

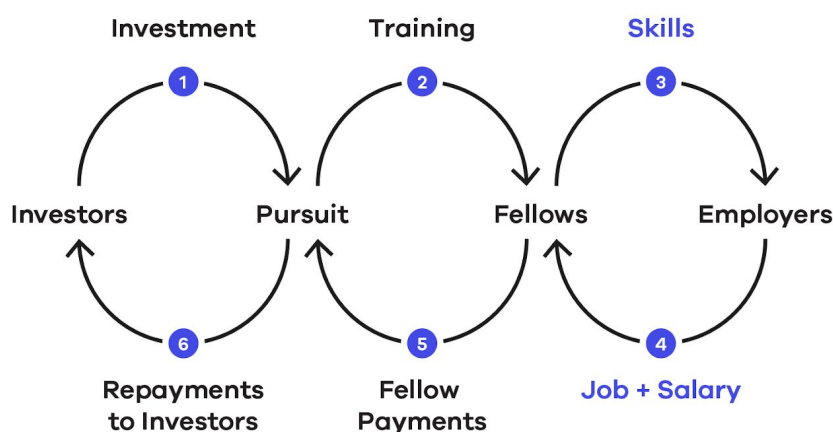
Pursuit Bond FAQ

February 2019

- **What is the Pursuit Bond?**

A funding model wherein investors finance our programs, enabling program participants to access our software developer training and career advancement services at no upfront cost. Program participants agree to pay a percentage of his/her/their income for a fixed number of months after successfully getting a [Bond-eligible job](#).

- **How does Pursuit Bond work?**



- Investors provide financing for Pursuit’s programs with the expectation that they will receive financial and [social returns](#).
- Pursuit uses the investment to provide Fellows with a year of software developer training and 36 months of career support services with no upfront costs.
- Pursuit helps our Fellows get their first tech job and advance in their careers.
- Fellows who get a job making more than the salary threshold pay a percentage of their earnings to Pursuit for a fixed number of months. If Fellows don’t get a job making more than the threshold, they pay nothing.
- The investors get their money back from Pursuit plus a return for the risk that they incur in providing the investment (i.e. interest). Pursuit is legally and financially obligated to fulfill these repayments.



- **What is a “social return”?**

A return on an investment that has a measurable, beneficial social or environmental impact — in this case, high-need high-potential adults receiving training, getting high-paying jobs in the tech industry, and transforming their lives and careers.

- **Why did Pursuit choose the Bond as its funding model?**

First, because it removes the financial barriers for low-income adults to access software developer training. Most coding “bootcamps,” colleges, and trade schools require students to pay upfront, either out of their own pockets or with loans they are later required to pay back with interest. Pursuit Bond allows us to operate our programs while ensuring that our Fellows pay nothing upfront for their training, relieving them of this financial burden while allowing them to focus on their training. **Fellows pay nothing if they do not get jobs.**

Second, there isn’t enough philanthropic funding to provide the types of services we believe are required to prepare our Fellows to thrive in the tech industry. By securing funding from investors, we are able to provide the quality of services we believe are required to prepare our Fellows to thrive in the tech industry. For comparison, our Core software developer training program is 10 to 12 months, whereas the average coding bootcamp offers three months of training; our classes are offered both during the day and on nights and weekend; and perhaps most importantly, all of our participants come from low-income backgrounds. Over the years, we’ve continued to make deeper commitments to our Fellows by adding instructional staff, building a new workspace for our community, and launching a 36-month career advancement and support program. Funding these services requires deep capital investments that are enabled by Pursuit Bond.

Third, Pursuit Bond creates a culture of accountability. Investors finance our programs only if our Fellows get high-paying jobs in the tech industry and are able to repay their investment. If Pursuit does not deliver outcomes, i.e. help our Fellows get high-paying jobs, the organization is on the line for paying back investors.

- **Who is investing in the Pursuit Bond?**

Our current Pursuit Bond investors are institutional financial firms and organizations that are interested in opportunities to make a positive social impact while receiving a return on their investments.



- **Are the investors making money from the Bond?**

The financing provided to Pursuit is an investment. Our investors are paid back for the money they provide to Pursuit to finance our programs plus a return for the risk they incur in providing that financing.

- **How much of Pursuit's funding does Pursuit Bond comprise?**

Fellow payments to the Bond are expected to cover approximately half of Pursuit's total operating costs; the rest is subsidized by donations and other revenue that we secure. This means that Fellows with Bond-eligible jobs only pay for half the cost of their training.

- **What happened to Pay it Forward (PIF)? How does it differ from the Pursuit Bond model?**

Pay it Forward (PIF) and 18-85 Job Outcomes Bond (18-85 JOB) were terms we used to describe our funding model when it first launched. Since then, we realized that these terms did not adequately capture how the model works:

- The term PIF suggested Fellows payments only pay for training future participants; in reality, these payments go to repaying the Pursuit Bond investment, which paid for the Fellow's own training.
- The term PIF suggested that payments were charitable contributions; in reality, they are payments for a service (training and career advancement services).

Moving forward, we will be referring to the 18-85 JOB and PIF as Pursuit Bond. The Fellow's payments into the Bond will be called Fellow payments. The funds that investors put into Pursuit will be called repayment to investors.

- **How does Pursuit help Fellows get jobs? Are Fellows guaranteed a job after the training?**

Pursuit works with Fellows throughout every step of their journeys, including helping them land and keep their first tech job, get promotions and raises, and seize the next big career opportunity. **It's our job to help our Fellows get good-paying tech jobs — in fact, it is crucial to the survival of our organization.** In doing so, we enable them to make payments to the Pursuit Bond, i.e. repay the investors who finance our programs.

Pursuit expects Fellows to own their Pursuit, i.e. give it their all to successfully complete the Core program and drive the job search process. Although Fellows are not guaranteed a job in the tech industry after they complete the Core program, Pursuit is here to provide support in all aspect of their journey, from completing our Core training program to finding a job to advancing their careers. For instance, Pursuit connects Fellows with job and



networking opportunities, coaches them on job interviews, and assists them in writing resumes and cover letters.

- **What is a Bond-eligible job?**

A job, apprenticeship, internship, contracting, or any paid work:

- (a) At a company whose business is principally in the technology, fintech, data or a similar industry,
or
- (b) In any business in which the Fellow's position requires programming skills regardless of the industry;
and
- With a gross salary of at least \$60,000 for 4.0, 5.0, and 6.0 Fellows (36 payments) and at least \$50,000 for 3.0 Fellows (24 payments)

- **What happens if a Fellow starts a company? Does he/she/they have to pay a fraction of the equity raised for the company as part of the Pursuit Bond Fellow payments?**

No, Pursuit will not ask for a portion of the equity from a Fellow's company. Payments will be based solely on his/her/their income.

- **Would it be possible to have different payment standards for internships and other temporary positions?**

The same payment standard applies for all positions, i.e. jobs, apprenticeships, internships, contracting, or any paid work.

- **Why are there different Bond payment amounts for different Fellows? Why not institute a fixed payment for all Fellows?**

A fixed cost does not account for the amount Fellows are able to pay. For example, a Fellow with a lower-paying job would have more difficulty paying for that cost than Fellow with a higher-paying job. That's why the amount Fellows with Bond-eligible jobs are required to pay is based on their ability to their pay, i.e. their salaries. Another way to think about this is the cost of education: because of needs-based scholarships, the amount paid varies from individual to individual.

Another benefit of basing Fellow payment amounts on salary is that it aligns the interests of Pursuit and the interests of our Fellows: we're motivated to help our Fellows get jobs with the highest salaries possible because they will be able to pay more to the Bond. That means we have more money to invest in Pursuit, our programs, and training future Fellows.

- **How did Pursuit figure out the Pursuit Bond structure, percentages and length of time?**

To determine the payment percentages and length of time, Pursuit considered several factors:

- Creating positive financial impact for our Fellows
- Achieving financial sustainability and scalability for our organization
- Meeting investor expectations for returns on their investments in our programs

With Fellow financial impact, we structured the Bond in a way that would ensure that Fellows would be better off financially after the program from when they started the program. We performed analysis of:

- 10-year value-add
- Gross and effective gross income increases
- Health and fringe benefits impact and adjusted disposable income

We estimate more than \$556,000 in total average lifetime incremental benefits for Fellows who successfully get a job and raise their salaries from \$20,000 to \$85,000. We calculated the percentage and length of payment based on calculations and analysis of gross and effective gross incomes, such that Fellows paying into the Bond take home more money post program than they do pre-program.

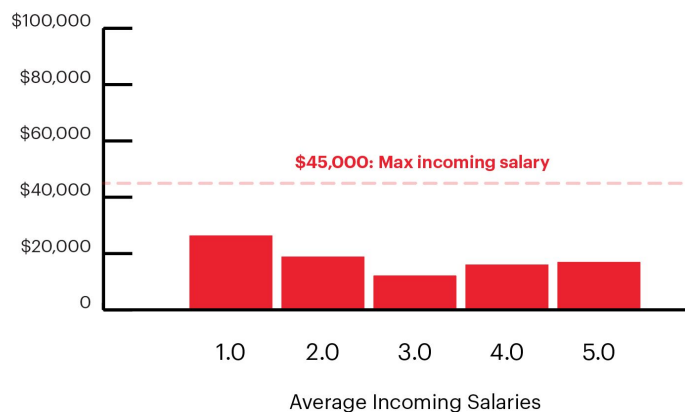
The maximum incoming salary of a Pursuit Fellow is \$45,000 (pre-tax). Let's say a Pursuit Fellow comes into the program with an annual salary at this upper limit of \$45,000; after graduating, they get a job making the Bond minimum salary threshold of \$60,000. That means...

- The Fellow will pay approximately \$14,100 in Federal, State, and City taxes.
- The Fellow will pay \$7,200 of his/her/their salary for the year to Pursuit Bond.
- The annual take-home pay for that Fellow will be \$38,700 per year.
- This take-home pay of \$38,700 is the same as if someone were to make a pre-tax annual salary of \$49,000. He/she/they would pay approximately \$10,300 in Federal, State, and City taxes, leaving an annual take-home pay of \$38,700.

Even in this most extreme scenario, the Fellow is better off post-program than pre-program (earning an post-program equivalent salary of \$49,000 versus an incoming salary of \$45,000). In most cases across the program however, Fellows see their average annual salary rise from \$18,000 pre-program to \$85,000 post program. Some of our



Fellows even make \$100,000 or more. The average incoming salaries of Fellows across the cohorts has been below the \$45,000 maximum salary:



Furthermore, Bond Fellow payments are estimated to cover 40-60% of the actual costs of their training — costs Pursuit makes up through philanthropic and other revenue that we secure.

- **Is Pursuit a non-profit?**

Pursuit has a hybrid social enterprise business model with all of our training and career advancement programs, including Pursuit Bond, operated by a non-profit that officially received its 501(c)(3) status in 2013.

Pursuit is also creating a public benefit corporation that is working to achieve the same goals of the 501(c)(3). This entity works on activities complementary to the 501(c)(3), such as building physical infrastructure, investing in businesses, and other activities that further our mission but fall outside the scope of the 501(c)(3).

- **Does Pursuit make money off of Fellow payments?**

The Fellow payments go towards repaying the Bond. Fellow payments to the Bond are expected to cover only between 47% and 62% of Pursuit's total operating costs; the rest is made up by donations and other revenue that we secure. In the event that Fellow payments collected exceed the initial investment, Pursuit puts those additional funds back into our programs.



- **Where do Fellow payments go?**

All Fellow payments go to Pursuit, which must then go towards repaying investors in the Bond.

- **If Pursuit is a non-profit, then why aren't the Bond payments tax-deductible?**

Payments to Pursuit Bond are those made in exchange for a service, i.e. software developer training and career advancement services. According to IRS charitable deduction rules, monetary payments made in exchange for a service are not tax deductible. The only contributions that are tax deductible are those that are given as unconditional gifts with no quantifiable benefit for the individual who gives the gift. Like all non-profit organizations, Pursuit accepts charitable donations as well as payments for services. Common examples of nonprofits that accept fees for services are hospitals (doctors fees) and universities (tuition), which provide healthcare and education, respectively.

- **Is the 12% salary payment based on gross (before taxes) or net (after taxes) income?**

It is based on 12% of gross income, i.e. monthly salary before taxes.

- **When is the first payment due?**

Your first payment will be due after the 1st full month after your start date. For example, if you start a new job on July 14th, your 1st payment is due September 1st.

- **If a Fellow's annual compensation is \$1 below the Bond-eligible salary threshold (\$60,000 for 4.0, 5.0, and 6.0 Fellows, and \$50,000 for 3.0 Fellows), will he/she/they be required to make salary payments to the Pursuit Bond?**

No, 4.0, 5.0, and 6.0 Fellows who make \$59,999, and 3.0 Fellows who make \$49,999, will not be required to make payments. Similarly, 4.0, 5.0, and 6.0 Fellows who make \$60,001 and 3.0 Fellows who make \$50,001, will be required to make payments.

- **Can Fellows prepay for their training?**

Yes, however, a Fellow who requests prepayment will be required to consult with our finance team first to understand the financial implications of doing so.

- **Are there different terms for different cohorts?**

Yes, there are different Pursuit Bond payment terms for 3.0 and 4.0, 5.0, and 6.0 Fellows. Fellows in cohort 3.0 are responsible for 24 months of payments at a Bond-eligible salary threshold of \$50,000 while Fellows in cohorts 4.0, 5.0, and 6.0 are responsible for 36 months of payments at a Bond-eligible salary threshold of \$60,000. Classes within the



same cohort have the same terms. 1.0 and 2.0 Fellows have no obligation to repay the Bond as it was created after those cohorts completed their training.

- **How do you know if a Fellow's job has changed?**

Pursuit works with Fellows throughout every step of their post-training journey. As part of the contract they sign, Fellows are legally obligated to report job and salary changes.

- **If a Fellow changes jobs or gets a raise does the payment schedule change?**

Payments will be due when the Fellow begins earning income in his/her/their new position. If there is an interim period between jobs, he/she/they will not be required to make payments during that period.

- **What is the total amount Fellows are required to pay?**

The amount Fellows pay depends on how much they make. Fellows in the 4.0, 5.0, and 6.0 cohorts who make \$60,000 or more are required to pay 12 percent of their salaries over 36 months, while Fellows in the 3.0 cohort who make more than \$50,000 or more are required to pay 12 percent over 24 months. The amount they are required to pay increases as their salary increases.

- **If a Fellow does not complete the Core program, will he/she/they be obligated to uphold the terms of the Pursuit Bond agreement?**

Yes, regardless of whether or not the individual completes the Core program, If he/she/they later acquires a Bond-eligible job, he/she/they will be required to make Fellow payments.

- **Is there a grace period between when a Fellow gets hired and when he/she/they have to start making salary payments to Pursuit Bond?**

We understand that financial issues can arise, and we want to make sure our Fellows have time to address them. To that end, we offer an **Economic Hardship Pause** in which a Fellow with a Bond-eligible job can take a **one-time three-month consecutive or non-consecutive break in making payments**. The Fellow will be required to start, or return to, making monthly salary payments on the first day of the month following the end of the pause. The pause can be used throughout the life of the Fellow's Pursuit Bond Agreement, but not for each individual job. During this time, Fellows will be required to pay \$50 each month during the pause in lieu of any payment (this amount will be subtracted from the total amount owed). We recommend this one-time pause only be used in times of extreme economic hardship. For detailed information about the Economic Hardship Pause, please refer to the following [document](#).



- **How do you verify a Fellow's income after he/she/they get a job?**

The Pursuit Bond contract Fellows sign when they first join Pursuit stipulates that they report their income to Pursuit. We require that they share their employment contracts, and we may reach out to their employers to verify that information. Pursuit works with Fellows throughout their careers to help them get and keep their first jobs and advance in their careers. Collecting income information is a key part of that process.

- **How do Fellows set up the salary payments to the Bond?**

When Fellows sign their Bond contract, the Pursuit team works with them to set up their payments. For more information, Fellows can contact bond@pursuit.org.

- **What are the consequences if Fellows do not make eligible payments?**

Pursuit Bond is a legally binding contract between Fellows, Pursuit, and our investors. If the Fellow does not communicate with us to determine a payment plan, or he/she/they declines to pay, Pursuit can take appropriate action to recover the outstanding balance. However, we would much rather work with the Fellow to avoid this situation.

- **What is Pursuit's vision for the Bond going forward?**

We believe the Pursuit Bond can be used by nonprofits across the country to finance and scale their services to create opportunities for individuals to get high-paying jobs. Furthermore, we envision Pursuit Bond as a common standardized financial structure that becomes a new type of municipal bond, i.e. investments made in public goods such as roads, waterways, housing, bridges, etc. We believe this can transform the system for the financing of nonprofit, and enable those nonprofits to scale their services to more people and places of need.