## EXECUTIVE SUMMARY

### Applicant:
Brentwood School (School or Brentwood)

### Amount Requested:
Not to exceed $40,000,000

### Applicant Description:
Brentwood is a 501(c)(3) nonprofit public benefit corporation that operates a private co-educational college preparatory day school in the Los Angeles area and serves students from kindergarten through 12th grade.

### Type of Financing:
Tax-exempt obligations

### Project Site:
100 South Barrington Place
Los Angeles, CA 90049

### Plan of Finance:
If approved by the Board, the IBank will issue up to $40 million in fixed rate tax-exempt obligations that will be evidenced by a Master Loan Agreement between the IBank, Brentwood School and First Republic Bank (“2014 Obligations”). The proceeds of the 2014 Obligations are expected to be used as follows: (1) refunding the Issuer’s Revenue Refunding Bonds (Brentwood School) Series 2007A and Series 2007B (the “2007 Bonds”), outstanding in the aggregate principal amount of approximately $11,005,000, (2) financing the cost of educational facilities including the acquisition, design, development, construction, renovation, equipping and furnishing of the real property and improvements located at 100 S. Barrington Place, Los Angeles, California including a new middle school building, a theater, a parking lot, athletic fields and related infrastructure and other ancillary facilities (the “New Facilities”), and (3) paying certain costs of issuance.

### Type of Issue:
Bank Loan

### Tax Status:
Tax-Exempt

### Term:
30 years

### Credit Enhancement:
None

### Credit Rating:
Unrated

### Fees:
App Fee $1,500; Issuance Fee $47,500; Annual Fee $500 per year

### Est. Sources of Funds:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Donations</td>
<td>26,187,181</td>
</tr>
<tr>
<td>Brentwood Contribution</td>
<td>356,622</td>
</tr>
<tr>
<td>COI</td>
<td>87,500</td>
</tr>
<tr>
<td>2007 Debt Service Reserve Fund</td>
<td>1,324,840</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td><strong>$67,956,143</strong></td>
</tr>
</tbody>
</table>

### Est. Uses of Funds:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Campus Reimbursement</td>
<td>6,312,819</td>
</tr>
<tr>
<td>Bond Proceeds East Campus</td>
<td>22,500,000</td>
</tr>
<tr>
<td>Equity/Contribution East Campus</td>
<td>26,187,181</td>
</tr>
<tr>
<td>Deposit Series 2007 A&amp;B Escrow</td>
<td>12,271,143</td>
</tr>
<tr>
<td>COI estimate</td>
<td>685,000</td>
</tr>
<tr>
<td><strong>TOTAL USES</strong></td>
<td><strong>$67,956,143</strong></td>
</tr>
</tbody>
</table>

### Financing Team:
- **Bond Counsel:** Kutak Rock LLP
- **Borrower’s Counsel:** Squire Patton Boggs
- **Financial Advisor:** George K Baum & Company
- **Purchaser/Lender:** First Republic Bank

### Public Benefits:
1. The project will enable Brentwood to increase enrollment from 995 students to 1,260 students.
2. The project will result in an additional 50 full-time employees.
3. The new building, theater, parking lot, athletic fields and meeting rooms will be accessible to the community and provide needed improvements to students and staff.
4. The new building will be built to an environmentally friendly standard.

### Date of Board Meeting:
August 19, 2014

### Resolution Number:
14-10

### Prepared by:
John Belmont

### Staff Recommendation:
Staff recommends approval of Resolution 14-10 authorizing the issuance of Tax-Exempt Obligations in an amount not to exceed $40,000,000 to be sold to First Republic Bank as a direct purchase transaction and loaning the proceeds of the sale of the Tax-Exempt Obligations to Brentwood.
BACKGROUND AND HISTORY

Founded in 1972, Brentwood School (School or Brentwood) is a 501(c)(3) nonprofit public benefit corporation which operates a private co-educational college preparatory day school. Brentwood is a K-12 educational institution operating two campuses located four blocks apart in Brentwood, California, a suburb of Los Angeles.

The School currently consists of two campuses, the East and West Campus and approximately 22 acres of land, including athletic facilities, adjacent to the East Campus that are leased from the U.S. Department of Veteran Affairs. The East Campus consists of approximately 7.1 acres located at 100 South Barrington Place, serving seventh and eighth grade (Middle Division) and ninth through twelfth grade (Upper Division) students. The West Campus, opened in the fall of 1995, serves kindergarten through sixth grade (Lower Division) students.

Brentwood has a reputation of having high academics and athletics standards. It is accredited by the Western Association of Schools and Colleges and the California Association of Independent Schools. Furthermore, it is a member of the California Association of Independent Schools and the National Association of Independent Schools, A Better Chance (ABC), Independent School Alliance for Minority Affairs, and the Young Eisner Scholar Program.

The School’s mission is to promote personal and intellectual growth by providing challenging, engaging programs in a nurturing learning environment, devoting care and attention to every student. The School embraces high standards of character, commitment, and achievement, encouraging students to think critically and creatively and to act ethically. The program of study is designed to stretch and broaden students in the academic arena, in the arts, in athletics and in their moral development.

There are currently approximately 995 students enrolled at the School, with 300 students in the Lower Division and 695 students in the Middle and Upper Divisions. The School attracts students, family and faculty from a variety of ethnic, racial, cultural and socioeconomic backgrounds, with approximately 34% of the Middle Division and Upper Division population and 26% of the Lower Division having multi-cultural backgrounds. Classes are kept small, averaging 18 students per class. Tuition for the Upper and Middle Divisions during the 2014-15 school year is $35,965, and $30,545 for the Lower Division. On the basis of demonstrated financial need, the School annually awards approximately $3.5 million in financial assistance to students.

The School currently has a faculty of 116 full-time and 15 part-time teachers, 55 of which have been at the School for more than 10 years; approximately 63% of the faculty hold advance degrees.
GOVERNANCE

Brentwood is governed by a 28-member Board of Trustees (Board). New members (except the representatives from the Alumni Association and the Parents Association – which serve two year terms) are elected by the existing Board for a three-year term with the opportunity for re-election for two subsequent three-year terms. The Board meets a minimum of four times a year and has responsibilities that include (1) setting policy consistent with the School’s purpose; (2) delegating implementation to the head of school; (3) ensuring the fiscal stability of the School through financial oversight and fundraising; and (4) monitoring results. The Board has several committees including Executive, Finance, Education, Advancement, Governance, and Long Range Planning. The Board members are primarily current parents and alumni, many of which are community leaders. A list of the current Board and key School administrators and staff is attached as Appendix A.

PROJECT DESCRIPTION

Brentwood intends to use the proceeds of the IBank obligations (2014 Obligations) to fund the following, which together are defined as the Project:

(1) Refinance the School’s Series 2007 A&B Bonds (approximately $11.1 million)
(2) Fund a portion of the $55 million in capital improvements on the School's East Campus (totaling approximately $26.5 million)
(3) Fund costs of issuance

The School plans to refinance its outstanding Series 2007 A&B Bonds. The original par amount of the Series 2007A Bonds and Series 2007B Bonds were $9.515 million and $4.385 million, respectively, of which $11.005 million remains outstanding. The bonds are callable at par beginning on October 1, 2017. The School will fund an escrow in an amount sufficient to pay principal and interest through the date at which time the bonds will be retired. The bonds will be economically and legally defeased as of the date of closing the 2014 Obligations.

As of June 2014, the School has raised approximately $24 million in cash and pledges as part of its capital campaign and has spent $5.2 million of this amount to date on the Project.

The Project includes two phases: (i) Phase I renovations will occur on the East Campus and will include a new middle school building, theater, parking and athletic fields and (ii) Phase II renovations will occur on the West Campus and will include the construction of the Saltair Building and creation of “green space”.

Phase I is expected to cost $55 million and will be funded through a combination of capital campaign cash and Series 2014 Obligations proceeds. Construction is expected to begin June 2015 and be completed August 2016. See Appendix B.
Phase II will make capital improvements to the West Campus and is expected to cost up to $20 million. The School does not currently plan to borrow to fund these future improvements. Phase II will follow completion of Phase I of the Project. Brentwood has not yet formally retained a construction firm for Phase II but is likely to partner with Del Amo Construction. The School has retained the firm of SAW & Associates for its project management services.

**FINANCING STRUCTURE**

Brentwood is requesting approval for the issuance and sale of tax-exempt 501(c)(3) 2014 Obligations, in an amount not to exceed $40,000,000. The proceeds of the Obligations are expected to be loaned to Brentwood pursuant to one or more agreements (the “Loan Agreement”). The proceeds of the Obligations will be applied by Brentwood to: (1) refund the Issuer’s Revenue Refunding Bonds (Brentwood School) Series 2007A and Series 2007B (the “2007 Bonds”), outstanding in the aggregate principal amount of approximately $11,005,000, (2) finance the cost of educational facilities including the acquisition, design, development, construction, renovation, equipping and furnishing of the real property and improvements located at 100 S. Barrington Place, Los Angeles, California (the “Upper Campus Property”), including a new middle school building, a theater, a parking lot, athletic fields and related infrastructure and other ancillary facilities (the “New Facilities”), and (3) pay certain costs of issuance in connection with the issuance of the Obligations. Proceeds of the 2007 Bonds were used by Brentwood to finance and refinance the cost of educational facilities.

Brentwood’s obligation to repay Lender for the proceeds of the 2014 Obligations will be secured by collateral including, but not limited to, Brentwood’s personal property assets and a negative pledge on certain real property. As part of the financing, the IBank will assign all rights to the collateral to the Lender. Furthermore, the IBank will assign its right to receive the loan payments from Brentwood, except for certain Reserved Issuer Rights, to the Lender pursuant to the Loan Agreement. Repayment of the 2014 Obligations will be made solely from Brentwood’s payments under the Loan Agreement.

The Lender will sign a sophisticated investor letter (titled “Certificate of Purchaser and Investor Letter”) at closing certifying, among other things, that (i) it is a QIB, within the meaning of Rule 144(A) of the Securities Act; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Loan and that it is able to bear the economic risks of such investment; and (iii) it will prohibit the subsequent sale, assignment or transfer of the Loan, except, in whole and not in part, to another QIB signing an Investor Letter.

In no event shall the 2014 Obligations constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2014 Obligations. The 2014 Obligations constitute a special limited obligation of the IBank and shall be payable solely from payments made by Brentwood under the Loan Agreement.
The outstanding balance of fixed rate bonds is $11,005,000 as of May 31, 2014:

**Year Ending June 30**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>500,000</td>
</tr>
<tr>
<td>2016</td>
<td>515,000</td>
</tr>
<tr>
<td>2017</td>
<td>540,000</td>
</tr>
<tr>
<td>2018</td>
<td>555,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>8,895,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,005,000</strong></td>
</tr>
</tbody>
</table>

The School plans to refinance its outstanding bonds in conjunction with the 2014 Obligations.

**FINANCIAL COVENANTS SUMMARY:**
Lender’s financial covenants to be maintained by Brentwood:

- Maintain minimum Debt Coverage Ratio of 1.20:1 measured annually at each FYE.
- Minimum liquidity requirement of $5,000,000, measured annually at 6/30, increasing to $7,500,000 as of 6/30/2018.
- The Borrower covenants that it shall not incur any additional indebtedness without the prior written consent of First Republic Bank; provided however, the Borrower may incur additional indebtedness up to a maximum of $500,000 without prior consent.

**PUBLIC BENEFITS**

Brentwood is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”) and will own or lease, and operate, the Facilities in connection with its charitable and public benefit purposes. The Facilities will be used to further Brentwood’s mission of inspiring every student to think critically and creatively, act ethically and shape a future with meaning.

The School offers many public benefits, including the following:

- The School is committed to having a diverse student body, allocating approximately 13% ($5.0 million annually) of its revenues for tuition assistance. For the 2013-14 academic year, approximately 17% of Middle and Upper Division students and approximately 16% of Lower Division students received tuition assistance;
- The School includes a Community Service Program as part of its curriculum, focused on empowering the students to help their communities through a variety of activities and services. Hours of service in a typical year are: Upper School Students combined: 19,550 hours; Middle School students combined: 5,500 hours, Lower School students combined: 3,100 hours.
- The School estimates that 50 full-time positions will be created as a direct result of the project;
- The School has Public Events which include:
1) John Huston Memorial Guest Lecture Series, where various notable speakers address a mixed audience of students, faculty, parents and members of the public. The public is invited to attend the guest lecture series for a nominal fee.
2) Young Women’s Conference (every other year) - A one day conference created by Brentwood School girls for young women everywhere. More than 900 girls from 100 different schools in the Los Angeles area have attended. Topics addressed in 2014 included: Advocacy • Entrepreneurship • "Breaking the Mold" • Following Your Passion • Giving Back • Identity & Body Image • Personal Branding & Social Media Awareness • Relationships • Representation of Women in the Media • Transforming Stereotypes.

**OTHER PROJECT DATA**

<table>
<thead>
<tr>
<th>PERMITS AND APPROVAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TEFRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of TEFRA</td>
</tr>
<tr>
<td>Publications</td>
</tr>
<tr>
<td>Oral/Written Comments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LEGAL QUESTIONNAIRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed?</td>
</tr>
<tr>
<td>Issues?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ELIGIBILITY REVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant meets all of the IBank eligibility criteria?</td>
</tr>
<tr>
<td>1. Project is in the State of California.</td>
</tr>
<tr>
<td>2. School is capable of meeting the obligations incurred under relevant agreements.</td>
</tr>
<tr>
<td>3. Payments to be made by Brentwood School to the IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments.</td>
</tr>
<tr>
<td>4. The proposed financing is appropriate for the Project.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INDUCEMENT CERTIFICATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate No.:</td>
</tr>
<tr>
<td>Date:</td>
</tr>
</tbody>
</table>

**RECOMMENDATION**

Staff recommends approval of Resolution 14-10, authorizing the issuance of Tax-Exempt Obligations, in an amount not to exceed $40,000,000, for the benefit of Brentwood School.
Board of Trustees
Michael Riera, Ph.D., Head of School
David Wong, Chair
Marla Messing, Vice-Chair
Jerry Greenberg, Secretary
Jamie Halper, Treasurer
Page Adler
Dr. Abbas Ardehali
Tanya Lopez Brooks
Dr. Lorne Buchman
Marc Ezralow
Lani Fauvre
Calista Flockhart Ford
Laura Fox
Irwin Gold
Cece Karz
Scott Kaufman
Scott Klein
David Kohl
Bahram Jalali
Lance Milken
Dr. Sarah Milken
Loren Montgomery
David Nathanson
Michael Nyman
Ron Radzinger
Angela Reddock
Eric Schiffer
John Tipton
Nadine Watt

Key Administrators and Staff of the School
Michael Riera, Ph.D., Head of School (Officer)
Dawn Cunnion, Associate Head of School
Na’eem Salaam, CFO (August 1, 2014)
Mitch McDiffett, Director of Finance
Gennifer Yoshimaru, Assistant Head of School for Advancement
Mary Sidell, Associate Director of Advancement
Robert Cooke, Upper Division Director
Mark Segal, Middle Division Director
Keith Sarkisian, Lower Division Director
Rick Torkelson, Director of Operations
Dave Velasquez, Assistant Head of School for Alumni Relations