated using the total population of eligible students at SIB CPC sites, and then scaled to reflect the actual number of seats funded by the Lenders. We will adjust the scaling factors annually to reflect observed mobility trends.

The primary impact outcome questions are as follows:

1. What is the impact of the CPC program on the rate at which students need an IEP?
2. What is the impact of the CPC program on Kindergarten Readiness as defined by performance on the TS Gold instrument (completed by teachers at the end of preschool)?
3. What is the impact of the CPC program on Third Grade literacy as defined by performance on the CPS 3rd grade assessment?

In addition to these impact outcome questions, this evaluation will also seek to answer qualitative research questions that will help improve the performance of the program going forward unrelated to the Pay for Success calculations. These research questions will be developed more fully in conjunction with CPS and other experts in the early education field, and will only be pursued subject to additional external funding. The questions may include:

1. How do the primary impact outcomes vary by key subgroups, including gender, race, prior pre-school attendance, English language learner status, and potentially other subgroups?
2. How is the CPC program impacting attendance in Pre-K? How does attendance vary by site? How does attendance vary compare to other CPS Pre-K programs? Are there policies in place at specific sites that could be driving improved attendance?
3. How does the CPC program support a transition to Kindergarten? What sites are better at retaining children from Pre-K to K, both within their host school and within the entire district? Where do children who transfer within CPS go and why? Are there different impact outcomes for students who have less mobility?
4. How successful is the CPC program at improving social-emotional learning outcomes (defined by the social-emotional components of the TS Gold instrument) compared to children enrolled in other CPS pre-K programs?
5. How successful is the CPC model at engaging parents? What strategies are the most effective at encouraging parental engagement? What strategies appear to have the greatest impact on children's outcomes?

This document will serve as a template for how the evaluation will be conducted. The Evaluator will draft a final Evaluation Plan to be approved by CPS, the City, the Project Coordinator with Approval of the Lender Committee (such term being defined herein as such term is defined in the Loan Documents of the Lenders) using this document as a framework. No changes to payment terms or payment terminology will be made.

STUDY POPULATION

Eligible Population – Treatment Group

The Treatment Group in this study will consist of four-year-olds¹ who are attending Pre-K at any of the CPC SIB sites, in full day or half day programs, who at any point during the school year are eligible for the National School Lunch Program (NSLP).

¹ The intention is to identify children in the "age cycle four" year – the year prior to when they are planning to attend Kindergarten. At the time of the drafting of this document, this was defined by CPS as attaining age four on or before September 1st. This age identification protocol may be adapted as necessary to capture these children

In the first year of the program, the following sites will be considered CPC SIB sites:

- De Diego
- Melody
- Peck
- Thomas
- Wadsworth
- Hanson Park

In the second year of the program, two additional sites, identified by CPS and approved by the City, will be added to the list of CPC SIB sites in addition to the sites listed above. If SIB funding in future years is used to add classrooms at additional schools as part of this project, those schools can be considered CPC SIB sites as well. If SIB funding is removed from one of the above sites, that site will no longer be considered a CPC SIB site.

A child may enter the program based on CPS age eligibility criteria. For the 2014/15 school year, this entailed being age 4 as of September 1st.

All four-year-olds at CPC SIB sites, including children attending full-day classes, will be included in the treatment group, subject to the exclusions listed below.

In the first year of the program, we anticipate that 374 new slots for four-year-olds will be created through the SIB program. In the second year of the program, we anticipate that we will create an additional 408 new slots for four-year-olds in addition to maintaining funding for the original 374. In the third year of the program, we anticipate that we will maintain the 782 new slots that were created in years one and two. In the fourth year of the project, we expect to provide funding for at least 680 slots. Overall at CPC SIB sites, we anticipate that approximately 840 four-year-olds will be served per year once the program is operating at scale, with 782 of those positions funded by the SIB. The new slot amounts will be finalized prior to the launch of each new cohort.

Year 1 contingency for CPC Treatment Group

Due to the timing of the contracting, some of the new classrooms to be added in the 2014/15 school year will not be ready to serve children until the school year has already begun. Five of the Year 1 CPC SIB Sites where we will be adding additional classrooms (De Diego, Melody, Peck, Thomas, and Wadsworth) have been operating as a CPC for a year or more. As a result, they have an established leadership team, trained and experienced teachers, and fully outfitted classrooms.

To ensure that the children being tracked are receiving a sufficient dosage of the CPC program, for Year 1 only we will restrict the Treatment group eligibility to children who are enrolled in one of these five established CPC SIB sites, in a classroom that was already established as of September 2nd 2014 (the start of the 2014/15 school year). CPS will proceed with opening the new classrooms once all contractual issues have been resolved, but the children who are enrolled in those classrooms (including children at Hanson Park, the new CPC for Year 1) will not be included in the outcome calculations for the purposes of determining payments. This will allow CPS leeway to identify and train high quality teachers, and mitigate the risk that the outcomes (or underlying characteristics) of children who enroll in a CPC Pre-K after the start of the year are different from those of their peers who enrolled at the start of the year. The outcomes of these late-enrollees can be used as a unique sub-group, but will not factor into any calculations that determine payment amounts.

It is anticipated that the sample size of eligible four-year-olds in existing classrooms at existing CPC SIB sites will be at least 300 students. As with future analyses, when calculating payments this number will be scaled to reflect the actual number of slots funded by the Lenders as part of this initiative.

Eligible Population – No Pre-K Comparison Group

The No Pre-K Comparison Group in this study will be identified via a propensity score matching algorithm that pulls from a pool of eligible No Pre-K children districtwide. The pool of eligible No Pre-K children will include all children who meet the following criteria:

- Are enrolled in a CPS Kindergarten program, excluding:
 - Charter schools
 - Schools currently operating a CPC, as part of the SIB program or otherwise
 - Magnet and Selective Enrollment Schools
 - Schools that serve exclusively a special education population
- Are five years of age as of September 1st
- Did not attend a CPS Pre-K program in the school year prior to beginning Kindergarten
- Did not attend a Head Start program funded through the City of Chicago
- Are eligible for NSLP at any point during the school year

A child will be considered to have attended a Pre-K program if that child attended 10 days or more of a city funded pre-school program, or any days at any CPC site over the course of the school year. Days need not have been attended consecutively.

The No Pre-K Comparison group will be identified the year that their matched Treatment cohort begins Kindergarten to ensure that children within both groups are on the same age cycle.

Eligible Population – Other CPS Pre-K Comparison Group

The Other CPS Pre-K Comparison Group in this study will be identified via a propensity score matching algorithm that pulls from a pool of eligible children who attended other forms of CPS pre-K within the district. The pool of eligible Other CPS Pre-K children will include children who meet the following criteria:

- Are enrolled in a CPS Pre-K program, excluding:
 - Charter schools
 - Schools currently operating a CPC, as part of the SIB program or otherwise
 - Magnet and Selective Enrollment Schools
 - Schools that serve exclusively a special education population
- Are four years of age as of September 1st.
- Are eligible for NSLP at any point during the school year

The Other CPS Pre-K Comparison group will be identified the same year that their matched Treatment cohort begins pre-school to ensure that children within both groups are on the same age cycle. This group will only be identified subject to available external funding

Exclusions for payment calculations

The hypothesis is that the CPC program will have the biggest impact on children who are deemed at risk for poor school performance and achievement, but who lack a severe or significant disability. Without additional support, many of these children may end up being diagnosed with a mild learning disability, emotional disturbance, or developmental delay (including speech/language impairment). For these children, additional support in the classroom and at home can help ensure that they stay on track developmentally with their peers, avoiding the need for years of special education services.

The same impact is not expected for children with severe disabilities (identified in preschool or at a later date), and it is also not expected that a preschool intervention would meet the needs of the child without the benefit special education services, nor would that be appropriate or within the parameters of a child's right to a free and appropriate education. To ensure that children have access to the supports they need based on a clinical evaluation, if a child at any point during the course of the study is diagnosed with a severe disability, he or she will be removed from the study group during the year that the disability is added to the child's IEP onward. The preliminary list of severe disabilities, with input from the Independent Evaluator, may be as follows:

- autism
- deaf-blindness
- deafness
- hearing impairment
- orthopedic impairment
- other health impairment

- traumatic brain injury
- visual impairment
- multiply disabled²
- intellectual disability
- students placed into self-contained classrooms for children with special needs

This list may be adapted at the discretion of the Evaluator with approval from CPS, the City, the Project Coordinator, and the Approval of the Lender Committee.

RECRUITMENT PROCEEDURES

Children are identified for enrollment under the *Chicago: Ready to Learn!* application process. A timeline of application, placement, registration, and enrollment of children for the 2014/15 school year is provided below; this will also serve as an illustrative plan for how the process will occur in future years:

	Action	Description
April and June 2014	<i>Chicago: Ready to Learn!</i> Application Rounds 1 & 2	Parents obtain information about potential programs through chicagoearlylearning.org , cps.edu/readytolearn and the Chicago: Ready to Learn! hotline. Parents apply at application centers across the city for preschool under two application rounds. ³ The first round is held during the month of March - April and the second round is held during the month of May-June. Parents can choose up to three schools.
May and July/August 2014	Placement	Parents are offered a placement in a school and/or are placed on a waiting list. Children placed in a preschool program or on a waiting list are put into schools' Program Management in

² Intended to represent students with multiple severe disabilities

³ For a complete list of application centers, see http://cps.edu/Schools/EarlyChildhood/Documents/ApplicationSites_SY14_15.pdf or <http://cps.edu/readytolearn>. Every CPC also is capable of accepting applications directly.

		the CPS SIM IMPACT system.
June through September 2014	Registration	<p>Parents accept or decline placement.</p> <p>Schools notify parents of registration dates and times.</p> <p>Schools indicate parents' acceptance or decline of placement in Program Management and move registered children into the classroom Homerooms for IMPACT.</p> <p>Teachers complete the registration packet with families for all new students.</p> <p>Clerks enter identifying additional information into the IMPACT system.</p>
September 2014	Enrollment	Children are enrolled upon attendance on the first day of school.
September 2014 onward	Rolling enrollment	<p>Schools continue to enroll students throughout the school year as slots open up due to attrition, new funding, etc. Staff conduct additional outreach in communities with lower than expected enrollment to help fill all the slots. This includes additional ad spots, flyers, and community events.</p> <p>These children will only be included for evaluation purposes if they meet the dosage and eligibility requirements outlined in this document.</p>

INTERVENTION AND OUTCOMES

Defining the Intervention

The CPC SIB intervention will provide one year of half-day CPC Pre-K to four-year-olds at CPC SIB sites. The key components of the CPC model are as follows:

Effective Learning Experiences

- Offer Pre-K classes that are limited to 34 children for half-day classrooms (two sessions of 17 children each) and have a minimum of 2 teaching staff. Full day classrooms, if available, will be limited to 20 children per session.
- Provide highly qualified educational staff that will provide the classroom instruction and parent engagement activities. For example, classroom teachers are certified with a bachelor's degree (or higher). Overall, program staff must adhere to the requirements set forth by the CPS Talent office, in accordance with collective bargaining unit agreements, and state regulations. Any changes in CPS education and certification requirements will be complied with.
- Use data to drive instruction by effectively documenting the organization and implementation of instructional practices to monitor quality and adherence to the Program, which is completed by all Program staff where appropriate.
- Program staff meet with parents over the course of each school year to review their child's progress and discuss parent program opportunities with the Parent Resource Teacher (PRT).

Aligned Curriculum

- Implement a CPS District curriculum and formative assessment that is aligned to standards, domains of learning, assessments, and learning activities.
- Collaborate with the PRT and classroom teachers to ensure that opportunities to engage families in student learning are available, appropriate and aligned to the program and parents' needs.
- CPS and, most specifically, the Office of Early Childhood Education provides meaningful professional development and ongoing coaching and feedback for teachers, aides, and other staff members that facilitates high-quality instructional practices.

Parent Involvement and Engagement

- Engage a PRT and School-Community Representative (SCR) to work closely with the Head Teacher and Liaisons to maintain a consistently supportive parent program.
- Encourage parents to sign a CPC school-home agreement at the start of the school year outlining a plan for fostering learning at home and participating in CPC activities.
- Offer and engage families in monthly activities. PRTs create and distribute a monthly parent involvement calendar, and conduct parent/teacher conferences over the year to review progress in the parent program.
- Provide a resource room dedicated to parent and family activities through Kindergarten when possible.
- Provide culturally responsive learning opportunities for families that provide flexibility for families' needs and schedules.

Collaborative Leadership Team

- Engage a Program leadership team that includes the Head Teacher, Parent Resource Teacher, and School-Community Representative.
- Meet regularly, under the direction of the Principal to discuss operations and best practices within the CPC.
- Meet regularly, under the direction of the OECE Management Team, with staff from across sites to share challenges, experiences, and best practices and makes frequent on-site visits to monitor quality and effectiveness to the Program.
- Establish meaningful partnerships with community providers to strengthen service delivery and enlist local universities in training opportunities.

Continuity and Stability

- CPC Pre-K classrooms are co-located in the same building as Kindergarten classrooms, when possible, to promote familiarity and integration for students as they transition to Kindergarten.
- Provide a structure of communication, planning, and joint activities, under the direction of the principal, Leadership team and OECE Management Team, from Pre-K through the primary grades.
Provide a part-time Kindergarten aide when funding is available to support the transition into Kindergarten.

Professional Development System

- Offer ongoing professional development opportunities on current trends and needs in early childhood education classrooms, through the Office of Early Childhood Education and the CPC leadership teams, including topics such as quality curriculum and instruction, data driven instruction, learning environment, social and emotional needs, and parent engagement.
- Meet regularly and create professional learning communities to review ways to support their instruction in the classroom and with other teachers.

Defining Sufficient Dosage

Enrollment and attendance fluctuate throughout the year, with substantial changes during the early weeks of the school year. As a result, some of the children who start the year in a given classroom may not be the same children who end the year in that classroom. This may be due to a variety of reasons such as mobility, a change in parents' schedules/ability to bring their children to school, or admission to a closer/more desirable program off of a waitlist later in the school year.

To ensure that CPC SIB children and families are receiving a minimum sufficient dosage of the CPC program, we will restrict analyses to children who attend a certain minimum cutoff of days. The Evaluator will examine historical data from CPS and other districts to determine trends in

attendance and identify a cutoff that sufficiently indicates that a child has received enough of the program for us to expect to see an impact. We are temporarily placing this cutoff at 66% of school days in a given school year; children who attended fewer than 66% of days during their Pre-K year will be omitted from the primary analyses.

The Evaluator may add additional criteria based on an analysis of enrollment and attendance data with the approval of CPS, the City, and the Project Coordinator and Approval of the Lender Committee.

Similarly, for the No Pre-K Comparison group, we will limit the primary analysis sample to eligible No Pre-K children who attend at least 66% of school days in a given school year. If a child at any point during the Kindergarten year attends a school operating a CPC program, that child will be omitted from primary analyses.

Defining Primary Impact Outcomes

Special Education Utilization

The primary Special Education utilization outcome will be defined as a binary indicator of whether or not a student has a CPS-issued Individualized Education Plan (IEP) in a given year. This will be a data point provided as part of the regular data collection points by CPS. As described above, if a student has a diagnosis on his or her IEP of a severe disability, that student will be removed from the study pool for the primary analyses. This indicator will be collected annually every year Kindergarten through 6th grade.

Kindergarten Readiness

CPS uses the Teaching Strategies Gold (TS Gold) instrument in all their Pre-K classrooms to track the development of children. Based on teacher observations, TS Gold measures the progress of children in domains such as socio-emotional, physical, language, literacy, and cognitive development.

The TS Gold instrument is utilized nationally in Head Start programs and some publicly-funded preschool programs. The primary outcome metric for Kindergarten Readiness will be the share of children which are performing at or above the national trends across at least five out of the following six domains: Literacy, Language, Math, Cognitive Development, Socio-Emotional, Physical health.

Third Grade Literacy

Currently, CPS is planning to adopt the PARCC standardized exam. Treatment group children will be measured relative to national percentile rankings on this test or the accepted District assessment administered for 3rd grade. In following with Lesnick et al (2010)⁴, every child

⁴ See http://www.chapinhall.org/sites/default/files/Reading_on_Grade_Level_111710.pdf

reading at or above the 25th percentile on the English Language Arts/Literacy portion of the spring sitting of the PARCC test will be deemed to be reading at grade level. Any child reading at or above the 75th percentile nationally will be deemed to be reading above grade level. Any child reading below the 25th percentile will be deemed to be reading below grade level.

At the time of drafting this analysis, the PARCC test has yet to be officially implemented in CPS schools. Given the uncertainty of performance on this test and how its outcomes will compare to past tests taken by CPS students, the evaluator may suggest amendments to the definition of reading “on grade level” that could include utilizing a different test or metric. Any modifications must be made prior to the first cohort starting Third Grade, and must be approved by CPS, the City, the Project Coordinator, and Approved by the Lender Committee.

Defining Performance Improvement Questions

The details of these questions will be developed in conjunction with CPS and other partners over the 2014/15 school year. These analyses will be specified in full prior to the start of any data collection or analyses. These analyses will not affect the methodology or results of the primary impact outcomes, and will only be pursued subject to additional philanthropic or other funding.

DATA COLLECTION

Student data

Student data will be provided to the Evaluator by CPS. Pursuant to the data sharing agreement⁵, CPS will strip sensitive individual identifiers and replace them with an anonymous student ID. The key variables CPS will provide are:

- Student ID
- CPS School ID of school currently enrolled in
- Date of Birth (or birth month & year)
- Days attended to date
- IEP status
- IEP diagnoses
- Reported race
- Reported ethnicity
- Free/reduced price lunch eligibility
- ZIP code of residence
- Fall and Spring TS Gold scores (if applicable)
- Any available variables on parental education
- Other variables deemed appropriate by the Evaluator and CPS for the purposes of creating a better propensity score match

⁵ This data sharing agreement will be included as an appendix to this plan pending negotiation and drafting between CPS and the Evaluator.

Data will be collected on an annual basis on the based on the last school day in June which is reported for accuracy in the beginning of July. This may be adjusted based on discussions between the Evaluator and CPS to reflect the earliest date that all the necessary data would be available.

Neighborhood data

The Evaluator will pull neighborhood data from publicly available census data, such as the American Community Survey 5-year averages, which break out characteristics by zip code.

Neighborhood data include:

- Neighborhood % of population in poverty
- Neighborhood % of population that are single mothers
- Neighborhood % of population that is Black
- Neighborhood % of population that is Hispanic
- Neighborhood % of population employed
- Neighborhood crime statistics
- Neighborhood health indicators⁶

The Evaluator will update the neighborhood data file when creating a new cohort of matched groups.

School data

Data on school level characteristics will be provided by CPS, including:

- CPS School ID
- Total student body population
- % Free/RP lunch
- % Black
- % Hispanic
- School-wide attendance rate from the 2013/14 school year
- School Rating (Levels 1, 2, or 3) from the 2013/14 school year⁷

These data, except for attendance and the school rating, will be updated annually. Attendance and rating data from SY2013/14 (or the closest assessment prior to SY2013/14) will remain fixed to reflect the fact that the presence of a CPC may improve attendance and the school rating over time, which could affect the matching algorithm for later cohorts. The Evaluator may adjust this protocol if extraneous events such as school closures, new leadership, or expansive new programs are added at individual schools or system wide that could contribute to imbalanced matches.

Data Security

⁶ Crime stats and health indicators subject to availability of data. It may be possible to pull data from a Chapin Hall neighborhood analysis. These covariates may be omitted if it proves too difficult or costly to obtain them.

⁷ All these data are publicly available online at http://www.cps.edu/schools/find_a_school/pages/findaschool.aspx. School rating is based on the CPS Performance Policy which is used to rate CPS schools. A Level 1 rating is "excellent", a Level 2 rating is "good" and a Level 3 rating is "low".

A data sharing agreement between CPS and the Independent Evaluator will define the parameters for sharing data required under this agreement.

STUDY DESIGN & OVERVIEW OF ANALYSES

Propensity score Matching Protocol

Comparison group students will be selected using a propensity score matching technique. Individuals from the treatment group will be matched to up to two individuals from the No Pre-K Comparison group and up to two individuals from the Other CPS Pre-K Comparison group. Matching will be conducted with replacement to allow comparison individuals to be matched more than once.

To create the Treatment Group in school year t , the Evaluator will receive the data collected on the last day of June of school year t from CPS of all four-year-olds who attended a SIB CPC in school year t up to the date of the data collection. The data collected and shared will contain all the student data elements listed above. After screening for eligibility as described above and removing ineligible students from the sample, the Evaluator will use students' ZIP codes to merge on neighborhood data, and students' school IDs to merge on school characteristics. Neighborhood data will be collected from a reliable source such as Chapin Hall. This will create a de-identified student-level file that contains student-level characteristics, characteristics of that student's neighborhood of residence, and characteristics of that student's school.

To create the No CPS Pre-K pool to be used for matching to the Treatment cohort in school year t , the Evaluator will receive a data dump on the last day of June of school year $t+1$ from CPS of all five or six-year-olds who attended a CPS Kindergarten in school year $t+1$ up to the date of the data dump. The data dump will contain all the student data elements listed above. After screening for eligibility as described above and removing ineligible students from the sample, the Evaluator will use ZIP code data to merge on neighborhood data, and school ID data to merge on school characteristics.

To create the Other CPS Pre-K pool to be used for matching to the Treatment cohort in school year t , the Evaluator will receive a data dump on the last day of June of school year t from CPS of all four-year olds who attended a CPS Pre-K program other than CPC in school year t up to the date of the data dump. The data dump will contain all the student data elements listed above. After screening for eligibility as described above and removing ineligible students from the sample, the Evaluator will use ZIP code data to merge on neighborhood data, and school ID data to merge on school characteristics.

To create the matched No Pre-K Comparison group, the Evaluator will append the Treatment Group dataset and the No Pre-K Comparison pool dataset, creating an indicator to identify which children are members of the Treatment group. The Evaluator will then run a probit model using the treatment indicator as the dependent variable and the following variables as independent variables:

- Race binary indicators
- Ethnicity binary indicators

- Gender (“Male” binary indicator)
- Parental education (subject to availability)
- Language spoken at home binaries
- Neighborhood % poverty
- Neighborhood % single mothers
- Neighborhood % by race
- Neighborhood % by ethnicity
- Neighborhood % employed
- Neighborhood crime rates (subject to availability)
- Neighborhood health indicators (subject to availability)
- Total student population of school currently attending
- % Free/RP lunch at school currently attending
- Racial composition of school currently attending
- Ethnicity composition of school currently attending
- School-wide attendance rate from the 2013/14 school year
- School Rating binaries from the 2013/14 school year

Using the results of this model, the Evaluator will predict a propensity score based on a student’s observed characteristics. This score effectively represents the likelihood that a child, given his individual, neighborhood, and school level characteristics, would be in the Treatment group.

The Evaluator will use a nearest-neighbor matching algorithm⁸ to identify the two closest matches based on propensity score for each Treatment group observation, with replacement.

Individuals from either the Treatment group or Comparison pool who are not matched will be dropped.

The remaining students from the Comparison pool who were matched will become the No Pre-K Comparison group for the remainder of the study. Comparison group students will receive a frequency weight equal to the number of times they were matched. Note that as a result, the Comparison group should contain approximately two times as many unique individuals as the Treatment group.

The same protocol will be used to identify the Other CPS Pre-K Comparison group, replacing the No CPS Pre-K Comparison pool with the Other CPS Pre-K Comparison pool.

A unique set of comparison groups will be created for each Treatment cohort (see Appendix for a cohort timing chart).

Checking for covariate balance between groups

Once the comparison groups have been identified, the Evaluator will check for balance between the groups across matching demographics. The Evaluator will choose appropriate methods to check for balance, including but not limited to normalized differences and t-tests of mean values of covariates between groups. If the Evaluator determines that there is imbalance in covariates

⁸ By way of example, see “nnmatch” stata command

between groups, the Evaluator may choose to pursue a Matching Methodology Remedy as described below. The decision to pursue a remedy will be at the discretion of the Evaluator, taking into account the fact that with many matching variables and a p-value cutoff of .05, approximately 1 in 20 variables could have a statistically significant difference by random chance alone. The evaluator will consider the magnitude of the difference and the relative importance of the unbalanced variable(s) in question, placing particular attention to the individual-level race and gender indicators, the home language indicators, the neighborhood poverty indicators, and the school rating indicators.

Matching Methodology Remedies

In the event that the Evaluator deems that the propensity score matching algorithm has produced an inadequate match, the Evaluator may make modifications to the matching methodology. This could include introducing a caliper to ensure that certain variables are matched to within a narrow range (or matched exactly), adding or subtracting additional covariates, increasing or decreasing the number of matches, or other techniques deemed rigorous and appropriate by the Evaluator.

The Evaluator may also explore utilizing a set of comparison schools to limit the comparison pool. In this methodology, the Evaluator would identify a set of comparison schools that match the SIB CPC sites, identifying one to three schools for each site. The Evaluator would use a similar propensity score matching protocol, using school level characteristics, to identify these schools. From those comparison schools, the Evaluator would then perform a student-level propensity score match using a comparable methodology to the one described above. The Evaluator will then check for covariate balance to see if this produces better match results.

Once the Evaluator identifies a suitable comparison group that they deem to be well-matched on covariates, the Evaluator will present the match results, describing any changes that were made to the matching algorithm, which must be approved by CPS, the City, the Project Coordinator and Approved by the Lender Committee. The Evaluator should endeavor to use a similar matching protocol from year to year.

Calculating mobility factor

The theory behind the financing component of the SIB project is that providing the upfront intervention of high quality Pre-K can produce savings to CPS downstream through reduced Special Education utilization among the students served. For CPS to realize these savings, however, those students must remain in the CPS school district. If a student leaves the district, CPS would realize no savings from the fact that the intervention may have helped that that student catch up to his peers and prevented him from acquiring an IEP.

As a result, the Evaluator will calculate a Mobility Factor for each cohort that will represent the share of the original cohort that is still enrolled in a CPS school in a given year. This will be used to adjust the payment amounts to better reflect savings realized by CPS.

To calculate mobility, every year Kindergarten through 6th grade the Evaluator will determine what share of the original children in a given group from the first year of observation are still

enrolled in any CPS school. To do this, every year the Evaluator will send CPS a list of all the student IDs of the original group. CPS will match these IDs to their current enrollment database to determine which students were enrolled in a CPS school at any point in that school year. CPS will then return a dataset to the Evaluator indicating which student IDs are enrolled in a CPS school that year. The Mobility Factor will be defined as:

$$1 - \frac{\# \text{ of original students currently enrolled in any CPS school}}{\# \text{ of students originally enrolled in the group}}$$

By way of example, assume 500 Treatment group students were identified for the 2014/15 cohort. In SY2015/16, the Evaluator sends a list of these student IDs to CPS, who informs the evaluator that 460 of them are still enrolled at a CPS school. The cumulative mobility for that year would be $1 - 460/500 = .08$. In SY2016/17, the Evaluator sends the original list of student IDs to CPS again, who informs the evaluator that 440 of them are still enrolled at a CPS school. The cumulative mobility for SY2016/17 would be $1 - 440/500 = .12$.

For grades 7th through 12th, the Evaluator will impute a marginal mobility rate by averaging the incremental annual increase in the Mobility Factor over the last three years.⁹ Every year, the Evaluator will impute a new Mobility Factor based on the average imputed marginal mobility rate. See Appendix B for a full example using hypothetical data.

Calculating effect size for Special Education utilization

To calculate the impact on Special Education utilization, the Evaluator will calculate the Average Effect Size per Person, which will then be scaled to reflect the number of seats funded by the Lenders for the purposes of calculating payments. This will allow the Evaluator to utilize all the data available, increasing sample sizes and precision of estimates.

To calculate this, the Evaluator will use the following equation:

$$AESPi,t = SPEDC,i,t - SPEDT,i,t$$

where $AESP_{i,t}$ is the Average Effect Size per Person for cohort i in year t , $SPED_{C,i,t}$ is equal to the average of a binary indicator of Special Education utilization among the No CPS Pre-K Comparison group for cohort i in year t and $SPED_{T,i,t}$ is the average of a binary indicator of Special Education utilization among the Treatment group for cohort i in year t . At the discretion of the Evaluator and with approval from CPS, the City, the Project Coordinator, and the Approval of the Lender Committee, the Evaluator may regression-adjust this estimate to help account for any differences in covariates between the Treatment group and the Comparison group.

⁹ The Evaluator may revise the methodology for averaging the mobility rate if they determine that the current methodology includes a grade breakpoint year that could result in abnormally high mobility out of the district. This methodology must be finalized before the first cohort reaches 6th grade.

Special Education outcomes will be calculated annually every year Kindergarten through 6th grade. Outcomes will be calculated separately for each cohort. Based on conversations with special education experts and reviewing existing CPS data, we believe that the vast majority of children who have a disability will be identified by the end of 6th grade. As a result, after the 6th grade effect size has been calculated, we will average the effect size over the last three years (4th, 5th and 6th grades) and lock in that average rate for the purposes of calculating payments in grades 7th through 12th. This lock-in rate will be calculated separately for each Treatment cohort. The Evaluator may propose changes to this lock-in methodology in the event that the Evaluator determines that this methodology produces skewed results. Any modifications must be approved by CPS, the City, the Project Coordinator, and Approved by the Lender Committee.

Calculating payments for Special Education utilization

To determine the size of Special Education payments owed in a given year for a given treatment group cohort, the Evaluator will multiply the Special Education Average Effect Size per Person for such cohort by the base cohort size multiplied by the 1 minus the cumulative mobility rate for that year. This will determine the Total Number of Special Education Slots Avoided for a given cohort in a given year:

$$\text{Total Number of Special Education Slots Avoided} = AESP_{i,t} * BCS_i * (1 - MF_{i,t})$$

where $AESP_{i,t}$ is the Average Effect Size per Person for cohort i in year t , BCS_i is the base cohort size for cohort i , and $MF_{i,t}$ is the cumulative mobility rate for cohort i in year t .

The base cohort sizes are based on the number of seats actually funded by investors. It is anticipated that the base cohort sizes will be as follows¹⁰:

Cohort Year	Base Cohort Size
2014/15	374
2015/16	782
2016/17	782
2017/18	680

The Total Number of Special Education Slots Avoided will then be multiplied by the Annual Savings Rate to determine the Special Education Payments owed for a given cohort in a given year. Negative payments will be rounded to zero. The Annual Savings Rate starts at a base of \$9,100 in 2015 and grows 1% annually. The table below provides the rates through 2030:

Year	Savings Rate
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¹⁰ Note that actual sample sizes used for calculating effect sizes may be larger or smaller than the number of seats funded.

2015	\$9,100
2016	\$9,191
2017	\$9,283
2018	\$9,376
2019	\$9,469
2020	\$9,564
2021	\$9,660
2022	\$9,756
2023	\$9,854
2024	\$9,953
2025	\$10,052
2026	\$10,153
2027	\$10,254
2028	\$10,357
2029	\$10,460
2030	\$10,565

If applicable, the Special Education Payments from each cohort will be summed to produce the Total Special Education Payment owed by CPS for that year. These calculations will be reported to the Project Coordinator for the purposes of triggering payments to the Project Coordinator to be used to repay the lenders.

Payments for Special Education will be made every year K – 12th for each Treatment cohort.

Calculating effect size for Kindergarten Readiness

As part of the annual data pull, the Evaluator will receive spring TS Gold scores for Treatment group students. TS Gold regularly publishes a set of averages that reflect how children have scored nationally on TS Gold assessment sub-categories, broken out by the time of the test and the age in months of the child. Students will be classified as “meeting the national norms” for a sub-category if they score at or above the national mean spring score for that category for children in their age band.¹¹ The Evaluator will use the most up to date tables available.

Every child who scores at or above the national norm on at least five of the six subcategories in spring of their four-year-old pre-school year will be deemed “Kindergarten Ready.” To calculate the Kindergarten Readiness payment, the Evaluator will calculate the share of the Treatment group students deemed Kindergarten Ready. The Evaluator will then multiply this number by the base cohort size, multiplied by cumulative mobility from the Kindergarten year of a given cohort. This will determine the Total Number of Kindergarten Ready Children for a given cohort. The Evaluator will then multiply this number by the payment rate of \$2,900 to determine the total Kindergarten Readiness payments owed by the City for that cohort.

¹¹ See tables 5-14 of <https://www.k12.wa.us/assessment/pubdocs/GOLDTechnicalManual2ndEditionLambert2.pdf> for a list of the score thresholds.

Calculating effect size for Third Grade Literacy

CPS is currently transitioning to the PARCC exam. As a result, the exact methodology for calculating Third Grade Literacy may have to be adapted pending observation of how the test is being administered, scored, etc. In particular, in the event that data suggests that fewer than 50% of students are scoring above the 25th percentile, the Evaluator will propose a new protocol or test for determining Third Grade Literacy that better captures the performance of students. The Evaluator will propose a final protocol for approval by CPS, the City, and the Project Coordinator with Approval of the Lender Committee prior to the start of the 2018/19 school year – the year the first cohort begins 3rd grade. A draft protocol is below:

As part of the annual data pull, the Evaluator will receive 3rd grade spring PARCC scores for Treatment group students. The PARCC test is administered nationally, and as a result the outcomes of Treatment students can be compared to national averages. Students will be classified as “reading at or above grade level” if they score at or above the 25th percentile on the English Language Arts/Literacy portions of the PARCC exam.

To calculate the Third Grade Literacy payment, the Evaluator will calculate the share of the Treatment group students deemed to be reading “at or above grade level”. The Evaluator will then multiply this number by the base cohort size, multiplied by cumulative mobility from the Third Grade year of a given cohort. This will determine the Total Number of Third Grade Children Reading at Grade Level for a given cohort. The Evaluator will then multiply this number by the payment rate of \$750 to determine the total Third Grade Literacy payments owed by the City for that cohort.

Investigating Highly Unexpected Outcomes

The results of this evaluation will govern the flow of millions of dollars of payments. While it is the full intention of all parties to accept the results of the evaluation, in the event that a highly irregular outcome is achieved, a mechanism must be in place to validate the findings and confirm that they are due to the impact of the program, and not a flaw in the analysis or evaluation design. The Evaluator will have complete discretion to decide if and when a validation of the findings may be necessary, but the following events will serve as guiding principles that could suggest that a validation may be warranted:

- The difference in Special Education Utilization rates between the Treatment group and No Pre-K comparison group is negative or not statistically different from zero (p-value <.05) for any cohort in any year after Kindergarten
- The No Pre-K comparison group Special Education Utilization rate is more than 2.5 times the Treatment group Special Education Utilization rate for any cohort in any year after Kindergarten
- An irregular pattern from one year to the next in Special Education utilization for a given group, defined as utilization shrinking by more than two percentage points for a given group, or increasing by more than seven percentage points
- A larger impact observed when comparing a Treatment group cohort to its corresponding Other CPS Pre-K Comparison group any year after 1st grade.

The Evaluator will determine the appropriate techniques and mechanisms to employ to confirm the cause of the irregularity, which could include handchecking code, checking for continued balance in the treatment and comparison groups, and looking for policy changes within specific schools or system-wide that could have affected outcomes.

If the Evaluator finds a mechanical error, the results will be recalculated using the correction. If the Evaluator finds a methodological flaw, the Evaluator may propose a remedy to the evaluation plan to mitigate the inconsistency in future years. However, the results will not be recalculated for that year or any other past year. Changes to the plan must be approved by CPS, the City, and the Project Coordinator, and Approved by the Lender Committee.

APPENDIX A: TIMING OF COHORTS

2024

2023

2022

2021

2020

2019

2018

2017

2016

2015

2014

Cohort 1

Treatment	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
Other CPS PK Comparison	Identified & enrolled in other CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
No CPS PK Comparison	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked

Cohort 2

Treatment	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
Other CPS PK Comparison	Identified & enrolled in other CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
No CPS PK Comparison	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked

Cohort 3

Treatment	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
Other CPS PK Comparison	Identified & enrolled in other CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
No CPS PK Comparison	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked

Cohort 4

Treatment	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
Other CPS PK Comparison	Identified & enrolled in other CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked
No CPS PK Comparison	Identified and enrolled in CPSX	1st	2nd	3rd	4th	5th	4th-5th avg. SPED & Mobility rates locked

APPENDIX B: SAMPLE MOBILITY CALCULATIONS USING SIMULATED DATA

Sample Mobility Calculations Using Hypothetical Data						
School Year	Grade	Original Enrollment	Students still enrolled at a CPS school	Cumulative Mobility	Marginal Mobility	
2014	PK	500	460	.08	.08	
2015	K	500	440	.12	.04	
2016	1st	500	415	.17	.05	
2017	2nd	500	405	.19	.02	
2018	3rd	500	390	.22	.03	
2019	4th	500	378	.244	.024	
2020	5th	500	365	.27	.026	
2021	6th	500	353	.294	.024	
<i>Imputed average marginal mobility for future calculations:</i>						
						.025
School Year	Grade	Original Enrollment	Imputed Students still enrolled at a CPS school	Imputed Cumulative Mobility	Imputed Marginal Mobility	
2022	7th	500	341	.319	.025	
2023	8th	500	328	.343	.025	
2024	9th	500	316	.368	.025	
2025	10th	500	304	.393	.025	
2026	11th	500	291	.417	.025	
2027	12th	500	279	.442	.025	

APPENDIX C

FUNDING SCHEDULE, PROJECT YEAR BUDGET, BASE CASE LEVEL OF PAY-FOR-SUCCESS PAYMENTS, CERTAIN MAXIMUM PAYMENT AMOUNTS AND OTHER TERMS

CITY OF CHICAGO – YEAR 1

Child-Parent Center Expansion

Cohort Size: 374

October 6, 2014

LOAN CLOSING	October 6, 2014	
FULL CLOSING	November 7, 2014	
11/07/14 FUNDING	GSSIF (44%)	\$805,640
	Northern Trust (32%)	\$585,920
	JB Pritzker Foundation (24%)	\$439,440
01/01/15 FUNDING	GSSIF (44%)	\$462,990
	Northern Trust (32%)	\$336,720
	JB Pritzker Foundation (24%)	\$252,540
TOTAL SOURCE OF FUNDS	GSSIF (44%)	\$1,268,629
	Northern Trust (32%)	\$922,639
	JB Pritzker Foundation (24%)	\$691,980
	Total Year 1 Sources	<u>\$2,883,248</u>
USES OF FUNDS	Disbursement to CPS (11/7/14)	\$1,052,249
	Disbursement to CPS (01/01/15)	\$1,052,249
	\$5,627 * 374 slots	
	Audit fees	\$10,000
	Project Coordinator: IFF Year 1	\$143,750
	Program Intermediary: MFS Year 1 only to be included in loan	\$200,000
	Legal fees of Lenders (capped)	<u>\$250,000</u>
	Legal fees of IFF (capped)	<u>\$75,000</u>
	Legal fees of City of Chicago (capped)	<u>\$50,000</u>
	Legal fees of CPS (capped)	<u>\$50,000</u>
	TOTAL Year 1 Uses	<u>\$2,883,248</u>
EVALUATOR RESERVE	At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.	
CITY ESCROW	At closing, the City will wire \$624,253 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Initial Project Year Cohort.	

CITY OF CHICAGO – YEAR 2

Child-Parent Center Expansion

Prospective Cohort Size: 782

October 6, 2014

PROJECT SUPPLEMENT CLOSING	August 15, 2015	
09/01/15 FUNDING	GSSIF (44%)	\$1,077,092
	Northern Trust (32%)	\$783,340
	JB Pritzker Foundation (24%)	\$587,505
01/01/16 FUNDING	GSSIF (44%)	\$1,024,842
	Northern Trust (32%)	\$745,340
	JB Pritzker Foundation (24%)	\$559,005
TOTAL SOURCES OF FUNDS	GSSIF (44%)	\$2,101,935
	Northern Trust (32%)	\$1,528,680
	JB Pritzker Foundation (24%)	\$1,146,510
	Total Year 2 Sources	<u>\$4,777,124</u>
USES OF FUNDS	Disbursement to CPS (09/01/15)	\$2,329,187
	Disbursement to CPS (01/01/16)	\$2,329,187
	\$5,957 * 782 slots	
	Audit fees	\$10,000
	Project Coordinator: IFF	\$108,750
	Year 2	
	TOTAL Year 2 Uses	<u>\$4,777,124</u>
EVALUATOR RESERVE	At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.	
CITY ESCROW	By August 15, 2015, the City will wire \$1,305,256 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Subsequent Project Year Cohort for Project Year 2015 – 2016.	

CITY OF CHICAGO – YEAR 3

Child-Parent Center Expansion

Prospective Cohort Size: 782

October 6, 2014

PROJECT SUPPLEMENT CLOSING	August 15, 2016	
09/01/16 FUNDING	GSSIF (44%)	\$1,051,802
	Northern Trust (32%)	\$764,947
	JB Pritzker Foundation (24%)	\$573,710
01/01/17 FUNDING	GSSIF (44%)	\$999,552
	Northern Trust (32%)	\$726,947
	JB Pritzker Foundation (24%)	\$545,210
TOTAL SOURCES OF FUNDS	GSSIF (44%)	\$2,051,355
	Northern Trust (32%)	\$1,491,894
	JB Pritzker Foundation (24%)	\$1,118,921
	TOTAL Year 3 Sources	<u>\$4,662,170</u>
USES OF FUNDS	Disbursement to CPS (09/01/16)	\$2,271,710
	Disbursement to CPS (01/01/17)	\$2,271,710
	\$5,810 * 782 slots	
	Audit fees	\$10,000
	Project Coordinator: IFF	\$108,750
	Year 3	
	TOTAL Year 3 Uses	<u>\$4,662,170</u>
EVALUATOR RESERVE	At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.	
CITY ESCROW	By August 15, 2016, the City will wire \$1,305,256 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Subsequent Project Year Cohort for Project Year 2016 – 2017.	

CITY OF CHICAGO – YEAR 4

Child-Parent Center Expansion

Prospective Cohort Size: 680

October 6, 2014

PROJECT SUPPLEMENT CLOSING	August 15, 2017	
09/01/17 FUNDING	GSSIF (44%)	\$1,007,050
	Northern Trust (32%)	\$732,400
	JB Pritzker Foundation (24%)	\$549,300
01/01/18 FUNDING	GSSIF (44%)	\$897,600
	Northern Trust (32%)	\$652,800
	JB Pritzker Foundation (24%)	\$489,600
TOTAL SOURCES OF FUNDS	GSSIF (44%)	\$1,904,650
	Northern Trust (32%)	\$1,385,200
	JB Pritzker Foundation (24%)	\$1,038,900
	Total Year 4 Sources	<u>\$4,328,750</u>
USES OF FUNDS	Disbursement to CPS (09/01/17)	\$2,040,000
	Disbursement to CPS (01/01/18)	\$2,040,000
	\$6,000 * 680 slots	
	Audit fees	\$140,000
	Project Coordinator: IFF	\$108,750
	Year 4	
	TOTAL Year 4 Uses	<u>\$4,328,750</u>
EVALUATOR RESERVE	At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.	
CITY ESCROW	By August 15, 2017, the City will wire \$1,135,005 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Subsequent Project Year Cohort for Project Year 2017 – 2018.	

CITY OF CHICAGO – BASE CASE IMPACT AND MOBILITY ASSUMPTIONS

Child-Parent Center Expansion

October 6, 2014

Grade	Base Case Kindergarten Readiness Attainment	Base Case Third Grade Literacy At Grade Level	Base Case Control Group % Special Education Usage	Base Case % Decrease in Special Education Usage	Cumulative Mobility
K	50.0%	0.0%	10.6%	44.5%	7.0%
1	0.0%	0.0%	12.4%	45.3%	9.5%
2	0.0%	0.0%	15.8%	48.6%	12.0%
3	0.0%	50.0%	20.2%	48.6%	14.5%
4	0.0%	0.0%	21.7%	41.0%	17.0%
5	0.0%	0.0%	20.3%	31.8%	19.5%
6	0.0%	0.0%	25.4%	45.4%	22.0%
7	0.0%	0.0%	22.5%	39.9%	24.5%
8	0.0%	0.0%	22.5%	39.9%	27.0%
9	0.0%	0.0%	22.5%	39.9%	29.5%
10	0.0%	0.0%	22.5%	39.9%	32.0%
11	0.0%	0.0%	22.5%	39.9%	34.5%
12	0.0%	0.0%	22.5%	39.9%	37.0%

CITY OF CHICAGO – PAY-FOR-SUCCESS PAYMENTS PER SLOT

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Annual Savings Rate for Special Education Payments	Kindergarten Readiness Payments	Third Grade Literacy Payments
2014	N/A	\$0	\$0
2015	\$9,100	\$2,900	\$0
2016	\$9,191	\$2,900	\$0
2017	\$9,283	\$2,900	\$0
2018	\$9,376	\$2,900	\$750
2019	\$9,469	\$0	\$750
2020	\$9,564	\$0	\$750
2021	\$9,660	\$0	\$750
2022	\$9,756	\$0	\$0
2023	\$9,854	\$0	\$0
2024	\$9,953	\$0	\$0
2025	\$10,052	\$0	\$0
2026	\$10,153	\$0	\$0
2027	\$10,254	\$0	\$0
2028	\$10,357	\$0	\$0
2029	\$10,460	\$0	\$0
2030	\$10,565	\$0	\$0

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 1

374 STUDENTS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2014	CPC	\$0	\$0
2015	K	\$149,438	\$504,339
2016	1	\$174,842	\$0
2017	2	\$234,690	\$0
2018	3	\$294,078	\$119,914
2019	4	\$261,542	\$0
2020	5	\$185,979	\$0
2021	6	\$325,172	\$0
2022	7	\$246,983	\$0
2023	8	\$241,193	\$0
2024	9	\$235,262	\$0
2025	10	\$229,188	\$0
2026	11	\$222,970	\$0
2027	12	\$216,604	\$0
Total		\$3,017,941	\$624,253

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 2

782 STUDENTS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2015	CPC	\$0	\$0
2016	K	\$315,585	\$1,054,527
2017	1	\$369,234	\$0
2018	2	\$495,623	\$0
2019	3	\$621,039	\$250,729
2020	4	\$552,330	\$0
2021	5	\$392,753	\$0
2022	6	\$686,704	\$0
2023	7	\$521,583	\$0
2024	8	\$509,355	\$0
2025	9	\$496,830	\$0
2026	10	\$484,004	\$0
2027	11	\$470,872	\$0
2028	12	\$457,429	\$0
Total		\$6,373,342	\$1,305,256

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 3

782 STUDENTS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2016	CPC	\$0	\$0
2017	K	\$318,741	\$1,054,527
2018	1	\$372,927	\$0
2019	2	\$500,579	\$0
2020	3	\$627,249	\$250,729
2021	4	\$557,853	\$0
2022	5	\$396,680	\$0
2023	6	\$693,571	\$0
2024	7	\$526,799	\$0
2025	8	\$514,448	\$0
2026	9	\$501,799	\$0
2027	10	\$488,844	\$0
2028	11	\$475,581	\$0
2029	12	\$462,003	\$0
Total		\$6,437,075	\$1,305,256

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 4

680 STUDENTS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2017	CPC	\$0	\$0
2018	K	\$279,938	\$916,980
2019	1	\$327,527	\$0
2020	2	\$439,639	\$0
2021	3	\$550,889	\$218,025
2022	4	\$489,941	\$0
2023	5	\$348,389	\$0
2024	6	\$609,136	\$0
2025	7	\$462,667	\$0
2026	8	\$451,820	\$0
2027	9	\$440,710	\$0
2028	10	\$429,333	\$0
2029	11	\$417,684	\$0
2030	12	\$405,759	\$0
Total		\$5,653,432	\$1,135,005

CITY OF CHICAGO – PROJECTED BOARD BUDGETED PAY-FOR-SUCCESS FUNDS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Projected Board Budgeted Pay-For- Success Funds:
2014	\$0
2015	\$149,438
2016	\$490,427
2017	\$922,665
2018	\$1,442,565
2019	\$1,710,688
2020	\$1,805,197
2021	\$1,826,667
2022	\$1,820,308
2023	\$1,804,735
2024	\$1,880,552
2025	\$1,703,134
2026	\$1,660,593
2027	\$1,617,031
2028	\$1,362,343
2029	\$879,687
2030	\$405,759
Total	\$21,481,790

CITY OF CHICAGO –CITY ESCROWED PAY-FOR-SUCCESS FUNDS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	City Escrowed Pay-For-Success Funds:
2014	\$624,253
2015	\$1,305,256
2016	\$1,305,256
2017	\$1,135,005
Total	\$4,369,770

CITY OF CHICAGO –SCHEDULE ON WHICH IFF FEES ARE DEEMED TO BE EARNED
 ASSUMING PROJECT SUPPLEMENTS FOR ALL THREE SUBSEQUENT PROJECT YEARS
 Child-Parent Center Expansion
 October 6, 2014

Date IFF Fee is Earned:	IFF Fee:
11/12/2014	\$ 75,000
11/12/2015	\$ 40,000
11/12/2016	\$ 40,000
11/12/2017	\$ 40,000
11/12/2018	\$ 35,000
11/12/2019	\$ 35,000
11/12/2020	\$ 25,000
11/12/2021	\$ 25,000
11/12/2022	\$ 25,000
11/12/2023	\$ 25,000
11/12/2024	\$ 15,000
11/12/2025	\$ 15,000
11/12/2026	\$ 15,000
11/12/2027	\$ 15,000
11/12/2028	\$ 15,000
11/12/2029	\$ 15,000
11/12/2030	\$ 15,000
Total	\$470,000

APPENDIX D

PROVISION OF INFORMATION

1. PUBLICITY.

1.1. Each Party shall make best efforts to provide to the other Parties drafts of announcement strategies, written press statements, web postings, presentations to be given in a public forum or audio, visual or other media presentations to be given in a public forum and any other forms of printed (electronically or otherwise) publicity prepared by it that refer to this Contract or the Project ("*Promotional Material*") at least three business days prior to the anticipated date of dissemination or release of such Promotional Material, and neither Party shall disseminate or release any Promotional Material without first having obtained the written consent of each other Party and the Approval of the Lender Committee. Each Party shall also make best efforts to provide the other Party and each Lender notice of any public conference or other public meeting at which such Party proposes to formally present the Project at least ten business days prior to the date of the conference or other meeting.

1.2. Any Party that creates Promotional Material that is approved by the other Parties will provide to the other Parties and to each Lender a final version of such Promotional Material and grant to the other Parties and to each Lender a royalty-free and perpetual license to use, reproduce, distribute and publish such Promotional Material.

1.3. The Parties shall cooperate with one another and share information relating to the dissemination of approved Promotional Material. No Party shall use another Party's name or logo or the name and logo of any Lender, or those of their affiliates, in any printed material (electronic or otherwise), without first obtaining the written consent of such other Party or such Lender (as applicable).

APPENDIX E

CORE PROGRAM PRINCIPLES

Effective Learning Experiences

- Offer Pre-K classes that are limited to 34 children for half-day classrooms (two sessions of 17 children each) and have a minimum of 2 teaching staff. Full day classrooms, if available, will be limited to 20 children per session.
- Provide highly qualified educational staff that will provide the classroom instruction and parent engagement activities. For example, classroom teachers are certified with a bachelor's degree (or higher). Overall, program staff must adhere to the requirements set forth by the CPS Talent office, in accordance with collective bargaining unit agreements, and state regulations. Any changes in CPS education and certification requirements will be complied with.
- Use data to drive instruction by effectively documenting the organization and implementation of instructional practices to monitor quality and adherence to the Program, which is completed by all Program staff where appropriate.
- Program staff meet with parents over the course of each school year to review their child's progress and discuss parent program opportunities with the Parent Resource Teacher (PRT).

Aligned Curriculum

- Implement a CPS District curriculum and formative assessment that is aligned to standards, domains of learning, assessments, and learning activities.
- Collaborate with the PRT and classroom teachers to ensure that opportunities to engage families in student learning are available, appropriate and aligned to the program and parents' needs.
- CPS and, most specifically, the Office of Early Childhood Education provides meaningful professional development and ongoing coaching and feedback for teachers, aides, and other staff members that facilitates high-quality instructional practices.

Parent Involvement and Engagement

- Engage a PRT and School-Community Representative (SCR) to work closely with the Head Teacher and Liaisons to maintain a consistently supportive parent program.
- Encourage parents to sign a CPC school-home agreement at the start of the school year outlining a plan for fostering learning at home and participating in CPC activities.
- Offer and engage families in monthly activities. PRTs create and distribute a monthly parent involvement calendar, and conduct parent/teacher conferences over the year to review progress in the parent program.
- Provide a resource room dedicated to parent and family activities through Kindergarten when possible.
- Provide culturally responsive learning opportunities for families that provide flexibility for families' needs and schedules.

Collaborative Leadership Team

- Engage a Program leadership team that includes the Head Teacher, Parent Resource Teacher, and School-Community Representative.
- Meet regularly, under the direction of the Principal to discuss operations and best practices within the CPC.
- Meet regularly, under the direction of the OECE Management Team, with staff from across sites to share challenges, experiences, and best practices and makes frequent on-site visits to monitor quality and effectiveness to the Program.
- Establish meaningful partnerships with community providers to strengthen service delivery and enlist local universities in training opportunities.

Continuity and Stability

- CPC Pre-K classrooms are co-located in the same building as Kindergarten classrooms, when possible, to promote familiarity and integration for students as they transition to Kindergarten.
- Provide a structure of communication, planning, and joint activities, under the direction of the principal, Leadership team and OECE Management Team, from Pre-K through the primary grades.
Provide a part-time Kindergarten aide when funding is available to support the transition into Kindergarten.

Professional Development System

- Offer ongoing professional development opportunities on current trends and needs in early childhood education classrooms, through the Office of Early Childhood Education and the CPC leadership teams, including topics such as quality curriculum and instruction, data driven instruction, learning environment, social and emotional needs, and parent engagement.
- Meet regularly and create professional learning communities to review ways to support their instruction in the classroom and with other teachers.

APPENDIX F

CITY STANDARD CONTRACT PROVISIONS

FOIA & LOCAL RECORDS ACT COMPLIANCE

The Project Coordinator acknowledges that the City is subject to the Illinois Freedom of Information Act, 5ILCS 140/1 et. seq., as amended ("*FOIA*"). FOIA requires the City to produce records (as defined in FOIA) in response to a FOIA request in a short period of time, unless the records requested are exempt under FOIA. If the City asks the Project Coordinator to produce records within the scope of FOIA, then the Project Coordinator covenants to comply with such request within 48 hours of the date of such request. Documents that the Project Coordinator submits to the City pursuant to this paragraph or otherwise during the term of this Contract that contain trade secrets and commercial or financial information may be exempt if disclosure would result in competitive harm. However, for documents that the Project Coordinator submits to be treated as a trade secret or information that would cause competitive harm, FOIA requires that the Project Coordinator mark any such documents as "proprietary, privileged or confidential." If the Project Coordinator marks a document as "proprietary, privileged and confidential", then the City will evaluate whether such document may be withheld under FOIA. The City, in its discretion, will determine whether a document will be exempted from disclosure, and that determination is subject to review by the Illinois Attorney General's Office and/or the courts.

The Project Coordinator acknowledges that the City is subject to the Local Records Act, 50 ILCS 205/1 et. seq, as amended (the "*Local Records Act*"). The Local Records Act provides that public records may only be disposed of as provided in the Local Records Act. If requested by the City, the Project Coordinator covenants to use its best efforts consistently applied to assist the City in its compliance with the Local Records Act concerning records arising under or in connection with this Contract and the services, duties and responsibilities of the Project Coordinator (the "*Services*") contemplated in this Contract.

COMPLIANCE WITH ALL LAWS

(a) The Project Coordinator must observe and comply with all applicable laws, ordinances, rules, executive orders and regulations of the federal, state, local and city government, which may in any manner affect the performance of this Contract, all of which will be deemed to be included in this Contract the same as though written herein in full. The Project Coordinator is responsible for ensuring compliance with all applicable laws, rules and regulations, including but not limited to those specifically referenced herein, and for paying when due all Governmental Charges (as defined below) and obtaining all required licenses, certificates and other authorizations. Except where expressly required by applicable laws and regulations, the City shall not be responsible for monitoring the Project Coordinator's compliance. Notwithstanding anything in this Contract to the contrary, references to a statute or law are considered to be a reference to (i) the statute or law as it may be amended from time to

time; (ii) all regulations and rules pertaining to or promulgated pursuant to the statute or law; and (iii) all future statutes, laws, regulations, rules and executive orders pertaining to the same or similar subject matter.

(b) The Project Coordinator will provide the City with a correctly completed Economic Disclosure Statement and Affidavit ("EDS"), which is incorporated by reference, and further will provide any other affidavits or certifications as may be required by federal, state or local law in the award of public contracts, all of which affidavits and certifications are incorporated by reference. The Project Coordinator will cause the Project Coordinator's Subcontractors or, if a partnership or joint venture, all members of the partnership or joint venture, to submit all required affidavits to the City. Notwithstanding acceptance by the City of the EDS, failure of the EDS to include all information required under the Municipal Code renders this Contract voidable at the option of the City. The Project Coordinator and any other parties required by this paragraph to complete an EDS must promptly update their EDS(s) on file with the City whenever any information or response provided in the EDS(s) is no longer complete and accurate, including changes in ownership, and changes in disclosures and information pertaining to ineligibility to do business with the City under Chapter 1-23 of the Municipal Code, as such is required under Sec. 2-154-020, and failure to promptly provide the updated EDS(s) to the City will constitute an event of default under this Contract.

The Project Coordinator certifies, as further evidenced in the EDS, by its acceptance of this Contract that neither the Project Coordinator nor the Project Coordinator's principals is presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in this transaction by any federal department or agency. The Project Coordinator further agrees by executing this Contract that it will include this clause without modification in all lower tier transactions, solicitations, proposals, contracts and subcontracts. If the Project Coordinator or any lower tier participant is unable to certify to this statement, the Project Coordinator must attach an explanation to this Contract.

(c) The Project Coordinator has the right before any delinquency occurs to contest or object in good faith to the amount or validity of any Governmental Charge by appropriate legal proceedings properly and diligently instituted and prosecuted in such manner as shall stay the collection of the contested Governmental Charge and prevent the imposition of a lien or the sale or forfeiture of any program facility. No such contest or objection shall be deemed or construed in any way as relieving, modifying or extending the Project Coordinator's covenants to pay any such Governmental Charge at the time and in the manner provided in this Contract unless the Project Coordinator has given prior written notice to the City of the Project Coordinator's intent to contest or object to a Governmental Charge and, unless, at the City's sole option, (i) the Project Coordinator shall demonstrate to the City's satisfaction that legal proceedings instituted by the Project Coordinator contesting or objecting to a Governmental Charge shall conclusively operate to prevent or remove a lien against, or the sale or forfeiture of, all or any part of the program facility to satisfy such Governmental Charge prior to final determination of such proceedings; and/or (ii) the Project Coordinator shall furnish a good and sufficient bond or other security satisfactory to the City in such form and amounts as the City shall require, or a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such sale or forfeiture of the program facility during the pendency of such contest, adequate to pay

fully any such contested Governmental Charge and all interest and penalties upon the adverse determination of such contest. A Governmental Charge shall mean all Federal, State, county, City, or other governmental (or any instrumentality, division, agency, body, or department thereof) taxes, levies, assessments, charges, liens, claims or encumbrances relating to the Project Coordinator, its operations or the Services. If the Project Coordinator is delinquent in filing and/or paying any Governmental Charges and/or related returns, the City in its sole discretion may continue to reimburse the Project Coordinator for Services provided under this Contract only if the Project Coordinator (i) has entered into an installment payment agreement with the applicable authority, (ii) has delivered to the City a copy of such fully-signed installment payment agreement and (iii) remains in good standing therewith. The Project Coordinator may not use funds the Project Coordinator receives under this Contract to discharge outstanding Governmental Charges.

(d) To the best of the Project Coordinator's knowledge and belief, the Project Coordinator, its principals and key project personnel: (a) are not presently declared ineligible or voluntarily excluded from contracting with any Federal or State department or agency; (b) has not within a three-year period preceding this Contract been convicted of any felony; been convicted of a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; had a civil judgment rendered against them for commission of fraud; been found in violation of Federal or State antitrust statutes; or been convicted of embezzlement, theft, larceny, forgery, bribery, falsification or destruction of records, making false statement, or receiving stolen property; and (c) are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in subparagraph (b) of this certification. Any request for an exception to the provisions of this paragraph must be made in writing, listing the name of the individual, home address, type of conviction and date of conviction.

NONDISCRIMINATION

In performing the Services under this Contract, the Project Coordinator must comply with applicable laws and regulations prohibiting discrimination against individuals and groups.

(a) Federal Requirements. In performing the Services under this Contract and in the Project Coordinator's employment practices, the Project Coordinator must not engage in unlawful employment practices, such as: (i) failing or refusing to hire or discharging any individual, or otherwise discriminating against any individual with respect to his or her compensation, or the terms, conditions, or privileges of his or her employment, because of such individual's race, color, religion, sex, age, handicap/disability or national origin; or (ii) limiting, segregating, or classifying the Project Coordinator's employees or applicants for employment in any way that would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect the individual's status as an employee, because of that individual's race, color, religion, sex, age, handicap/disability or national origin.

The Project Coordinator must comply with, and the procedures the Project Coordinator utilizes and the Services the Project Coordinator provides under this Contract must comply with,

the Civil Rights Act of 1964, 42 U.S.C. § 2000 et seq., as amended and the Civil Rights Act of 1991, P.L. 102-166; Fair Housing Act, 42 U.S.C. § 3601-3619; Executive Order No. 11246, as amended by Executive Order No. 11375 and by Executive Order No. 12086; Executive Order 13160 (2000); the Age Discrimination Act of 1975, 42 U.S.C. §§ 6101-6106; Age Discrimination in Employment Act, 29 U.S.C. §§ 621-34; Title IX of the Education Amendments of 1972, as amended (20 U.S.C. 1681-83 and 1685-86); the Rehabilitation Act of 1973, 29 U.S.C. §§ 793-794; the Americans with Disabilities Act, 42 U.S.C. § 12101 et seq.; 41 CFR part 60 et seq. (1990); Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193); and all other applicable federal statutes, regulations and other laws.

(b) State Requirements. In performing the Services under this Contract, the Project Coordinator must comply with the Illinois Human Rights Act, 775 ILCS 5/1-101 et seq., the Public Works Employment Discrimination Act, 775 ILCS 10/0.01 et seq. and any rules and regulations promulgated thereunder, including, but not limited to, the Equal Employment Opportunity Clause, 44 Ill. Admin. Code § 750 Appendix A, and all other applicable state statutes, regulations and other laws.

(c) City Requirements. In performing the Services under this Contract, the Project Coordinator must comply with the Chicago Human Rights Ordinance, Municipal Code § 2-160-010, and all other applicable City ordinances and rules. Further, the Project Coordinator must furnish, and cause every Subcontractor to furnish, such reports and information as may be requested from time to time by the Chicago Commission on Human Relations.

(d) Subcontractors Required to Comply. The Project Coordinator shall incorporate all of the provisions set forth under this heading in all subcontracts entered into with all suppliers of materials, furnishers of services, Subcontractors of any tier, and labor organizations which furnish skilled, unskilled and craft union skilled labor, or which may provide any materials, labor or services in connection with this Contract.

The Project Coordinator must cause its Subcontractors to execute such certificates as may be necessary in furtherance of these provisions. Such certifications will be attached and incorporated by reference in the applicable subcontracts. If any Subcontractor is a partnership or joint venture, the Project Coordinator will also include provisions in the Project Coordinator's subcontract insuring that the entities comprising such partnership or joint venture will be jointly and severally liable for the partnership's or joint venture's obligations under the subcontract.

INSPECTOR GENERAL

It is the Project Coordinator's duty and the duty of any bidder, proposer, contractor, subcontractor, and every applicant for certification of eligibility for a City contract or program, and all of the Project Coordinator's officers, directors, agents, partners, and employees and any such bidder, proposer, contractor, subcontractor or such applicant: (a) to cooperate with the Inspector General in any investigation or hearing undertaken pursuant to Chapter 2-56 of the Municipal Code and (b) to cooperate with the Legislative Inspector General in any investigation undertaken pursuant to Chapter 2-55 of the Municipal Code. The Project Coordinator represents that it understands and will abide by all provisions of Chapters 2-56 and 2-55 of the Municipal

Code and that the Project Coordinator will inform subcontractors of this provision and require their compliance.

The Project Coordinator shall report, directly and without undue delay, to the City's Inspector General any and all information concerning conduct by any person which the Project Coordinator knows to involve corrupt activity, pursuant to Section 2-156-018(b) of the Municipal Code of Chicago. The Project Coordinator's knowing failure to report corrupt activity as required in subsection (b) of Section 2-156-018 of the Municipal Code of Chicago shall constitute an event of default under this Agreement. For purposes of subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, "corrupt activity" shall mean any conduct set forth in subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the Municipal Code of Chicago:

(1) bribery or attempted bribery, or its equivalent under any local, state or federal law, of any public officer or employee of the City of Chicago or of any sister agency; or

(2) theft, fraud, forgery, perjury, dishonesty or deceit, or attempted theft, fraud, forgery, perjury, dishonesty or deceit, or its equivalent under any local, state or federal law, against the City of Chicago or of any sister agency; or

(3) conspiring to engage in any of the acts set forth in items (1) or (2) of this subsection (a).

The Project Coordinator agrees and covenants that no payment, gratuity or offer of employment shall be made in connection with this Agreement, by or on behalf of a subcontractor to the Project Coordinator or any higher-tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order related to this Agreement.

COMPLIANCE WITH ENVIRONMENTAL AND SAFETY LAWS

The Project Coordinator shall be subject to, obey and adhere to any and all federal, state and local laws, statutes, ordinances, codes, rules, regulations and executive orders relating to public health and safety and the environment as are now or may be in effect during the term of this Contract which may be applicable to the Project Coordinator, including but not limited to the following Sections of the Municipal Code: Section 7-28-390, 7-28-440, 11-4-1410, 11-4-1420, 11-4-1450, 11-4-1500, 11-4-1530, 11-4-1550, or 11-4-1560, whether or not in the performance of this Contract.

DEEMED INCLUSION

Provisions required by law, ordinances, rules, regulations, or executive orders to be inserted in this Contract are deemed inserted in this Contract whether or not they appear in this Contract or, upon application by either party, this Contract will be amended to make the insertion; however, in no event will the failure to insert the provisions before or after this Contract is signed prevent its enforcement.

WARRANTIES AND REPRESENTATIONS

The Project Coordinator acknowledges, represents, warrants and covenants, as of the date of this Contract and throughout its term, that:

(a) the Project Coordinator is appropriately licensed and/or certified under Illinois law to perform the Services required under this Contract and will perform no Services for which a professional license and/or certification is required by law and for which the Project Coordinator is not appropriately licensed and/or certified;

(b) no officer, agent or employee of the City is employed by the Project Coordinator or has a financial interest directly or indirectly in this Contract or the compensation to be paid, except as may be permitted in writing by the City's Board of Ethics; that no payment, gratuity or offer of employment will be made by or on behalf of any Subcontractors of any tier, as an inducement for the award of a subcontract or order; the Project Coordinator acknowledges that any agreement entered into, negotiated or performed in violation of any of the provisions of City's Ethics Ordinance, Municipal Code § 2-156 et seq., is voidable by the City; in accordance with 41 U.S.C. § 22, the Project Coordinator must not admit any member of or delegate to the United States Congress to any share or part of the Services or this Contract, or any benefit derived therefrom;

(c) the Project Coordinator is financially solvent; the Project Coordinator and each of its employees, agents and Subcontractors of any tier are competent to perform the Services required under this Contract; and the Project Coordinator is legally authorized to execute and perform or cause to be performed this Contract under the terms and conditions stated in this Contract;

(d) the Project Coordinator will not knowingly use the services of any ineligible contractor or Subcontractor for any purpose in the performance of the Services under this Contract;

(e) the Project Coordinator and its Subcontractors are not in default at the time this Contract is signed, and have not been deemed by the Chief Procurement Officer to have, within 5 years immediately preceding the date of this Contract, been found to be in default on any contract awarded by the City of Chicago;

(f) the Project Coordinator has carefully examined and analyzed the provisions and requirements of this Contract; the Project Coordinator understands the nature of the Services required; from its own analysis the Project Coordinator has satisfied itself as to the nature of all things needed for the performance of this Contract; this Contract is feasible of performance in accordance with all of its provisions and requirements, and the Project Coordinator warrants that it can and will perform, or cause to be performed, the Services in strict accordance with the provisions and requirements of this Contract;

(g) the Project Coordinator and, to the best of its knowledge, its Subcontractors are not in violation of the provisions of Section 2-92-320 of Chapter 2-92 of the Municipal Code, the

Illinois Criminal Code, 720 II.CS 5/33E-1, and the Illinois Municipal Code, 65 ILCS 5/11-42.1-1;

(h) [intentionally omitted];

(i) any certification, affidavit or acknowledgment made under oath in connection with this Contract is made under penalty of perjury and, if false, is also cause for termination pursuant to the provisions of this Contract;

(j) any violation of Chapter 1-21 of the Municipal Code, False Statements, is also cause for termination pursuant to the provisions of this Contract;

(k) neither the Project Coordinator nor any Affiliate is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List; and

(l) the Project Coordinator is current as to the filing and payment of any Governmental Charges and/or related returns and the Project Coordinator is not delinquent in its payment of Governmental Charges.

ETHICS

(a) In addition to the foregoing warranties and representations, the Project Coordinator warrants:

(i) no officer, agent or employee of the City is employed by the Project Coordinator or has a financial interest directly or indirectly in this Contract or the compensation to be paid under this Contract except as may be permitted in writing by the Board of Ethics established under the Municipal Code (Chapter 2-156).

(ii) no payment, gratuity or offer of employment will be made in connection with this Contract by or on behalf of any Subcontractors to the Project Coordinator or higher tier Subcontractors or anyone associated with them, as an inducement for the award of a subcontract or order.

(b) The Project Coordinator further acknowledges that any Agreement entered into, negotiated or performed in violation of any of the provisions of Chapter 2-156 is voidable as to the City.

BUSINESS DOCUMENTS

At the request of the City, the Project Coordinator must provide copies of its latest articles of incorporation, by-laws and resolutions, or partnership or joint venture agreement, as applicable.

CONFLICTS OF INTEREST

(a) No member of the governing body of the City or other unit of government and no other officer, employee or agent of the City or other unit of government who exercises any functions or responsibilities in connection with the Services to which this Contract pertains is permitted to have any personal interest, direct or indirect, in this Contract. No member of or delegate to the Congress of the United States or the Illinois General Assembly and no alderman of the City or City employee is allowed to be admitted to any share or part of this Contract or to any financial benefit to arise from it.

(b) The Project Coordinator covenants that it, and to the best of its knowledge, its Subcontractors if any (collectively, "*Consulting Parties*"), presently have no direct or indirect interest and will not acquire any interest, direct or indirect, in any project or contract that would conflict in any manner or degree with the performance of the Project Coordinator's Services under this Contract.

(c) [intentionally omitted]

(d) Without limiting the foregoing, if the Consulting Parties assist the City in determining the advisability or feasibility of a project or in recommending, researching, preparing, drafting or issuing a request for proposals or bid specifications for a project, the Consulting Parties must not participate, directly or indirectly, as a prime, Subcontractor or joint venturer in that project or in the preparation of a proposal or bid for that project during the term of this Contract or afterwards. The Consulting Parties may, however, assist the City in reviewing the proposals or bids for the project if none of the Consulting Parties have a relationship with the persons or entities that submitted the proposals or bids for that project.

(e) The Project Coordinator further covenants that, in the performance of this Contract, no person having any conflicting interest will be assigned to perform any Services or have access to any confidential information. If the City, by the Commissioner in his or her reasonable judgment, determines that any of the Project Coordinator's Services for others conflict with the Services the Project Coordinator is to render for the City under this Contract, the Project Coordinator must terminate such other services immediately upon request of the City.

(f) Furthermore, if any federal funds are to be used to compensate or reimburse the Project Coordinator under this Contract, the Project Coordinator represents that it is and will remain in compliance with federal restrictions on lobbying set forth in Section 319 of the Department of the Interior and Related Agencies Appropriations Act for Fiscal Year 1990, 31 U.S.C. § 1352, and related rules and regulations set forth at 54 Fed. Reg. 52,309 ff. (1989), as amended. If federal funds are to be used, the Project Coordinator must execute a Certification

Regarding Lobbying, which is part of the EDS and incorporated by reference as if fully set forth here.

(g) The Project Coordinator shall establish safeguards to prohibit officers, directors, agents, employees and family members from using positions of employment for a purpose that is, or gives the appearance of, being motivated by a desire for a private gain for themselves or others, particularly those with whom they have family business or other ties. Safeguards; evidenced by rules or bylaws, shall be established to prohibit persons from engaging in actions, which create or which appear to create a conflict of interest as described herein.

NON-LIABILITY OF PUBLIC OFFICIALS

The Project Coordinator and any of its assignees or Subcontractors must not charge any official, employee or agent of the City personally with any liability or expenses of defense or hold any official, employee or agent of the City personally liable to them under any term or provision of this Contract or because of the City's execution, attempted execution or any breach of this Contract.

INDEPENDENT CONTRACTOR

(a) This Contract is not intended to and will not constitute, create, give rise to, or otherwise recognize a joint venture, partnership, corporation or other formal business association or organization of any kind between the Project Coordinator and the City. The rights and the obligations of the parties are only those set forth in this Contract. The Project Coordinator must perform under this Contract as an independent contractor and not as a representative, employee, agent, or partner of the City.

This Contract is between the City and an independent contractor and, if the Project Coordinator is an individual, nothing provided for under this Contract constitutes or implies an employer-employee relationship such that:

(i) The City will not be liable under or by reason of this Contract for the payment of any compensation award or damages in connection with the Project Coordinator performing the Services required under this Contract.

(ii) The Project Coordinator is not entitled to membership in any of the City of Chicago pension funds, Group Medical Insurance Program, Group Dental Program, Group Vision Care, Group Life Insurance Program, Deferred Income Program, vacation, sick leave, extended sick leave, or any other benefits ordinarily provided to individuals employed and paid through the regular payrolls of the City.

(iii) The City is not required to deduct or withhold any taxes, FICA or other deductions from any compensation provided to the Project Coordinator.

(b) The City is subject to the June 24, 2011 "City of Chicago Hiring Plan" (the "*City Hiring Plan*") entered in *Shakman v. Democratic Organization of Cook County*, Case No 69 C

2145 (United States District Court for the Northern District of Illinois). Among other things, the City Hiring Plan prohibits the City from hiring persons as governmental employees in non-exempt positions on the basis of political reasons or factors.

(c) The Project Coordinator is aware that City policy prohibits City employees from directing any individual to apply for a position with the Project Coordinator, either as an employee or as a subcontractor, and from directing the Project Coordinator to hire an individual as an employee or as a subcontractor. Accordingly, the Project Coordinator must follow its own hiring and contracting procedures, without being influenced by City employees. Any and all personnel provided by the Project Coordinator under this Contract are employees or subcontractors of the Project Coordinator, not employees of the City of Chicago. This Contract is not intended to and does not constitute, create, give rise to, or otherwise recognize an employer-employee relationship of any kind between the City and any personnel provided by the Project Coordinator.

(d) The Project Coordinator will not condition, base, or knowingly prejudice or affect any term or aspect of the employment of any personnel provided under this Contract, or offer employment to any individual to provide services under this Contract, based upon or because of any political reason or factor, including, without limitation, any individual's political affiliation, membership in a political organization or party, political support or activity, political financial contributions, promises of such political support, activity or financial contributions, or such individual's political sponsorship or recommendation. For purposes of this Contract, a political organization or party is an identifiable group or entity that has as its primary purpose the support of or opposition to candidates for elected public office. Individual political activities are the activities of individual persons in support of or in opposition to political organizations or parties or candidates for elected public office.

(e) In the event of any communication to the Project Coordinator by a City employee or City official in violation of paragraph (c) above, or advocating a violation of paragraph (d) above, the Project Coordinator will, as soon as is reasonably practicable, report such communication to the Hiring Oversight Section of the City's Office of the Inspector General ("*IGO Hiring Oversight*"), and also to the head of the Department. The Project Coordinator will also cooperate with any inquiries by IGO Hiring Oversight or the Shakman Monitor's Office related to this Contract.

RELIGIOUS ACTIVITIES

(a) The Project Coordinator warrants that it will not engage in any inherently religious activities, such as worship, religious instruction, or proselytization, as part of or while carrying out the funded programs or Services.

(b) The Project Coordinator warrants that if it does engage in inherently religious activities, such as worship, religious instruction, or proselytization,

i. such activities will always be conducted separately, in time or location, from the funded programs or Services; and

ii. any participation in such activities on the part of beneficiaries of the funded programs or Services must be wholly voluntary.

(c) The Project Coordinator warrants that it will not discriminate against a beneficiary or prospective beneficiary of the funded programs or Services on the basis of religion, religious belief, or participation or nonparticipation in any inherently religious activities.

(d) If the Agreement involves any grant of funds for the acquisition, construction, or rehabilitation of structures, the Project Coordinator warrants:

i. The room or space that the grant funds will be used to acquire, construct or rehabilitate is not the Project Coordinator's primary place of worship; and

ii. Grant funds will be used only for those portions of the acquisition, construction, or rehabilitation of the structures that are attributable to eligible activities; and

iii. If in the future the structure is used for inherently religious activities or otherwise ceases being used for eligible activities, the Project Coordinator will adhere to the rules on real property use and disposition and government reimbursement found in the applicable laws and regulations.

(e) For purposes of this section, "beneficiary" means a child participating in a Program and, in addition, his or her parents, guardians, other responsible adults and family members.

PROHIBITION ON CERTAIN CONTRIBUTIONS - MAYORAL EXECUTIVE ORDER NO. 2011-4

Neither the Project Coordinator nor any person or entity who directly or indirectly has an ownership or beneficial interest in the Project Coordinator of more than 7.5% ("*Owners*"), spouses and domestic partners of such Owners, the Project Coordinator's Subcontractors, any person or entity who directly or indirectly has an ownership or beneficial interest in any Subcontractor of more than 7.5% ("*Sub-owners*") and spouses and domestic partners of such Sub-owners (the Project Coordinator and all the other preceding classes of persons and entities are together, the "*Identified Parties*"), shall make a contribution of any amount to the Mayor of the City of Chicago (the "*Mayor*") or to his political fundraising committee during (i) the bid or other solicitation process for this Contract or Other Contract, including while this Contract or Other Contract is executory, (ii) the term of this Contract or any Other Contract between City and the Project Coordinator, and/or (iii) any period in which an extension of this Contract or Other Contract with the City is being sought or negotiated.

The Project Coordinator represents and warrants that since the date of public advertisement of the specification, request for qualifications, request for proposals or request for information (or any combination of those requests) or, if not competitively procured, from the date the City approached the Project Coordinator or the date the Project Coordinator approached

the City, as applicable, regarding the formulation of this Contract, no Identified Parties have made a contribution of any amount to the Mayor or to his political fundraising committee.

The Project Coordinator shall not: (a) coerce, compel or intimidate the Project Coordinator's employees to make a contribution of any amount to the Mayor or to the Mayor's political fundraising committee; (b) reimburse the Project Coordinator's employees for a contribution of any amount made to the Mayor or to the Mayor's political fundraising committee; or (c) bundle or solicit others to bundle contributions to the Mayor or to his political fundraising committee.

The Identified Parties must not engage in any conduct whatsoever designed to intentionally violate this provision or Mayoral Executive Order No. 2011-4 or to entice, direct or solicit others to intentionally violate this provision or Mayoral Executive Order No. 2011-4.

Violation of, non-compliance with, misrepresentation with respect to, or breach of any covenant or warranty under this provision or violation of Mayoral Executive Order No. 2011-4 constitutes a breach and default under this Contract, and under any Other Contract for which no opportunity to cure will be granted. Such breach and default entitles the City to all remedies (including without limitation termination for default) under this Contract, under any Other Contract, at law and in equity. This provision amends any Other Contract and supersedes any inconsistent provision contained therein.

If the Project Coordinator violates this provision or Mayoral Executive Order No. 2011-4 prior to award of the Agreement resulting from this specification, the Commissioner may reject the Project Coordinator's bid.

For purposes of this provision:

"Other Contract" means any agreement entered into between the Project Coordinator and the City that is (i) formed under the authority of Municipal Code Ch. 2-92; (ii) for the purchase, sale or lease of real or personal property; or (iii) for materials, supplies, equipment or services which are approved and/or authorized by the City Council.

"Contribution" means a "political contribution" as defined in Municipal Code Ch. 2-156, as amended.

"Political fundraising committee" means a "political fundraising committee" as defined in Municipal Code Ch. 2-156, as amended.

EXHIBIT II

INTERGOVERNMENTAL AGREEMENT
BETWEEN THE CITY OF CHICAGO,
BY AND THROUGH ITS DEPARTMENT OF FAMILY AND SUPPORT SERVICES,
AND THE BOARD OF EDUCATION OF THE CITY OF CHICAGO
REGARDING THE CPS CPC PROGRAM

This Intergovernmental Agreement (this "*Agreement*") is made and entered into as of the ____ day of _____, 2014 (the "*Agreement Date*") by and between the City of Chicago (the "*City*"), a municipal corporation and home rule unit of government under Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois, by and through its Department of Family and Support Services (the "*Department*"), and the Board of Education of the City of Chicago (the "*Board*" or "*CPS*"), a body corporate and politic, organized under and existing pursuant to Article 34 of the School Code of the State of Illinois.

RECITALS

WHEREAS, the Board desires to implement high quality pre-kindergarten programs (collectively, the "*CPS CPC Program*") in certain schools identified by the Board as serving at-risk children in order to increase school readiness and reduce later public school spending on special education ("*SPED*"), student retention, individual intervention and English language training; and

WHEREAS, initial support for operational costs for the CPS CPC Program will come from funds provided by certain lenders (the "*Lenders*") in the form of loans (the "*Loans*") made to IFF Pay for Success I, LLC, an Illinois limited liability company (the "*Project Coordinator*"); and

WHEREAS, the Project Coordinator will loan the proceeds of the Loans (the "*IFF Program Transfer Amounts*") to the City pursuant to the provisions of a Loan Agreement and Pay For Success Contract (the "*Pay For Success Agreement*") between the City and the Project Coordinator; and

WHEREAS, the Board agrees, pursuant to this Agreement, to utilize the IFF Program Transfer Amounts transferred to it by the Project Coordinator, on behalf of the City, to pay costs associated with implementing the CPS CPC Program; and

WHEREAS, to the extent the Board, through the CPS CPC Program, is successful in reducing expenditures for special education services as set forth in the Evaluation Plan, the Board agrees to pay the Board Pay-For-Success Payments for application pursuant to the Pay For Success Agreement; and

WHEREAS, the City and the Board now desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE ONE: INCORPORATION OF RECITALS AND DEFINITIONS

The recitals set forth above are incorporated herein by reference and made a part hereof. Capitalized terms used herein without definition shall have the meanings assigned to such terms in Exhibit A hereto or in the GSSIF Senior Loan Agreement.

ARTICLE TWO: CPS CPC PROGRAM

1. Description of CPS CPC Program. The five major goals of the CPS CPC Program are to (1) promote readiness for kindergarten in language and literacy, math, science, and socio-emotional learning; (2) increase proficiency and excellence in early school achievement, including reading, math, and science; (3) enhance social adjustment and psychological development in the early grades, including socio-emotional learning, school commitment, and self-control; (4) increase parent involvement and engagement in children's education throughout early childhood; and (5) enhance educational attainment, career opportunities, and personal development for parents and family members.

2. Description of Services.

The Board shall use the IFF Program Transfer Amounts received by the City for application hereunder to pay the project-related fees and expenses set forth in Exhibit C under the heading "Project Fees" to provide the services needed to implement the CPS CPC Program funded by the IFF Program Transfer Amounts in the school facilities identified in the Evaluation Plan attached hereto as Exhibit D, as amended from time to time in accordance with this Agreement. The services provided by the Board under the CPS CPC Program and related, supportive services to be provided by the Technical Services Provider pursuant to the Technical Services Agreement with the Project Coordinator are referred to herein as the "*CPS CPC Program Services.*"

The CPS CPC Program Services will be provided in accordance with the core program principles (the "*Core Program Principles*") attached as Exhibit E hereto. The Board shall not amend the Core Program Principles in any material respect without the prior written approval of the City and the Approval of the Lender Committee. In the event any such amendment (including any aspect of implementation of the CPS CPC Program Services) is not so approved by the City and/or the Lender Committee and the Board determines that such amendment is necessary for the effective implementation of the CPS CPC Program, the Board may, by notice to the City, the Project Coordinator and the Lenders, terminate this Agreement with respect to Project Year Cohorts commencing preschool in a Subsequent Project Year following the Project Year in which the Board determines that such amendment is necessary (provided that such termination shall not affect the obligations of the City and the Board pursuant to this Agreement with respect to Board Pay-For-Success Payments in the Initial Project Year and any Subsequent Project Years prior to the Subsequent Project Year with respect to which such notice of termination is given).

The CPS CPC Program Services will be provided in the school facilities described in the Evaluation Plan. Any additional school facilities at which CPS CPC Program

Funded Services will be provided shall require the prior written approval of the City, which approval shall not be unreasonably withheld. The Board reserves the right to lease additional space and/or purchase equipment as needed to provide the CPS CPC Program Services, provided that the cost of any such additional space and/or equipment is paid for by the Board other than from the IFF Program Transfer Amounts.

The Board will ensure appropriate levels of staffing to perform the CPS CPC Program Services and in accordance with the Core Program Principles.

As set forth under the heading "Study Population" in the Evaluation Plan, the target population for the CPS CPC Program is preschool children residing primarily in low-income neighborhoods and who meet study eligibility criteria, as further described in the Evaluation Plan (the "*CPS CPC Program Population*").

As required by the Evaluation Plan and pursuant to Article Four hereof, for each Project Year commencing with the Project Year ending June 30, 2016 and ending with the Project Year that ends on June 30 of the last Project Year in which the last Subsequent Project Year Cohort completes twelfth (12th) grade, the Board will make Board Pay-For-Success Payments to the City in the amounts and at the times specified by notice to the Board from the Evaluator based on the Evaluator's evaluation of the Total Number of Special Education Slots Avoided (as such term is used and described in the Evaluation Plan) (each hereinafter referred to as "*Success*"). Reference is made to the Evaluation Plan for a detailed description of the evaluation criteria and performance measurement criteria. The Board and the City shall not, and shall not permit the Project Coordinator to, amend or modify the Evaluation Plan or the Evaluation Agreement or grant any waiver or consent under the Evaluation Agreement without the prior written approval of the other party hereto and the Approval of the Lender Committee.

3. Project Year Supplements.

(a) The Board and the City acknowledge and agree that Exhibit C sets forth only the project-related fees and expenses for the Initial Project Year. The Board shall prepare (in consultation with the Technical Services Provider) not later than June 1 of each Project Year, commencing with the Initial Project Year, a Project Year Supplement for the Subsequent Project Year. If necessary, the deadline for the Board to prepare the Project Year Supplement can be extended twice, each extension for a period of up to one month and each extension with the Approval of the Lender Committee; provided, however, the deadline for preparation of such Project Year Supplement for the Subsequent Project Year shall not extend beyond July 31. In order for a Project Year Supplement to be adopted, it will be necessary for the Board, the City and the Project Coordinator, with the Approval of the Lender Committee, to agree upon the Project Year Supplement for the Subsequent Project Year by August 15. As part of each Project Year Supplement that is agreed to by the Board, the City and the Project Coordinator and Approved by the Lender Committee, Exhibit C will be revised and updated to reflect the project-related fees and expenses for such applicable Project Year. Each Project Year Supplement will set forth for the applicable Subsequent Project Year: (i) the Board Project Year Budgeted Amount, (ii) the City Project Year Appropriated Amount, (iii) the size of the Subsequent Project Year Cohort, (iv) the Project Year Budget including the IFF Program Transfer Amounts, (v) the "base case" level of Pay-For-Success Payments resulting from a change in the size of the

Subsequent Project Year Cohort and (vi) any revisions to the Core Program Principles for the Subsequent Project Year.

4. Evaluator and Technical Services Provider.

(a) Simultaneously with the execution and delivery of this Agreement, the Project Coordinator shall enter into the Evaluation Agreement with the Evaluator (together with its successors duly appointed in accordance with the Pay For Success Agreement) to carry out the functions described in the Evaluation Agreement. The parties hereto anticipate that the Evaluator will deliver a final Evaluation Plan within ninety (90) days of the funding of the initial Loan Advance. The Evaluator will be responsible for, in accordance with the Evaluation Plan and the Evaluation Agreement, making the calculations described in Article Four hereof, applying the evaluation criteria, performance measurement criteria and evaluation methodology set forth in the Evaluation Plan, giving notice to the Board of the amounts and due dates of Board Pay-For-Success Payments hereunder and performing such other functions as are set forth in the Evaluation Plan. Pursuant to the Pay For Success Agreement, the Project Coordinator shall not replace the Evaluator or any successor thereto or amend, modify or terminate or waive or consent to any deviation from any material term or condition of the Evaluation Agreement without the prior written approval of the Board and the City and the Approval of the Lender Committee. The parties hereto agree that the Evaluator will be compensated, for all services provided pursuant to the Evaluation Agreement, by the Project Coordinator (i) for the Project Years ending June 30, 2015 and 2016, from proceeds of a grant provided by the Finnegan Family Foundation and (ii) for the Project Years commencing with the Project Year ending June 30, 2017, from Other Funding Sources to the extent Other Funding Sources are available for such purpose. To the extent that Other Funding Sources are not available to compensate the Evaluator for the Project Years commencing with the Project Year ending June 30, 2017, the Evaluator will be compensated by the Project Coordinator from proceeds of Loans, in the maximum aggregate principal amount of \$319,000, made to the Project Coordinator by the Lenders and in turn loaned to the City as Loan Advances pursuant to the Pay For Success Agreement. No such use of Loan Advances to pay the Evaluator shall increase the City's maximum obligations to make City Pay-For-Success Payments under the Pay For Success Agreement or the Board's maximum obligations to make Board Pay-For-Success Payments hereunder.

(b) Simultaneously with the execution and delivery of this Agreement, the Project Coordinator shall enter into a contract with the Technical Services Provider (together with its successors duly appointed in accordance with the Pay For Success Agreement) to provide the services as set forth in the Technical Services Agreement. Pursuant to the Pay For Success Agreement, the Project Coordinator shall not replace the Technical Services Provider or amend, modify or terminate or waive or consent to any deviation from any material term or condition of the Technical Services Agreement without the prior written approval of the Board and the City and the Approval of the Lender Committee. The parties hereto agree that the Technical Services Provider will be compensated by the Project Coordinator for all services provided pursuant to the Technical Services Agreement during the Initial Project Year from proceeds of the Loans made to the Project Coordinator by the Lenders and in turn loaned to the City as Loan Advances on or about the date hereof and, for Project Years subsequent to the

Initial Project Year, from Other Funding Sources to the extent Other Funding Sources are available. In the event that Other Funding Sources are not available, the Technical Service Provider's role with respect to the CPS CPC Program will terminate. The Board hereby agrees to cooperate with the Technical Service Provider.

5. Provision of Information.

(a) The Board hereby agrees to provide such information as is required pursuant to this Agreement, the Evaluation Plan, the Evaluation Agreement and the Pay For Success Agreement to the Evaluator as is necessary for the Evaluator to carry out its respective evaluation and other responsibilities in accordance with this Agreement, the Evaluation Plan, the Evaluation Agreement and the Pay For Success Agreement. The Board acknowledges that, subject to applicable federal, State and local privacy laws, collective bargaining agreements, Freedom of Information Act requirements and Board policies, it will be bound by publicity provisions included as Appendix D to the Pay For Success Agreement, which provisions are deemed to be incorporated by reference into this Agreement.

(b) For so long as the Evaluator (or any successor thereto) is engaged and performing the duties set forth in Section 4(a) hereof, within 90 days after the end of each Semi-Annual Period, commencing with the Semi-Annual Period ending June 30, 2015, the CPS CPC Program Services Report shall be provided by the Board to the Evaluator for such Semi-Annual Period.

(c) The Board shall, and shall cause its officers, employees, auditors and agents to: (i) afford the officers, employees and authorized agents and representatives of the Project Coordinator, the Evaluator and the Technical Services Provider reasonable access, during normal business hours and upon a minimum of ten Business Days' notice, to its books and records directly related to this Agreement; and (ii) make available to such persons, the management, employees, officers, directors, accountants and auditors of the Board as the Project Coordinator may from time to time reasonably request, with a minimum of ten Business Days' notice.

(d) The Board hereby agrees to the provisions set forth in Article IV of the Pay For Success Agreement, and such provisions are deemed to be incorporated herein.

(e) The Board agrees that if, after receipt of notice (provided in accordance with the Evaluation Agreement) from the Evaluator that specified information that the Board is responsible for providing to the Evaluator and that is required to calculate Pay-For-Success Payments with respect to a particular Project Year Cohort in accordance with the Evaluation Agreement, the Board fails to provide such information required by the Evaluator with respect to such Project Year Cohort within 14 Business Days, the Evaluator shall assume that a "base case" level of Pay-For-Success Payments for the Project Year Cohort for which such required information was not provided has been achieved as specified in Exhibit C hereto for purposes of the Initial Project Year Cohort and as specified in the related Project Year Supplement for each Subsequent Project Year Cohort; provided, however, that if the Evaluator determines that the Board has demonstrated that its failure to deliver such information is due to an extraordinary

event beyond the control of the Board, the Board shall have seven Business Days after the extraordinary event has been remedied to provide such information to the Evaluator.

(f) The Board agrees to provide additional information to the Project Coordinator to the extent required for the Project Coordinator to provide the information required by the Social Impact Reporting Requirements attached hereto as Exhibit B, provided that such information is available to the Board without unreasonable effort or expense and provided further that the Evaluator has provided the Board any information the Board needs to provide such additional information.

(g) In the event that the Evaluator or the Project Coordinator shall resign or be replaced, the City shall direct the Project Coordinator to, and the Project Coordinator shall direct the Evaluator to, return all documents, analyses and other data prepared by or received from the Evaluator under the Evaluation Agreement (the "Work Products") to the Board. The Project Coordinator may furnish Work Products and copies thereof to the Lenders, its legal advisors and accountants, or, with the consent of the City and the Board, to other parties.

ARTICLE THREE: FUNDING OF CPS CPC PROGRAM

1. Funding Schedules and Project Year Budgets. The Initial Project Year Funding Schedule is set forth in the Funding Plan attached as Exhibit C to this Agreement under the heading "Funding Schedule." The Subsequent Project Year Funding Schedule for each Subsequent Project Year shall be set forth in the Project Year Supplement for such Project Year. A Funding Schedule may be amended or modified from time to time by replacement of the Funding Schedule by the Project Coordinator only with the prior written approval of the Board and the City and the Approval of the Lender Committee. The Project Year Budget for the Initial Project Year is attached as part of Exhibit C to this Agreement under the heading "Initial Project Year Budget." The Project Year Budget for each Subsequent Project Year shall be set forth in the applicable Project Year Supplement for such Project Year. A Project Year Budget may be amended from time to time as agreed to in writing by the Board, the City and the Project Coordinator, with the Approval of the Lender Committee. The Board and the City agree that the Funding Schedule and the Project Year Budget are based on a "base case" level of Pay-For-Success Payments and that actual Pay-For-Success Payments may be greater or lesser than the "base case" and the CPS CPC Program costs may be less than the "base case" as required by the terms of this Agreement depending on the operational savings realized by a reduction in the number of CPS CPC Funded Program Enrollees (provided that in no event will any reduction in any Project Year Cohort be made without the approval of the City and the Board and the Approval of the Lender Committee).

2. IFF Program Transfer Amounts. On each September 1 and January 1 (or if any such day is not a Business Day, on the immediately succeeding Business Day), the Board will submit a draw request ("*Project Draw Request*"), signed by the Board's Chief Financial Officer and the CPS Early Childhood Chief Officer, to the City's Commissioner of the Department of Family and Support Services with a copy to the Lenders and the Project Coordinator. Upon receipt of the signed Project Draw Request, the City agrees to request the Project Coordinator to transfer IFF Program Transfer Amounts pursuant to the Pay For Success Agreement to the

account identified by the Board in the Project Draw Request for application in accordance with this Agreement. The Board covenants to cause all IFF Program Transfer Amounts received from the Project Coordinator for a Project Year to be applied exclusively to the costs of the provision of the CPS CPC Program for the CPS CPC Funded Program Slots for such Project Year. The Board covenants to cause the CPS CPC Program that is provided each Project Year pursuant to this Agreement to adhere to the Core Program Principles.

3. Board Budget. For each Project Year, with the exception of the Initial Project Year for which funds have already been budgeted, the Board covenants to cause the CPS Chief Financial Officer (in conjunction with the CPS Early Childhood Chief Officer) to request as part of the Board's proposed budget an inclusion in the budget for the Board for the then-applicable budget and fiscal period (the "*Board Budget*") of funds (the "*Board Budgeted Program Funds*") in an amount equal to the amount set forth in the Project Year Supplement under the heading "Projected Board Project Year Budgeted Amount". Upon the appropriation of any Board Budgeted Program Funds for any Project Year, the Board covenants to cause all Board Budgeted Program Funds for a Project Year to be applied exclusively to the costs of the provision of the CPS CPC Program for the CPS CPC Funded Program Slots for such Project Year. Nothing contained herein shall permit the City or the Project Coordinator to compel the Board to include Board Budgeted Program Funds in any final budget approved by the Board for any year; provided, however the Board recognizes that no Loans will be provided by the Lenders to the Project Coordinator and no Loan Advances will be provided by the Project Coordinator to the City and hence no Project Draw Requests will be able to be made by the Board for any budget and fiscal period for which Board Budgeted Program Funds are not included in the final budget approved by the Board for such fiscal and budget period. If any final budget of the Board for any Project Year does not include the full amount of the Board Budgeted Program Funds as contemplated by this Article Three, Section 3, then promptly upon the adoption of such final Budget, the Board shall give notice to the City and to the Lenders to such effect.

4. Project Coordinator Fees and Expenses. The parties hereto agree that the Project Coordinator will be compensated in the amounts and at the times set forth in Exhibit C hereto, for all services provided pursuant to the Pay For Success Agreement and the Loan Agreements, and all audit and tax expenses of the Project Coordinator (which expenses are capped at \$10,000 annually) will be reimbursed, from proceeds of the initial advance of the Loan for each Project Year made by the Lenders to the Project Coordinator and in turn loaned to the City as a Loan Advance on or about the date hereof. The fee of the Project Coordinator shall be deemed to be earned in accordance with Exhibit C hereto. If at any time the Project Coordinator resigns or is replaced and is required, pursuant to the terms of the Loan Agreements, to repay any unearned portion of its compensation to the Lenders, the return of such unearned portion shall be deemed a repayment of the corresponding amount of a Loan Advance.

5. Third Party Fees. The Project Coordinator shall be solely responsible to pay any and all third party vendors', advisors', legal counsel's and other professional service providers' costs, fees and expenses incurred in management of the Pay For Success Agreement and any related agreements (other than the costs, fees and expenses of the Evaluator, the Technical Services Provider and the Attorneys (as defined in the Pay For Success Agreement), which are being paid as provided in the Pay For Success Agreement) and performing its obligations

hereunder and thereunder, and the Board shall have no liability for any of the foregoing costs, fees and expenses, including, but not limited to, fees paid to any financial advisor for assisting with the Pay For Success Agreement and identifying and enlisting the Lenders for services provided under this Agreement; provided, however, that the fees of the Evaluator, the Technical Services Provider and the Attorneys shall be paid from the sources of funds identified in Section 2.03(a), (b) and (d) of the Pay For Success Agreement.

ARTICLE FOUR: PAY FOR SUCCESS PAYMENTS

1. Board Budget. Subject to the provisions set forth in the third paragraph of this Section 1, for each Project Year, commencing with the Project Year ending June 30, 2017 and ending on June 30 of the Project Year after the last Project Year in which a Project Year Cohort completes twelfth (12th) grade, the Board covenants to cause the CPS Chief Financial Officer to request an inclusion in the Board Budget for the then-applicable fiscal period of funds necessary to pay either (i) the Board Pay-For-Success Payments for the prior Project Year based on a “base case” of Board Pay-For-Success Payments as specified in Exhibit C hereto for purposes of the Initial Project Year Cohort and as specified in the related Project Year Supplement for each Subsequent Project Year Cohort or (ii) if lesser and then known, the actual Board Pay-For-Success Payments determined to be due for the prior Project Year. If the Board shall determine that the “base case” of Board Pay-For-Success Payments is not the appropriate basis for a Board Budget request for any Project Year, the Board may propose an alternate basis to the Evaluator. If the Evaluator approves such alternate basis, the Board’s request for inclusion in the Board Budget for the then-applicable fiscal period may be based on such alternate basis.

Further, the Board covenants that, to the extent it requests an inclusion in the Board Budget for the then applicable fiscal period funds for any early childhood program (defined for purposes hereof to mean any program for children prior to entering kindergarten), the Board will seek a request for Board Pay-For-Success Payments, determined in accordance with the preceding paragraph, due with respect to the preceding Project Year or due and unpaid for prior Project Years in accordance with the provisions of Article Two, this Article Four and the Pay For Success Agreement.

If the actual Board Pay-For-Success Payments owed by the Board for a particular Project Year are more than the amount included in the Board Budget for that Project Year, the Board shall request an amount equal to the deficiency in the Board Budget for the subsequent Project Year.

Unless the Board has received notice from the Project Coordinator that no further amounts are due and payable under the Loan Agreements and no further Board Pay-For-Success Payments are due from the Board hereunder as a result, the Board covenants to continue to make such budget requests until the later of (i) the Project Year after the Project Year in which the last Project Year Cohort completes twelfth (12th) grade or (ii) all Board Pay-for-Success Payments required hereby have been paid in full.

Upon the approval by the Board of any funds requested by the Board to pay Board Pay-For-Success Payments for any Project Year (the “*Board Budgeted Pay-for-Success*”

Funds"), the Board covenants to cause such Board Budgeted Pay-For-Success Funds to be deposited in the Board Designated Account in accordance with the provisions of this Article Four and the Pay For Success Agreement. If any final budget of the Board for any Project Year does not include the full amount of the Board Pay-For-Success Payments requested by the CPS Chief Financial Officer for such year, then promptly upon the adoption of such final budget, the Board shall give notice to the City and the Lenders to such effect.

2. Board Pay-For-Success Payments. Commencing with the Project Year ending on June 30, 2016 and ending with the last Project Year in which a Project Year Cohort completes sixth (6th) grade, the Evaluator shall calculate, pursuant to the Evaluation Plan, the amount, if any, of Board Pay-For-Success Payments due from the Board for such Project Year in accordance with the Evaluation Plan. By the October 1 following the completion of each Project Year under evaluation, the Evaluator shall deliver written notice of such amount (including the calculations supporting such amount) to the City, the Board, the Project Coordinator and the Lenders. The Evaluator's calculations delivered for each Project Year Cohort completing sixth (6th) grade will also include the amounts of Board Pay-For-Success Payments due for each of the following six Subsequent Project Years for such Project Year Cohort.

If for any Project Year no such notice is received by the Board from the Evaluator by October 15 of the following Project Year, then the Board shall notify the City, the Project Coordinator and the Lender Committee of such failure, and the Project Coordinator shall replace the Evaluator as promptly as practicable, subject to the approval of the City and the Board and the Approval of the Lender Committee.

The Board Pay-For-Success Payments will be due 30 Business Days after receipt of the Evaluator's notice of any Board Pay-For-Success Payments (other than Board Pay-For-Success Payments due for Project Year Cohorts in grades beyond sixth (6th) grade, which are due by the September 1 following each Project Year for which payment is due), and the Board shall, on behalf of the City, deposit such Board Pay-For-Success Payments in the Board Designated Account; *provided, however*, that if the Board shall determine, within ten (10) Business Days of receipt of notice from the Evaluator, that the calculation of the amounts set forth by the Evaluator contains any manifest mathematical error, the Board shall give notice describing such error to the Evaluator, the City, the Project Coordinator and the Lenders, and each of such parties will work in good faith to resolve the error (and upon such resolution the Board shall promptly pay the required amount as so resolved).

Unless the Board has received notice from the Project Coordinator that no further amounts are due and payable under the Loan Agreements and no further Board Pay-For-Success Payments are due from the Board hereunder as a result, the Board covenants to make such required Board Pay-For-Success Payments until the later of (i) the Project Year after the sixth anniversary of the Project Year the last Project Year Cohort completes sixth (6th) grade or (ii) the Board Pay-For-Success Payments required hereby have been paid in full.

3. Limit on Board Pay-For-Success Payments. Notwithstanding any provision of this Agreement or any other Core Document, (i) the maximum aggregate amount of Board Pay-For-Success Payments that are required to be made pursuant to and during the term of this

Agreement is \$30,000,000, and the City shall cause all Board Pay-For-Success Payments to be paid to the Project Coordinator solely and only from (i) funds paid to it by the Board hereunder or (ii) other amounts legally available to be applied to such payments as expressly provided herein.

4. Prepayment. The Board shall have the right, but not the obligation, to prepay any portion or all of the Board Pay-For-Success Payments at any time. If the Board wishes to prepay any portion or all of the Board Pay-For-Success Payments, the Board shall, by notice to the Evaluator with copies to the City, the Project Coordinator and the Lenders, request the Evaluator to calculate the amount of Board Pay-For-Success Payments to be prepaid. With respect to Board Pay-For-Success Payments deposited in the Board Designated Account to pay the GSSIF Senior Lender or the NT Senior Lender, the prepayment amount will be an amount equal to the outstanding principal amount of the Loans due to the respective Lender under the respective Loan Agreement on the date of prepayment, plus accrued and unpaid interest thereon. With respect to Board Pay-For-Success Payments deposited in the Board Designated Account to pay the Subordinate Lender, the prepayment amount will be an amount equal to the present value of the outstanding and unpaid Board Pay-For-Success Payments assuming a “base case” level of Board Pay-For-Success Payments discounted to present value as of the date of notice of prepayment (the “*Calculation Date*”) using a discount rate equal to the Treasury Rate (as defined below) plus 200 basis points. For purposes of the calculation described in the preceding sentence, “*Treasury Rate*” means, as of any Calculation Date, the yield to maturity as of such prepayment date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Calculation Date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Calculation Date to the payment dates of the Board Pay-For-Success Payments to be prepaid; provided, however, that if the period from the Calculation Date to such prepayment date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Upon the giving by the Evaluator of notice to the Board, the City, the Project Coordinator and the Lenders of the amount to be prepaid by the Board as so calculated, the Board shall deposit the amount of the prepayment as so calculated by the Evaluator to the Board Designated Account.

5. Acceleration. The Board covenants to pay any Board Pay-For-Success Payments resulting from the acceleration on September 1, 2028 (the “*Acceleration Date*”) by any Lender of the outstanding amount of its respective Loan pursuant to Section 2.6.7 of the applicable Loan Agreement following receipt of notice from such Lender of such acceleration, which notice from such Lender must be sent 90 days prior to the Acceleration Date. The discount rate to be used in calculating the present value of the Board Pay-For-Success Payments as of the Acceleration Date shall be the discount rate set forth in Article 4, Section 4 hereof for voluntary prepayments of Board Pay-For-Success Payments. The Board’s obligation to pay any accelerated Board Pay-For-Success Payments is subject to budgeted amounts being legally available to make such Board Pay-For-Success Payments. In the event that such amounts are not legally available, the provisions of Article 7, Section 2 hereof shall apply.

6. Limitations. The obligation of the Board to fund Board Pay-For-Success Payments or to make any other payments required by this Agreement shall not constitute an indebtedness or general obligation of the Board or a loan of its credit within the meaning of any statutory or Constitutional provision of the State.

ARTICLE FIVE: REPRESENTATIONS AND WARRANTIES OF THE BOARD

1. Organization. The Board represents and warrants that it is a (i) a body politic and corporate of the State of Illinois and governs the School District having boundaries coterminous with the boundaries of the City, (ii) established under and governed by Article 34 of the School Code and (iii) not a home rule unit of government.

2. Authorization; Enforceability. The Board has all requisite power and authority to enter into, execute and to deliver this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement, the performance of the obligations hereunder, and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Board and no other proceedings or actions on the part of the Board are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Board and constitutes a valid and binding obligation of the Board, enforceable in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights generally, or (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

3. Non-Contravention; No Violation. The execution and delivery of and performance by the Board of its obligations under this Agreement do not violate any applicable law or administrative regulation of the State of Illinois or the United States of America or any department, division, agency or instrumentality of either, or any applicable judgment or decree to which the Board is subject, or conflict, in a material manner with, or constitute a material breach of or a material default under any loan agreement, bond, note, resolution, ordinance, indenture, agreement or other instrument to which the Board is a party or is otherwise subject.

4. Governmental Consents. No consent, approval, authorization, license, governmental order or permit of, or declaration, filing or registration with, or notification to, any governmental authority is required to be made or obtained, and no consent or approval of any other person is required by the Board in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby.

5. Compliance with Laws; Litigation.

(a) To the knowledge of the Board, the Board is in material compliance with all applicable laws, including, without limitation, laws that are applicable to its properties and assets, the conduct of its operations.

(b) There is no action of any nature pending or, to the knowledge of the Board, threatened against, relating to or affecting the Board or any of its properties or assets, or that challenges or seeks to prevent, enjoin or delay the transactions contemplated in this Agreement, nor, to the knowledge of the Board, is there any reasonable basis therefor or any facts, threats, claims or allegations that would reasonably be expected to result in any such action.

6. Initial Project Year Board Budgeted Program Funds. For the Initial Project Year, Board Budgeted Program Funds have been budgeted for the provision of the CPS CPC Program to the Initial Project Year Cohort in the aggregate amount of \$2,104,498, which funds shall be advanced to the Board in accordance with Exhibit C hereto.

ARTICLE SIX: TERM AND TERMINATION

1. Term. The Term of the Agreement shall be deemed to have commenced as of the Agreement Date set forth above and shall remain in effect until the last Board Pay-For-Success Payments due from the Board are paid in accordance with this Agreement and the City, or the Board on its behalf, deposits the Board Pay-For-Success Payments in the Board Designated Account as detailed herein and in the Pay For Success Agreement.

2. Termination With Respect to Subsequent Project Year. If for any Subsequent Project Year the Board Project Year Budgeted Amount or the City Project Year Appropriated Amount is less than the amount reflected for such Subsequent Project Year in Exhibit C under the heading "Projected Board Project Year Budgeted Amount" or "Projected City Project Year Appropriated Amount" respectively and/or a Project Year Supplement is not mutually agreed to by the Board, the City and the Project Coordinator with the Approval of the Lender Committee, then each of the Board and the City shall have the right by notice to the other and to the Project Coordinator and the Lenders to terminate this Agreement with respect to such and all future Subsequent Project Years, and such termination shall be effective on the date such notice is received, provided that no such termination shall affect the obligations of the City and the Board pursuant to this Agreement with respect to Board Pay-For-Success Payments for the Initial Project Year and any Subsequent Project Years prior to the Subsequent Project Year with respect to which such notice of termination is given.

ARTICLE SEVEN: INDEMNITY; DEFAULT

1. Indemnification. The Board agrees to indemnify, defend and hold the City, its officers, officials, members, employees and agents harmless from and against any losses, costs, damages, liabilities, claims, suits, actions, causes of action and expenses (including, without limitation, reasonable attorneys' fees and court costs) suffered or incurred by the City arising from or in connection with the Board's failure to comply with any of the terms, covenants and conditions contained within this Agreement. The City agrees to indemnify, defend and hold the Board, its officers, officials, members, employees and agents harmless from and against any losses, costs, damages, liabilities, claims, suits, actions, causes of action and expenses (including, without limitation, reasonable attorneys' fees and court costs) suffered or incurred by the Board

arising from or in connection with the City's failure to comply with any of the terms, covenants and conditions contained within this Agreement.

2. Events of Default - Board. The failure of the Board to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations of the Board under this Agreement shall constitute an "Event of Default" by the Board hereunder. Upon the occurrence of an Event of Default, the City may, by notice to the Board, the Project Coordinator and the Lenders, terminate this Agreement in accordance with Article Six hereof and terminate transfers of IFF Program Transfer Amounts to the Board (provided that no such termination shall affect the obligations of the City and the Board pursuant to this Agreement with respect to Board Pay-For-Success Payments due for the Initial Project Year and any Subsequent Project Years prior to such termination). The City may, in any court of competent jurisdiction by any action or proceeding at law or in equity, proceed to protect its rights hereunder and may seek to compel compliance by the Board with the terms and provisions hereof by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof, or in aid of the execution of any power herein granted, and may exercise any other right or remedy upon such breach as may be granted under any other applicable provisions of law; provided, however, that the sole and absolute remedy for any breach of the Board's covenant, promise and agreement to make Board Pay-For-Success Payments shall be specific performance, and there shall be no right to declare an acceleration or accelerate the unpaid balance of Board Pay-For-Success Payments.

If the Board fails to make any Board Pay-For-Success Payment required by this Agreement within 30 Business Days after the due date of such payment, the City will (and any Lender may) provide notice to the Board of such failure, and the Board will have an additional 10 days after the giving of such notice to make such payment. If the Board's failure to make any Board Pay-For-Success Payments persists after such date, then the following provisions shall apply:

(i) The Board shall seek an appropriation of any due and unpaid Board Pay-For-Success Payments for payment pursuant to this Agreement. To the extent that any funds are appropriated by the Board for early childhood education programs, the Board covenants to seek an appropriation for payment of any due and unpaid Board Pay-For-Success Payments;

(ii) The Board shall disclose any failure to pay the Board's Pay-For-Success Payments in the Board's comprehensive annual financial report ("CAFR") prepared by the certified public accounting firm engaged by the Board; and

(iii) The Board shall notify the Rating Services of any failure by the Board to pay the Board's Pay-For-Success Payments.

With respect to the covenants set forth in clauses (ii) and (iii) above, the Board may seek a waiver of such covenants with the Approval of the Lender Committee in the event that any non-payment of Board Pay-For-Success Payments is deemed immaterial in the opinion of the Board. The Approval of the Lender Committee of any such request shall not be unreasonably withheld.

Notwithstanding the foregoing, if the Board has included in the Board Budget for the then-applicable fiscal period the funds necessary to pay the Board Pay-For-Success Payments for the Prior Project Year based on a "base case" of Board Pay-For-Success Payments (or based on some alternate basis agreed to by the Evaluator pursuant to Article Four, Section 1 hereof) and such budgeted amount is less than the actual Board Pay-For-Success Payments due for such Project Year, the Board's failure to pay Board Pay-For-Success Payments due hereunder shall not constitute an Event of Default hereunder and the covenants set forth in clauses (ii) and (iii) above shall not apply. However, in such event, the Board shall request in the Board Budget for the subsequent Project Year an amount equal to satisfy such deficiency as required by Article Four, Section 1 hereof.

Anything herein to the contrary notwithstanding, nothing contained herein shall permit the City or the Project Coordinator to compel the Board to include Board Budgeted Pay-For-Success Funds in any final budget approved by the Board for any year.

If the Board has failed to make any Board Pay-For-Success Payment required by this Agreement as provided above or is in breach prior to the time that such payment is due, the City shall have no further obligations to transfer IFF Program Transfer Amounts to the Board pursuant to Article Three, Section 2 of this Agreement.

In the event the Board shall fail to perform a covenant other than its covenant to make Board Pay-For-Success Payments which the Board is required to perform under this Agreement, notwithstanding any other provision of this Agreement to the contrary, an Event of Default shall not be deemed to have occurred unless the Board has failed to cure such default within thirty (30) days of its receipt of a written notice from the City specifying the nature of the default; provided, however, with respect to those defaults, other than a default in the payment of a Board Pay-For-Success Payment and other than a failure to provide required information to the Evaluator, which are not capable of being cured within such thirty (30) day period, the Board shall not be deemed to have committed an Event of Default under this Agreement if it has commenced to cure the alleged default within such thirty (30) day period and thereafter diligently and continuously prosecutes the cure of such default until the same has been cured.

3. Events of Default - City. The failure of the City to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations of the City under this Agreement shall constitute an "Event of Default" by the City hereunder after notice and the opportunity to cure as set forth in the following paragraph. Upon the occurrence of an Event of Default, the Board may, by notice to the City, the Project Coordinator and the Lenders, terminate this Agreement in accordance with Article Six hereof (provided that no such termination shall affect the obligations of the City and the Board pursuant to this Agreement with respect to Board Pay-For-Success Payments due for the Initial Project Year and any Subsequent Project Years prior to such termination). The Board may, in any court of competent jurisdiction by any action or proceeding at law or in equity, pursue and secure any available remedy, including but not limited to injunctive relief or the specific performance of the agreements contained herein.

In the event the City shall fail to perform a covenant which the City is required to perform under this Agreement, notwithstanding any other provision of this Agreement to the

contrary, an Event of Default shall not be deemed to have occurred unless the City has failed to cure such default within thirty (30) days of its receipt of a written notice from the Board specifying the nature of the default; provided, however, with respect to those defaults which are not capable of being cured within such thirty (30) day period, the City shall not be deemed to have committed an Event of Default under this Agreement if it has commenced to cure the alleged default within such thirty (30) day period and thereafter diligently and continuously prosecutes the cure of such default until the same has been cured.

ARTICLE EIGHT: CONSENT

Whenever the consent or approval of one or both parties to this Agreement is required hereunder, such consent or approval shall not be unreasonably withheld.

ARTICLE NINE: NOTICE

Notice to Board shall be addressed to:

Chief Financial Officer
Board of Education of the City of Chicago
42 West Madison Street, 2nd Floor
Chicago, Illinois 60602
[FAX: (773) 553-2701]

and

General Counsel
Board of Education of the City of Chicago
1 North Dearborn Street, 9th Floor
Chicago, Illinois 60602
[FAX: (773) 553-1702]

Notice to the City shall be addressed to:

Commissioner
Department of Family and Support Services
1615 West Chicago Avenue, 5th Floor
Chicago, Illinois 60622
FAX: (312) 744-2271

and

Corporation Counsel
121 North LaSalle Street, Room 600
Chicago, Illinois 60602
Attention: Finance and Economic Development Division

FAX: (312) 742-0277

And

Office of Chief Financial Officer
121 North LaSalle Street, Room 700
Chicago, Illinois 60602
[FAX: (312) 742-0277]

A copy of each notice hereunder shall be simultaneously provided to the Lenders in accordance with the notice provisions of each applicable Loan Agreement. Any notice required hereby to be provided to the Lenders shall be provided to the Lenders in accordance with the notice provisions of each applicable Loan Agreement.

Unless otherwise specified, any notice, demand or request required hereunder shall be given in writing at the addresses set forth above, by any of the following means: (a) personal service; (b) electric communications, whether by telex, telegram, telecopy or facsimile (FAX) machine; (c) overnight courier; or (d) registered or certified mail, return receipt requested.

Such addresses may be changed when notice is given to the other party in the same manner as provided above. Any notice, demand or request sent pursuant to either clause (a) or (b) hereof shall be deemed received upon such personal service or upon dispatch by electronic means. Any notice, demand or request sent pursuant to clause (c) shall be deemed received on the day immediately following deposit with the overnight courier and, if sent pursuant to subsection (d) shall be deemed received two (2) days following deposit in the mail.

ARTICLE TEN: COLLATERAL ASSIGNMENT; ASSIGNMENT; BINDING EFFECT

The Board acknowledges that the City has collaterally assigned its rights set forth in this Agreement to the Project Coordinator (together with its successors and assigns, the "Assignee") as collateral for the obligations of the City to the Assignee, and that the Assignee has collaterally assigned such rights to the Lenders as collateral for the obligations of the Project Coordinator to the Lenders, and the Board hereby consents to such collateral assignments. The Board agrees that no amendment to the provisions of this Agreement and no consent or waiver to the provisions by the City hereunder shall be valid without the prior written consent of the Assignee and the Approval of the Lender Committee. The Assignee and the Lenders shall each be a third party beneficiary of the provisions of this Agreement that require the Approval of the Lender Committee and shall be entitled to enforce such provisions hereof. The Board acknowledges that the Lenders have relied on the existence of this Agreement in entering into the Loan Agreements.

This Agreement, or any portion thereof, shall not be further assigned by either party without the prior written consent of the other.

This Agreement shall inure to the benefit of and shall be binding upon the City, the Board and their respective successors and permitted assigns. This Agreement is intended to be and is for the sole and exclusive benefit of the parties hereto and such successors and permitted assigns;

provided that after the occurrence of an Event of Default, the City shall have the right (but not the obligation) to appoint Assignee (including its assigns duly appointed in accordance with the Pay For Success Agreement) as the City's agent to enforce the provisions of Article Seven, Section 2 hereof.

ARTICLE ELEVEN: MODIFICATION

This Agreement may not be altered, modified or amended except by written instrument signed by all of the parties hereto provided that no alteration, modification or amendment of this Agreement shall be effective without the Approval of the Lender Committee. The Pay For Success Agreement shall not be altered, modified or amended, without the prior written approval of the Board, which approval shall not be unreasonably withheld.

ARTICLE TWELVE: COMPLIANCE WITH LAWS

The parties hereto shall comply with all federal, state and municipal laws, ordinances, rules and regulations relating to this Agreement.

ARTICLE THIRTEEN: GOVERNING LAW AND SEVERABILITY

All issues concerning this Agreement shall be governed by and construed in accordance with the laws of the State of Illinois without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Illinois. If any provision of this Agreement shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all cases because it conflicts with any other provision or provisions hereof or any constitution, statute, ordinance, rule of law or public policy, or for any reason, such circumstance shall not have the effect of rendering any other provision or provisions contained herein invalid, inoperative or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the remaining portions of this Agreement or any part hereof.

ARTICLE FOURTEEN: COUNTERPARTS

This Agreement may be executed in counterparts, each of which shall be deemed an original.

ARTICLE FIFTEEN: ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties.

ARTICLE SIXTEEN: AUTHORITY

Execution of this Agreement by the City is authorized by an ordinance passed by the City Council of the City on _____, 2014. Execution of this Agreement by the Board is authorized by a resolution adopted by the Board on _____, 2014. The parties represent and warrant to each other that they have the authority to enter into this Agreement and perform their obligations hereunder.

ARTICLE SEVENTEEN: HEADINGS

The headings and titles of this Agreement are for convenience only and shall not influence the construction or interpretation of this Agreement.

ARTICLE EIGHTEEN: DISCLAIMER OF RELATIONSHIP

Except as otherwise set forth herein, nothing contained in this Agreement, nor any act of the City or the Board shall be deemed or construed by any of the parties hereto or by third persons, to create any relationship of third party beneficiary, principal, agent, limited or general partnership, joint venture, or any association or relationship involving the City and the Board.

ARTICLE NINETEEN: CONSTRUCTION OF WORDS

The use of the singular form of any word herein shall also include the plural, and vice versa. The use of the neuter form of any word herein shall also include the masculine and feminine forms, the masculine form shall include feminine and neuter, and the feminine form shall include masculine and neuter. To the extent that any payment, notice or report due hereunder is due on a day that is not a Business Day, such payment, notice or report shall be deemed to be due on the next succeeding Business Day.

ARTICLE TWENTY: NO PERSONAL LIABILITY

No officer, member, official, employee or agent of the City or the Board shall be individually or personally liable in connection with this Agreement.

ARTICLE TWENTY ONE: REPRESENTATIVES

Immediately upon execution of this Agreement, the following individuals will represent the parties as a primary contact in all matters under this Agreement.

For the Board:

Jennie Huang Bennett
Treasurer, Chicago Public Schools
42 West Madison Street, 2nd Floor
Chicago, Illinois 60602
Phone: _____
Fax: _____

Elizabeth Mascitti-Miller
Chief Officer, Office of Early Childhood Education
42 West Madison Street, 2nd Floor
Chicago, Illinois 60602
Phone: _____
Fax: _____

For the City:

David L. Wells
Managing Deputy Commissioner
City of Chicago
Department of Family and Support Services
1615 West Chicago Avenue, 5th Floor
Chicago, Illinois 60622
Phone: (312) 743-1658
Fax: _____

Each party agrees to promptly notify the other party of any change in its designated representative, which notice shall include the name, address, telephone number and fax number of the representative for such party for the purpose hereof.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed and delivered as of the date first above written.

CITY OF CHICAGO, ILLINOIS

By _____
Commissioner,
Department of Family and Support Services

BOARD OF EDUCATION OF THE CITY OF
CHICAGO

By: _____
President

Attest: By: _____
Secretary

Board Report No.: _____

Approved as to legal form:

General Counsel

EXHIBIT A
DEFINITIONS

In addition to the terms defined herein, each the following terms has the following meaning herein:

“Advance” shall mean a Project Year Initial Advance or a Project Year Subsequent Advance, as the context shall require.

“Approved by the Lender Committee” or “Approval of the Lender Committee” means that a proposed action or decision has been unanimously approved in advance by the members of the Lender Committee.

“At Grade Level” means reading at or above the 25th percentile of the PARCC test or, if another Third Grade Literacy Test is used, such other level as is determined by the City, the Board and the Evaluator with the Approval of the Lender Committee.

“Board” has the meaning set forth in the Recitals to the Pay For Success Agreement.

“Board Budgeted Pay-For-Success Funds” shall have the meaning ascribed thereto in the Intergovernmental Agreement.

“Board Budgeted Program Funds” shall have the meaning ascribed thereto in the Intergovernmental Agreement.

“Board Designated Account” means the account of the Project Coordinator with the Depository Bank to which the Board’s Pay-For-Success Payments due under the Intergovernmental Agreement are deposited that is subject to the control of the Lenders pursuant to the DACA.

“Board Pay-For-Success Payments” means the payments that the Board is required to make to the City pursuant to the Intergovernmental Agreement and that the City is required to deposit, or to direct the Board to deposit, in the Board Designated Account pursuant to the Pay For Success Agreement to repay a portion of the Loan Advances.

“Board Project Year Budgeted Amount” means the amount budgeted by the Board to fund the Project Year Program for the applicable Project Year.

“Business Day” shall mean any day other than a Saturday, Sunday, or a public holiday, or the equivalent for banks generally under the laws of the State of New York or the State of Illinois.

“City” has the meaning set forth in the Preamble to the Pay For Success Agreement.

“City Designated Account” means the account of the Project Coordinator with the Depository Bank to which the City’s Pay-For-Success Payments are deposited that is subject to the control of the Lenders pursuant to the DACA.

“City Pay-For-Success Payments” means the payments that the City is required to deposit in the City Designated Account pursuant to the Pay For Success Agreement to repay a portion of the Loan Advances.

“City PFS Escrow Account” means the escrow account established by the City pursuant to the Pay-For-Success Escrow Agreement into which the City Project Year Appropriated Amount for each Project Year is deposited.

“City Project Year Appropriated Amount” means the amount appropriated by the City to make Kindergarten Readiness Payments and Third Grade Literacy Payments under the Pay For Success Contract for a Project Year Cohort.

“Contract” has the meaning set forth in the Recitals to the Pay For Success Agreement.

“Core Documents” means the Pay For Success Agreement, the Intergovernmental Agreement, the Loan Documents, the Evaluation Agreement and the Technical Services Agreement.

“Core Program Principles” means the principles of the CPS CPC Program attached hereto as Exhibit E.

“CPC” means the Child Parent Centers operated by the Board.

“CPS CPC Funded Program Enrollee” means a child who has received instruction pursuant to the CPS CPC Program that has been funded by the Project Coordinator using proceeds of funding provided by the Lenders.

“CPS CPC Funded Program Slot” means a slot or seat for a child or children to receive instruction pursuant to the CPS CPC Program that has been funded using the IFF Program Transfer Amounts.

“CPS CPC Program” means a program of preschool education provided by the Board in certain schools identified by the Board as serving at-risk children to increase school readiness and reduce later public school spending on special education, student retention, individual intervention and English language training.

“CPS CPC Program Population” has the meaning set forth in the Intergovernmental Agreement.

“CPS CPC Program Services” has the meaning set forth in the Intergovernmental Agreement.

“CPS CPC Program Services Report” means the report prepared by the Board and delivered to the Evaluator in the form agreed to by the Board and the Evaluator as set forth in the Evaluation Plan.

“Deposit Account Control Agreement(s)” or “DACA(s)” means the deposit account control agreement(s), dated as of the date hereof, by and among the Project Coordinator, the Depository Bank, the Senior Lenders and the Subordinate Lender.

“Depository Bank” means BMO Harris Bank, N.A., a national association, and the depository bank for the Designated Accounts.

“Designated Accounts” means the accounts of the Project Coordinator with the Depository Bank that are subject to the control of the Lenders pursuant to the DACA.

“Evaluation Agreement” means, for the Initial Project Year, the independent evaluator agreement, dated as of the date hereof, by and between the Evaluator and the Project Coordinator and, for any Subsequent Project Year (or for any period after the Evaluation Agreement for the Initial Project Year is terminated), the evaluation agreement entered into in accordance with Section 2.03 of the Pay For Success Agreement.

“Evaluation Plan” means the evaluation plan implemented by the Evaluator to validate the success of the CPS CPC Program and attached to the Pay For Success Agreement as *Appendix B* (as such evaluation plan may be amended from time to time with the approval of the City and the Board and the Approval of the Lender Committee).

“Evaluator” means, as of the date of any reference thereto, the party to the Evaluation Agreement providing evaluation services as contemplated by the Core Documents.

“Final Termination Date” has the meaning set forth in Section 1.01 of the Pay For Success Agreement.

“Funding Agreement(s)” means the Senior Loan Documents and the Subordinate Loan Documents, individually or collectively, as the context shall require.

“Funding Schedule” means the Initial Project Year Funding Schedule or a Subsequent Project Year Funding Schedule as the context shall require.

“GSSIF Senior Lender” means the Goldman Sachs Social Investment Fund, L.P., a Delaware limited partnership, and its successor and assigns.

“GSSIF Senior Loan” means the senior loan in the original principal amount of up to \$7.5 million provided by the GSSIF Senior Lender to the Project Coordinator pursuant to the GSSIF Senior Loan Agreement to finance the CPS CPC Program.

“GSSIF Senior Loan Agreement” means the senior loan agreement by and between the GSSIF Senior Lender and the Project Coordinator.

“GSSIF Senior Obligations” means all obligations and liabilities of the Project Coordinator to the GSSIF Senior Lender under the Senior Loan Documents.

“Head Teacher or Director” means an employee of the CPS who provides day to day support in the functioning of the CPS CPC Program.

“Historic Results” means CPS students’ results on the Third Grade Literacy Test over the past ten years from the date of the applicable Third Grade Literacy Test.

“IFF” means IFF, an Illinois not-for-profit corporation.

“IFF Program Transfer Amounts” means the amounts that the Project Coordinator is required to transfer to the City for distribution to the Board pursuant to the Intergovernmental Agreement for each applicable Project Year to fund the provision of the CPS CPC Program to the Initial Project Year Cohort or the applicable Subsequent Project Year Cohort (but not in excess of the corresponding Project Draw Request submitted by the Board pursuant to the Intergovernmental Agreement).

“Initial Project Year” means the period from the date of execution and delivery of the Pay For Success Agreement through June 30, 2015.

“Initial Project Year Cohort” means 374 children.

“Initial Project Year Funding Schedule” means the schedule on which (subject to the applicable terms and conditions of the respective Loan Documents) each Lender will fund its Loan to the Project Coordinator during the Initial Project Year.

“Intercreditor and Subordination Agreement” means the intercreditor and subordination agreement, dated as of the date hereof, by and among the Lenders and the Project Coordinator.

“Intergovernmental Agreement” means the intergovernmental agreement, dated as of the date hereof, between the City and the Board.

“Kindergarten Readiness” has the meaning set forth in the Evaluation Plan.

“Kindergarten Readiness Payments” has the meaning set forth in Section 3.01 of the Pay For Success Agreement.

“Lender Committee” means a committee comprised of designees appointed by the Senior Lenders and the Subordinate Lender; *provided* that (i) from and after the date on which all obligations owed by the Project Coordinator to the GSSIF Senior Lender have been paid in full, the GSSIF Senior Lender shall no longer be entitled to appoint a designee to the Lender Committee, and (ii) from and after the date on which all obligations owed by the Project Coordinator to the NT Senior Lender have been paid in full, the NT Senior Lender shall no longer be entitled to appoint a designee to the Lender Committee.

“Lender Representative” means (i) so long as all obligations owed by the Project Coordinator to the GSSIF Senior Lender have not been paid in full, GSSIF, and (ii) after all obligations owed by the Project Coordinator to the GSSIF Senior Lender have been paid in full and so long as all obligations owed by the Project Coordinator to the NT Senior Lender have not been paid in full, the NT Senior Lender, and (iii) after all obligations owed by the Project Coordinator to the GSSIF Senior Lender and the NT Senior Lender have been paid in full and so long as all obligations owed by the Project Coordinator to the Subordinate Lender have not been paid in full, the Subordinate Lender.

“Lenders” means Senior Lenders and Subordinate Lender, individually or collectively, as the context shall require.

“Loan Advance” means each loan of funds, consisting of IFF Program Transfer Amounts, to the City by the Project Coordinator pursuant to the Pay For Success Agreement.

“Loan Agreements” means the GSSIF Senior Loan Agreement, the NT Senior Loan Agreement and/or the Subordinate Loan Agreement, individually or collectively, as the context shall require.

“Loan Documents” means the Senior Loan Documents and the Subordinate Loan Documents, individually or collectively, as the context shall require.

“Loans” means the Senior Loans and/or the Subordinate Loan individually or collectively, as the context shall require.

“MFS” means Metropolitan Family Services, an Illinois not-for-profit corporation.

“NT Senior Lender” means The Northern Trust Company, an Illinois banking corporation.

“NT Senior Loan” means the senior loan in the original principal amount of \$5.5 million provided by the NT Senior Lender to the Project Coordinator pursuant to the NT Senior Loan Agreement to finance the CPS CPC Program.

“NT Senior Loan Agreement” means the senior loan agreement by and between the NT Senior Lender and the Project Coordinator.

“Operational Meeting” has the meaning set forth in Section 4.01 of the Pay For Success Agreement.

“Ordinance” has the meaning set forth in the Recitals to the Pay For Success Agreement.

“Other Funding Sources” means sources of funding, including grants and charitable contributions, other than the Pay-For-Success Payments and the Loans.

“Parent Resource Teacher or PRT” means an employee of CPS who conducts daily parent workshops, and one on one conferences with parents to support parental engagement in the classroom, provide supports to families with community resources, and education to families on best practices with their children at home and in school.

“Pay For Success Agreement” means the Loan Agreement and Pay For Success Contract, dated as of the date hereof, by and between the City and the Project Coordinator pursuant to which the City agrees to make Pay-For-Success Payments on behalf of the Board and on its own behalf to the Designated Accounts based upon the results of the CPS CPC Program to repay the Loan Advances.

“Pay-For-Success Escrow Agreement” means the City of Chicago Pay-For-Success Escrow Agreement among the City, the Project Coordinator and _____, as escrow agent, pursuant to which the City PFS Escrow Account is maintained and amounts held therein are disbursed.

“Pay-For-Success Payments” means Board Pay-For-Success Payments and/or the City Pay-For-Success Payments, individually or collectively, as the context shall require.

“Performance Measures” has the meaning set forth in the Intergovernmental Agreement.

“Pledge and Security Agreement” means the pledge and security agreement, dated as of the date hereof, by and among the Project Coordinator on the one hand and the Senior Lenders on the other hand.

“Project Coordinator” has the meaning set forth in the Preamble to the Pay For Success Agreement.

“Project Draw Request” shall have the meaning set forth in the Intergovernmental Agreement.

“Project Year” means each successive 12-month period during the term commencing on the Project Year Initial Advance Date, with each Project Year corresponding to a Fiscal Year of the Board.

“Project Year Budget” for each Project Year shall mean the Board’s budget for such Project Year as Approved by the Lender Committee reflecting (i) the IFF Program Transfer Amounts for such Project Year and (ii) the Board’s costs of the administration of the Project Year Program for the applicable Project Year.

“Project Year Cohort” means the Initial Project Year Cohort or the Subsequent Project Year Cohort as the context shall require.

“Project Year Initial Advance Date” shall mean, for each Project Year, the date on which the Project Coordinator initially transfers IFF Program Transfer Amounts to the City for a particular Project Year Cohort.

“Project Year Program” means the program of the Project Coordinator’s funding of the CPS CPC Program for an applicable Project Year.

“Project Year Subsequent Advance Date” shall mean the date, subsequent to the Project Year Initial Advance Date, on which the Project Coordinator transfers IFF Program Transfer Amounts to the City for a particular Project Year Cohort.

“Project Year Supplement” means a supplement prepared by the Board, in consultation with the Technical Services Provider, and agreed to by the City, the Board and the Project Coordinator and Approved by the Lender Committee, with respect to each Subsequent Project Year to reflect for such Project Year (i) the Board Project Year Budgeted Amount, (ii) the City Project Year Appropriated Amount, (iii) the size of the Subsequent Year Project Cohort, (iv) the Project Year Budget including the IFF Program Transfer Amounts, (v) the “base case” level of Pay-For-Success Payments resulting from a change in the size of the Subsequent Project Year Cohort and (vi) any revisions to the Core Program Principles for the Subsequent Project Year.

“Promotional Material” has the meaning set forth on *Appendix E* to the Pay For Success Agreement.

“Rating Services” means the nationally recognized rating services, or any of them, that shall have assigned ratings to any outstanding obligation of the Board as requested by or on behalf of the Board, and which ratings are then currently in effect.

“School-Community Representative” means an employee of CPS who serves as a direct liaison between the CPC Center and the community by monitoring students’ attendance and supporting the recruitment, application, registration and enrollment of students through community outreach, home visits, and coordinated efforts with the Collaborative Leadership team.

“Semi-Annual Period” means the semi-annual period ending June 30 or December 31, as applicable.

“Senior Lender(s)” means the GSSIF Senior Lender and/or the NT Senior Lender, individually or collectively, as the context shall require.

“Senior Lender Intercreditor Agreement” means the intercreditor agreement, dated as of the date hereof, by and between the GSSIF Senior Lender, the NT Senior Lender and the Project Coordinator.

“Senior Loan(s)” means the GSSIF Senior Loan and/or the NT Senior Loan, individually or collectively, as the context shall require.

“Senior Loan Document(s)” means the GSSIF Senior Loan Agreement, the NT Senior Loan Agreement, the Pledge and Security Agreement and the DACA, individually or collectively as the context shall require.

“Social Impact Reporting Requirements” means the social impact reporting requirements set forth in Schedule 4.5 of the GSSIF Senior Loan Agreement.

“SPED Payments” has the meaning set forth in Section 3.02 of the Pay For Success Agreement.

“Steering Committee” has the meaning set forth in Section 4.01 of the Pay For Success Agreement.

“Subordinate Lender” means the Pritzker Family Foundation, an Illinois not-for-profit corporation, and its successor and assigns.

“Subordinate Loan” means the subordinate social impact loan provided by the Subordinate Lender to the Project Coordinator pursuant to the Subordinate Loan Agreement to finance the CPS CPC Program.

“Subordinate Loan Agreement” means the loan agreement by and between the Subordinate Lender and the Project Coordinator.

“Subordinate Loan Documents” has the meaning ascribed to the term “Loan Documents” in the Subordinate Loan Agreement.

“Subsequent Project Year” means each Project Year subsequent to the Initial Project Year.

“Subsequent Project Year Cohort” means, for any Subsequent Project Year, such number of children set forth in the Project Year Supplement for such Subsequent Project Year Cohort.

“Subsequent Project Year Funding Schedule” means the schedule on which (subject to the applicable terms and conditions of the respective Loan Documents) each Lender will fund its Loan to the Project Coordinator during the applicable Subsequent Project Year.

“Success” has the meaning set forth in the Intergovernmental Agreement.

“Technical Services Agreement” means the technical services agreement, dated as of the date hereof, between the Project Coordinator and the Technical Services Provider.

“Technical Services Provider” means MFS or such other provider of the services contemplated by the Technical Services Agreement as is approved by the Board, the City, the Project Coordinator and the Lender Committee.

“Third Grade Literacy” has the meaning set forth in the Evaluation Plan.

“Third Grade Literacy Payments” has the meaning set forth in Section 3.01 of the Pay For Success Agreement.

“Third Grade Literacy Test” means the PARCC standardized test or such other national test that is equivalent to the PARCC standardized test and that is agreed upon by the City and the Board with the Approval of the Lender Committee.

“Unanimous Act of the Program Parties” has the meaning set forth in Section 7.08 of the Pay for Success Agreement.

EXHIBIT B

SOCIAL IMPACT REPORTING REQUIREMENTS (Schedule 4.5 of GSSIF Senior Loan Agreement)

(1) Social Impact Reporting.

(a) Social Impact Report. For so long as Borrower's Obligations under each Loan Agreement are outstanding, Borrower shall provide a report (the "**Social Impact Report**") to each Lender by no later than September 30 of each year (the "**Reporting Date**") (commencing with September 30, 2015) during the Term describing the positive social effects and results of the Project during the applicable time periods described below. Each Social Impact Report shall, at a minimum, include the following data ("**Report Data**") to the extent such Report Data is available to CPS, the Evaluator and/or Borrower without unreasonable effort or expense:

(i) The Total Number of Special Education Slots Avoided (as such term is defined in the Evaluation Plan) for each Cohort in kindergarten through sixth grade as determined by the Evaluator through the end of the twelve-month period ended the previous June 30;

(ii) The Total Number of Kindergarten Ready Children (as such term is defined in the Evaluation Plan) for each Cohort as determined by the Evaluator through the end of the twelve-month period ended the previous June 30;

(iii) The Total Number of Third Grade Children Reading at Grade Level (as such term is defined in the Evaluation Plan) for each Cohort as determined by the Evaluator through the end of the twelve-month period ended the previous June 30;

(iv) The net public savings achieved by the Total Number of Special Education Slots Avoided for each Cohort in kindergarten through sixth grade as estimated by CPS through the end of the twelve-month period ended the previous June 30;

(v) For the period through December 31, 2018:

1. The number of jobs at CPS that have been created for both full- and part-time permanent positions due to hiring at the CPS CPC Program sites as a result of the Loans, and the annual base and anticipated bonus compensation for each set of such newly-created jobs in \$20,000 increments (e.g. ten jobs in the bracket of \$20,000-\$40,000, ten jobs in the bracket of \$40,000-\$60,000, etc.);

2. Information regarding the demographic diversity of the employees hired to fill such newly-created jobs (e.g., the number

of female or racial and/or ethnic minorities employees hired) at CPS CPC Program sites;

3. The median average hourly wages paid for both full- and part-time permanent employees hired at CPS CPC Program sites;

4. A description of the employment programs and benefits for CPS employees in such newly-created positions, including the following: health insurance, skills training, credentialed workforce development, financial education or income support assistance, paid time-off, employee wealth-building via ownership, retirement program, stock options, or bonuses;

(vi) Other statistical and quantitative information relating to the effects of the CPS CPC Program as captured by CPS and/or the Evaluator and as reasonably requested by GSSIF Senior Lender; and

(vii) Other information (which shall be reported in such a fashion as to not reveal any individual's identity) reflecting the "non-quantitative" impacts of the CPS CPC Program for the Treatment Group (as defined in the Evaluation Plan) as may be available, such as, but not limited to, anecdotes illustrating the impact of the Treatment Group relating to experiences occurring during the Project Year then ended.

(b) Use of Report Data; Confidentiality and Non-Disclosure. GSSIF Senior Lender shall have the right to use Report Data for the purposes of reporting to Goldman Sachs Social Impact Fund, GP, LLC, the General Partner of GSSIF Senior Lender, and actual or prospective investors in or lenders to GSSIF Senior Lender and, subject to Section 11.24 of the GSSIF Senior Loan Agreement, pitches to media, speeches and publications. GSSIF Senior Lender acknowledges and agrees that any Report Data provided by Borrower pursuant to this Agreement shall be subject to the confidentiality and non-disclosure provisions set forth in the City Pay for Success Contract.

(2) Modification. This Schedule shall not be modified to increase the frequency or content of the Social Impact Report without the consent of the City and CPS.

EXHIBIT C

FUNDING SCHEDULE, PROJECT YEAR BUDGET, BASE CASE LEVEL OF PAY-FOR-SUCCESS PAYMENTS AND OTHER TERMS

CITY OF CHICAGO – YEAR 1

Child-Parent Center Expansion

Cohort Size: 374

October 6, 2014

LOAN CLOSING	October 6, 2014	
FULL CLOSING	November 7, 2014	
11/07/14 FUNDING	GSSIF (44%)	\$805,640
	Northern Trust (32%)	\$585,920
	JB Pritzker Foundation (24%)	\$439,440
01/01/15 FUNDING	GSSIF (44%)	\$462,990
	Northern Trust (32%)	\$336,720
	JB Pritzker Foundation (24%)	\$252,540
TOTAL SOURCE OF FUNDS	GSSIF (44%)	\$1,268,629
	Northern Trust (32%)	\$922,639
	JB Pritzker Foundation (24%)	\$691,980
	Total Year 1 Sources	<u>\$2,883,248</u>
USES OF FUNDS	Disbursement to CPS (11/7/14)	\$1,052,249
	Disbursement to CPS (01/01/15)	\$1,052,249
	\$5,627 * 374 slots	
	Audit fees	\$10,000
	Project Coordinator: IFF	\$143,750
	Year 1	
	Program Intermediary: MFS	\$200,000
	Year 1 only to be included in loan	
	Legal fees of Lenders (capped)	<u>\$250,000</u>
	Legal fees of IFF (capped)	<u>\$75,000</u>
	Legal fees of City of Chicago (capped)	<u>\$50,000</u>
	Legal fees of CPS (capped)	<u>\$50,000</u>
	TOTAL Year 1 Uses	<u>\$2,883,248</u>
EVALUATOR RESERVE	At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.	
CITY ESCROW	At closing, the City will wire \$624,253 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Initial Project Year Cohort.	

CITY OF CHICAGO – YEAR 2

Child-Parent Center Expansion

Prospective Cohort Size: 782

October 6, 2014

PROJECT SUPPLEMENT CLOSING August 15, 2015

09/01/15 FUNDING	GSSIF (44%)	\$1,077,092
	Northern Trust (32%)	\$783,340
	JB Pritzker Foundation (24%)	\$587,505

01/01/16 FUNDING	GSSIF (44%)	\$1,024,842
	Northern Trust (32%)	\$745,340
	JB Pritzker Foundation (24%)	\$559,005

TOTAL SOURCES OF FUNDS	GSSIF (44%)	\$2,101,935
	Northern Trust (32%)	\$1,528,680
	JB Pritzker Foundation (24%)	\$1,146,510

Total Year 2 Sources **\$4,777,124**

USES OF FUNDS	Disbursement to CPS (09/01/15)	\$2,329,187
	Disbursement to CPS (01/01/16)	\$2,329,187
	\$5,957 * 782 slots	

	Audit fees	\$10,000
	Project Coordinator: IFF	\$108,750

Year 2
TOTAL Year 2 Uses **\$4,777,124**

EVALUATOR RESERVE At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.

CITY ESCROW By August 15, 2015, the City will wire \$1,305,256 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Subsequent Project Year Cohort for Project Year 2015 – 2016.

CITY OF CHICAGO – YEAR 3

Child-Parent Center Expansion

Prospective Cohort Size: 782

October 6, 2014

PROJECT SUPPLEMENT CLOSING	August 15, 2016	
09/01/16 FUNDING	GSSIF (44%)	\$1,051,802
	Northern Trust (32%)	\$764,947
	JB Pritzker Foundation (24%)	\$573,710
01/01/17 FUNDING	GSSIF (44%)	\$999,552
	Northern Trust (32%)	\$726,947
	JB Pritzker Foundation (24%)	\$545,210
TOTAL SOURCES OF FUNDS	GSSIF (44%)	\$2,051,355
	Northern Trust (32%)	\$1,491,894
	JB Pritzker Foundation (24%)	\$1,118,921
	TOTAL Year 3 Sources	<u>\$4,662,170</u>
USES OF FUNDS	Disbursement to CPS (09/01/16)	\$2,271,710
	Disbursement to CPS (01/01/17)	\$2,271,710
	\$5,810 * 782 slots	
	Audit fees	\$10,000
	Project Coordinator: IFF	\$108,750
	Year 3	
	TOTAL Year 3 Uses	<u>\$4,662,170</u>
EVALUATOR RESERVE	At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.	
CITY ESCROW	By August 15, 2016, the City will wire \$1,305,256 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Subsequent Project Year Cohort for Project Year 2016 – 2017.	

CITY OF CHICAGO – YEAR 4

Child-Parent Center Expansion

Prospective Cohort Size: 680

October 6, 2014

PROJECT SUPPLEMENT CLOSING	August 15, 2017	
09/01/17 FUNDING	GSSIF (44%)	\$1,007,050
	Northern Trust (32%)	\$732,400
	JB Pritzker Foundation (24%)	\$549,300
01/01/18 FUNDING	GSSIF (44%)	\$897,600
	Northern Trust (32%)	\$652,800
	JB Pritzker Foundation (24%)	\$489,600
TOTAL SOURCES OF FUNDS	GSSIF (44%)	\$1,904,650
	Northern Trust (32%)	\$1,385,200
	JB Pritzker Foundation (24%)	\$1,038,900
	Total Year 4 Sources	<u>\$4,328,750</u>
USES OF FUNDS	Disbursement to CPS (09/01/17)	\$2,040,000
	Disbursement to CPS (01/01/18)	\$2,040,000
	\$6,000 * 680 slots	
	Audit fees	\$140,000
	Project Coordinator: IFF	\$108,750
	Year 4	
	TOTAL Year 4 Uses	<u>\$4,328,750</u>
EVALUATOR RESERVE	At closing, there will be an unfunded Evaluator Reserve of \$319,000 established funding of which can be requested by IFF if philanthropic funding for the Evaluator Fees to be funded in the Third and Fourth Subsequent Project Years is not identified, and in such event (subject to the satisfaction of the applicable funding conditions) the Evaluator Reserve amount will be advanced Pro Rata by each GSSIF, Northern Trust and J.B. Pritzker Foundation in the above percentages.	
CITY ESCROW	By August 15, 2017, the City will wire \$1,135,005 to Bank to escrow the City Pay-For-Success Payments the City may pay for the Subsequent Project Year Cohort for Project Year 2017 – 2018.	

CITY OF CHICAGO – BASE CASE IMPACT AND MOBILITY ASSUMPTIONS

Child-Parent Center Expansion

October 6, 2014

Grade	Base Case Kindergarten Readiness Attainment	Base Case Third Grade Literacy At Grade Level	Base Case Control Group % Special Education Usage	Base Case % Decrease in Special Education Usage	Cumulative Mobility
K	50.0%	0.0%	10.6%	44.5%	7.0%
1	0.0%	0.0%	12.4%	45.3%	9.5%
2	0.0%	0.0%	15.8%	48.6%	12.0%
3	0.0%	50.0%	20.2%	48.6%	14.5%
4	0.0%	0.0%	21.7%	41.0%	17.0%
5	0.0%	0.0%	20.3%	31.8%	19.5%
6	0.0%	0.0%	25.4%	45.4%	22.0%
7	0.0%	0.0%	22.5%	39.9%	24.5%
8	0.0%	0.0%	22.5%	39.9%	27.0%
9	0.0%	0.0%	22.5%	39.9%	29.5%
10	0.0%	0.0%	22.5%	39.9%	32.0%
11	0.0%	0.0%	22.5%	39.9%	34.5%
12	0.0%	0.0%	22.5%	39.9%	37.0%

CITY OF CHICAGO -- PAY-FOR-SUCCESS PAYMENTS PER SLOT

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Annual Savings Rate for Special Education Payments	Kindergarten Readiness Payments	Third Grade Literacy Payments
2014	N/A	\$0	\$0
2015	\$9,100	\$2,900	\$0
2016	\$9,191	\$2,900	\$0
2017	\$9,283	\$2,900	\$0
2018	\$9,376	\$2,900	\$750
2019	\$9,469	\$0	\$750
2020	\$9,564	\$0	\$750
2021	\$9,660	\$0	\$750
2022	\$9,756	\$0	\$0
2023	\$9,854	\$0	\$0
2024	\$9,953	\$0	\$0
2025	\$10,052	\$0	\$0
2026	\$10,153	\$0	\$0
2027	\$10,254	\$0	\$0
2028	\$10,357	\$0	\$0
2029	\$10,460	\$0	\$0
2030	\$10,565	\$0	\$0

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 1
 374 STUDENTS

Child-Parent Center Expansion
 October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2014	CPC	\$0	\$0
2015	K	\$149,438	\$504,339
2016	1	\$174,842	\$0
2017	2	\$234,690	\$0
2018	3	\$294,078	\$119,914
2019	4	\$261,542	\$0
2020	5	\$185,979	\$0
2021	6	\$325,172	\$0
2022	7	\$246,983	\$0
2023	8	\$241,193	\$0
2024	9	\$235,262	\$0
2025	10	\$229,188	\$0
2026	11	\$222,970	\$0
2027	12	\$216,604	\$0
Total		\$3,017,941	\$624,253

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 2

782 STUDENTS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2015	CPC	\$0	\$0
2016	K	\$315,585	\$1,054,527
2017	1	\$369,234	\$0
2018	2	\$495,623	\$0
2019	3	\$621,039	\$250,729
2020	4	\$552,330	\$0
2021	5	\$392,753	\$0
2022	6	\$686,704	\$0
2023	7	\$521,583	\$0
2024	8	\$509,355	\$0
2025	9	\$496,830	\$0
2026	10	\$484,004	\$0
2027	11	\$470,872	\$0
2028	12	\$457,429	\$0
Total		\$6,373,342	\$1,305,256

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 3
 782 STUDENTS

Child-Parent Center Expansion
 October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2016	CPC	\$0	\$0
2017	K	\$318,741	\$1,054,527
2018	1	\$372,927	\$0
2019	2	\$500,579	\$0
2020	3	\$627,249	\$250,729
2021	4	\$557,853	\$0
2022	5	\$396,680	\$0
2023	6	\$693,571	\$0
2024	7	\$526,799	\$0
2025	8	\$514,448	\$0
2026	9	\$501,799	\$0
2027	10	\$488,844	\$0
2028	11	\$475,581	\$0
2029	12	\$462,003	\$0
Total		\$6,437,075	\$1,305,256

CITY OF CHICAGO – BASE CASE PFS PAYMENTS PROJECT YEAR COHORT 4
 680 STUDENTS

Child-Parent Center Expansion
 October 6, 2014

School Year Beginning September:	Grade	Board Pay for Success Payment at Base Case Level for School Year:	City Pay for Success Payment at Base Case Level for School Year:
2017	CPC	\$0	\$0
2018	K	\$279,938	\$916,980
2019	1	\$327,527	\$0
2020	2	\$439,639	\$0
2021	3	\$550,889	\$218,025
2022	4	\$489,941	\$0
2023	5	\$348,389	\$0
2024	6	\$609,136	\$0
2025	7	\$462,667	\$0
2026	8	\$451,820	\$0
2027	9	\$440,710	\$0
2028	10	\$429,333	\$0
2029	11	\$417,684	\$0
2030	12	\$405,759	\$0
Total		\$5,653,432	\$1,135,005

CITY OF CHICAGO – PROJECTED BOARD BUDGETED PAY-FOR-SUCCESS FUNDS

Child-Parent Center Expansion

October 6, 2014

School Year Beginning September:	Projected Board Budgeted Pay-For- Success Funds:
2014	\$0
2015	\$149,438
2016	\$490,427
2017	\$922,665
2018	\$1,442,565
2019	\$1,710,688
2020	\$1,805,197
2021	\$1,826,667
2022	\$1,820,308
2023	\$1,804,735
2024	\$1,880,552
2025	\$1,703,134
2026	\$1,660,593
2027	\$1,617,031
2028	\$1,362,343
2029	\$879,687
2030	\$405,759
Total	\$21,481,790

CITY OF CHICAGO –CITY ESCROWED PAY-FOR-SUCCESS FUNDS
Child-Parent Center Expansion
October 6, 2014

School Year Beginning September:	City Escrowed Pay-For-Success Funds:
2014	\$624,253
2015	\$1,305,256
2016	\$1,305,256
2017	\$1,135,005
Total	\$4,369,770

CITY OF CHICAGO –SCHEDULE ON WHICH IFF FEES ARE DEEMED TO BE EARNED
 ASSUMING PROJECT SUPPLEMENTS FOR ALL THREE SUBSEQUENT PROJECT YEARS

Child-Parent Center Expansion

October 6, 2014

Date IFF Fee is Earned:	IFF Fee:
11/12/2014	\$ 75,000
11/12/2015	\$ 40,000
11/12/2016	\$ 40,000
11/12/2017	\$ 40,000
11/12/2018	\$ 35,000
11/12/2019	\$ 35,000
11/12/2020	\$ 25,000
11/12/2021	\$ 25,000
11/12/2022	\$ 25,000
11/12/2023	\$ 25,000
11/12/2024	\$ 15,000
11/12/2025	\$ 15,000
11/12/2026	\$ 15,000
11/12/2027	\$ 15,000
11/12/2028	\$ 15,000
11/12/2029	\$ 15,000
11/12/2030	\$ 15,000
Total	\$470,000

EXHIBIT D
EVALUATION PLAN

**Chicago Child-Parent Center Social Impact Bond
Evaluation Plan**

October 5th 2014

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VII. APPENDICES

INTRODUCTION AND STUDY OBJECTIVES

The purpose of this document is to describe the methodology to be used to evaluate the impact of the Child Parent Center (CPC) Social Impact Bond (SIB) expansion on three primary impact outcomes: Special Education Utilization, Kindergarten Readiness, and Third Grade Literacy. This document also describes additional research questions that the Evaluator will seek to explore in collaboration with CPS to help the CPCs improve their performance. This methodology will be developed in conjunction with CPS and other experts in the early education field.

Participants in the CPC program (the Treatment Group) will be compared to groups of matched comparison students who did not have a CPC experience through the use of a propensity score matching algorithm. One comparison group will consist of children who did not attend any form of CPS Pre-K (No Pre-K comparison group). Another group will consist of children who attended some other type of CPS pre-K program, such as Head Start or Pre-School for All (Other Pre-K comparison group).

Payments based on Special Education utilization for the SIB project will be calculated using the difference in outcomes between the Treatment group and the No Pre-K comparison group.

Payments based on Kindergarten Readiness and Third Grade literacy will be calculated using outcomes of the treatment group relative to national standards

The Other CPS Pre-K comparison group will be used for sensitivity analyses and for addressing other research questions not related to payment triggers.

For the purposes of calculating payments owed as part of the SIB transaction, impacts will be estimated using the total population of eligible students at SIB CPC sites, and then scaled to reflect the actual number of seats funded by the Lenders. We will adjust the scaling factors annually to reflect observed mobility trends.

The primary impact outcome questions are as follows:

1. What is the impact of the CPC program on the rate at which students need an IEP?
2. What is the impact of the CPC program on Kindergarten Readiness as defined by performance on the TS Gold instrument (completed by teachers at the end of preschool)?
3. What is the impact of the CPC program on Third Grade literacy as defined by performance on the CPS 3rd grade assessment?

In addition to these impact outcome questions, this evaluation will also seek to answer qualitative research questions that will help improve the performance of the program going forward unrelated to the Pay for Success calculations. These research questions will be developed more fully in conjunction with CPS and other experts in the early education field, and will only be pursued subject to additional external funding. The questions may include:

1. How do the primary impact outcomes vary by key subgroups, including gender, race, prior pre-school attendance, English language learner status, and potentially other subgroups?
2. How is the CPC program impacting attendance in Pre-K? How does attendance vary by site? How does attendance vary compare to other CPS Pre-K programs? Are there policies in place at specific sites that could be driving improved attendance?
3. How does the CPC program support a transition to Kindergarten? What sites are better at retaining children from Pre-K to K, both within their host school and within the entire district? Where do children who transfer within CPS go and why? Are there different impact outcomes for students who have less mobility?
4. How successful is the CPC program at improving social-emotional learning outcomes (defined by the social-emotional components of the TS Gold instrument) compared to children enrolled in other CPS pre-K programs?
5. How successful is the CPC model at engaging parents? What strategies are the most effective at encouraging parental engagement? What strategies appear to have the greatest impact on children's outcomes?

This document will serve as a template for how the evaluation will be conducted. The Evaluator will draft a final Evaluation Plan to be approved by CPS, the City, the Project Coordinator with Approval of the Lender Committee (such term being defined herein as such term is defined in the Loan Documents of the Lenders) using this document as a framework. No changes to payment terms or payment terminology will be made.

STUDY POPULATION

Eligible Population – Treatment Group

The Treatment Group in this study will consist of four-year-olds¹ who are attending Pre-K at any of the CPC SIB sites, in full day or half day programs, who at any point during the school year are eligible for the National School Lunch Program (NSLP).

¹ The intention is to identify children in the "age cycle four" year – the year prior to when they are planning to attend Kindergarten. At the time of the drafting of this document, this was defined by CPS as attaining age four on or before September 1st. This age identification protocol may be adapted as necessary to capture these children.

In the first year of the program, the following sites will be considered CPC SIB sites:

- De Diego
- Melody
- Peck
- Thomas
- Wadsworth
- Hanson Park

In the second year of the program, two additional sites, identified by CPS and approved by the City, will be added to the list of CPC SIB sites in addition to the sites listed above. If SIB funding in future years is used to add classrooms at additional schools as part of this project, those schools can be considered CPC SIB sites as well. If SIB funding is removed from one of the above sites, that site will no longer be considered a CPC SIB site.

A child may enter the program based on CPS age eligibility criteria. For the 2014/15 school year, this entailed being age 4 as of September 1st.

All four-year-olds at CPC SIB sites, including children attending full-day classes, will be included in the treatment group, subject to the exclusions listed below.

In the first year of the program, we anticipate that 374 new slots for four-year-olds will be created through the SIB program. In the second year of the program, we anticipate that we will create an additional 408 new slots for four-year-olds in addition to maintaining funding for the original 374. In the third year of the program, we anticipate that we will maintain the 782 new slots that were created in years one and two. In the fourth year of the project, we expect to provide funding for at least 680 slots. Overall at CPC SIB sites, we anticipate that approximately 840 four-year-olds will be served per year once the program is operating at scale, with 782 of those positions funded by the SIB. The new slot amounts will be finalized prior to the launch of each new cohort.

Year 1 contingency for CPC Treatment Group

Due to the timing of the contracting, some of the new classrooms to be added in the 2014/15 school year will not be ready to serve children until the school year has already begun. Five of the Year 1 CPC SIB Sites where we will be adding additional classrooms (De Diego, Melody, Peck, Thomas, and Wadsworth) have been operating as a CPC for a year or more. As a result, they have an established leadership team, trained and experienced teachers, and fully outfitted classrooms.

To ensure that the children being tracked are receiving a sufficient dosage of the CPC program, for Year 1 only we will restrict the Treatment group eligibility to children who are enrolled in one of these five established CPC SIB sites, in a classroom that was already established as of September 2nd 2014 (the start of the 2014/15 school year). CPS will proceed with opening the new classrooms once all contractual issues have been resolved, but the children who are enrolled in those classrooms (including children at Hanson Park, the new CPC for Year 1) will not be included in the outcome calculations for the purposes of determining payments. This will allow CPS leeway to identify and train high quality teachers, and mitigate the risk that the outcomes (or underlying characteristics) of children who enroll in a CPC Pre-K after the start of the year are different from those of their peers who enrolled at the start of the year. The outcomes of these late-enrollees can be used as a unique sub-group, but will not factor into any calculations that determine payment amounts.

It is anticipated that the sample size of eligible four-year-olds in existing classrooms at existing CPC SIB sites will be at least 300 students. As with future analyses, when calculating payments this number will be scaled to reflect the actual number of slots funded by the Lenders as part of this initiative.

Eligible Population – No Pre-K Comparison Group

The No Pre-K Comparison Group in this study will be identified via a propensity score matching algorithm that pulls from a pool of eligible No Pre-K children districtwide. The pool of eligible No Pre-K children will include all children who meet the following criteria:

- Are enrolled in a CPS Kindergarten program, excluding:
 - Charter schools
 - Schools currently operating a CPC, as part of the SIB program or otherwise
 - Magnet and Selective Enrollment Schools
 - Schools that serve exclusively a special education population
- Are five years of age as of September 1st
- Did not attend a CPS Pre-K program in the school year prior to beginning Kindergarten
- Did not attend a Head Start program funded through the City of Chicago
- Are eligible for NSLP at any point during the school year

A child will be considered to have attended a Pre-K program if that child attended 10 days or more of a city funded pre-school program, or any days at any CPC site over the course of the school year. Days need not have been attended consecutively.

The No Pre-K Comparison group will be identified the year that their matched Treatment cohort begins Kindergarten to ensure that children within both groups are on the same age cycle.

Eligible Population – Other CPS Pre-K Comparison Group

The Other CPS Pre-K Comparison Group in this study will be identified via a propensity score matching algorithm that pulls from a pool of eligible children who attended other forms of CPS pre-K within the district. The pool of eligible Other CPS Pre-K children will include children who meet the following criteria:

- Are enrolled in a CPS Pre-K program, excluding:
 - Charter schools
 - Schools currently operating a CPC, as part of the SIB program or otherwise
 - Magnet and Selective Enrollment Schools
 - Schools that serve exclusively a special education population
- Are four years of age as of September 1st.
- Are eligible for NSLP at any point during the school year

The Other CPS Pre-K Comparison group will be identified the same year that their matched Treatment cohort begins pre-school to ensure that children within both groups are on the same age cycle. This group will only be identified subject to available external funding

Exclusions for payment calculations

The hypothesis is that the CPC program will have the biggest impact on children who are deemed at risk for poor school performance and achievement, but who lack a severe or significant disability. Without additional support, many of these children may end up being diagnosed with a mild learning disability, emotional disturbance, or developmental delay (including speech/language impairment). For these children, additional support in the classroom and at home can help ensure that they stay on track developmentally with their peers, avoiding the need for years of special education services.

The same impact is not expected for children with severe disabilities (identified in preschool or at a later date), and it is also not expected that a preschool intervention would meet the needs of the child without the benefit special education services, nor would that be appropriate or within the parameters of a child's right to a free and appropriate education. To ensure that children have access to the supports they need based on a clinical evaluation, if a child at any point during the course of the study is diagnosed with a severe disability, he or she will be removed from the study group during the year that the disability is added to the child's IEP onward. The preliminary list of severe disabilities, with input from the Independent Evaluator, may be as follows:

- autism
- deaf-blindness
- deafness
- hearing impairment
- orthopedic impairment
- other health impairment

- traumatic brain injury
- visual impairment
- multiply disabled²
- intellectual disability
- students placed into self-contained classrooms for children with special needs

This list may be adapted at the discretion of the Evaluator with approval from CPS, the City, the Project Coordinator, and the Approval of the Lender Committee.

RECRUITMENT PROCEEDURES

Children are identified for enrollment under the *Chicago: Ready to Learn!* application process. A timeline of application, placement, registration, and enrollment of children for the 2014/15 school year is provided below; this will also serve as an illustrative plan for how the process will occur in future years:

	Action	Description
April and June 2014	<i>Chicago: Ready to Learn!</i> Application Rounds 1 & 2	Parents obtain information about potential programs through chicagoearlylearning.org , cps.edu/readytolearn and the Chicago: Ready to Learn! hotline. Parents apply at application centers across the city for preschool under two application rounds. ³ The first round is held during the month of March - April and the second round is held during the month of May-June. Parents can choose up to three schools.
May and July/August 2014	Placement	Parents are offered a placement in a school and/or are placed on a waiting list. Children placed in a preschool program or on a waiting list are put into schools' Program Management in

² Intended to represent students with multiple severe disabilities

³ For a complete list of application centers, see http://cps.edu/Schools/EarlyChildhood/Documents/ApplicationSites_SY14_15.pdf or <http://cps.edu/readytolearn> Every CPC also is capable of accepting applications directly.

		the CPS SIM IMPACT system.
June through September 2014	Registration	<p>Parents accept or decline placement.</p> <p>Schools notify parents of registration dates and times.</p> <p>Schools indicate parents' acceptance or decline of placement in Program Management and move registered children into the classroom Homerooms for IMPACT.</p> <p>Teachers complete the registration packet with families for all new students.</p> <p>Clerks enter identifying additional information into the IMPACT system.</p>
September 2014	Enrollment	Children are enrolled upon attendance on the first day of school.
September 2014 onward	Rolling enrollment	<p>Schools continue to enroll students throughout the school year as slots open up due to attrition, new funding, etc. Staff conduct additional outreach in communities with lower than expected enrollment to help fill all the slots. This includes additional ad spots, flyers, and community events.</p> <p>These children will only be included for evaluation purposes if they meet the dosage and eligibility requirements outlined in this document.</p>

INTERVENTION AND OUTCOMES

Defining the Intervention

The CPC SIB intervention will provide one year of half-day CPC Pre-K to four-year-olds at CPC SIB sites. The key components of the CPC model are as follows:

Effective Learning Experiences

- Offer Pre-K classes that are limited to 34 children for half-day classrooms (two sessions of 17 children each) and have a minimum of 2 teaching staff. Full day classrooms, if available, will be limited to 20 children per session.
- Provide highly qualified educational staff that will provide the classroom instruction and parent engagement activities. For example, classroom teachers are certified with a bachelor's degree (or higher). Overall, program staff must adhere to the requirements set forth by the CPS Talent office, in accordance with collective bargaining unit agreements, and state regulations. Any changes in CPS education and certification requirements will be complied with.
- Use data to drive instruction by effectively documenting the organization and implementation of instructional practices to monitor quality and adherence to the Program, which is completed by all Program staff where appropriate.
- Program staff meet with parents over the course of each school year to review their child's progress and discuss parent program opportunities with the Parent Resource Teacher (PRT).

Aligned Curriculum

- Implement a CPS District curriculum and formative assessment that is aligned to standards, domains of learning, assessments, and learning activities.
- Collaborate with the PRT and classroom teachers to ensure that opportunities to engage families in student learning are available, appropriate and aligned to the program and parents' needs.
- CPS and, most specifically, the Office of Early Childhood Education provides meaningful professional development and ongoing coaching and feedback for teachers, aides, and other staff members that facilitates high-quality instructional practices.

Parent Involvement and Engagement

- Engage a PRT and School-Community Representative (SCR) to work closely with the Head Teacher and Liaisons to maintain a consistently supportive parent program.
- Encourage parents to sign a CPC school-home agreement at the start of the school year outlining a plan for fostering learning at home and participating in CPC activities.
- Offer and engage families in monthly activities. PRTs create and distribute a monthly parent involvement calendar, and conduct parent/teacher conferences over the year to review progress in the parent program.
- Provide a resource room dedicated to parent and family activities through Kindergarten when possible.
- Provide culturally responsive learning opportunities for families that provide flexibility for families' needs and schedules.

Collaborative Leadership Team

- Engage a Program leadership team that includes the Head Teacher, Parent Resource Teacher, and School-Community Representative.
- Meet regularly, under the direction of the Principal to discuss operations and best practices within the CPC.
- Meet regularly, under the direction of the OECE Management Team, with staff from across sites to share challenges, experiences, and best practices and makes frequent on-site visits to monitor quality and effectiveness to the Program.
- Establish meaningful partnerships with community providers to strengthen service delivery and enlist local universities in training opportunities.

Continuity and Stability

- CPC Pre-K classrooms are co-located in the same building as Kindergarten classrooms, when possible, to promote familiarity and integration for students as they transition to Kindergarten.
- Provide a structure of communication, planning, and joint activities, under the direction of the principal, Leadership team and OECE Management Team, from Pre-K through the primary grades.
Provide a part-time Kindergarten aide when funding is available to support the transition into Kindergarten.

Professional Development System

- Offer ongoing professional development opportunities on current trends and needs in early childhood education classrooms, through the Office of Early Childhood Education and the CPC leadership teams, including topics such as quality curriculum and instruction, data driven instruction, learning environment, social and emotional needs, and parent engagement.
- Meet regularly and create professional learning communities to review ways to support their instruction in the classroom and with other teachers.

Defining Sufficient Dosage

Enrollment and attendance fluctuate throughout the year, with substantial changes during the early weeks of the school year. As a result, some of the children who start the year in a given classroom may not be the same children who end the year in that classroom. This may be due to for a variety of reasons such as mobility, a change in parents' schedules/ability to bring their children to school, or admission to a closer/more desirable program off of a waitlist later in the school year.

To ensure that CPC SIB children and families are receiving a minimum sufficient dosage of the CPC program, we will restrict analyses to children who attend a certain minimum cutoff of days. The Evaluator will examine historical data from CPS and other districts to determine trends in

attendance and identify a cutoff that sufficiently indicates that a child has received enough of the program for us to expect to see an impact. We are temporarily placing this cutoff at 66% of school days in a given school year; children who attended fewer than 66% of days during their Pre-K year will be omitted from the primary analyses.

The Evaluator may add additional criteria based on an analysis of enrollment and attendance data with the approval of CPS, the City, and the Project Coordinator and Approval of the Lender Committee.

Similarly, for the No Pre-K Comparison group, we will limit the primary analysis sample to eligible No Pre-K children who attend at least 66% of school days in a given school year. If a child at any point during the Kindergarten year attends a school operating a CPC program, that child will be omitted from primary analyses.

Defining Primary Impact Outcomes

Special Education Utilization

The primary Special Education utilization outcome will be defined as a binary indicator of whether or not a student has a CPS-issued Individualized Education Plan (IEP) in a given year. This will be a data point provided as part of the regular data collection points by CPS. As described above, if a student has a diagnosis on his or her IEP of a severe disability, that student will be removed from the study pool for the primary analyses. This indicator will be collected annually every year Kindergarten through 6th grade.

Kindergarten Readiness

CPS uses the Teaching Strategies Gold (TS Gold) instrument in all their Pre-K classrooms to track the development of children. Based on teacher observations, TS Gold measures the progress of children in domains such as socio-emotional, physical, language, literacy, and cognitive development.

The TS Gold instrument is utilized nationally in Head Start programs and some publicly-funded preschool programs. The primary outcome metric for Kindergarten Readiness will be the share of children which are performing at or above the national trends across at least five out of the following six domains: Literacy, Language, Math, Cognitive Development, Socio-Emotional, Physical health.

Third Grade Literacy

Currently, CPS is planning to adopt the PARCC standardized exam. Treatment group children will be measured relative to national percentile rankings on this test or the accepted District assessment administered for 3rd grade. In following with Lesnick et al (2010)⁴, every child

⁴ See http://www.chapinhall.org/sites/default/files/Reading_on_Grade_Level_111710.pdf

reading at or above the 25th percentile on the English Language Arts/Literacy portion of the spring sitting of the PARCC test will be deemed to be reading at grade level. Any child reading at or above the 75th percentile nationally will be deemed to be reading above grade level. Any child reading below the 25th percentile will be deemed to be reading below grade level.

At the time of drafting this analysis, the PARCC test has yet to be officially implemented in CPS schools. Given the uncertainty of performance on this test and how its outcomes will compare to past tests taken by CPS students, the evaluator may suggest amendments to the definition of reading “on grade level” that could include utilizing a different test or metric. Any modifications must be made prior to the first cohort starting Third Grade, and must be approved by CPS, the City, the Project Coordinator, and Approved by the Lender Committee.

Defining Performance Improvement Questions

The details of these questions will be developed in conjunction with CPS and other partners over the 2014/15 school year. These analyses will be specified in full prior to the start of any data collection or analyses. These analyses will not affect the methodology or results of the primary impact outcomes, and will only be pursued subject to additional philanthropic or other funding.

DATA COLLECTION

Student data

Student data will be provided to the Evaluator by CPS. Pursuant to the data sharing agreement⁵, CPS will strip sensitive individual identifiers and replace them with an anonymous student ID.

The key variables CPS will provide are:

- Student ID
- CPS School ID of school currently enrolled in
- Date of Birth (or birth month & year)
- Days attended to date
- IEP status
- IEP diagnoses
- Reported race
- Reported ethnicity
- Free/reduced price lunch eligibility
- ZIP code of residence
- Fall and Spring TS Gold scores (if applicable)
- Any available variables on parental education
- Other variables deemed appropriate by the Evaluator and CPS for the purposes of creating a better propensity score match

⁵ This data sharing agreement will be included as an appendix to this plan pending negotiation and drafting between CPS and the Evaluator.

Data will be collected on an annual basis on the based on the last school day in June which is reported for accuracy in the beginning of July. This may be adjusted based on discussions between the Evaluator and CPS to reflect the earliest date that all the necessary data would be available.

Neighborhood data

The Evaluator will pull neighborhood data from publicly available census data, such as the American Community Survey 5-year averages, which break out characteristics by zip code.

Neighborhood data include:

- Neighborhood % of population in poverty
- Neighborhood % of population that are single mothers
- Neighborhood % of population that is Black
- Neighborhood % of population that is Hispanic
- Neighborhood % of population employed
- Neighborhood crime statistics
- Neighborhood health indicators⁶

The Evaluator will update the neighborhood data file when creating a new cohort of matched groups.

School data

Data on school level characteristics will be provided by CPS, including:

- CPS School ID
- Total student body population
- % Free/RP lunch
- % Black
- % Hispanic
- School-wide attendance rate from the 2013/14 school year
- School Rating (Levels 1, 2, or 3) from the 2013/14 school year⁷

These data, except for attendance and the school rating, will be updated annually. Attendance and rating data from SY2013/14 (or the closest assessment prior to SY2013/14) will remain fixed to reflect the fact that the presence of a CPC may improve attendance and the school rating over time, which could affect the matching algorithm for later cohorts. The Evaluator may adjust this protocol if extraneous events such as school closures, new leadership, or expansive new programs are added at individual schools or system wide that could contribute to imbalanced matches.

Data Security

⁶ Crime stats and health indicators subject to availability of data. It may be possible to pull data from a Chapin Hall neighborhood analysis. These covariates may be omitted if it proves too difficult or costly to obtain them.

⁷ All these data are publicly available online at http://www.cps.edu/schools/find_a_school/pages/findaschool.aspx. School rating is based on the CPS Performance Policy which is used to rate CPS schools. A Level 1 rating is "excellent", a Level 2 rating is "good" and a Level 3 rating is "low".

A data sharing agreement between CPS and the Independent Evaluator will define the parameters for sharing data required under this agreement.

STUDY DESIGN & OVERVIEW OF ANALYSES

Propensity score Matching Protocol

Comparison group students will be selected using a propensity score matching technique. Individuals from the treatment group will be matched to up to two individuals from the No Pre-K Comparison group and up to two individuals from the Other CPS Pre-K Comparison group. Matching will be conducted with replacement to allow comparison individuals to be matched more than once.

To create the Treatment Group in school year t , the Evaluator will receive the data collected on the last day of June of school year t from CPS of all four-year-olds who attended a SIB CPC in school year t up to the date of the data collection. The data collected and shared will contain all the student data elements listed above. After screening for eligibility as described above and removing ineligible students from the sample, the Evaluator will use students' ZIP codes to merge on neighborhood data, and students' school IDs to merge on school characteristics. Neighborhood data will be collected from a reliable source such as Chapin Hall. This will create a de-identified student-level file that contains student-level characteristics, characteristics of that student's neighborhood of residence, and characteristics of that student's school.

To create the No CPS Pre-K pool to be used for matching to the Treatment cohort in school year t , the Evaluator will receive a data dump on the last day of June of school year $t+1$ from CPS of all five or six-year-olds who attended a CPS Kindergarten in school year $t+1$ up to the date of the data dump. The data dump will contain all the student data elements listed above. After screening for eligibility as described above and removing ineligible students from the sample, the Evaluator will use ZIP code data to merge on neighborhood data, and school ID data to merge on school characteristics.

To create the Other CPS Pre-K pool to be used for matching to the Treatment cohort in school year t , the Evaluator will receive a data dump on the last day of June of school year t from CPS of all four-year olds who attended a CPS Pre-K program other than CPC in school year t up to the date of the data dump. The data dump will contain all the student data elements listed above. After screening for eligibility as described above and removing ineligible students from the sample, the Evaluator will use ZIP code data to merge on neighborhood data, and school ID data to merge on school characteristics.

To create the matched No Pre-K Comparison group, the Evaluator will append the Treatment Group dataset and the No Pre-K Comparison pool dataset, creating an indicator to identify which children are members of the Treatment group. The Evaluator will then run a probit model using the treatment indicator as the dependent variable and the following variables as independent variables:

- Race binary indicators
- Ethnicity binary indicators

- Gender (“Male” binary indicator)
- Parental education (subject to availability)
- Language spoken at home binaries
- Neighborhood % poverty
- Neighborhood % single mothers
- Neighborhood % by race
- Neighborhood % by ethnicity
- Neighborhood % employed
- Neighborhood crime rates (subject to availability)
- Neighborhood health indicators (subject to availability)
- Total student population of school currently attending
- % Free/RP lunch at school currently attending
- Racial composition of school currently attending
- Ethnicity composition of school currently attending
- School-wide attendance rate from the 2013/14 school year
- School Rating binaries from the 2013/14 school year

Using the results of this model, the Evaluator will predict a propensity score based on a student’s observed characteristics. This score effectively represents the likelihood that a child, given his individual, neighborhood, and school level characteristics, would be in the Treatment group.

The Evaluator will use a nearest-neighbor matching algorithm⁸ to identify the two closest matches based on propensity score for each Treatment group observation, with replacement.

Individuals from either the Treatment group or Comparison pool who are not matched will be dropped.

The remaining students from the Comparison pool who were matched will become the No Pre-K Comparison group for the remainder of the study. Comparison group students will receive a frequency weight equal to the number of times they were matched. Note that as a result, the Comparison group should contain approximately two times as many unique individuals as the Treatment group.

The same protocol will be used to identify the Other CPS Pre-K Comparison group, replacing the No CPS Pre-K Comparison pool with the Other CPS Pre-K Comparison pool.

A unique set of comparison groups will be created for each Treatment cohort (see Appendix for a cohort timing chart).

Checking for covariate balance between groups

Once the comparison groups have been identified, the Evaluator will check for balance between the groups across matching demographics. The Evaluator will choose appropriate methods to check for balance, including but not limited to normalized differences and t-tests of mean values of covariates between groups. If the Evaluator determines that there is imbalance in covariates

⁸ By way of example, see “nnmatch” stata command

between groups, the Evaluator may choose to pursue a Matching Methodology Remedy as described below. The decision to pursue a remedy will be at the discretion of the Evaluator, taking into account the fact that with many matching variables and a p-value cutoff of .05, approximately 1 in 20 variables could have a statistically significant difference by random chance alone. The evaluator will consider the magnitude of the difference and the relative importance of the unbalanced variable(s) in question, placing particular attention to the individual-level race and gender indicators, the home language indicators, the neighborhood poverty indicators, and the school rating indicators.

Matching Methodology Remedies

In the event that the Evaluator deems that the propensity score matching algorithm has produced an inadequate match, the Evaluator may make modifications to the matching methodology. This could include introducing a caliper to ensure that certain variables are matched to within a narrow range (or matched exactly), adding or subtracting additional covariates, increasing or decreasing the number of matches, or other techniques deemed rigorous and appropriate by the Evaluator.

The Evaluator may also explore utilizing a set of comparison schools to limit the comparison pool. In this methodology, the Evaluator would identify a set of comparison schools that match the SIB CPC sites, identifying one to three schools for each site. The Evaluator would use a similar propensity score matching protocol, using school level characteristics, to identify these schools. From those comparison schools, the Evaluator would then perform a student-level propensity score match using a comparable methodology to the one described above. The Evaluator will then check for covariate balance to see if this produces better match results.

Once the Evaluator identifies a suitable comparison group that they deem to be well-matched on covariates, the Evaluator will present the match results, describing any changes that were made to the matching algorithm, which must be approved by CPS, the City, the Project Coordinator and Approved by the Lender Committee. The Evaluator should endeavor to use a similar matching protocol from year to year.

Calculating mobility factor

The theory behind the financing component of the SIB project is that providing the upfront intervention of high quality Pre-K can produce savings to CPS downstream through reduced Special Education utilization among the students served. For CPS to realize these savings, however, those students must remain in the CPS school district. If a student leaves the district, CPS would realize no savings from the fact that the intervention may have helped that that student catch up to his peers and prevented him from acquiring an IEP.

As a result, the Evaluator will calculate a Mobility Factor for each cohort that will represent the share of the original cohort that is still enrolled in a CPS school in a given year. This will be used to adjust the payment amounts to better reflect savings realized by CPS.

To calculate mobility, every year Kindergarten through 6th grade the Evaluator will determine what share of the original children in a given group from the first year of observation are still

enrolled in any CPS school. To do this, every year the Evaluator will send CPS a list of all the student IDs of the original group. CPS will match these IDs to their current enrollment database to determine which students were enrolled in a CPS school at any point in that school year. CPS will then return a dataset to the Evaluator indicating which student IDs are enrolled in a CPS school that year. The Mobility Factor will be defined as:

$$1 - \frac{\# \text{ of original students currently enrolled in any CPS school}}{\# \text{ of students originally enrolled in the group}}$$

By way of example, assume 500 Treatment group students were identified for the 2014/15 cohort. In SY2015/16, the Evaluator sends a list of these student IDs to CPS, who informs the evaluator that 460 of them are still enrolled at a CPS school. The cumulative mobility for that year would be $1 - 460/500 = .08$. In SY2016/17, the Evaluator sends the original list of student IDs to CPS again, who informs the evaluator that 440 of them are still enrolled at a CPS school. The cumulative mobility for SY2016/17 would be $1 - 440/500 = .12$.

For grades 7th through 12th, the Evaluator will impute a marginal mobility rate by averaging the incremental annual increase in the Mobility Factor over the last three years.⁹ Every year, the Evaluator will impute a new Mobility Factor based on the average imputed marginal mobility rate. See Appendix B for a full example using hypothetical data.

Calculating effect size for Special Education utilization

To calculate the impact on Special Education utilization, the Evaluator will calculate the Average Effect Size per Person, which will then be scaled to reflect the number of seats funded by the Lenders for the purposes of calculating payments. This will allow the Evaluator to utilize all the data available, increasing sample sizes and precision of estimates.

To calculate this, the Evaluator will use the following equation:

$$AESPi,t = SPEDC_{i,t} - SPEDT_{i,t}$$

where $AESPi,t$ is the Average Effect Size per Person for cohort i in year t , $SPEDC_{i,t}$ is equal to the average of a binary indicator of Special Education utilization among the No CPS Pre-K Comparison group for cohort i in year t and $SPEDT_{i,t}$ is the average of a binary indicator of Special Education utilization among the Treatment group for cohort i in year t . At the discretion of the Evaluator and with approval from CPS, the City, the Project Coordinator, and the Approval of the Lender Committee, the Evaluator may regression-adjust this estimate to help account for any differences in covariates between the Treatment group and the Comparison group.

⁹ The Evaluator may revise the methodology for averaging the mobility rate if they determine that the current methodology includes a grade breakpoint year that could result in abnormally high mobility out of the district. This methodology must be finalized before the first cohort reaches 6th grade.

Special Education outcomes will be calculated annually every year Kindergarten through 6th grade. Outcomes will be calculated separately for each cohort. Based on conversations with special education experts and reviewing existing CPS data, we believe that the vast majority of children who have a disability will be identified by the end of 6th grade. As a result, after the 6th grade effect size has been calculated, we will average the effect size over the last three years (4th, 5th and 6th grades) and lock in that average rate for the purposes of calculating payments in grades 7th through 12th. This lock-in rate will be calculated separately for each Treatment cohort. The Evaluator may propose changes to this lock-in methodology in the event that the Evaluator determines that this methodology produces skewed results. Any modifications must be approved by CPS, the City, the Project Coordinator, and Approved by the Lender Committee.

Calculating payments for Special Education utilization

To determine the size of Special Education payments owed in a given year for a given treatment group cohort, the Evaluator will multiply the Special Education Average Effect Size per Person for such cohort by the base cohort size multiplied by the 1 minus the cumulative mobility rate for that year. This will determine the Total Number of Special Education Slots Avoided for a given cohort in a given year:

$$\text{Total Number of Special Education Slots Avoided} = AESP_{i,t} * BCS_i * (1 - MFi,t)$$

where $AESP_{i,t}$ is the Average Effect Size per Person for cohort i in year t , BCS_i is the base cohort size for cohort i , and MFi,t is the cumulative mobility rate for cohort i in year t .

The base cohort sizes are based on the number of seats actually funded by investors. It is anticipated that the base cohort sizes will be as follows¹⁰:

Cohort Year	Base Cohort Size
2014/15	374
2015/16	782
2016/17	782
2017/18	680

The Total Number of Special Education Slots Avoided will then be multiplied by the Annual Savings Rate to determine the Special Education Payments owed for a given cohort in a given year. Negative payments will be rounded to zero. The Annual Savings Rate starts at a base of \$9,100 in 2015 and grows 1% annually. The table below provides the rates through 2030:

Year	Savings Rate
------	--------------

¹⁰ Note that actual sample sizes used for calculating effect sizes may be larger or smaller than the number of seats funded.

2015	\$9,100
2016	\$9,191
2017	\$9,283
2018	\$9,376
2019	\$9,469
2020	\$9,564
2021	\$9,660
2022	\$9,756
2023	\$9,854
2024	\$9,953
2025	\$10,052
2026	\$10,153
2027	\$10,254
2028	\$10,357
2029	\$10,460
2030	\$10,565

If applicable, the Special Education Payments from each cohort will be summed to produce the Total Special Education Payment owed by CPS for that year. These calculations will be reported to the Project Coordinator for the purposes of triggering payments to the Project Coordinator to be used to repay the lenders.

Payments for Special Education will be made every year K – 12th for each Treatment cohort.

Calculating effect size for Kindergarten Readiness

As part of the annual data pull, the Evaluator will receive spring TS Gold scores for Treatment group students. TS Gold regularly publishes a set of averages that reflect how children have scored nationally on TS Gold assessment sub-categories, broken out by the time of the test and the age in months of the child. Students will be classified as “meeting the national norms” for a sub-category if they score at or above the national mean spring score for that category for children in their age band.¹¹ The Evaluator will use the most up to date tables available.

Every child who scores at or above the national norm on at least five of the six subcategories in spring of their four-year-old pre-school year will be deemed “Kindergarten Ready.” To calculate the Kindergarten Readiness payment, the Evaluator will calculate the share of the Treatment group students deemed Kindergarten Ready. The Evaluator will then multiply this number by the base cohort size, multiplied by cumulative mobility from the Kindergarten year of a given cohort. This will determine the Total Number of Kindergarten Ready Children for a given cohort. The Evaluator will then multiply this number by the payment rate of \$2,900 to determine the total Kindergarten Readiness payments owed by the City for that cohort.

¹¹ See tables 5-14 of <https://www.k12.wa.us/assessment/pubdocs/GOLDTechnicalManual2ndEditionLambert2.pdf> for a list of the score thresholds.

Calculating effect size for Third Grade Literacy

CPS is currently transitioning to the PARCC exam. As a result, the exact methodology for calculating Third Grade Literacy may have to be adapted pending observation of how the test is being administered, scored, etc. In particular, in the event that data suggests that fewer than 50% of students are scoring above the 25th percentile, the Evaluator will propose a new protocol or test for determining Third Grade Literacy that better captures the performance of students. The Evaluator will propose a final protocol for approval by CPS, the City, and the Project Coordinator with Approval of the Lender Committee prior to the start of the 2018/19 school year – the year the first cohort begins 3rd grade. A draft protocol is below:

As part of the annual data pull, the Evaluator will receive 3rd grade spring PARCC scores for Treatment group students. The PARCC test is administered nationally, and as a result the outcomes of Treatment students can be compared to national averages. Students will be classified as “reading at or above grade level” if they score at or above the 25th percentile on the English Language Arts/Literacy portions of the PARCC exam.

To calculate the Third Grade Literacy payment, the Evaluator will calculate the share of the Treatment group students deemed to be reading “at or above grade level”. The Evaluator will then multiply this number by the base cohort size, multiplied by cumulative mobility from the Third Grade year of a given cohort. This will determine the Total Number of Third Grade Children Reading at Grade Level for a given cohort. The Evaluator will then multiply this number by the payment rate of \$750 to determine the total Third Grade Literacy payments owed by the City for that cohort.

Investigating Highly Unexpected Outcomes

The results of this evaluation will govern the flow of millions of dollars of payments. While it is the full intention of all parties to accept the results of the evaluation, in the event that a highly irregular outcome is achieved, a mechanism must be in place to validate the findings and confirm that they are due to the impact of the program, and not a flaw in the analysis or evaluation design. The Evaluator will have complete discretion to decide if and when a validation of the findings may be necessary, but the following events will serve as guiding principles that could suggest that a validation may be warranted:

- The difference in Special Education Utilization rates between the Treatment group and No Pre-K comparison group is negative or not statistically different from zero (p-value <.05) for any cohort in any year after Kindergarten
- The No Pre-K comparison group Special Education Utilization rate is more than 2.5 times the Treatment group Special Education Utilization rate for any cohort in any year after Kindergarten
- An irregular pattern from one year to the next in Special Education utilization for a given group, defined as utilization shrinking by more than two percentage points for a given group, or increasing by more than seven percentage points
- A larger impact observed when comparing a Treatment group cohort to its corresponding Other CPS Pre-K Comparison group any year after 1st grade.

The Evaluator will determine the appropriate techniques and mechanisms to employ to confirm the cause of the irregularity, which could include handchecking code, checking for continued balance in the treatment and comparison groups, and looking for policy changes within specific schools or system-wide that could have affected outcomes.

If the Evaluator finds a mechanical error, the results will be recalculated using the correction. If the Evaluator finds a methodological flaw, the Evaluator may propose a remedy to the evaluation plan to mitigate the inconsistency in future years. However, the results will not be recalculated for that year or any other past year. Changes to the plan must be approved by CPS, the City, and the Project Coordinator, and Approved by the Lender Committee.

APPENDIX A: TIMING OF COHORTS

2024

2023

2022

2021

2020

2019

2018

2017

2016

2015

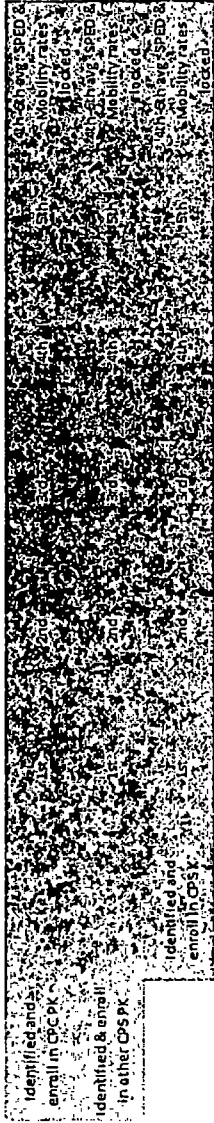
2014

Cohort 1

Treatment

Other CPS PK Comparison

No CPS PK Comparison

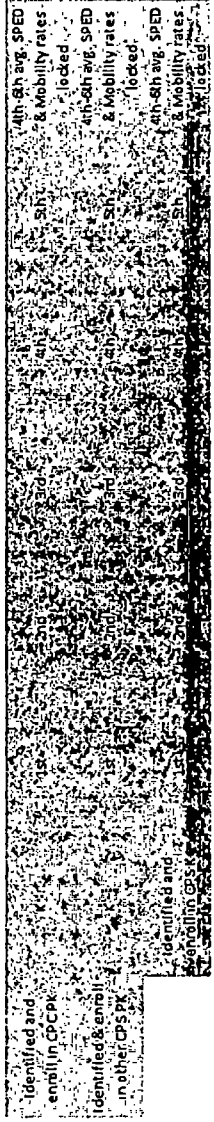


Cohort 2

Treatment

Other CPS PK Comparison

No CPS PK Comparison

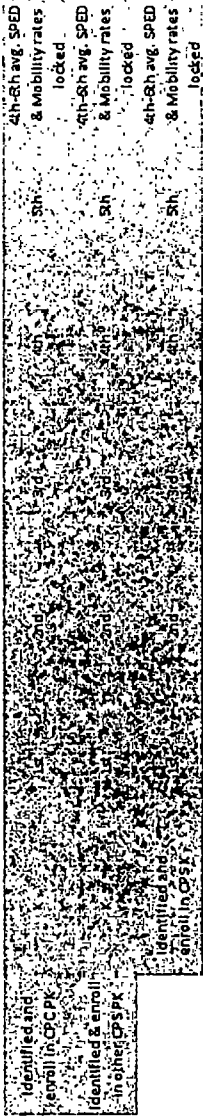


Cohort 3

Treatment

Other CPS PK Comparison

No CPS PK Comparison

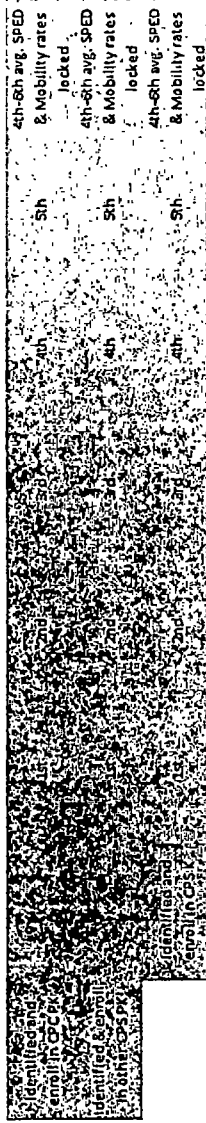


Cohort 4

Treatment

Other CPS PK Comparison

No CPS PK Comparison



APPENDIX B: SAMPLE MOBILITY CALCULATIONS USING SIMULATED DATA

Sample Mobility Calculations Using Hypothetical Data						
School Year	Grade	Original Enrollment	Students still enrolled at a CPS school	Cumulative Mobility	Marginal Mobility	
2014	PK	500	460	.08	.08	
2015	K	500	440	.12	.04	
2016	1st	500	415	.17	.05	
2017	2nd	500	405	.19	.02	
2018	3rd	500	390	.22	.03	
2019	4th	500	378	.244	.024	
2020	5th	500	365	.27	.026	
2021	6th	500	353	.294	.024	
<i>Imputed average marginal mobility for future calculations:</i>						
						.025
School Year	Grade	Original Enrollment	Imputed Students still enrolled at a CPS school	Imputed Cumulative Mobility	Imputed Marginal Mobility	
2022	7th	500	341	.319	.025	
2023	8th	500	328	.343	.025	
2024	9th	500	316	.368	.025	
2025	10th	500	304	.393	.025	
2026	11th	500	291	.417	.025	
2027	12th	500	279	.442	.025	

EXHIBIT E

CORE PROGRAM PRINCIPLES

Effective Learning Experiences

- Offer Pre-K classes that are limited to 34 children for half-day classrooms (two sessions of 17 children each) and have a minimum of 2 teaching staff. Full day classrooms, if available, will be limited to 20 children per session.
- Provide highly qualified educational staff that will provide the classroom instruction and parent engagement activities. For example, classroom teachers are certified with a bachelor's degree (or higher). Overall, program staff must adhere to the requirements set forth by the CPS Talent office, in accordance with collective bargaining unit agreements, and state regulations. Any changes in CPS education and certification requirements will be complied with.
- Use data to drive instruction by effectively documenting the organization and implementation of instructional practices to monitor quality and adherence to the Program, which is completed by all Program staff where appropriate.
- Program staff meet with parents over the course of each school year to review their child's progress and discuss parent program opportunities with the Parent Resource Teacher (PRT).

Aligned Curriculum

- Implement a CPS District curriculum and formative assessment that is aligned to standards, domains of learning, assessments, and learning activities.
- Collaborate with the PRT and classroom teachers to ensure that opportunities to engage families in student learning are available, appropriate and aligned to the program and parents' needs.
- CPS and, most specifically, the Office of Early Childhood Education provides meaningful professional development and ongoing coaching and feedback for teachers, aides, and other staff members that facilitates high-quality instructional practices.

Parent Involvement and Engagement

- Engage a PRT and School-Community Representative (SCR) to work closely with the Head Teacher and Liaisons to maintain a consistently supportive parent program.
- Encourage parents to sign a CPC school-home agreement at the start of the school year outlining a plan for fostering learning at home and participating in CPC activities.
- Offer and engage families in monthly activities. PRTs create and distribute a monthly parent involvement calendar, and conduct parent/teacher conferences over the year to review progress in the parent program.
- Provide a resource room dedicated to parent and family activities through Kindergarten when possible.
- Provide culturally responsive learning opportunities for families that provide flexibility for families' needs and schedules.

Collaborative Leadership Team

- Engage a Program leadership team that includes the Head Teacher, Parent Resource Teacher, and School-Community Representative.
- Meet regularly, under the direction of the Principal to discuss operations and best practices within the CPC.
- Meet regularly, under the direction of the OECE Management Team, with staff from across sites to share challenges, experiences, and best practices and makes frequent on-site visits to monitor quality and effectiveness to the Program.
- Establish meaningful partnerships with community providers to strengthen service delivery and enlist local universities in training opportunities.

Continuity and Stability

- CPC Pre-K classrooms are co-located in the same building as Kindergarten classrooms, when possible, to promote familiarity and integration for students as they transition to Kindergarten.
- Provide a structure of communication, planning, and joint activities, under the direction of the principal, Leadership team and OECE Management Team, from Pre-K through the primary grades.
Provide a part-time Kindergarten aide when funding is available to support the transition into Kindergarten.

Professional Development System

- Offer ongoing professional development opportunities on current trends and needs in early childhood education classrooms, through the Office of Early Childhood Education and the CPC leadership teams, including topics such as quality curriculum and instruction, data driven instruction, learning environment, social and emotional needs, and parent engagement.
- Meet regularly and create professional learning communities to review ways to support their instruction in the classroom and with other teachers.

EXHIBIT III

CITY OF CHICAGO
PAY FOR SUCCESS ESCROW AGREEMENT

This Pay For Success Escrow Agreement, dated _____, 2014, by and among the City of Chicago, Illinois, a municipal corporation and home rule unit of local government, duly organized and validly existing under the laws of the State of Illinois (the "City"), IFF Pay For Success I, LLC, an Illinois limited liability company, the sole member of which is IFF, an Illinois not-for-profit corporation (the "Project Coordinator"), and _____, a [_____ banking _____] organized and operating under the laws of [the _____], having a corporate trust office in Chicago, Illinois, as escrow agent hereunder (the "Escrow Agent"), in consideration of the mutual promises and agreements herein set forth:

WITNESSETH:

ARTICLE I

DEFINITIONS

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Pay For Success Contract (as hereinafter defined). In addition, the following words and terms used in this City PFS Escrow Agreement have the following meanings unless the context or use clearly indicates another or different meaning:

"Board" means the Board of Education of the City of Chicago, a body corporate and politic, organized under and existing pursuant to Article 34 of the School Code of the State of Illinois.

"Chief Financial Officer" means the Chief Financial Officer of the City appointed by the Mayor of the City.

"City" means the City of Chicago.

"City PFS Escrow Account" means the "City Pay For Success Escrow Account" established under Section 2.2 of this City PFS Escrow Agreement as a trust account consisting of the Cohort Subaccounts into which funds will be deposited by the City on the date of execution and delivery of this City PFS Escrow Agreement and from time to time thereafter, as provided herein.

"City PFS Escrow Agreement" means this Pay For Success Escrow Agreement between the City and the Escrow Agent.

"City Council" means the City Council of the City.

"Cohort Subaccounts" means, collectively, the Kindergarten Readiness Cohort Subaccounts and the Third Grade Literacy Cohort Subaccounts.

"Commissioner" means the Commissioner of the Department of Family and Support Services of the City.

"Escrow Account" means the *"City Pay For Success Escrow Account"* established under Section 2.2 of this City PFS Escrow Agreement as a trust account consisting of the Cohort Subaccounts into which funds will be deposited by the City on the date of execution and delivery of this City PFS Escrow Agreement and from time to time thereafter, as provided herein.

"Escrow Agent" means _____, a national banking association organized and operating under the laws of the United States of America, having a corporate trust office in Chicago, Illinois, not individually but in the capacity for the uses and purposes hereinafter mentioned, or any successor thereto.

"Kindergarten Readiness Cohort Subaccounts" means, collectively, the Kindergarten Readiness Cohort I Subaccount, the Kindergarten Readiness Cohort II Subaccount, the Kindergarten Readiness Cohort III Subaccount and the Kindergarten Readiness Cohort IV Subaccount.

"Kindergarten Readiness Cohort I Subaccount" means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2016, for the Project Year most recently ended.

"Kindergarten Readiness Cohort II Subaccount" means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2017, for the Project Year most recently ended.

"Kindergarten Readiness Cohort III Subaccount" means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2018, for the Project Year most recently ended.

"Kindergarten Readiness Cohort IV Subaccount" means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2019, for the Project Year most recently ended.

"Lenders," for purposes of this City PFS Escrow Agreement, means the parties identified in Section 7.5 hereof and their permitted successors and assigns.

“Ordinance” means the ordinance adopted on the ____ day of _____, 2014, by the City Council of the City authorizing the execution and delivery of this City PFS Escrow Agreement and the Pay For Success Contract.

“Pay For Success Contract” means the Loan Agreement and Pay For Success Contract dated _____, 2014, between the City and the Project Coordinator, as the same may be supplemented and amended from time to time in accordance with its terms.

“Project Coordinator” means IFF Pay For Success I, LLC, an Illinois limited liability company, the sole member of which is IFF, an Illinois not-for-profit corporation, or its successors and assigns.

“Qualified Escrow Investments” means any or a combination of the following:

- (i) direct obligations of the United States of America; and
- (ii) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America.

“Subsequent Deposit” has the meaning ascribed to such term in Section 2.2 hereof.

“Third Grade Literacy Cohort Subaccounts” means, collectively, the Third Grade Literacy Cohort I Subaccount, the Third Grade Literacy Cohort II Subaccount, the Third Grade Literacy Cohort III Subaccount and the Third Grade Literacy Cohort IV Subaccount.

“Third Grade Literacy Cohort I Subaccount” means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2019, for the Project Year most recently ended.

“Third Grade Literacy Cohort II Subaccount” means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2020, for the Project Year most recently ended.

“Third Grade Literacy Cohort III Subaccount” means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2021, for the Project Year most recently ended.

“Third Grade Literacy Cohort IV Subaccount” means the Subaccount of that name established within the Escrow Account for the purpose of providing funds to make City Pay-For-Success Payments, determined as provided in Section 3.01 of the Pay For Success Contract, due on November 1, 2022, for the Project Year most recently ended.

ARTICLE II

CREATION OF ESCROW

Section 2.1. The City by the Ordinance has authorized the execution and delivery of the Pay For Success Contract and this City PFS Escrow Agreement.

Section 2.2. There is hereby established the City PFS Escrow Account, consisting of the Cohort Subaccounts. On the date of execution and delivery of this City PFS Escrow Agreement, the City shall make the following deposits:

COHORT SUBACCOUNT	AMOUNT
Kindergarten Readiness Cohort I	\$504,339
Third Grade Literacy Cohort I	119,914

In addition to the deposits described above:

(i) not later than August 15, 2015, the City shall deposit (A) an amount not to exceed \$1,054,527 to the credit of the Kindergarten Readiness Cohort II Subaccount and (B) an amount not to exceed \$250,729 to the credit of the Third Grade Literacy Cohort II Subaccount;

(ii) not later than August 15, 2016, the City shall deposit (A) an amount not to exceed \$1,054,527 to the credit of the Kindergarten Readiness Cohort III Subaccount and (B) an amount not to exceed \$250,729 to the credit of the Third Grade Literacy Cohort III Subaccount; and

(iii) not later than August 15, 2017, the City shall deposit (A) an amount not to exceed \$921,026 to the credit of the Kindergarten Readiness Cohort IV Subaccount and (B) an amount not to exceed \$218,987 to the credit of the Third Grade Literacy Cohort IV Subaccount.

(each of the deposits described in paragraphs (i), (ii) and (iii) above being referred to herein as a "Subsequent Deposit"). On or before the date each Subsequent Deposit is required to be made pursuant to paragraphs (i), (ii) and (iii) above, the City shall provide written notice in the form attached hereto as *Exhibit I* of the required amount of such Subsequent Deposit, which shall be calculated by reference to the Project Year Supplement relating to the City Pay-For-Success Payments to be secured by such Subsequent Deposit.

If the Escrow Agent has not received a Subsequent Deposit for a Cohort Subaccount by the respective dates described in the preceding paragraph, the Escrow Agent shall promptly provide written notice to the City, the Project Coordinator, the Board and the Lenders that it has not received the required Subsequent Deposit. Upon giving such written notice, the Escrow

Agent will be fully released and discharged from any further duty or responsibility with respect to the obligation of the City to make the Subsequent Deposits that are the subject of such written notice.

Section 2.3. (a) The City will receive periodic notifications from the Evaluator of the amount of the City Pay-For-Success Payments that are due for payment from the respective Cohort Subaccounts in accordance with the terms of the Pay For Success Contract (each, a "Notice of PFS Payment Due").

(b) In the event any such Notice of PFS Payment Due indicates that a City Pay-For-Success Payment is due for payment from any Cohort Subaccount in accordance with the terms of the Pay For Success Contract, the Commissioner shall direct the Escrow Agent in writing to transfer moneys on deposit in the appropriate Cohort Subaccount in an amount sufficient to satisfy the City Pay-For-Success Payment then due to the City Designated Account as follows:

[Here insert wire transfer information for City Designated Account]

; *provided, however*, that if the Commissioner shall determine within ten (10) Business Days of receipt of such Notice of PFS Payment Due, that the calculation of the amounts set forth by the Evaluator in the Notice of PFS Payment Due contains manifest mathematical error, the Commissioner shall give notice describing such error to the Evaluator and to each of the parties identified in Section 8.03 of the Pay For Success Contract, and the City, the Project Coordinator, the Evaluator and the Lenders shall work in good faith to resolve such error as promptly as possible and upon such resolution, the Commissioner shall direct the Escrow Agent in writing to transfer moneys on deposit in the appropriate Cohort Subaccount in an amount sufficient to satisfy the City Pay-For-Success Payment determined to be due consistent with such resolution to the City Designated Account.

In the event funds shall remain on deposit in a particular Cohort Subaccount following the payment of a City Pay-For-Success Payment to the City Designated Account from such Cohort Subaccount as described above, the Escrow Agent shall transfer any balance remaining in such Cohort Subaccount to the Cohort Subaccount from which the next City Pay-For-Success Payment is scheduled to be made.

(c) In the event any such Notice of PFS Payment Due indicates that no City Pay-For-Success Payment will be due from a Cohort Subaccount, the City shall so notify the Escrow Agent in writing of such fact and the Escrow Agent shall transfer any balance remaining in such Cohort Subaccount to the Cohort Subaccount from which the next City Pay-For-Success Payment is scheduled to be made.

(d) No funds shall be transferred by the Escrow Agent hereunder except in accordance with the provisions of paragraphs (a), (b) and (c) of this Section 2.3 and Article VIII hereof.

Section 2.4. The obligation of the City to fund the Subsequent Deposits and the City Pay-For-Success Payments shall not constitute a general obligation of the City. The Subsequent

Deposits and the City Pay-For-Success Payments shall be made solely and only from funds appropriated by the City Council of the City on an annual basis.

ARTICLE III

COVENANTS OF ESCROW AGENT

The Escrow Agent covenants and agrees with the City as follows:

Section 3.1. The Escrow Agent will hold the City PFS Escrow Account in trust hereunder to secure the obligation of the City to make City Pay-For-Success Payments to the extent the same shall become due pursuant to the Pay For Success Contract. Funds on deposit in the City PFS Escrow Account shall be held hereunder for the benefit of the City, the Project Coordinator and the Lenders, as their interests shall appear herein and in the Pay For Success Contract. The Cohort Subaccounts shall be held as separate and segregated accounts and applied as provided herein. Funds shall not be transferred from one Cohort Subaccount to another except as provided in Sections 2.3(b) and (c) hereof.

Section 3.2. Uninvested balances on deposit from time to time in the City PFS Escrow Account (i) shall be held in cash or invested by the Escrow Agent at the direction of the Commissioner in Qualified Escrow Investments that shall mature at such time or times as shall insure the availability of funds within a Cohort Subaccount to make any required transfers to the City Designated Account as described in Section 2.3(b) hereof and (ii) if held as cash, shall be secured by the Escrow Agent in accordance with applicable Illinois law for the securing of public funds of the City.

Section 3.3. The Escrow Agent will promptly transfer to the City Designated Account amounts necessary to provide for the payment of City Pay-For-Success Payments in accordance with directions received from the Commissioner pursuant to Section 2.3(b) hereof and each such transfer will fully release and discharge the Escrow Agent from any further duty or obligation thereto under this City PFS Escrow Agreement. To the extent the Escrow Agent follows the written direction of the Commissioner with respect to the transfer of funds from time to time to the City Designated Account, the Escrow Agent shall have no responsibility for the accuracy or completeness of the direction it receives from the Commissioner.

Section 3.4. The City will pay the agreed-upon reasonable charges, fees and expenses of the Escrow Agent upon receipt of appropriate statements therefor. Such charges, fees or expenses shall not be paid from amounts on deposit in the City PFS Escrow Account. The Escrow Agent will have no lien or right of set-off of any kind against the City PFS Escrow Account and will look solely to the City and its other funds for payment.

Section 3.5. The Escrow Agent has all the powers and duties herein set forth with no liability in connection with any act or omission to act hereunder, except for its own negligence or willful breach of trust, and is under no obligation to institute any suit or action or other proceeding under this City PFS Escrow Agreement or to enter any appearance in any suit, action or proceeding in which it may be a defendant or to take any steps in the enforcement of its, or

any, rights and powers hereunder, nor will it be deemed to have failed to take any such action, unless and until it has been indemnified by the City to its satisfaction against any and all costs and expenses, outlays, counsel fees and other disbursements, including its own reasonable fees. If any judgment, decree or recovery be obtained by the Escrow Agent, payment of all sums due it, as aforesaid, will be a first charge against the amount of any such judgment, decree or recovery.

Section 3.6. The Escrow Agent will submit to the Commissioner, the Chief Financial Officer and the Lenders a statement within 30 days after May 2 and November 2 of each calendar year itemizing all moneys received by it and all payments made by it under the provisions of this City PFS Escrow Agreement during the preceding 6 month period (or, for the first period, from the date of execution and delivery hereof to May 1, 2015), and also listing the Qualified Escrow Investments on deposit therewith on the date of the statement, including all moneys held by it received as interest on or profit from the Qualified Escrow Investments.

ARTICLE IV

COVENANTS AND AGREEMENTS OF THE CITY

The City covenants and agrees with the Escrow Agent as follows:

Section 4.1. The Escrow Agent has no responsibility or liability whatsoever for (a) any of the recitals of the City herein, (b) the performance of or compliance with any covenant, condition, term or provision of the Ordinance, the Pay For Success Contract or any of the agreements of the City contained therein and (c) any undertaking or statement of the City hereunder, under the Ordinance or under the Pay For Success Contract.

Section 4.2. The Commissioner shall provide the Escrow Agent with the written directions to transfer moneys on deposit in the respective Cohort Subaccounts in amounts sufficient to satisfy the City Pay-For-Success Payments due from time to time as provided in Section 2.3(b) hereof.

ARTICLE V

IRREVOCABILITY OF AGREEMENT

Section 5.1. This City PFS Escrow Agreement may be amended or supplemented by the parties hereto for the purpose of curing any ambiguity or formal defect or omission therein, with notice of any such amendment or supplement being provided to the Lenders.

Section 5.2. All of the rights, powers, duties and obligations of the Escrow Agent hereunder are irrevocable and are not subject to amendment by the Escrow Agent and are binding on any successor to the Escrow Agent during the term of this City PFS Escrow Agreement.

Section 5.3. All of the rights, powers, duties and obligations of the City or of the Commissioner hereunder are irrevocable and are not subject to amendment by the City or the Commissioner and are binding on any successor to the officials of the City or the officials now comprising the City Council during the term of this City PFS Escrow Agreement.

Section 5.4. All of the rights, powers, duties and obligations of the Project Coordinator hereunder are irrevocable and are not subject to amendment by the Project Coordinator and are binding on any successor to the Project Coordinator during the term of this City PFS Escrow Agreement.

Section 5.5. If any one or more of the covenants or agreements provided in this City PFS Escrow Agreement on the part of the City, the Project Coordinator or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement must be deemed and construed to be severable from the remaining covenants and agreements contained herein and in no way affects the validity of the remaining provisions of this City PFS Escrow Agreement.

ARTICLE VI

MERGER OR CONSOLIDATION OF ESCROW AGENT

Any banking association or corporation into which the Escrow Agent may be merged, converted or with which the Escrow Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Escrow Agent may be transferred, will succeed to all of the Escrow Agent's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

ARTICLE VII

MISCELLANEOUS

Section 7.1. All notices and communications to the City or the Commissioner must be addressed in writing to:

City of Chicago
Department of Family and Support Services
1615 West Chicago Avenue, 5th Floor
Chicago, Illinois 60622
Attention: Commissioner

With a copy to:

City of Chicago Department of Law
121 North LaSalle Street, Room 600
Chicago, Illinois 60602
Attention: Finance and Economic Development Division

and

City of Chicago Department of Finance
121 North LaSalle Street, Room 700
Chicago, Illinois 60602
Attention: Chief Financial Officer

Section 7.2. All notices and communications to the Project Coordinator must be addressed in writing to:

IFF Pay for Success I, LLC
1 North LaSalle Street, Suite 700
Chicago, Illinois 60602
Attention: Joe Neri, Chief Executive Officer

Section 7.3. All notices and communications to the Escrow Agent must be addressed in writing to:

[Escrow Agent]

Chicago, Illinois 606__
Attention: _____

Section 7.4. All notices and communications to the Board must be addressed in writing to:

Board of Education of the City of Chicago
125 South Clark Street, 14th Floor
Chicago, Illinois 60603
Attention: Chief Financial Officer
Telecopy: (773) 553-2701

and

Board of Education of the City of Chicago
125 South Clark Street, 7th Floor
Chicago, Illinois 60603
Attention: General Counsel
Telecopy: (773) 553-1702

Section 7.5. All notices and communications to the Lenders must be addressed in writing to each of the following:

1. Goldman Sachs Social Investment Fund, L.P.
c/o Goldman Sachs Bank USA
Urban Investment Group 200 West Street
New York, New York 10282
Attention: Andrea Phillips

With a copy to:

Goldman Sachs Bank USA
Urban Investment Group
200 West Street
New York, New York 10282
Attention: Andrea Gift

And with a copy by electronic mail to: gs-uig-docs@gs.com

2. The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60603
Attention: Deborah L. Kasemeyer,
Chief Community Reinvestment Act Officer
with a copy by electronic mail to: Dlk@ntrs.com

with a copy to:

Kirkland & Ellis, LLP
300 North LaSalle Street
Chicago, Illinois 60654
Attention: Maureen E. Sweeney, P.C.
with a copy by electronic mail to: maureen.sweeney@kirkland.com

3. Pritzker Family Foundation
111 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Attention: Jay Robert Pritzker
with a copy by
electronic mail to: jbpritzker@pritzkergroup.com

with a copy to:

Kirkland & Ellis, LLP
300 North LaSalle Street
Chicago, Illinois 60654
Attention: Maureen E. Sweeney, P.C.
with a copy by electronic mail to: maureen.sweeney@kirkland.com

Section 7.6. The City, the Project Coordinator and the Escrow Agent each acknowledge and agree that the Lenders shall each be a third-party beneficiary of the provisions of this City PFS Escrow Agreement and shall be entitled to enforce the provisions hereof.

Section 7.7. This City PFS Escrow Agreement may be executed in several counterparts, each of which shall be regarded as the original and all of which constitute one and the same document.

ARTICLE VIII

TERMINATION OF AGREEMENT

Upon final disbursement of funds from the Third Grade Literacy Cohort IV Subaccount pursuant to the provisions of Section 2.3 hereof, the Escrow Agent will transfer any balance remaining in the Escrow Account to the Treasurer of the City with due notice thereof mailed to the City, and thereupon this City PFS Escrow Agreement will terminate.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the City of Chicago, Illinois, has caused this City PFS Escrow Agreement to be signed in its name by the Commissioner of the Department of Family and Support Services of the City, IFF Pay For Success I, LLC has caused this City PFS Escrow agreement to be signed in its corporate name by one of its officers and _____, Chicago, Illinois, not individually, but in the capacity as hereinabove described, has caused this City PFS Escrow Agreement to be signed in its corporate name by one of its officers, all as of the date first above written.

CITY OF CHICAGO

By: _____
Name: Commissioner, Department of Family and Support Services

IFF PAY FOR SUCCESS I, LLC

By: _____
Name: Joe Neri
Title: Chief Executive Officer of The Managing Member

as Escrow Agent

By: _____
Authorized Officer

EXHIBIT I

NOTICE OF SUBSEQUENT DEPOSIT

[Escrow Agent]

Chicago, Illinois 606__

Attention: _____

RE: City of Chicago
Pay For Success Escrow Agreement
Dated _____, 2014

Ladies and Gentlemen:

This Notice is being delivered pursuant to Section 2.2 of that City of Chicago Pay For Success Escrow Agreement, dated _____, 2014 (the "Escrow Agreement"), between you, as Escrow Agent, and the City of Chicago (the "City"). The City hereby notifies you pursuant to said Section 2.2 that the Subsequent Deposit required to be made not later than August 15, 201_, is required to be made in the aggregate amount of \$_____ and in satisfaction thereof, the City shall deposit with you on or before said date the amount of (A) \$_____ for deposit to the credit of the Kindergarten Readiness Cohort __ Subaccount and (B) \$_____ for deposit to the credit of the Third Grade Literacy Cohort __ Subaccount.

IN WITNESS WHEREOF, the City has caused this Notice to be executed by its duly authorized officer, this __ day of _____, 201_.

CITY OF CHICAGO

By: _____
Name: [Commissioner, Department of Family and
Support Services]

**CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT**

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

Chapman and Cutler LLP

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. the Applicant

OR

2. a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: _____

OR

3. a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party: 111 West Monroe Street

Chicago, Illinois 60603

C. Telephone: (312) 845-3494 Fax: (312) 516-3294 Email: corbin@chapman.com

D. Name of contact person: William E. Corbin, Jr.

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

Social Impact Bond - Intergovernmental Agreement with Chicago Public Schools

G. Which City agency or department is requesting this EDS? Department of Finance

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

- | | |
|---|---|
| <input type="checkbox"/> Person | <input type="checkbox"/> Limited liability company |
| <input type="checkbox"/> Publicly registered business corporation | <input checked="" type="checkbox"/> Limited liability partnership |
| <input type="checkbox"/> Privately held business corporation | <input type="checkbox"/> Joint venture |
| <input type="checkbox"/> Sole proprietorship | <input type="checkbox"/> Not-for-profit corporation |
| <input type="checkbox"/> General partnership | (Is the not-for-profit corporation also a 501(c)(3))? |
| <input type="checkbox"/> Limited partnership | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Trust | <input type="checkbox"/> Other (please specify) |

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

Illinois

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

Yes No N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity.

NOTE: For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
Timothy P. Mohan	Chief Executive Partner
William M. Libit	Chief Operating Partner

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." NOTE: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
Not applicable - No partner's interest in the firm exceeds 7.5%		

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

Yes No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) NOTE: "hourly rate" or "t.b.d." is not an acceptable response.
--	------------------	--	---

(Add sheets if necessary)

Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

Yes No No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

Yes No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;
- b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;
- c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;
- d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and
- e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

- the Disclosing Party;
- any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
- any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
- any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

- a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;
- b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or
- c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or
- d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

None.

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than \$20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

None.

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

is is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

Yes No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

Yes No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

 X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. If the Matter is not federally funded, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

- Yes No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)

- Yes No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?

- Yes No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?

- Yes No

If you checked "No" to question 1. or 2. above, please provide an explanation:

**SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION,
COMPLIANCE, PENALTIES, DISCLOSURE**

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

Chapman and Cutler LLP
(Print or type name of Disclosing Party)

By: William E. Corbin Jr.
(Sign here)

William E. Corbin, Jr.
(Print or type name of person signing)

Partner and Authorized Signatory
(Print or type title of person signing)

Signed and sworn to before me on (date) October 1, 2014,
at Cook County, Illinois (state).

Nikki J. Pasak Notary Public



Commission expires: August 4, 2018

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

[] Yes

[x] No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a/ if applicable:

IFF

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. the Applicant

OR

2. a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: IFF PAY FOR SUCCESS I LLC

OR

3. a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party:

1 N. LA SALLE ST. SUITE 700
CHICAGO, IL 60602

C. Telephone: 312-629-0060 Fax: 312-629-00 Email: jschmidt@iff.org

D. Name of contact person: JOE SCHMIDT

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

LOAN AGREEMENT AND PAY FOR SUCCESS CONTRACT

G. Which City agency or department is requesting this EDS? FAMILY SUPPORT SERVICES.
~~DEPT OF FINANCE, LAW & PLANNING~~

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

- Person
- Publicly registered business corporation
- Privately held business corporation
- Sole proprietorship
- General partnership
- Limited partnership
- Trust
- Limited liability company
- Limited liability partnership
- Joint venture
- Not-for-profit corporation
(Is the not-for-profit corporation also a 501(c)(3))?
 Yes No
- Other (please specify)

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

ILLINOIS

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

- Yes
- No
- N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity.

NOTE: For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
<u>OFFICERS : DIRECTORS ATTACHED ON SEPARATE PAGE</u>	
<u>NO MEMBERS</u>	

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." NOTE: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
NONE		

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

Yes No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) NOTE: "hourly rate" or "t.b.d." is not an acceptable response.
--	------------------	--	---

DLA PIPER	203 N. WASHLE	ATTORNEY	\$50,000 (ESTIMATED)
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(Add sheets if necessary)

Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

Yes

No

No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

Yes

No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;
- b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;
- c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;
- d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and
- e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

- the Disclosing Party;
- any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
- any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
- any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

- a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;
- b. agreed or colluded with other bidders or prospective bidders; or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or
- c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or
- d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors; the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

JOHN GERWT, CHA

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than \$20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

NONE

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

is is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

Yes No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

Yes No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name	Business Address	Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

X 1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

___ 2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. If the Matter is not federally funded, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

NONE

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.

Is the Disclosing Party the Applicant?

Yes

No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)

Yes

No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?

Yes

No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?

Yes

No

If you checked "No" to question 1. or 2. above, please provide an explanation:

**SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION,
COMPLIANCE, PENALTIES, DISCLOSURE**

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article I of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

IFF

(Print or type name of Disclosing Party)

By: *[Signature]*

(Sign here)

Mark Roth

(Print or type name of person signing)

Chief operating officer

(Print or type title of person signing)

Signed and sworn to before me on (date) October 3, 2014,
at Wm County, Illinois (state).

[Signature] Notary Public.

Commission expires: May 22, 2016



CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

Yes

No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

MEREDITH O'CONNOR, BOARD DIRECTOR

PATRICK O'CONNOR, ALDERMAN (SISTER)

IFF Board of Directors
August 22, 2014

Joseph Antolin
Antolin and Associates

Ramon Cepeda
Senior Vice President
Northern Trust

Mohini Chopra
Financial Strategy Consultant

David Crawford
Principal
The D2 Realty Companies, Inc.

Kristine Garrett
Managing Director, Head of Private Wealth
The Private Bank

Steve Kent
President
River Branch Capital, LLC

Amir Kirkwood
Partner
Next Street Financial, LLC.

Craig Munro
Managing Director, Sponsor Fund Len
BMO Harris Bank

Michelle Nettles
Senior Director, Diversity and Integrati
Management
Miller Coors

Meredith O'Connor
Managing Director
Jones Lang LaSalle

John Sassaris
Senior Vice President, Commercial Ba
MB Financial Bank, N.A.

Rodney Tyson
Managing Director
Robert W. Baird & Co

Diane Williams
President & CEO
Safer Foundation

IFF Officers
August 22, 2014

Joe Neri
Chief Executive Officer

Trinita Logue
President

Matt Roth
Chief Operating Officer

Lloyd Shields
Chief Financial Officer

CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT
AND AFFIDAVIT

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting this EDS. Include d/b/a if applicable:

IFF PAY FOR SUCCESS I LLC

Check ONE of the following three boxes:

Indicate whether the Disclosing Party submitting this EDS is:

1. the Applicant

OR

2. a legal entity holding a direct or indirect interest in the Applicant. State the legal name of the Applicant in which the Disclosing Party holds an interest: _____

OR

3. a legal entity with a right of control (see Section II.B.1.) State the legal name of the entity in which the Disclosing Party holds a right of control: _____

B. Business address of the Disclosing Party:

1 N. LASALLE, SUITE 700
CHICAGO, IL 60602

C. Telephone: 312-629-0060 Fax: 312-629-0061 Email: jschmidt@iff.org

D. Name of contact person: Joe Schmidt

E. Federal Employer Identification No. (if you have one): _____

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains. (Include project number and location of property, if applicable):

LOAN AGREEMENT AND PAY FOR SUCCESS CONTRACT

G. Which City agency or department is requesting this EDS? FAMILY AND SUPPORT SERVICES

If the Matter is a contract being handled by the City's Department of Procurement Services, please complete the following:

Specification # _____ and Contract # _____

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

- | | |
|---|---|
| <input type="checkbox"/> Person | <input checked="" type="checkbox"/> Limited liability company |
| <input type="checkbox"/> Publicly registered business corporation | <input type="checkbox"/> Limited liability partnership |
| <input type="checkbox"/> Privately held business corporation | <input type="checkbox"/> Joint venture |
| <input type="checkbox"/> Sole proprietorship | <input type="checkbox"/> Not-for-profit corporation |
| <input type="checkbox"/> General partnership | (Is the not-for-profit corporation also a 501(c)(3))? |
| <input type="checkbox"/> Limited partnership | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Trust | <input type="checkbox"/> Other (please specify) |

2. For legal entities, the state (or foreign country) of incorporation or organization, if applicable:

ILLINOIS

3. For legal entities not organized in the State of Illinois: Has the organization registered to do business in the State of Illinois as a foreign entity?

- Yes No N/A

B. IF THE DISCLOSING PARTY IS A LEGAL ENTITY:

1. List below the full names and titles of all executive officers and all directors of the entity.

NOTE: For not-for-profit corporations, also list below all members, if any, which are legal entities. If there are no such members, write "no members." For trusts, estates or other similar entities, list below the legal titleholder(s).

If the entity is a general partnership, limited partnership, limited liability company, limited liability partnership or joint venture, list below the name and title of each general partner, managing member, manager or any other person or entity that controls the day-to-day management of the Disclosing Party.

NOTE: Each legal entity listed below must submit an EDS on its own behalf.

Name	Title
<u>IFF</u>	<u>MANAGING MEMBER</u>

2. Please provide the following information concerning each person or entity having a direct or indirect beneficial interest (including ownership) in excess of 7.5% of the Disclosing Party. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture,

interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate or other similar entity. If none, state "None." NOTE: Pursuant to Section 2-154-030 of the Municipal Code of Chicago ("Municipal Code"), the City may require any such additional information from any applicant which is reasonably intended to achieve full disclosure.

Name	Business Address	Percentage Interest in the Disclosing Party
IFE		
IFE	111 W. LEXINGTON, CHICAGO, IL	100%

SECTION III -- BUSINESS RELATIONSHIPS WITH CITY ELECTED OFFICIALS

Has the Disclosing Party had a "business relationship," as defined in Chapter 2-156 of the Municipal Code, with any City elected official in the 12 months before the date this EDS is signed?

Yes

No

If yes, please identify below the name(s) of such City elected official(s) and describe such relationship(s):

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist, accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

"Lobbyist" means any person or entity who undertakes to influence any legislative or administrative action on behalf of any person or entity other than: (1) a not-for-profit entity, on an unpaid basis, or (2) himself. "Lobbyist" also means any person or entity any part of whose duties as an employee of another includes undertaking to influence any legislative or administrative action.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

Name (indicate whether retained or anticipated to be retained)	Business Address	Relationship to Disclosing Party (subcontractor, attorney, lobbyist, etc.)	Fees (indicate whether paid or estimated.) NOTE: "hourly rate" or "t.b.d." is not an acceptable response.
--	------------------	--	---

(Add sheets if necessary)

Check here if the Disclosing Party has not retained, nor expects to retain, any such persons or entities.

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under Municipal Code Section 2-92-415, substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage on any child support obligations by any Illinois court of competent jurisdiction?

Yes

No

No person directly or indirectly owns 10% or more of the Disclosing Party.

If "Yes," has the person entered into a court-approved agreement for payment of all support owed and is the person in compliance with that agreement?

Yes

No

B. FURTHER CERTIFICATIONS

1. Pursuant to Municipal Code Chapter 1-23, Article I ("Article I")(which the Applicant should consult for defined terms (e.g., "doing business") and legal requirements), if the Disclosing Party submitting this EDS is the Applicant and is doing business with the City, then the Disclosing Party certifies as follows: (i) neither the Applicant nor any controlling person is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any sister agency; and (ii) the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City. NOTE: If Article I applies to the Applicant, the permanent compliance timeframe in Article I supersedes some five-year compliance timeframes in certifications 2 and 3 below.

2. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II.B.1. of this EDS:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;
- b. have not, within a five-year period preceding the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;
- c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in clause B.2.b. of this Section V;
- d. have not, within a five-year period preceding the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and
- e. have not, within a five-year period preceding the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

3. The certifications in subparts 3, 4 and 5 concern:

- the Disclosing Party;
- any "Contractor" (meaning any contractor or subcontractor used by the Disclosing Party in connection with the Matter, including but not limited to all persons or legal entities disclosed under Section IV, "Disclosure of Subcontractors and Other Retained Parties");
- any "Affiliated Entity" (meaning a person or entity that, directly or indirectly: controls the Disclosing Party, is controlled by the Disclosing Party, or is, with the Disclosing Party, under common control of another person or entity. Indicia of control include, without limitation: interlocking management or ownership; identity of interests among family members, shared facilities and equipment; common use of employees; or organization of a business entity following the ineligibility of a business entity to do business with federal or state or local government, including the City, using substantially the same management, ownership, or principals as the ineligible entity); with respect to Contractors, the term Affiliated Entity means a person or entity that directly or indirectly controls the Contractor, is controlled by it, or, with the Contractor, is under common control of another person or entity;
- any responsible official of the Disclosing Party, any Contractor or any Affiliated Entity or any other official, agent or employee of the Disclosing Party, any Contractor or any Affiliated Entity, acting pursuant to the direction or authorization of a responsible official of the Disclosing Party, any Contractor or any Affiliated Entity (collectively "Agents").

Neither the Disclosing Party, nor any Contractor, nor any Affiliated Entity of either the Disclosing Party or any Contractor nor any Agents have, during the five years before the date this EDS is signed, or, with respect to a Contractor, an Affiliated Entity, or an Affiliated Entity of a Contractor during the five years before the date of such Contractor's or Affiliated Entity's contract or engagement in connection with the Matter:

- a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;
- b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or
- c. made an admission of such conduct described in a. or b. above that is a matter of record, but have not been prosecuted for such conduct; or

d. violated the provisions of Municipal Code Section 2-92-610 (Living Wage Ordinance).

4. Neither the Disclosing Party, Affiliated Entity or Contractor, or any of their employees, officials, agents or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of: (1) bid-rigging in violation of 720 ILCS 5/33E-3; (2) bid-rotating in violation of 720 ILCS 5/33E-4; or (3) any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

5. Neither the Disclosing Party nor any Affiliated Entity is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the Bureau of Industry and Security of the U.S. Department of Commerce or their successors: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

6. The Disclosing Party understands and shall comply with the applicable requirements of Chapters 2-55 (Legislative Inspector General), 2-56 (Inspector General) and 2-156 (Governmental Ethics) of the Municipal Code.

7. If the Disclosing Party is unable to certify to any of the above statements in this Part B (Further Certifications), the Disclosing Party must explain below:

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

8. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the execution date of this EDS, an employee, or elected or appointed official, of the City of Chicago (if none, indicate with "N/A" or "none").

NONE

9. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS, to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than \$20 per recipient (if none, indicate with "N/A" or "none"). As to any gift listed below, please also list the name of the City recipient.

NONE

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

1. The Disclosing Party certifies that the Disclosing Party (check one)

is

is not

a "financial institution" as defined in Section 2-32-455(b) of the Municipal Code.

2. If the Disclosing Party IS a financial institution, then the Disclosing Party pledges:

"We are not and will not become a predatory lender as defined in Chapter 2-32 of the Municipal Code. We further pledge that none of our affiliates is, and none of them will become, a predatory lender as defined in Chapter 2-32 of the Municipal Code. We understand that becoming a predatory lender or becoming an affiliate of a predatory lender may result in the loss of the privilege of doing business with the City."

If the Disclosing Party is unable to make this pledge because it or any of its affiliates (as defined in Section 2-32-455(b) of the Municipal Code) is a predatory lender within the meaning of Chapter 2-32 of the Municipal Code, explain here (attach additional pages if necessary):

If the letters "NA," the word "None," or no response appears on the lines above, it will be conclusively presumed that the Disclosing Party certified to the above statements.

D. CERTIFICATION REGARDING INTEREST IN CITY BUSINESS

Any words or terms that are defined in Chapter 2-156 of the Municipal Code have the same meanings when used in this Part D.

1. In accordance with Section 2-156-110 of the Municipal Code: Does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

Yes

No

NOTE: If you checked "Yes" to Item D.1., proceed to Items D.2. and D.3. If you checked "No" to Item D.1., proceed to Part E.

2. Unless sold pursuant to a process of competitive bidding, or otherwise permitted, no City elected official or employee shall have a financial interest in his or her own name or in the name of any other person or entity in the purchase of any property that (i) belongs to the City, or (ii) is sold for taxes or assessments, or (iii) is sold by virtue of legal process at the suit of the City (collectively, "City Property Sale"). Compensation for property taken pursuant to the City's eminent domain power does not constitute a financial interest within the meaning of this Part D.

Does the Matter involve a City Property Sale?

Yes

No

3. If you checked "Yes" to Item D.1., provide the names and business addresses of the City officials or employees having such interest and identify the nature of such interest:

Name

Business Address

Nature of Interest

4. The Disclosing Party further certifies that no prohibited financial interest in the Matter will be acquired by any City official or employee.

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

Please check either 1. or 2. below. If the Disclosing Party checks 2., the Disclosing Party must disclose below or in an attachment to this EDS all information required by paragraph 2. Failure to

comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

1. The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

2. The Disclosing Party verifies that, as a result of conducting the search in step 1 above, the Disclosing Party has found records of investments or profits from slavery or slaveholder insurance policies. The Disclosing Party verifies that the following constitutes full disclosure of all such records, including the names of any and all slaves or slaveholders described in those records:

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

NOTE: If the Matter is federally funded, complete this Section VI. If the Matter is not federally funded, proceed to Section VII. For purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

A. CERTIFICATION REGARDING LOBBYING

1. List below the names of all persons or entities registered under the federal Lobbying Disclosure Act of 1995 who have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter: (Add sheets if necessary):

NONE

(If no explanation appears or begins on the lines above, or if the letters "NA" or if the word "None" appear, it will be conclusively presumed that the Disclosing Party means that NO persons or entities registered under the Lobbying Disclosure Act of 1995 have made lobbying contacts on behalf of the Disclosing Party with respect to the Matter.)

2. The Disclosing Party has not spent and will not expend any federally appropriated funds to pay any person or entity listed in Paragraph A.1. above for his or her lobbying activities or to pay any person or entity to influence or attempt to influence an officer or employee of any agency, as defined by applicable federal law, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress, in connection with the award of any federally funded contract, making any federally funded grant or loan, entering into any cooperative agreement, or to extend, continue, renew, amend, or modify any federally funded contract, grant, loan, or cooperative agreement.

3. The Disclosing Party will submit an updated certification at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the statements and information set forth in paragraphs A.1. and A.2. above.

4. The Disclosing Party certifies that either: (i) it is not an organization described in section 501(c)(4) of the Internal Revenue Code of 1986; or (ii) it is an organization described in section 501(c)(4) of the Internal Revenue Code of 1986 but has not engaged and will not engage in "Lobbying Activities".

5. If the Disclosing Party is the Applicant, the Disclosing Party must obtain certifications equal in form and substance to paragraphs A.1. through A.4. above from all subcontractors before it awards any subcontract and the Disclosing Party must maintain all such subcontractors' certifications for the duration of the Matter and must make such certifications promptly available to the City upon request.

B. CERTIFICATION REGARDING EQUAL EMPLOYMENT OPPORTUNITY

~~If the Matter is federally funded, federal regulations require the Applicant and all proposed subcontractors to submit the following information with their bids or in writing at the outset of negotiations.~~

Is the Disclosing Party the Applicant?

Yes No

If "Yes," answer the three questions below:

1. Have you developed and do you have on file affirmative action programs pursuant to applicable federal regulations? (See 41 CFR Part 60-2.)

Yes No

2. Have you filed with the Joint Reporting Committee, the Director of the Office of Federal Contract Compliance Programs, or the Equal Employment Opportunity Commission all reports due under the applicable filing requirements?

Yes No

3. Have you participated in any previous contracts or subcontracts subject to the equal opportunity clause?

Yes No

If you checked "No" to question 1. or 2. above, please provide an explanation:

**SECTION VII -- ACKNOWLEDGMENTS, CONTRACT INCORPORATION,
COMPLIANCE, PENALTIES, DISCLOSURE**

The Disclosing Party understands and agrees that:

A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.

B. The City's Governmental Ethics and Campaign Financing Ordinances, Chapters 2-156 and 2-164 of the Municipal Code, impose certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of these ordinances and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N.

Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with the applicable ordinances.

C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other transactions with the City. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.

D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided on this EDS and any attachments to this EDS may be made available to the public on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. **NOTE:** With respect to Matters subject to Article 1 of Chapter 1-23 of the Municipal Code (imposing **PERMANENT INELIGIBILITY** for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by Chapter 1-23 and Section 2-154-020 of the Municipal Code.

The Disclosing Party represents and warrants that:

F.1. The Disclosing Party is not delinquent in the payment of any tax administered by the Illinois Department of Revenue, nor are the Disclosing Party or its Affiliated Entities delinquent in paying any fine, fee, tax or other charge owed to the City. This includes, but is not limited to, all water charges, sewer charges, license fees, parking tickets, property taxes or sales taxes.

F.2 If the Disclosing Party is the Applicant, the Disclosing Party and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed by the U.S. E.P.A. on the federal Excluded Parties List System ("EPLS") maintained by the U. S. General Services Administration.

F.3 If the Disclosing Party is the Applicant, the Disclosing Party will obtain from any contractors/subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in F.1. and F.2. above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Disclosing Party has reason to believe has not provided or cannot provide truthful certifications.

NOTE: If the Disclosing Party cannot certify as to any of the items in F.1., F.2. or F.3. above, an explanatory statement must be attached to this EDS.

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS and Appendix A (if applicable) on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS and Appendix A (if applicable) are true, accurate and complete as of the date furnished to the City.

IFF PAK FOR SUCCESS LLC
(Print or type name of Disclosing Party)

By: [Signature]
(Sign here)

Matt Roth
(Print or type name of person signing)

Chief operating officer, IFF ; MANAGING MEMBER OF IFF PAK FOR SUCCESS LLC
(Print or type title of person signing)

Signed and sworn to before me on (date) October 3, 2014,
at Cook County, ILLINOIS (state).

Jennifer Overton Notary Public.

Commission expires May 22, 2016.



CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT AND AFFIDAVIT
APPENDIX A

FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5 percent. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under Municipal Code Section 2-154-015, the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a., if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5 percent ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

Yes

No

If yes, please identify below (1) the name and title of such person, (2) the name of the legal entity to which such person is connected; (3) the name and title of the elected city official or department head to whom such person has a familial relationship, and (4) the precise nature of such familial relationship.

HEREDITH O'CONNOR, BOARD DIRECTOR

PATRICK O'CONNOR, ALDERMAN (SISTER)