

January 17, 2013

Ricardo Meza
Executive Inspector General/Illinois Agencies
32 West Randolph Street, Suite 1900
Chicago, Illinois 60601



Dear Mr. Meza,

We write to request that your office promptly investigate the financial practices and use of Illinois grant monies by the United Neighborhood Organization (UNO) and the UNO Charter School Network (UNO CSN) and report to the public whether they are in compliance with state grant requirements and relevant statutes, before any new state grants or other assistance to these organizations are approved.

Since 2009, UNO and the UNO Charter School Network have received nearly \$100 million in state legislative earmarks and nearly \$70 million in tax-exempt bonds for the purchase of land and construction as part of UNO's rapid expansion program. This expansion has allowed the organizations to meet debt payments and growth commitments to lenders and bondholders. In the process, however, the levels of debt carried by the organizations have skyrocketed from \$8 million in 2006 to almost \$68 million five years later. An increasing share of the organizations' revenue, composed almost exclusively of per-pupil public education funding, has been directed to servicing this debt.

The financial condition and arrangements of UNO and UNO CSN raise concerns about whether public funds are being used according to the letter and spirit of regulations governing their disbursement. Before the Illinois General Assembly or any state agency approves further funding to these organizations, we urge you to review the organizations' practices, and assure the public and its representatives that they are in compliance with the purpose and requirements of its public revenues.

Thirteen UNO charter schools have been placed under a significant debt burden through exotic financing and leveraged expansion. The actions of UNO and UNO CSN's unelected and overlapping Boards of Directors should be considered in the light of lobbying by them and other charter school operators for increased state transfers. Success in lobbying would lessen the high finance costs taken on by UNO and UNO CSN in its rapid expansion, further underwriting the growth of private operations with public funds. Your investigation should seek to assure full accountability for these efforts.

We would gladly provide the financial records and analysis that form the basis for this letter.

We look forward to your response.

Sincerely,

Julie Woestehoff
Executive Director

cc: Illinois Auditor General

Parents United for Responsible Education

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