

**CALIFORNIA SCHOOL FINANCE AUTHORITY
REVENUE ANTICIPATION NOTES ON BEHALF OF ASPIRE PUBLIC SCHOOLS**

EXECUTIVE SUMMARY

RESOLUTION 13-06

Applicant:	Aspire Public Schools
Amount Requested:	Not to exceed \$10,000,000
Expected Issuance:	April 2013
Use of Proceeds:	The purpose of the financing is to provide Aspire Public Schools (“Aspire”) with access up to approximately \$10.0 million of working capital to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of certain state funding for FY 2012-13 and 2013-14
Note Type:	Revenue Anticipation Notes, “Series 2013A and 2013B Notes”
Credit Enhancement:	None
Expected Rating(s):	Transaction will not be rated
Maturity Date:	March 1, 2014
Sale Method:	Private Placement
Note Purchaser:	LIIF (Low Income Investment Fund) and NCB Capital Impact
Note Counsel:	Orrick, Herrington, & Sutcliffe
Borrower’s Counsel:	Tomislav Peraic

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 years 2012-13 and 2013-14, a number of California charter schools are expected to incur temporary cash flow deficits.

II. Purpose

The purpose of the Charter School Working Capital financing is to provide participating borrowers (each a “Participant”) with access to financing to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of certain state funding for FY 2012-13, and into FY 2013-14.

III. Structure

Each Participant will enter into a single loan agreement secured by each participant's available revenues as further described under Source of Repayment. The loans to the respective Participants will be aggregated for purposes of CSFA's sale of Notes from time to time solely to Low Income Investment Fund (LIIF) and NCB Capital Impact (NCB). In order to permit the Participants to prepay loans and borrow additional loan proceeds during the term of the Loan Agreement, the Indenture will permit CSFA to issue additional Notes from time to time upon the agreement of the Borrower, CSFA, LIIF, and NCB. The maximum principal amount of the Notes that are outstanding at any time may not exceed \$10,000,000. As the purchasers of the Notes, LIIF and NCB must be deemed a Qualified Institutional Buyer pursuant to 17 CFR 230.144A (Private resale's of securities to institutions). LIIF and NCB will not be authorized to sell, transfer or otherwise dispose of the 2013A and 2013B Notes, except as provided for in the Indenture. In no case shall a Participant's loan amount exceed 90% of the portion of the estimated amount of those scheduled deferred State General Purpose Entitlement and Categorical Block Grant (including moneys from the Education Protection Account) apportionment payments subject to the intercept and earned and to be received by the Borrower for fiscal year 2012-13, or earned and to be received by the Borrower for fiscal year 2013-14. A portion of each loan will be used to pay issuance costs at closing. Debt service due on a Participant's loan will be paid via the State Controller's Intercept Mechanism.

IV. Security and Source of Payment

The loan agreement will be secured by all available revenues of each Participant, including but not limited to, federal, state, local and extraordinary revenue sources. All Participants will be required to provide for an intercept of the state-aid portion of their General Purpose Block Grant (GPBG) in order to guarantee 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 (Education Code Section 17199.4) to ensure that scheduled prepayment of the underlying loans are paid to the Trustee directly by the State no later than the maturity date specified in each respective loan agreement. CSFA expects to require acceleration of loan repayment in the event of non-operation of a Participant.

Interest will accrue on the outstanding principal amount of the RAN during the term of the loan, with scheduled principal pay downs and all outstanding principal & interest due at maturity. Aspire may amend this schedule subject to LIIF's and NCB's approval provided that it can project full repayment prior to maturity. Payments are expected to be repaid by March 1, 2014, and under which no more than \$10.0 million shall be outstanding at any one time.

V. Interest Cost and Fees

The Notes will accrue interest at the one month LIBOR rate plus 450 basis points, with a floor of 4.75% and a ceiling of 9.5%. As of March 14, 2013, the 1-month LIBOR rate was 0.20%.

VI. Preliminary Sources and Uses

<u>Sources</u>	
Note proceeds	\$10,000,000
Total sources	\$10,000,000
<u>Uses*</u>	
CSFA (AG Legal and STO)	\$16,000
Orrick, Herrington & Sutcliffe (Bond Counsel)	\$25,000
Tomislav Peraic (Aspire Counsel)	\$20,000
Union Bank, N.A. (Trustee)	\$2,000
Origination Fee	\$50,000
NCB Counsel	\$12,500
McPharlin Sprinkles & Thomas (LIIF Counsel)	\$12,500
<i>Total Cost of Issuance</i>	\$138,000
Net Note Proceeds	\$9,862,000
Total uses	\$10,000,000

**Preliminary, subject to change.*

VII. The Project / Use of Funds

The purpose of the financing is to provide the Aspire schools listed in Exhibit A of this summary with access to financing to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of certain state funding for FY 2012-13 and 2013-14.

VIII. The Borrower

Aspire Public Schools was founded in 1998 to manage, guide, direct, and promote charter schools that provide quality education to California youth in primary and secondary grades. Aspire is a nonprofit, public-benefit corporation with 501(c)(3) status operating charter schools in three clusters located in the San Francisco Bay Area, the Central Valley, and Los Angeles County. Aspire has a four part mission: (1) to increase the academic performance of California students; (2) to develop effective educators; (3) to start change in the public school system; and (4) to share practices with other educators. Aspire locates their charter schools in areas with academically underperforming traditional schools in order to provide an alternative learning experience. Geographic areas where at least 75% of the students qualify for free or reduced priced meals also are targeted by Aspire. In the 2012-13 school year Aspire's operating 34 schools serving approximately 12,540 students. By 2014-15, Aspire plans to operate 35 schools with total projected enrollment of 13,204 students

Aspire's vision is to improve the achievement of all students in California. One of Aspire's missions is to educate students that are not being well-served in their current educational environment through their curriculum. According to information provided by Aspire representatives, Aspire implements curriculum packages created by other parties, complementary to the Aspire system and aligned to the California State standards. The school's educational program, simultaneously rigorous and relevant to the students, will emphasize interdisciplinary thinking across subject areas.

Aspire is a 501(c)(3) California non-profit public benefit corporation, governed by a board of directors that creates, controls and operates its schools. Aspire's Board of Directors is responsible for: establishing broad policies that affect all Aspire's schools, advocating Aspire's mission, and providing strategic guidance to the organization. Aspire also has an Advisory Board which supports the Board of Directors and staff by providing expertise on specific issues that affect the organization's business and education strategies. The Advisory Board includes policy makers, education researchers, community leaders, and investors.

IX. Borrower Financial Data

Staff's reviewed three years of audited financial statements (2009-10 through 2011-12), cash flow projections for 2012-13, and an adopted budget for 2012-13. Nineteen of Aspire schools are participating in the working capital program.

X. Due Diligence Undertaken to Date

CSFA staff and counsel review responses to the questions contained in the Legal Status Questionnaire. In the Legal Status Questionnaire (LSQ) provided by the applicant, Aspire responded affirmatively to the two questions contained therein. The school provided information regarding the legal issues which have been summarized below for your review:

- Aspire is a "Real Party in Interest" in a matter known as California School Boards Association, et al. v. California State Board of Education, Alameda County Superior Court Case No. 07353566. This complaint asked for a judicial interpretation of Education Code §47605.8 concerning the establishment of statewide public benefit charters. Applicant's demurrer to the complaint was sustained without leave to amend by the Court. The decision was taken up on appeal and became known as California School Boards Association, et al. v. California State Board of Education, Court of Appeals of California, First District, Case No. A122485. The appellate court reversed the decision and remanded to the lower court for further findings in conformity with the appellate court's directions. The trial on the petition for writ of mandamus was heard on December 16, 2011 and the court issued a Proposed Statement of Decision on March 15, 2012 granting appellants' first and third causes of action that the State Board of Education violated Education Code §47605.8 when it approved applicant's state charter and revisions. On June 22, 2012, the court issued judgment and writ directing the State Board to set aside these approvals and adopt regulations within 350 days. The State Board of Education and Applicant have appealed the decision and it is understood that the decision is stayed pending the appeal. This matter might have a material impact because the court's decision concerning this relief, including the possibility of having the schools re-chartered through the appropriate local school districts, is unknown at this time because there is a dearth of legal or regulatory guidance on the issue.

Aspire disclosed other matters related to personnel and contract disputes. None of which, alone or together, raise issues regarding Aspire's financial viability or eligibility for financing with CSFA.

XI. Staff Recommendation

Staff recommends the members approve Resolution Number 13-06 in an amount not to exceed \$10,000,000 for Aspire Public Schools subject to final financing terms acceptable to CSFA.

EXHIBIT A

PARTICIPATING SCHOOLS

Listed below are the 19 Aspire schools (including the location and amount) that are participating in the working capital financing program.

Schools	CDS Code	City	Loan Amount
Aspire Antonio Maria Lugo Academy	19-64733-0109660	Huntington Park	\$310,000
Aspire Berkley Maynard Academy	01-61259-0109819	Oakland	770,000
Aspire California College Preparatory Academy	01-10017-0118489	Berkeley	890,000
Aspire Capitol Heights Academy	34-67439-0102343	Sacramento	400,000
Aspire Centennial College Preparatory Academy	19-64733-0112128	Huntington Park	790,000
Aspire East Palo Alto Charter	41-68999-6114953	East Palo Alto	790,000
Aspire ERES Academy	01-61259-0120188	Oakland	320,000
Aspire Firestone Academy	19-64733-0122622	South Gate	520,000
Aspire Gateway Academy	19-64733-0122614	South Gate	530,000
Aspire Huntington Park Charter	19-64733-0117960	Huntington Park	320,000
Aspire Inskip Academy Charter	19-64733-0124800	Los Angeles	480,000
Aspire Juanita Tate Academy Charter	19-64733-0124792	Los Angeles	440,000
Aspire Millsmont Academy	01-61259-0108803	Oakland	360,000
Aspire Monarch Academy	01-61259-6117568	Oakland	570,000
Aspire Rosa Parks Academy	39-68676-0108647	Stockton	590,000
Aspire Slauson Academy Charter	19-64733-0124784	Los Angeles	450,000
Aspire Summit Charter Academy	50-71043-0112292	Modesto	610,000
Aspire University Charter	50-71290-0118125	Modesto	380,000
Aspire Vanguard College Preparatory Academy	50-76638-0120212	Empire	480,000
Total			\$10,000,000