

October 22, 2014

**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY BY THE BOARD OF
AN INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF CHICAGO TO
SUPPORT THE EXPANSION OF THE CPS PRE-KINDERGARTEN CHILD PARENT
CENTER PROGRAM**

WHEREAS, pursuant to the provisions of Article 34 of the School Code of the State of Illinois, as amended, (the “**School Code**”) the City of Chicago, Illinois, constitutes one school district (the “**School District**”), which is a body politic and corporate by the name of Board of Education of the City of Chicago, which School District is governed by the Chicago Board of Education (the “**Board**”); and

WHEREAS, the City of Chicago (the “**City**”) desires to provide support to the Board to expand its Child Parent Center Program and other quality pre-kindergarten programs (collectively, the “**CPS CPC Program**”) in certain schools serving students at-risk of struggling academically, in order to increase school readiness and reduce later public school spending on special education services, student retention, individual intervention and English language learning; and

WHEREAS, the City will transfer to, or cause to be deposited with, the Board funds to support operational costs for the CPS CPC Program pursuant to the terms of an Intergovernmental Agreement between the City, acting through its Department of Family and Support Services (“**DFFS**”), and the Board in substantially the form attached hereto as Exhibit A (the “**Intergovernmental Agreement**”); and

WHEREAS, the Board has determined that it is necessary, desirable, advantageous, and in the public interest to accept the City's support for the CPS CPC Program and enter into the Intergovernmental Agreement.

NOW, THEREFORE, Be It and It is Hereby Resolved by the Chicago Board of Education of the City of Chicago as follows:

1. *Incorporation of Preambles.* The Board hereby finds that all of the recitals contained in the preambles to this Resolution are full, true and correct and does incorporate them into this Resolution by this reference.

2. *Definitions.* For all purposes of this Resolution and in addition to the defined terms in the preambles to this Resolution, except as otherwise expressly provided or unless the context otherwise

requires, the terms defined in this Section shall have the meanings set forth below, and shall include the plural as well as the singular.

“Designated Officials” shall mean the President and the Chief Financial Officer of the Board.

3. *Approval of Documents.* The form of Intergovernmental Agreement attached to this Resolution as *Exhibit A* is approved, but with such revisions in text as the Designated Officials shall determine are necessary or desirable, the execution thereof by the Designated Officials to evidence the Board's approval of all such revisions.

4. *Further Acts.* Each of the Designated Officials, officials or officers of the Board are hereby authorized to execute and deliver the Intergovernmental Agreement approved by **Section 3** of this Resolution, and such other documents and agreements and perform such other acts as may be necessary or desirable in connection with the CPS CPC Program and the exercise following the delivery date of the Intergovernmental Agreement of any power or authority delegated to such official under this Resolution, but subject to any limitations on or restrictions of such power or authority as herein set forth.

All actions of the Designated Officials, officials or officers of the Board that are in conformity with the purposes and intent of this Resolution are hereby in all respects ratified, approved, and confirmed.

5. *Severability.* The provisions of this Resolution are hereby declared to be severable; and if any section, phrase, or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases, or provisions.

6. *Repealer and Effective Date.* All Resolutions or parts of resolution in conflict herewith are, to the extent of such conflict, hereby repealed. This Resolution is effective immediately upon its adoption.

EXHIBIT A
Form of Intergovernmental Agreement

FORM OF 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 this 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 actual 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

FORM OF 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

FORM OF 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

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

EXHIBIT D
FORM OF EVALUATION PLAN

Chicago Child-Parent Center Social Impact Bond
Form of 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

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.

		program or on a waiting list are put into schools' Program Management in 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 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 COLLECTIONStudent 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

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

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

- 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

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

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”.

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

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.

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

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 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:

$$AESP_{i,t} = SPED_{C,i,t} - SPED_{T,i,t}$$

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.

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.

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

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

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
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.

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

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.

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

14-1022-RS3

2024

2023

2022

2021

2020

2019

2018

2017

2016

2015

2014

Cohort 1

Treatment	Identified and enroll in CPC PK	K	1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked
Other CPS PK Comparison	Identified & enroll in other CPS PK	K	1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked
No CPS PK Comparison	Identified and enroll in CPS K	1st	2nd	3rd	4th	5th	5th	4th-6th avg. SPED & Mobility rates locked

Cohort 2

Treatment	Identified and enroll in CPC PK	K	1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked
Other CPS PK Comparison	Identified & enroll in other CPS PK	K	1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked
No CPS PK Comparison	Identified and enroll in CPS K	1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked	

Cohort 3

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Cohort 4

Port 4								
Treatment	Identified and enroll in CPC PK	K	1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked
Other CPS PK Comparison	Identified & enroll in other CPS PK	K	1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked
No CPS PK Comparison	Identified and enroll in CPS K		1st	2nd	3rd	4th	5th	4th-6th avg. SPED & Mobility rates locked

APPENDIX B: SAMPLE MOBILITY CALCULATIONS USING SIMULATED DATA

14-1022-RS3

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

FORM OF 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.