

\$29,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(ROCKETSHIP EDUCATION - MULTIPLE PROJECTS)
SERIES 2017A (TAX-EXEMPT) AND 2017B (TAXABLE)
EXECUTIVE SUMMARY
RESOLUTION 16-35

Borrower	Launchpad Development Company, a CA nonprofit public benefit corporation
Owner of Facilities:	Launchpad Development Three, LLC, Launchpad Development Five, LLC, and Launchpad Development Fifteen LLC, each of whose sole member is Launchpad Development Company
Project User:	Rocketship Education (Rocketship Los Suenos Academy, Rocketship Discovery Prep, and Rocketship Redwood City Prep)
Loan Amount:	Not to exceed \$29,000,000
Expected Issuance:	January 2017
Project:	To finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the land and facilities
Bond Type:	Charter School Revenue Bonds (Tax-Exempt and Taxable Bonds)
Project Location:	See "Project Information" section
County:	Santa Clara County and San Mateo County
Districts in which Project is Located:	Redwood City School District, Alum Rock Union Elementary School District, and San Jose Unified School District
Charter Authorizer:	Redwood City School District and Santa Clara County Office of Education
Est. Annual Payment:	\$1,700,000 through 2034; \$1,300,000 2035 through 2052
Anticipated Rating:	No rating
Sale Method:	Limited Public Offering
Underwriter:	Stifel Nicolaus & Co., Inc.
Bond Counsel:	Orrick Herrington & Sutcliffe

I. Use of Bond Proceeds

The purpose of the proposed financing is to finance and/or refinance the costs of acquisition, construction, renovation, improvement and equipping of public charter school facilities located in (i) San Jose, California, owned by Launchpad Development Three, LLC (“LLC3”) and Launchpad Development Five, LLC (“LLC5”), and (ii) Redwood City, California, owned by Launchpad Development Fifteen, LLC (“LLC15”) (each an “Owner”) and leased to Rocketship Education, a California nonprofit public benefit corporation (“Rocketship”), for use and occupancy by the Schools (the “Facilities”). A more in-depth summary of the projects are summarized by school as follows:

Rocketship Los Suenos: RLS opened in 2010 and is currently located at 331 S. 34th St. in San Jose, CA serving 605 students in grades K-5. The facility comprises a 21,300 square-foot, 2-story building on 3 parcels spanning 1.38 acres. The RLS facility was originally financed through a New Markets Tax Credit (“NMTC”) Loan through Self-Help Credit Union. The Self-Help NMTC Loan matures on 4/30/17, but Self-Help has agreed to an early prepayment without penalty. The prepayment cost is currently estimated to be \$5.67 million. The RLS facility will be owned fee simple by LLC3.

Rocketship Discovery Prep: RDP opened in 2011 and is currently located at 370 Wooster Ave. in San Jose, CA serving 518 students in grades K-5. The facility comprises a 21,300 square-foot, 2-story building on 1.65 acres. The RDP facility was originally financed through a NMTC Loan through the Low Income Investment Fund (“LIIF”). The LIIF NMTC Loan may be prepaid beginning on 8/1/17 and the Borrower intends to prefund the interest payments between the Bond closing through the prepayment date. The total prepayment cost is currently estimated to be \$8.20 million. The RDP Facility will be owned fee simple by LLC5.

Rocketship Redwood City Prep: RRWC opened in Fall 2015 in space provided by the Redwood City School District under the requirements of Prop 39 in California. The school currently serves 330 students in grades TK-5. The permanent campus for the school will be located at 860 Charter Street in Redwood City, CA, and renovation of which will be financed with the proceeds of the 2017 proposed transaction. The project is a renovation of an existing 23,400 SF single-story warehouse building and parking lot on approximately 1.11 acres of land (2 parcels). The renovation will include new roofing, new HVAC, interior demising walls for 13 classrooms, a computer lab, multi-purpose room and administration areas. A portion of the bond proceeds will be used to reimburse LLC15 and/or finance the approximately \$8.8 million of costs to renovate the facility. The permanent campus’ land and building are subject to a private ground lease with KS Mattson Partners, L.P. and expires on July 31, 2031. The ground lease has one 5-year option to extend the ground lease through 2036. LLC15 will have a leasehold interest on the property.

Site	Landlord	Location	Purpose	Amount
Rocketship Redwood City Prep	Launchpad Development Fifteen LLC	860 Charter Street, Redwood City	New Construction; Improvements	\$8,800,000
Rocketship Los Sueños Academy	Launchpad Development Three LLC	331 South 34th Street, San Jose	Takeout of Existing Loan (Self-Help NMTC)	\$5,668,992
Rocketship Discovery Prep	Launchpad Development Five LLC	370 Wooster Avenue, San Jose	Takeout of Existing Loan (LIIF NMTC)	\$8,220,487
Total Estimated Project Costs				\$22,689,479

II. Borrower / Owner of Facilities

Borrower: Rocketship Education is operated as a California non-profit public benefit corporation and is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3). In 1999, officials from Santa Clara University asked Father Mateo Sheedy, Pastor of Sacred Heart Parish in San Jose, to recommend children from his parish for the Juan Diego Scholarship program. Father Mateo conducted an exhaustive search to find candidates who could attend and succeed at this four-year college, but he was unable to find a single qualified student. He was appalled that, of the hundreds of children in his parish, none had received the education necessary to attend Santa Clara University. Father Mateo immediately began researching ways to solve this problem. He soon became convinced that the public schools around his parish were failing to educate the students in his church. He decided that the children of the parish needed to have an alternative to their neighborhood district school. Father Mateo's vision brought a full K-12 alternative path to downtown San Jose through the following schools: Rocketship Mateo Sheedy Elementary School (K-5), Sacred Heart Nativity School (6-8), and Downtown College Preparatory (9-12).

In its first year of operation, Rocketship Education's first school, Rocketship Mateo Sheedy Elementary School became the highest ranked low-income elementary school in Santa Clara County and the seventh ranked school in California. This caused an enormous demand from parents in other parts of Santa Clara County for Rocketship Education to open additional schools. Based on the success of Rocketship Mateo Sheedy Elementary School, the founders decided to expand Rocketship Education to serve other schools in the most troubled neighborhoods in San Jose. Rocketship Education believes that it has taken the successful model pioneered at Rocketship Mateo Sheedy Elementary School and translated it into the critical systems necessary for successful replication. Rocketship Education will provide each Rocketship school with systems and support for Curriculum, Finance, Legal, Learning Lab, and Human Resources.

By capturing the best practices from Rocketship Mateo Sheedy Elementary School, Rocketship Education believes that each Rocketship school can avoid many of the startup hurdles faced by most charter schools and quickly produce strong academic results and a solid school culture by focusing on the key levers which drive student achievement. Rocketship Education believes that its model is fundamentally different from other elementary schools in five important ways: an extended school day, high expectations, teacher teaming, deep community involvement, and individualization for each student.

Rocketship Education is designed to serve students who are or may be at risk of achieving below basic proficiency on state exams. Rocketship Education intends to attract children of parents who are seeking an alternative to their current educational system, who desire an innovative educational approach, and who share the vision of Rocketship Education. Rocketship Education anticipates that it will enroll primarily students from schools which are undergoing program improvement ("PI") in conjunction with the Federal No Child Left Behind regulations.

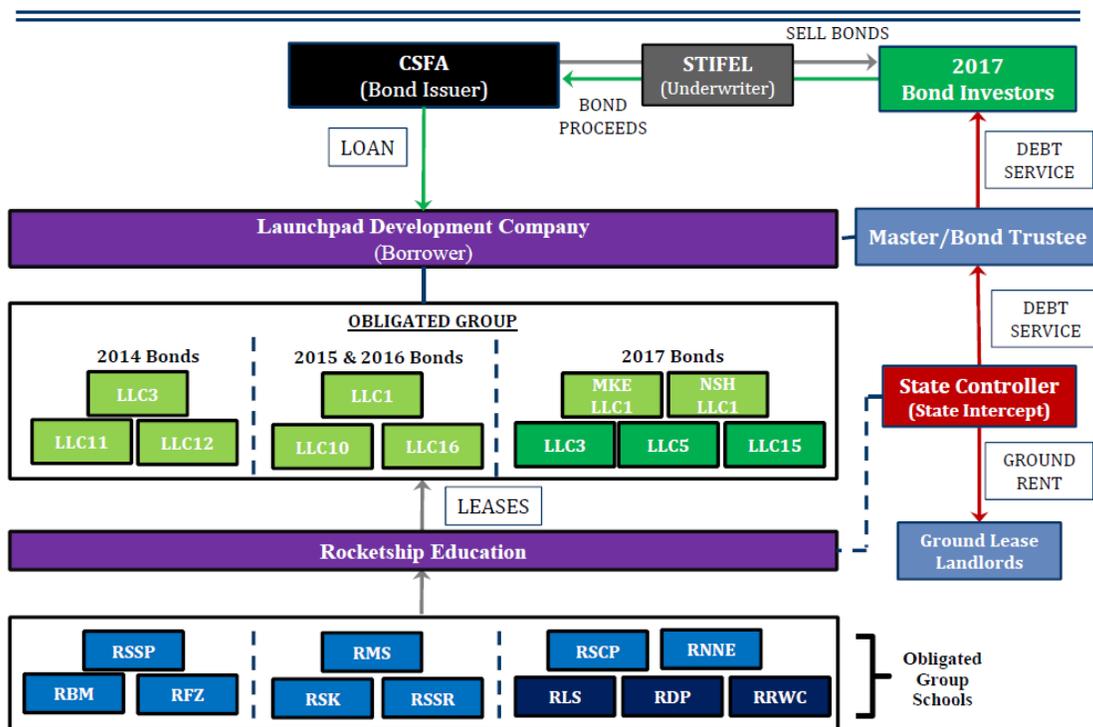
Owner of Facilities: Launchpad Development Company (the "Borrower"), is a California nonprofit public benefit corporation ("LDC"), that supports Rocketship Los Suenos Academy ("RLS"), Rocketship Discovery Prep ("RDP") and Rocketship Redwood City Prep ("RRWC") (collectively, the "2017 CA Obligated Group Schools"), each a charter school organized under California Education Code ("EC") 47600 et seq. The Borrower is applying to the California School Finance Authority (the "Authority") for the issuance of conduit revenue bonds (the "Application").

Financial Structure

The Bonds will be issued in two series: (1) Series A (tax-exempt) will be approximately \$25,125,000, and (2) Series B (taxable) will be approximately \$380,000. The Bonds will have a final maturity of June 1, 2052. The Bonds will be interest only through June 1, 2017 (the first principal payment is expected to be June 1, 2018). A portion of interest will be capitalized through June 1, 2018.

The Bonds will be issued pursuant to an Indenture, by and between the Authority and Wilmington Trust, National Association, Los Angeles, California, as trustee. The Bonds will bear interest on June 1 and December 1 of each year, commencing June 1, 2017 and will be subject to optional, mandatory and extraordinary redemption prior to maturity. The proceeds of the Bonds will be loaned to Launchpad Development Company, a California nonprofit public benefit corporation (the "Borrower"), pursuant to a Loan Agreement.

The facilities financed with proceeds of the Bonds will be leased to Rocketship Education, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 pursuant to certain leases by and between Rocketship Education and certain California limited liability companies, the sole member of each of which is the Borrower.



III. Security and Source of Payment

Rocketship Education will pay rent under each lease solely from revenues derived from or attributable to the charter schools operated in the financed facilities. The Bonds will be payable solely from Loan Repayments made by the Borrower solely from the rents payable by the schools under the leases. In addition, the Borrower, and certain other limited liability companies the sole member of which is the Borrower, are party to a master trust indenture pursuant to which the Borrower may from time to time guarantee debt obligations of the Borrower secured by the joint and several obligations of the parties to the master trust indenture (the "Obligated

Group”). Launchpad Development Three, LLC, Launchpad Development Five, LLC, and Launchpad Development Fifteen, LLC will become parties to the master trust indenture in order for the Borrower’s payment obligations with respect to the Bonds to be guaranteed by the Obligated Group. A shortfall in payment of Base Rent when due from any charter school that occupies a facility owned by a member of the Obligated Group will result in additional Rent payments becoming due from the remaining charter schools.

Payment of management fees to the Borrower and to Rocketship Education from the revenues of such charter schools will be subordinated to the obligation to pay Base Rent under the leases.

IV. Preliminary Sources and Uses/Cost of Issuance

Below are the preliminary estimated sources and uses for the Bonds, and detailed information about the costs of issuance for board consideration. Please note that these figures are subject to change between the time board packets are distributed and the time the board meets.

Estimated Sources & Uses

Sources:	Series 2017A (Tax-Exempt)	Series 2017B (Taxable)	Total
Bond Proceeds:			
Par Amount	\$25,125,000	\$380,000	\$25,505,000
Uses:	Series 2017A (Tax-Exempt)	Series 2017B (Taxable)	Total
Project Fund Deposits:			
RRWC Project Budget	\$8,800,000		\$8,800,000
RLS Self-Help NMTC Prepayment	\$5,668,992		\$5,668,992
RDP LIIF NMTC Prepayment	\$8,220,487		\$8,220,487
	\$22,689,479	\$0	\$22,689,479
Other Fund Deposits:			
Capitalized Interest Fund	\$179,831	\$0	\$179,831
Debt Service Reserve Fund	\$1,746,646	\$26,417	\$1,773,063
Delivery Date Expenses:			
Cost of Issuance	\$202,079	\$141,499	\$343,578
Underwriter's Discount	\$300,021	\$210,079	\$510,100
	\$502,100	\$351,578	\$853,678
Other Uses of Funds:			
Contingency	\$6,944	\$2,005	\$8,949
Total	\$25,125,000	\$380,000	\$25,505,000

Estimated Costs of Issuance

<u>Cost of Issuance:</u>	<u>Budgeted Amount</u>
Issuer Fee	\$34,578.25
Agent-for-Sale Fee	\$6,000.00
Financial Advisor Fee	\$0.00
Bond Counsel Fee	\$95,000.00
Borrower's Counsel Fee	\$50,000.00
Trustee Fee	\$7,500.00
Trustee's Counsel Fee	\$1,000.00
Ratings Agency - Moody's	\$0.00
Ratings Agency - Fitch	\$0.00
Rating Agency - S&P	\$0.00
Financial Printer Fee	\$3,500.00
CDLAC Fee**	
Miscellaneous COI (<i>specify</i>)	
Contingency	\$25,000.00
Underwriter's and Disclosure Counsel Fee	\$70,000.00
Independent Consultant's Report (ABT)	\$1,000.00
Title Insurance	\$27,500.00
Appraisals	\$22,500.00
Total COI	\$343,578.25

V. Borrower Financial Data

Fiver-year financial projections for all of the Obligated Group Schools, including existing and new Obligated Group Schools, is still in development.

VI. Due Diligence Undertaken to Date

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (i.e., that the borrowing entity has been duly organized, is in good standing, is a 501(c)(3) organization, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VII. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, and given no bond rating, the following sales restrictions may apply to the *currently non-rated* Rocketship financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$250,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs;
3. Initial bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of bonds will be limited to QIBs and AIs;
5. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;

6. Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

VIII. **Staff Recommendation**

Staff recommends CSFA approve Resolution Number 16-35 in an amount not to exceed \$29,000,000.