

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

RESOLUTION 11-24

Applicant:	Aspire Public Schools
Amount Requested:	Not to exceed \$3,000,000
Expected Issuance:	April 2011
Use of Proceeds:	The purpose of the financing is to provide Aspire Public Schools (“Aspire”) with access up to approximately \$3.0 million of working capital to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of certain state and local funding for FY 2010-11 and 2011-12
Note Type:	Revenue Anticipation Notes, “Series 2011B Notes”
Credit Enhancement:	None
Expected Rating(s):	Transaction will not be rated
Maturity Date:	November 15, 2011
Sale Method:	Private Placement
Note Purchaser:	LIIF (Low Income Investment Fund)
Borrower’s Advisor:	First Southwest Company
Note Counsel:	Orrick, Herrington, & Sutcliffe
Borrower’s Counsel:	Musick Peeler & Garrett, LLP

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 2009-10 and 2010-11, 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 and local funding for FY 2010-11, and into FY 2011-12.

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 of 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). In order to permit the Participants to prepay loans and borrower additional loan proceeds, from time to time 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 and LIIF. The maximum principal amount of the loan and corresponding 2010A (issued in August 2010) and the 2011B Notes (currently under consideration) outstanding at any time may not exceed \$8,000,000. Given the 2010A Notes were issued with borrowing authority not to exceed \$5,000,000, the 2011B Notes cannot exceed \$3,000,000. As the purchaser of the Notes, LIIF must be deemed a Qualified Institutional Buyer pursuant to 17 CFR 230.144A (Private resales of securities to institutions). LIIF will not be authorized to sell, transfer or otherwise dispose of the 2011B Notes, except as provided for in the Indenture. In no case shall a Participant's loan amount exceed 85% of uncollected FY 2010-11 or 2011-12 revenues. 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 pledge 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 (Section 17199.4, Education Code) to ensure that set-aside payments toward debt service associated with 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 face value of the RAN during the term of the loan, with scheduled principal pay downs and all outstanding principal & interest due at maturity. Payments are expected July 2011 and August 2011; however, Aspire may amend this schedule subject to LIIF's approval provided that it can project full repayment prior to maturity.

V. Interest Cost and Fees

The Notes will accrue interest at the one month LIBOR rate plus 400 basis points, with a floor of 4.5% and a ceiling of 9.5%. As of March 4, 2011, the 1-month LIBOR rate 0.26%.

VI. Preliminary Sources and Uses

Sources	
Note proceeds	\$3,000,000
Total sources	\$3,000,000

Uses – to be determined.	
Net loan proceeds	\$
Total Cost of issuance	\$
Total uses	\$3,000,000

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 and local funding for FY 2010-11 and 2011-12.

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 2010-11 school year Aspire operates 30 schools serving approximately 9,800 students. The organization maintains plans to expand to 50 schools by 2014-15 by opening four to six new schools each year.

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) 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 four years of audited financial statements (2005-06 through 2008-09), cash flow projections for 2010-11, an adopted budget for 2010-11 and an income statement through May 31, 2010. Eight 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. Aspire answered "Yes" to a LSQ question(s).

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 Public Schools is a "Real Party in Interest" in a matter known as California School Boards Association et al. vs. California State Board of Education et al., Alameda County Superior Court Case No. 07353566. In this matter, the California School Boards Association, among others (collectively, "Plaintiffs"), challenge the California State Board of Education's (the "State Board") approval of a statewide charter for Aspire. Following the trial court's sustaining of the demurrer of the State Board and Aspire to Plaintiffs' claims, on July 26, 2010, the California Court of Appeal issued an opinion holding that Plaintiffs have stated sufficient claims to proceed with their challenge and reversing the trial court's ruling. The State Board issued a statewide charter covering six of Aspire's schools, one of which is applying for financing under the CSFA program. The effect of this lawsuit, including the appellate decision, on Aspire's statewide charter is currently being assessed. Aspire does not believe there are any potential negative legal or financial consequences for the schools currently under locally-issued charters.

In addition to the case noted above, Aspire has been named in two other cases. One is a civil case involving a dispute with a HVAC subcontractor. This dispute resulted in minimal damages for Aspire. The board has been aware of this ruling since the case was first brought against Aspire in 2007.

The third case relates to a complaint filed on July 7, 2010 in Alameda County and involved a child eligible for special education services. While some of the allegation are troubling, given the recent filing date (and the fact that Aspire has not been served) it is difficult to draw a conclusion on this matter. Aspire claims that there will be adequate insurance coverage to pay any potential damages.

Staff and counsel do not believe any of the items disclosed should prevent Aspire from being considered by the Board.

XI. Staff Recommendation

Staff recommends Authority approve Resolution Number 11-24 in an amount not to exceed \$3,000,000 for Aspire Public Schools subject to final financing terms acceptable to Authority.

EXHIBIT A

PARTICIPATING SCHOOLS

Listed below are the 8 Aspire schools (including the location) that are participating in the working capital financing program.

1. Aspire University Charter School, Modesto, California
2. Aspire Summit Charter Academy, Modesto, California
3. Aspire Vanguard College Preparatory Academy, Empire, California
4. Aspire Antonio Maria Lugo Academy, Huntington Park, California
5. Aspire Huntington Park Charter School, Huntington Park, California
6. Aspire Centennial College Preparatory Academy, Huntington Park, California
7. Aspire Firestone Academy, South Gate, California
8. Aspire Gateway Academy, South Gate, California