

**CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITIES REVENUE BONDS
(HIGH TECH HIGH CHULA VISTA K-8 PROJECT), SERIES 2010
QUALIFIED SCHOOL CONSTRUCTION BONDS
(DIRECT SUBSIDY BONDS)
*EXECUTIVE SUMMARY***

RESOLUTION 10-11

Borrower:	High Tech High
Loan Amount:	Not to exceed \$15,000,000
Expected Issuance:	July 1, 2010
Project:	Two new public charter school facilities to be operated by the Borrower and located in Chula Vista, California, including a middle school (grades 6-8) serving approximately 312 students and an elementary school (grades K-5) serving approximately 252 kindergarten through 3rd grade students and approximately 144 students in the 4th and 5th grades.
Bond Type:	Revenue Bond, Qualified School Construction Bonds (Direct Subsidy) (the "Bonds")
Credit Enhancement:	City National Bank direct pay letter of credit "wrapped" by Federal Home Loan Bank of San Francisco
Expected Rating(s):	Aaa/AAA
Structure:	Term Bond maturing in approximately ten years
Sale Method:	Negotiated Public Offering
Senior Manager:	RBC Capital Markets, Inc.
Bond and Disclosure Counsel:	Orrick Herrington & Sutcliffe LLP

I. Background

The State has allocated to the California School Finance Authority ("CSFA") Qualified School Construction Bonds ("QSCBs") in the approximate amount of \$73 million. In August 2009, CSFA accepted applications from qualifying charter schools that were interested in taking advantage of the federal subsidies afforded by QSCBs via a conduit issuance through CSFA. High Tech High (the "Borrower") was awarded \$15 million of QSCB borrowing authority on a preliminary basis in October 2009 and is now ready to proceed with a financing, pending approval of the transaction and bond documents by CSFA.

II. Structure

CSFA will issue the Bonds, the proceeds of which will be loaned to the Borrower pursuant to a Loan Agreement by and between CSFA and the Borrower, through a negotiated, public offering. The Bonds will be sold as taxable obligations with a single “bullet” maturity in 2020. Prior to this date, the Bonds will pay semi-annual interest only. CSFA, acting at the request of the Borrower, will elect for the Department of the Treasury to transfer to the trustee on a periodic basis a federal subsidy payment (based on current law) equal to the lesser of (i) 100% of the interest payable on the Bonds; or (ii) the interest that would have been payable on the Bonds if it were computed based on the rate applicable for qualified tax credit bonds in effect at the time of sale.

III. Security and Source of Payment

Semi-annual interest and principal, as applicable, will be paid by City National Bank under the terms of an irrevocable, direct pay letter of credit. The letter of credit will be further “wrapped” by the Federal Home Loan Bank of San Francisco by means of a standby letter of credit and is expected to result in a “AAA”-rating for the transaction. Ultimately, the Borrower will be responsible for reimbursing all payments made by City National Bank as well as any associated letter of credit fees (CSFA is obligated to pay the principal of, premium, if any, and interest on the Bonds and “Credit Provider Reimbursement Obligations” solely from the payments received from the Borrower under the Loan Agreement). In addition, Borrower loan payments will also fund annual “sinking fund” deposits into an account held by the bond trustee (BNY Mellon) in advance of the final stated maturity of the Bonds. Such deposit amounts, including interest earnings thereon, will be sufficient to ensure that adequate funds are on hand to reimburse City National Bank for the repayment of the principal payment due upon the final stated maturity of the Bonds in 2020. The Borrower will utilize the State Controller’s Intercept Mechanism (Section 17199.4, Education Code) to transfer a portion of its annual state allotment of revenue limit funds (i.e., the general purpose entitlement component of its annual principal apportionment). The State Controller will be provided with a schedule at closing detailing funds to be intercepted and forwarded to the bond trustee on a periodic basis. Such amounts will cover the aforementioned interest payments, letter of credit fees, and required sinking fund deposits and will be transferred by the trustee to City National Bank. Federal subsidy payments will be made by the Department of the Treasury to the trustee. Certain excess amounts may be periodically transferred to the Borrower. A flow of funds has been attached as Exhibit A.

IV. The Borrower

The Borrower currently operates eight public charter schools in San Diego County. The Borrower is affiliated with HTH Learning (“Learning”). Learning is also affiliated with Explorer Elementary Charter School and the High Tech High Graduate School of Education. A supporting organization, High Tech High Foundation, is under High Tech High’s corporate control. All of the Borrower’s affiliates are 501(c)3 organizations with the exception of its newest affiliate, the High Tech High Graduate School of Education, created in July 2009. High Tech High Graduate School of Education was established in CA as a nonprofit public benefit corporation and is currently in the process of making its application to the Internal Revenue Service for tax exempt status.

Currently, the schools operated by the Borrower serve approximately 3,200 students and the Borrower employs approximately 360 staff.

Learning, in addition to serving as the sole member of the Borrower, provides overall supervision, oversight and coordination for the activities of the group, also owns all of the school facilities currently used by existing schools operated by the Borrower, which it leases to the Borrower. The fourth member of the HTH Group, High Tech High Foundation, engages in fund raising activities in support of the Group. The newest affiliate, High Tech High Graduate School of Education was separated from HTH Learning in July 2009 into its own nonprofit public benefit corporation and has applied for 501(c)3 status.

V. Preliminary Sources and Uses

Sources	
Qualified School Construction Bonds	\$12,000,000
Borrower Equity	8,500,000
Total Sources	\$20,500,000
Uses	
Construction Budget	\$15,980,000
Construction Contingency	1,250,000
Equipment	1,861,000
Fees During Construction	462,900
Cost of Issuance	600,000
Other Contingency	346,100
Total Uses	\$20,500,000

VI. The Project

The project will be a two-story structure providing approximately 65,000 gross square-feet of classroom and support spaces in an environmentally focused school building that will be fully integrated, physically and programmatically, with the instructional programs of the tenant schools. The project will accommodate 396 students in the Elementary School (grades K-5) and 312 students in the Middle School (grades 6-8). The project is capable of serving more students without expansion or modification and this flexibility is a significant asset as it permits the Borrower to increase future revenues by increasing enrollment should funding rates fall.

The Borrower intends to continue its award-winning tradition of creating school facilities that achieve rigorous environmental standards. The Facility has been designed to meet LEED Certification and California High Performing Schools (CHPS) standards. High Tech High Chula Vista, located on the adjacent site, has already been LEED Gold certified and is currently under review for CHPS Verification.

The Borrower is partnering with Bycor Construction, as its general contractor, and Studio E Architects to complete this project. Learning has previously designed and built two facilities with these partners. The Borrower provides experienced, highly qualified

project management through the expertise of Paul Dooley, Project Manager, and Christopher Gerber, Director of Facilities. Mr. Dooley and Mr. Gerber were responsible for successfully managing the design and construction of High Tech High Chula Vista (opened January 2009) and High Tech High North County in San Marcos, CA (opened August 2009) Both projects were completed on schedule and within budget.

The Borrower will enter into a guaranteed maximum price construction contract at the time of the loan closing with Bycor General Contractors for a contract amount of approximately \$12.3 million, which will include a contingency of approximately 5%. In addition, the Borrower has established contingency allowances outside of the General Contractor's contracts to cover any unforeseen cost and as contingency for work performed outside of the Bycor contract. All primary construction is encompassed under Bycor's contract. All of the sub-contractors for the Facility have already been bid and selected. The Borrower expects to incur total project costs, inclusive of cost of issuance, capitalized interest, development fees, and furniture, fixtures and equipment of approximately \$20.0 million. Construction of the Facility is subject to prevailing wage under the Davis-Bacon Act.

The project has already gone through design review by the City's Planning Board and final grading work in preparation for construction will commence in May 2010 with structural work beginning by July 2010.

The Borrower expects to complete construction in August 2011.

The project will be situated on land leased under a ground lease by Learning from the City of Chula Vista and, in turn subleased under a sublease by Learning to the Borrower. The leases each have a scheduled term longer than the term of the Bonds, but are subject to early termination. While there is no periodic rent payable under the ground lease and only negligible rent payable under the sublease, each may be terminated early for reasons other than failure to pay rent. The ground lease may be terminated for failure to operate the schools or provide certain improvements (generally, the Project) and for failure to comply with Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the California Constitution; the California Fair Employment and Housing Act; the Americans with Disabilities Act of 1990; and any other applicable current or future federal, state, or local laws and regulations requiring equal employment opportunities or prohibiting discrimination. The ground lease may also terminate if the property is condemned. The sublease will terminate if the ground lease terminates. The leases provide that the Borrower will own the Project during the term of the leases. In case of lease termination (including early termination), all of the improvements on the property including the Project, would become the property of the applicable landlord.

VII. Borrower Financial Data

Attached as Exhibit B is a schedule of historic and projected revenues for the Borrower as well as an enrollment history for all High Tech High and associated affiliate schools, including projected enrollment for High Tech Elementary Chula Vista and High Tech Middle Chula Vista.

VIII. 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, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 10-11 in an amount not to exceed \$15,000,000 for High Tech High subject to final financing terms acceptable to CSFA.

Exhibit A Flow of Funds Diagram

California School Finance Authority Educational Facilities Revenue Bonds

(HIGH TECH CHULA VISTA K-8 PROJECT), SERIES 2010 (QUALIFIED SCHOOL CONSTRUCTION BONDS)

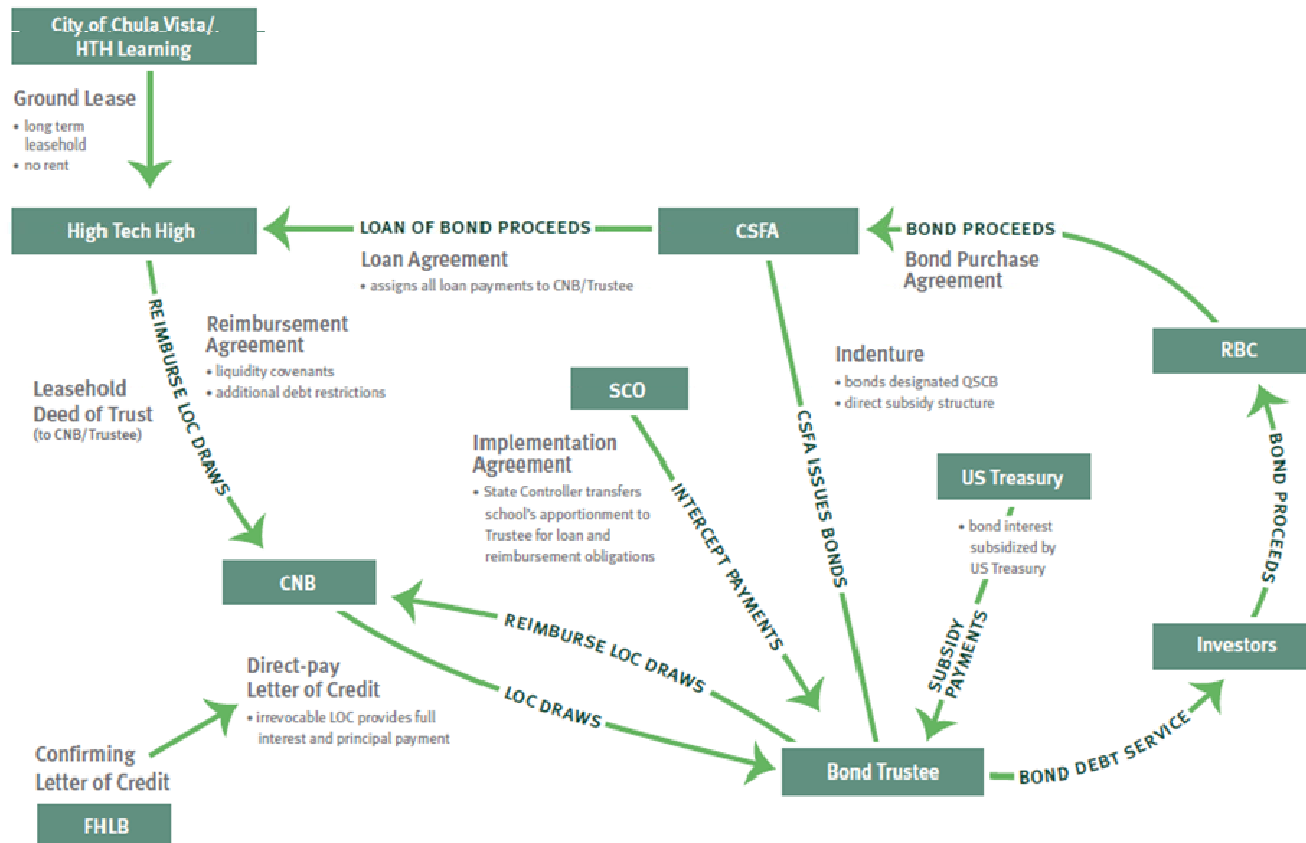


Exhibit B High Tech High Historic and Projected Revenues

High Tech High Schools
(High Tech High, High Tech High International, High Tech Middle, High Tech Middle Media Arts & Explorer Elementary)
Historical & Projected Financials

Fiscal Year Ending June 30	2004	2005	2006	2007	2008	2009	2010	2011	2012
	(Audit)	(Audit)	(Audit)	(Audit)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Enrollment									
Number of Students - ADA ⁽¹⁾	733	1,264	1,677	1,733	1,807	1,807	1,807	1,807	1,807
Number of Students - Actual ⁽²⁾	755	1,311	1,752	1,818	1,883	1,883	1,883	1,883	1,883
HTH Revenues ⁽³⁾									
Principal Apportionment - ADA				\$ -	\$ 12,032,327	\$ 12,393,297	\$ 12,765,095	\$ 13,148,049	\$ 13,542,490
Charter School General Purpose Grant	\$ 1,188,835	\$ 2,492,934	\$ 3,463,308	3,844,181	-	-	-	-	-
Charter School Categorical Block Grant	133,702	371,171	528,584	814,463	-	-	-	-	-
Property Taxes	2,598,374	4,143,406	5,993,859	6,519,652	-	-	-	-	-
State Aid Prior Years	-	-	-	266,616	-	-	-	-	-
Federal Revenues	60,826	497,902	911,491	72,512	181,224	284,100	239,819	242,180	244,613
Other State Revenue	100,659	227,006	300,988	1,956,857	317,968	327,506	337,332	347,452	357,875
Grants & Donations	1,176,725	621,736	2,601,298	1,225,323	-	-	-	-	-
Investment Income	124,546	7,090	34,910	32,871	-	-	-	-	-
Lottery Revenue	-	34,468	-	-	-	-	-	-	-
Class Size Reduction	-	148,480	-	-	-	-	-	-	-
Local Revenues	-	283,223	-	500,415	-	-	-	-	-
Grant from HTH Learning	-	-	-	-	1,223,105	1,174,061	1,141,501	1,102,095	1,061,507
Annual Campaign	-	-	-	-	225,440	129,204	133,080	137,071	141,184
Other Fundraising	-	-	-	-	125,440	232,204	239,170	246,344	253,735
Total HTH Revenues	\$ 5,383,667	\$ 8,827,416	\$ 13,834,438	\$ 15,232,890	\$ 14,105,504	\$ 14,540,372	\$ 14,855,997	\$ 15,223,191	\$ 15,601,404
HTH Operating Expenses ⁽³⁾									
Salaries	\$ 2,523,568	\$ 4,315,575	\$ 6,056,537	\$ 7,102,824	\$ 6,532,095	\$ 6,760,616	\$ 6,997,132	\$ 7,241,922	\$ 7,495,274
Employee Benefits	532,175	977,710	1,280,452	1,652,630	1,475,166	1,517,299	1,560,906	1,606,039	1,652,754
Instructional Expenses	134,800	198,272	555,819	739,210	-	-	-	-	-
Operating Expenses	1,095,650	1,736,043	2,547,601	2,787,836	-	-	-	-	-
Rents & Leases	382,982	218,400	1,629,700	2,582,698	2,575,855	2,578,826	2,581,885	2,585,037	2,588,283
Payment to District	-	-	-	157,274	-	-	-	-	-
Professional and Legal Expenses	-	131,902	18,982	-	-	-	-	-	-
Books and Supplies	-	36,552	-	-	-	-	-	-	-
Interest Expense	-	-	334	-	-	-	-	-	-
Depreciation	-	17,790	122,207	271,014	-	-	-	-	-
Other Facilities Costs	-	-	-	-	391,468	403,212	415,309	427,767	440,600
CMO Management Fees ⁽²⁾	-	-	-	-	800,268	830,111	851,826	877,086	903,106
Other Administrative Costs	-	-	-	-	1,612,992	1,661,193	1,694,632	1,728,893	1,766,211
Total HTH Operating Expenses	\$ 4,669,175	\$ 7,632,244	\$ 12,211,632	\$ 15,293,486	\$ 13,387,844	\$ 13,751,257	\$ 14,101,690	\$ 14,466,744	\$ 14,846,228
Net Revenue	\$ 714,492	\$ 1,195,172	\$ 1,622,806	\$ (60,596)	\$ 717,660	\$ 789,115	\$ 754,307	\$ 756,447	\$ 755,176

Exhibit B
Projected Enrollment – High Tech High and Affiliate Schools

School	Grade Level	09/10 CBEDS	10/11 Proj	11/12 Proj	12/13 Proj	13/14 Proj	14/15 Proj	15/16 Proj
Explorer Elementary Charter	K	64	44	66	44	66	44	66
	1	42	66	44	66	44	66	44
	2	70	44	66	44	66	44	66
	3	44	66	44	66	44	66	44
	4	72	48	72	48	72	48	72
	5	49	72	48	72	48	72	48
Explorer Elementary Charter Total		341	340	340	340	340	340	340
High Tech High Chula Vista	9	157	150	150	150	150	150	150
	10	150	150	150	150	150	150	150
	11	145	135	135	135	135	135	135
	12	0	125	125	125	125	125	125
High Tech High Chula Vista Total		452	560	560	560	560	560	560
High Tech High International	9	102	102	102	102	102	102	102
	10	96	102	102	102	102	102	102
	11	97	98	98	98	98	98	98
	12	97	94	94	94	94	94	94
High Tech High International Total		392	396	396	396	396	396	396
High Tech High Media Arts	9	108	102	102	102	102	102	102
	10	101	102	102	102	102	102	102
	11	105	98	98	98	98	98	98
	12	90	90	90	90	90	90	90
High Tech High Media Arts Total		404	392	392	392	392	392	392
High Tech High North County	9	151	150	150	150	150	150	150
	10	137	150	150	150	150	150	150
	11	116	135	135	135	135	135	135
	12	0	110	110	110	110	110	110
High Tech High North County Total		404	545	545	545	545	545	545
High Tech High San Diego	9	158	150	150	150	150	150	150
	10	137	150	150	150	150	150	150
	11	121	130	130	130	130	130	130
	12	130	120	120	120	120	120	120
High Tech High San Diego Total		546	550	550	550	550	550	550
High Tech Middle Media Arts	6	112	112	112	112	112	112	112
	7	112	112	112	112	112	112	112
	8	111	112	112	112	112	112	112
High Tech Middle Media Arts Total		335	336	336	336	336	336	336
High Tech Middle North County	6	106	108	108	108	108	108	108
	7	108	108	108	108	108	108	108
	8	108	108	108	108	108	108	108
High Tech Middle North County Total		322	324	324	324	324	324	324
High Tech Middle San Diego	6	112	108	108	108	108	108	108
	7	112	108	108	108	108	108	108
	8	112	108	108	108	108	108	108
High Tech Middle San Diego Total		336	324	324	324	324	324	324
High Tech Elementary Chula Vista	K	0	0	63	63	63	63	63
	1	0	0	63	63	63	63	63
	2	0	0	63	63	63	63	63
	3	0	0	63	63	63	63	63
	4	0	0	72	72	72	72	72
	5	0	0	72	72	72	72	72
Explorer Elementary Charter Total		0	0	396	396	396	396	396
High Tech Middle Chula Vista	6	0	0	100	100	100	100	100
	7	0	0	100	100	100	100	100
	8	0	0	100	100	100	100	100
High Tech Middle San Diego Total		0	0	300	300	300	300	300
High Tech High Entrepreneur	9	0	0	0	0	156	156	156
	10	0	0	0	0	156	156	156
	11	0	0	0	0	0	135	135
	12	0	0	0	0	0	0	113
High Tech High San Diego Total		0	0	0	0	312	447	560
Total All		3532	3767	4463	4463	4775	4910	5023