

**CALIFORNIA SCHOOL FINANCE AUTHORITY
REVENUE ANTICIPATION DRAW DOWN NOTES, SERIES 2012A
EXECUTIVE SUMMARY**

RESOLUTION 12-05

Applicants:	The Charter Schools listed on Exhibit A
Amount Requested:	Not to exceed \$20,331,000 in the aggregate
Expected Initial Issuance:	March 1, 2012
Use of Proceeds:	Note proceeds will be loaned to California charter schools to finance the working capital shortfalls caused by deferred State aid.
Note Type:	Revenue Anticipation Notes
Credit Enhancement:	None
Expected Rating(s):	Transaction will not be rated
Maturity Date:	December 31, 2012; all the Notes will have the same maturity date.
Sale Method:	Private Placement
Note Purchaser:	Citibank, NA
Purchaser's Counsel:	Fulbright and Jaworski LLP
Program Manager:	First Southwest Company
Note Counsel:	Orrick, Herrington & Sutcliffe LLP
Participant Counsel:	To be determined by each charter school applicant

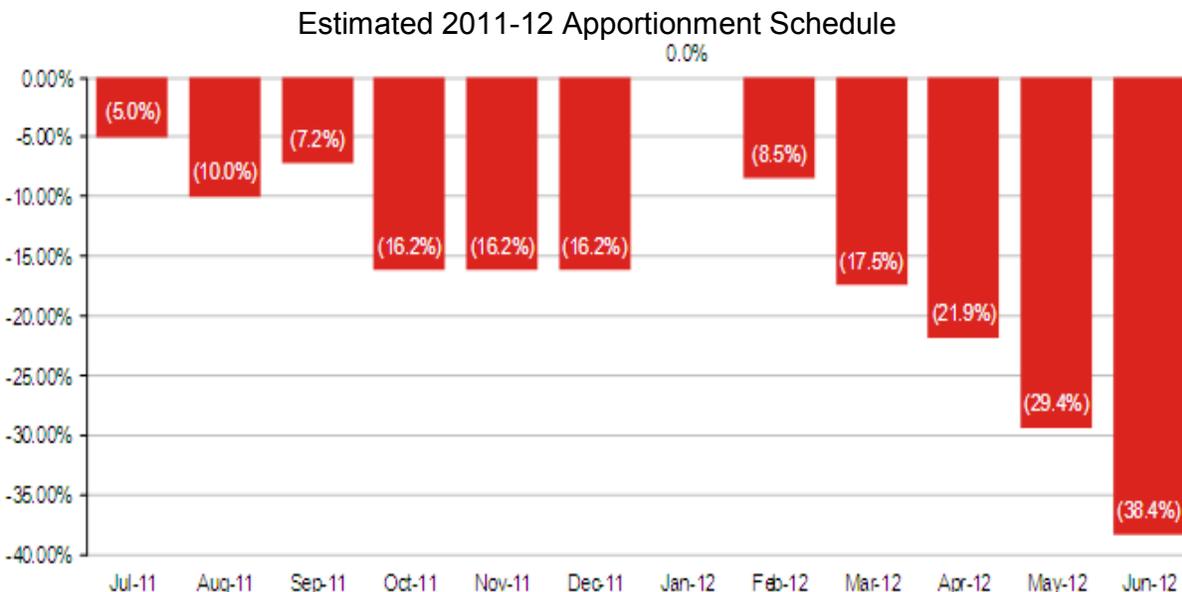
I. Background

The California School Finance Authority (Authority) is a conduit debt issuer created in 1985 to provide financing for working capital and capital improvements to participating parties. A participating party may be a county office of education, school district, community college district, or charter school.

In light of the State's projected budget deficits and deferral of substantial K-12 payments in fiscal year 2011-12, a number of California charter schools are expected to incur temporary cash flow deficits beginning in February 2012 and continuing into the next fiscal year. The table below in the "Purpose" section details the "default" statutory GPBG entitlement schedule alongside the "deferred" schedule. As shown, as much as 38% of each borrower's 2011-12 fiscal year GPBG apportionments are expected to be deferred until July/August 2012.

II. Purpose

The purpose of the Charter School Working Capital financing is to provide the participating charter schools listed on Exhibit A (each a “Participant”) with access to working capital, including to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of GPBG apportionments funding for FY 2011-12 (see deferral schedule below).



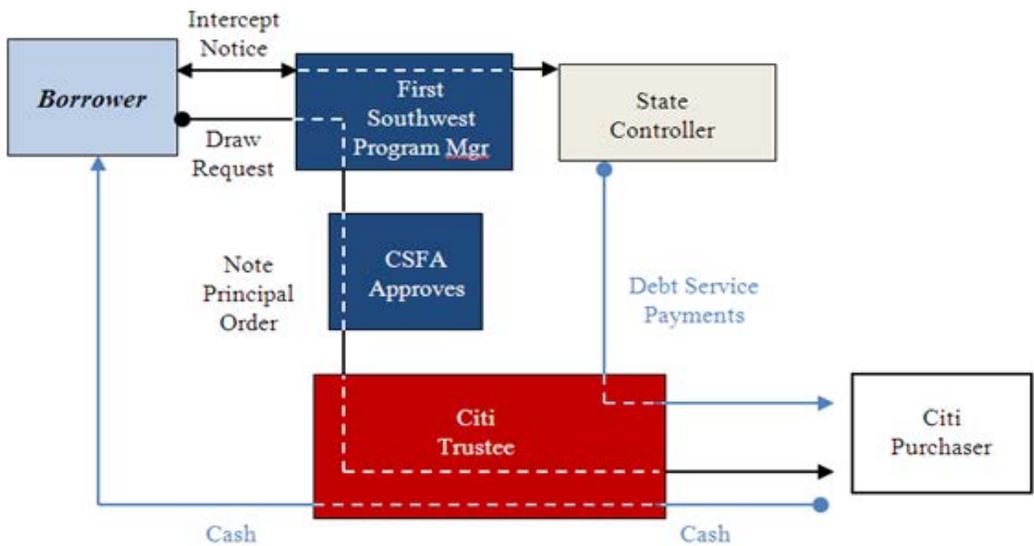
III. Structure

Each Participant will enter into a single loan agreement. The loan repayments of all Participants will be pledged to secure repayment of the CSFA Notes. The Notes will be sold from time to time solely to Citibank, NA (Citi). Notes issuances will correspond to Participant loan requests from time to time during the term of the Loan Agreement. The maximum aggregate principal amount of all loans and the corresponding aggregate principal amount of Notes may not exceed \$20,331,000. As the purchaser of the Notes, Citi will deliver an investor letter indicating it is a Qualified Institutional Buyer pursuant to 17 CFR 230.144A (private re-sales of securities to institutions). Notes may be transferred only to Qualified Institutional Buyers. Loan sizes will be limited to the deferred state-aid portion of the Borrower’s expected 2011-12 GPBG apportionments. A portion of each loan will be used to pay issuance costs and a commitment fee to Citibank at closing. Debt service due on a Participant’s loan will be paid via the State Controller’s Intercept Mechanism (see “Source of Repayment” below).

IV. Source of Repayment

The loan agreement will be an unsecured general obligation of each Participant. All Participants will be required to cause interception of the state-aid portion of their General Purpose Block Grant (GPBG) in order to support debt service under the terms of their respective loan agreements. The Participants will be required by CSFA to utilize the State Controller’s Intercept Mechanism (Section 17199.4, Education Code) to ensure that sufficient payments toward Note debt service corresponding to the underlying loans are paid to the Trustee directly by the State no later than the maturity date of the Notes, but expected by July

and August. A loan may be prepaid in part or in full once per month without penalty, with a corresponding equivalent redemption of Notes resulting from the loan prepayment.



V. Expected Interest Cost and Fees

The Notes are expected to accrue interest at the fixed rate of 4.25% per annum based on the outstanding amount of the loan. In addition, Citi is seeking a commitment fee of .75% of the loan amount from each borrower. Additionally, the issuance expenses will be allocated among all Participants and paid from loan proceeds at the time of the initial borrowing. Closing expenses for each Participant cannot exceed the lesser of 2.0% of the loan amount or \$25,000. Although not all expense amounts are final, for a \$20,331,000 million loan, the anticipated closing expenses will not exceed \$485,982.50 on a cumulative basis and include expenses for the Citi (commitment fee), Program Manager, Bond Counsel, Trustee, CSFA, and CSFA’s Counsel and Note Purchaser’s Counsel. Not including in this fee schedule is the cost of the school’s legal counsel to deliver the required Participant Counsel Opinion, which has been estimated at no greater than \$5,000.

VI. Preliminary Sources and Uses

Sources	
Note proceeds	\$ 20,331,000.00
<u>Total sources</u>	<u>\$ 20,331,000.00</u>

Uses	
Net loan proceeds	\$ 19,845,017.50
Issuer and Counsel Fee	\$ 36,748.00
Trustee Fee	\$ 14,000.00
Elabra Fee	\$ 11,750.00
Purchaser's Counsel	\$ 47,850.00
CDIAC Fee	\$ 600.00
STO - Agent for Sale Fee	\$ 3,500.00
Program Manager Fee	\$ 109,526.00
Note Counsel	\$ 109,526.00
Citi Origination Fee	\$ 152,482.50
<u>Total uses</u>	<u>\$ 20,331,000.00</u>

VII. Participant Financial Data

FirstSouthwest reviewed up to three years of audited financial statements (2008-09 through 2010-11), the adopted budget for 2011-12 and the 1st Interim budget report for 2011-12 and terms of existing debt including summary of collateral pledge, financial reporting requirements and covenants for all Participants. Citi, as sole initial purchaser of the Notes, conducted its own financial review of the Participants.

VIII. Authority Due Diligence Undertaken to Date

In enacting of Chapter 17199.1 (D), it was the intent of the Legislature to provide financing of working capital needed to cover temporary or cash flow deficits and needs for working capital and not long-term budget deficits or shortfalls in funding. The participating party must demonstrate to the satisfaction of the Authority that, during the term of any working capital loan received, the participating party will receive or otherwise have (without additional borrowing) sufficient funds to repay and discharge the loan. The participating party may take into account all funds received by the participating party and may base future projections upon historical experience or reasonable expectations, or a combination thereof.

Staff evaluated the cash flows (attached as Exhibit B of this summary). Each Participant demonstrated that it will receive sufficient state funding to repay and discharge its entire loan without additional borrowing. This assessment and our analysis assume that there are no further deferrals of such state funding.

IX. Staff Recommendation

Staff recommends the Authority approve Resolution Number 12-05.

EXHIBIT A

PARTICIPATING SCHOOLS

Listed below are the Schools including their location that are participating in the working capital financing program.

No.	School	City	Not to Exceed Loan Amount
1.	Academia Moderna	Walnut Park	\$ 498,000
2.	ARISE High	Oakland	\$ 513,000
3.	Arroyo Paseo Charter High	San Diego	\$ 95,000
4.	Big Picture High School - Fresno	Fresno	\$ 361,000
5.	California Academy for Liberal Studies	Los Angeles	\$ 477,000
6.	Century Community Charter	Inglewood	\$ 887,000
7.	Constellation Community Charter Middle	Long Beach	\$ 121,000
8.	Crosswalk: Higher Education Learning Pathways	Hesperia	\$ 252,000
9.	Excel Charter Academy	Los Angeles	\$ 526,000
10.	FAME Public Charter	Newark	\$ 3,468,000
11.	Film and Theatre Arts Charter High	Los Angeles	\$ 212,000
12.	Fresno Academy for Civic and Ent. Leader.	Fresno	\$ 411,000
13.	Hardy Brown College Prep	San Bernardino	\$ 963,000
14.	New Designs Charter	Los Angeles	\$ 1,264,000
15.	New Designs Charter School-Watts	Los Angeles	\$ 542,000
16.	Opportunities Unlimited Charter High	Los Angeles	\$ 371,000
17.	Orange County Educational Arts Academy	Santa Ana	\$ 760,000
18.	R.A.A.M.P. Charter Academy	Antioch	\$ 188,000
19.	Reems (Ernestine C.) Academy of Technology and Art	Oakland	\$ 556,000
20.	Sacramento Charter High	Sacramento	\$ 1,442,000
21.	SIATech	Oceanside	\$ 2,482,000
22.	St. HOPE Public School #7	Sacramento	\$ 855,000
23.	Stockton Collegiate International Elementary	Stockton	\$ 726,000
24.	Stockton Collegiate International Secondary	Stockton	\$ 851,000
25.	Summit Leadership Academy-High Desert	Hesperia	\$ 474,000
26.	TEACH Academy of Technologies	Los Angeles	\$ 370,000
27.	Triumph Academy	Sylmar	\$ 666,000
			\$ 20,331,000

**EXHIBIT B
SAMPLE CASH FLOWS (BY PARTICIPATING SCHOOL)**

DATE PREPARED BY FIRSTSOUTHWEST: 2/2/2012

Citi 2011-12 Charter School Working Capital Note Program offered through the California School Finance Authority				Reviewer:	Mike Kremer
SCHOOL:	SIATech	CDS CODE:			37684520106120
CMO (if any):		DATAQUEST URL:			
LOAN SIZING AND PROJECTED ACTIVITY					
ASSUMPTIONS, LOAN SIZING & PROJECTED COST					
Deferrals to July & Aug. 2012:	\$ 2,325,996.75	Principal	\$2,000,000.00	Delivery:	03/01/12 <u>Day Counts</u>
Percent Borrowed:	97.54%	Int. from Del. to 9/28/2012	\$49,136.99	July Intercept:	07/31/12 152
Principal:	\$ 2,000,000.00	Total	\$2,049,136.99	Aug. Intercept:	08/31/12 183
Costs of Issuance:	\$ (25,000.00)	Interest Rate:	4.25%	Sept. Intercept:	09/28/12 211
Borrower's Counsel (estim.):	\$ (5,000.00)	Commitment Fee:	0.75%	Maturity Date:	12/31/12 305
Commitment Fee:	\$ (15,000.00)	Average Life:	0.31 years		365
Net to School:	\$ 1,955,000.00				

LOAN ACTIVITY & DEBT SERVICE COVERAGE									
Activity	Date	Draw/Repay	Draw Amount	Principal Repayments	Interest Payments	Total Payments	Expected Intercept Amounts	Excess Intercept Funds	Debt Service Coverage
Del. /Draw #1	3/1/2012	45.43%	\$ 908,665.00						
Draw #2	4/24/2012	11.48%	\$ 229,508.00						
Draw #3	5/24/2012	19.67%	\$ 393,443.00						
Draw #4	6/25/2012	23.42%	\$ 468,384.00						
Repay #1	7/31/2012	-58.78%		\$1,346,918.00	\$20,353.83	\$ 1,367,271.83	\$ 1,367,272.09	\$ 0.26	1.00x
Repay #2	8/31/2012	-41.22%		\$653,082.00	\$5,783.12	\$ 658,865.12	\$ 958,724.65	\$ 299,859.53	1.46x
Repay #3	9/28/2012	0.00%		\$0.00	\$0.00	\$ -	\$ -	\$ -	n/a
Maturity	12/31/2012	0.00%							
		0.00%	\$ 2,000,000.00	\$ 2,000,000.00	\$ 26,136.96	\$ 2,026,136.96	\$ 2,325,996.75	\$ 299,859.79	1.15x

LOAN DRAW #1								
Activity Date	Days Since Last Activity	Beginning Balance	Draw/Repay	Ending Balance	Interest Accrued	Interest Balance	Interest Paid	
3/1/2012		\$ -	\$ 908,665.00	\$ 908,665.00	\$ -	\$ -	\$ -	
4/24/2012	54	\$ 908,665.00		\$ 908,665.00	\$ 5,713.39	\$ 5,713.39	\$ -	
5/24/2012	30	\$ 908,665.00		\$ 908,665.00	\$ 3,174.10	\$ 8,887.49	\$ -	
6/25/2012	32	\$ 908,665.00		\$ 908,665.00	\$ 3,385.71	\$ 12,273.20	\$ -	
7/31/2012	36	\$ 908,665.00	\$ (908,665.00)	\$ -	\$ 3,808.92	\$ 16,082.13	\$ (16,082.13)	
8/31/2012	31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
9/28/2012	28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
12/31/2012	94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Citi 2011-12 Charter School Working Capital Note Program offered through the California School Finance Authority		Reviewer: Mike Kremer
SCHOOL: SIATech		CDS CODE: 37684520106120
CMO (if any):		DATAQUEST URL: _____

LOAN SIZING AND PROJECTED ACTIVITY

LOAN DRAW #2							
Activity Date	Days Since Last Activity	Beginning Balance	Draw/Repay	Ending Balance	Interest Accrued	Interest Balance	Interest Paid
3/1/2012		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4/24/2012	54	\$ -	\$ 229,508.00	\$ 229,508.00	\$ -	\$ -	\$ -
5/24/2012	30	\$ 229,508.00	\$ -	\$ 229,508.00	\$ 801.71	\$ 801.71	\$ -
6/25/2012	32	\$ 229,508.00	\$ -	\$ 229,508.00	\$ 855.15	\$ 1,656.86	\$ -
7/31/2012	36	\$ 229,508.00	\$ (229,508.00)	\$ -	\$ 962.05	\$ 2,618.91	\$ (2,618.91)
8/31/2012	31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9/28/2012	28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12/31/2012	94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LOAN DRAW #3							
Activity Date	Days Since Last Activity	Beginning Balance	Draw/Repay	Ending Balance	Interest Accrued	Interest Balance	Interest Paid
3/1/2012		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4/24/2012	54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5/24/2012	30	\$ -	\$ 393,443.00	\$ 393,443.00	\$ -	\$ -	\$ -
6/25/2012	32	\$ 393,443.00	\$ -	\$ 393,443.00	\$ 1,465.98	\$ 1,465.98	\$ -
7/31/2012	36	\$ 393,443.00	\$ (208,745.00)	\$ 184,698.00	\$ 1,649.23	\$ 3,115.21	\$ (1,652.80)
8/31/2012	31	\$ 184,698.00	\$ (184,698.00)	\$ -	\$ 666.68	\$ 2,129.09	\$ (2,129.09)
9/28/2012	28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12/31/2012	94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LOAN DRAW #4							
Activity Date	Days Since Last Activity	Beginning Balance	Draw/Repay	Ending Balance	Interest Accrued	Interest Balance	Interest Paid
3/1/2012		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4/24/2012	54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5/24/2012	30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6/25/2012	32	\$ -	\$ 468,384.00	\$ 468,384.00	\$ -	\$ -	\$ -
7/31/2012	36	\$ 468,384.00	\$ -	\$ 468,384.00	\$ 1,963.36	\$ 1,963.36	\$ -
8/31/2012	31	\$ 468,384.00	\$ (468,384.00)	\$ -	\$ 1,690.67	\$ 3,654.04	\$ (3,654.04)
9/28/2012	28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12/31/2012	94	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -