

Citi 2011-12 Charter School Working Capital Note Program Informational Webcasts

December 15, 2011 at 11am PT

December 16, 2011 at 9am PT

December 21, 2011 at 12pm PT

January 4, 2012 at 11am PT

Agenda

- Introductions and Participant Overview – *Katrina Johantgen, California School Finance Authority, Executive Director*
- Citi 2011-12 Charter School Working Capital Program Overview – *Mike Kremer, First Southwest Company, Program Manager*
- How Can the Citi 2011-12 Charter School Working Capital Program Help? – *Betina Dowdell, Citi, Purchaser*
- What are the Program Costs? – *Mike Kremer, First Southwest Company, Program Manager*
- Legal Considerations – *Bill Bothwell, Orrick, Herrington & Sutcliffe, Bond Counsel*
- How to Apply – *Mike Kremer, First Southwest Company, Program Manager*
- Questions and Answers

Financing Participants

Citi 2011-2012 Charter School Working Capital Note Program Issuer

California School Finance Authority
Katrina Johantgen

Related State Agencies

Attorney General's Office
Stepan Haytayan

State Controller's Office
John Hiber
Richard Chivaro
Kelly Martell
Linda Brida

California Department of Education
Scott Hannan
Caryn Moore
Byron Fong

Working Group

Bond Counsel

**Orrick, Herrington &
Sutcliffe**

Bill Bothwell
Kevin Hale

Purchaser

Citi

Betina Dowdell
Chris Mukai

Purchaser's Counsel

**Fulbright and
Jaworski LLP**

Lisalee Wells

Trustee

Citi Agency and Trust

Ishween Sethi
Jon Farber
Ed Morelli
Marion O'Connor

Program Manager

**First Southwest
Company**

Mike Kremer
Philip Curls
Tawnya Aguirre

Overview

The Citi 2011-12 Charter School Working Capital Program offers a cost effective method of obtaining working capital for California charter schools

Easy Application Process	Based on Citi's lending criteria, applicants will complete an online three-step application with the following information: <ol style="list-style-type: none">1. Charter Information and Contacts2. School Statistics3. Financial Information
Quick Application Notification Process	Applicants will be notified regarding basic program requirements within one week after completion of application
Flexible Receipt of Loan Proceeds	Available to draw on a monthly basis to meet 2011-12 working capital needs through June 2012
Timely Estimated Closing Date	Loans are scheduled to close March 1, 2012

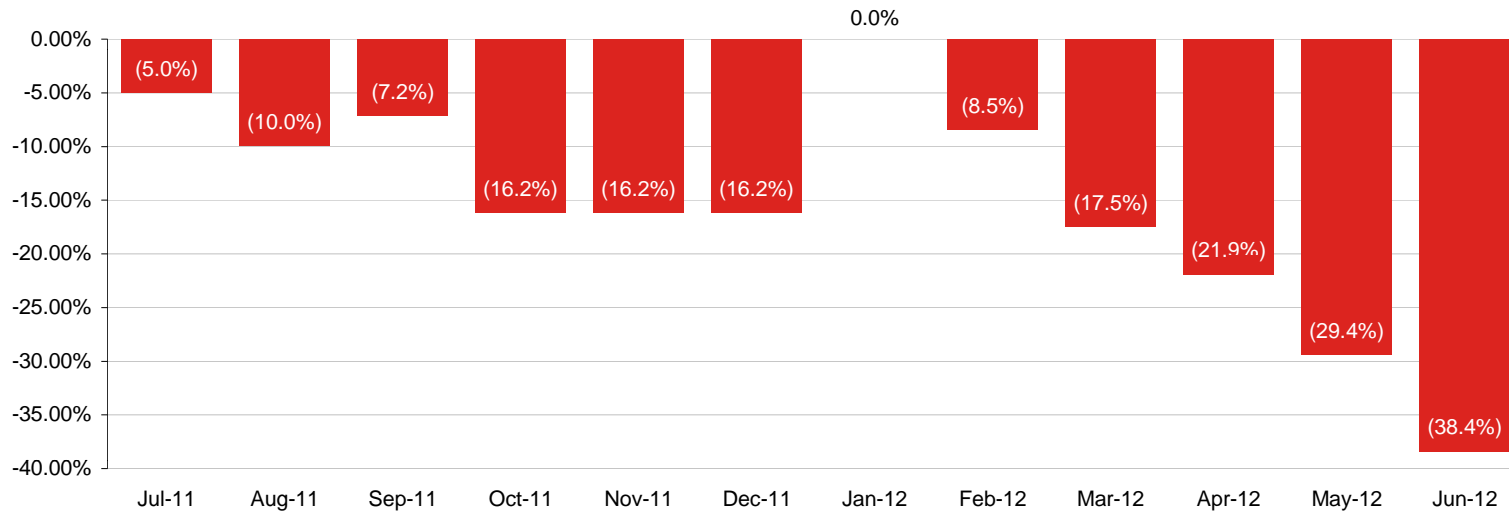
Challenges Faced by California Charter Schools

California charter schools have been impacted by the deferral of State Apportionments and have limited alternative cost-effective solutions

Challenge

- The State of California has deferred monthly Entitlements to Charter Schools
- By the end of 2011-12, cumulative revenue deferrals are expected to equal 38.4% of the State's Entitlement obligation
- Deferrals of State Entitlements have resulted in temporary monthly cash flow deficits for California Charter Schools
- Limited alternative cost-effective solutions

Estimated 2011-12 Apportionment Schedule



Source: Projections from California Department of Education

How Can the Charter School Working Capital Program Help?

The Citi 2011-12 Charter School Working Capital Program is designed to help California charter schools impacted by the deferral of State Apportionments

Purpose	To provide eligible charter schools with access to funds to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of deferred State revenue
Note Purchaser	Citibank, N.A.
Security	Each school will pledge repayment with any available funds and through an intercept of State Apportionment payments deferred to July and August 2012, or until the final loan is repaid
Final Maturity	The final maturity of the Loans is December 31, 2012, however through the security of the intercept, payment is expected by August 2012
Minimum Eligibility	<ol style="list-style-type: none">1. Each school must be in at least its second year of operations2. Each school must demonstrate that at least 50% of students are eligible to participate in the Free and Reduced Meal Program

What Are the Program Costs?

- No Application Fee
- Interest Rate
 - 4.25% fixed interest rate accrued on amounts drawn on the loan; no undrawn interest rate
 - Draws may occur once per month between early March and mid-June 2012
 - The loan may be prepaid in part or in full once per month without penalty
- Closing Fees Paid from Loan Proceeds:
 - Program Transaction Costs
 - Confirmed at Lesser of 2.00% of loan amount and \$25,000
 - Primarily include fees paid to the Program Manager, Bond Counsel, Trustee, California School Finance Authority (“CSFA”) and CSFA’s Counsel and Note Purchaser’s Counsel
 - Do not include the cost of the school’s legal counsel to deliver a satisfactory Borrower’s Counsel Opinion
 - Origination Fee
 - 0.75% of loan amount

Loan Amount	CONFIRMED CLOSING COSTS				CONFIRMED CLOSING COSTS plus Legal Counsel		
	Program Transaction Costs	Origination Fee	Total Closing Costs	Total Closing Costs (% of Loan)	Estimated Legal Counsel	Total Closing Costs	Total Closing Costs (% of Loan)
\$ 250,000	\$ 5,000	\$ 1,875	\$ 6,875	2.75%	\$ 5,000	\$ 11,875	4.75%
1,000,000	20,000	7,500	27,500	2.75%	5,000	32,500	3.25%
2,000,000	25,000	15,000	40,000	2.00%	5,000	45,000	2.25%
5,000,000	25,000	37,500	62,500	1.25%	5,000	67,500	1.35%

Cost Comparison – Program Loan versus Sale of Deferrals

With Average Daily Attendance (“ADA”) of roughly 492 students, the school’s State Apportionment payments deferred to July and August 2012 would total to \$1,024,979

• Estimated Deferral Sale Cost

- \$1.02 million in deferrals are sold at price of \$0.93¹ plus 2.0% up-front charge
- Cost Metrics of the School Compared to Program Loan
 - Estimated total cost of \$92,248
 - All Inclusive Rate of 35.01%²
 - 91.0 cents per \$1.00 of deferral are retained by the school
- Break-even to Program Loan would be at price of \$0.965 plus 0.0% up-front charge

Date	SALE OF DEFERRALS			PAYMENT OF DEFERRALS		Total Cash Flow
	Proceeds from Sale @ \$0.93	Up Front Fee @ 2.00%	Net Amount to School	Deferrals due to Purchaser	Balance of Deferrals	
3/1/12	\$ 433,084	\$ (20,500)	\$ 412,584			\$ 412,584
4/24/12	109,387		109,387			109,387
5/24/12	187,521		187,521			187,521
6/25/12	223,239		223,239			223,239
7/31/12				\$ (602,505)	\$ -	(602,505)
8/31/12				(422,474)	-	(422,474)
TOTAL	\$ 953,230	\$ (20,500)	\$ 932,731	\$ (1,024,979)	\$ -	

Total Cost \$ 92,248
All Inclusive Rate 35.01%
Amount Received per \$1 of Deferral \$ 0.910

• Estimated Program Cost

- Interest is deducted at 4.25% from 3/1 to 9/28 from \$1.02 million in deferrals
- Loan Amount would be sized at \$1.0 million
 - Unused interest coverage of \$11,654 is returned to the School
- Closing costs of \$32,500 & projected interest of \$13,324
- Cost Metrics of the School Compared to Deferral Sale
 - Estimated total cost of \$45,824
 - All Inclusive Rate of 11.85%²
 - 95.5 cents per \$1.00 of deferral are retained by the school

Date	PROGRAM LOAN DRAWS			PROGRAM LOAN REPAYMENT			Total Cash Flow
	Loan Draws	Total Closing Costs	Net Amount to School	Principal Payments	Interest Payments	Balance of Deferrals	
3/1/12	\$ 454,000	\$ (32,500)	\$ 421,500				\$ 421,500
4/24/12	115,000		115,000				115,000
5/24/12	197,000		197,000				197,000
6/25/12	234,000		234,000				234,000
7/31/12			-	\$ (592,000)	\$ (9,504)	\$ 1,002	(600,502)
8/31/12			-	(408,000)	(3,821)	10,653	(401,168)
TOTAL	\$ 1,000,000	\$ (32,500)	\$ 967,500	\$ (1,000,000)	\$ (13,324)	\$ 11,654	

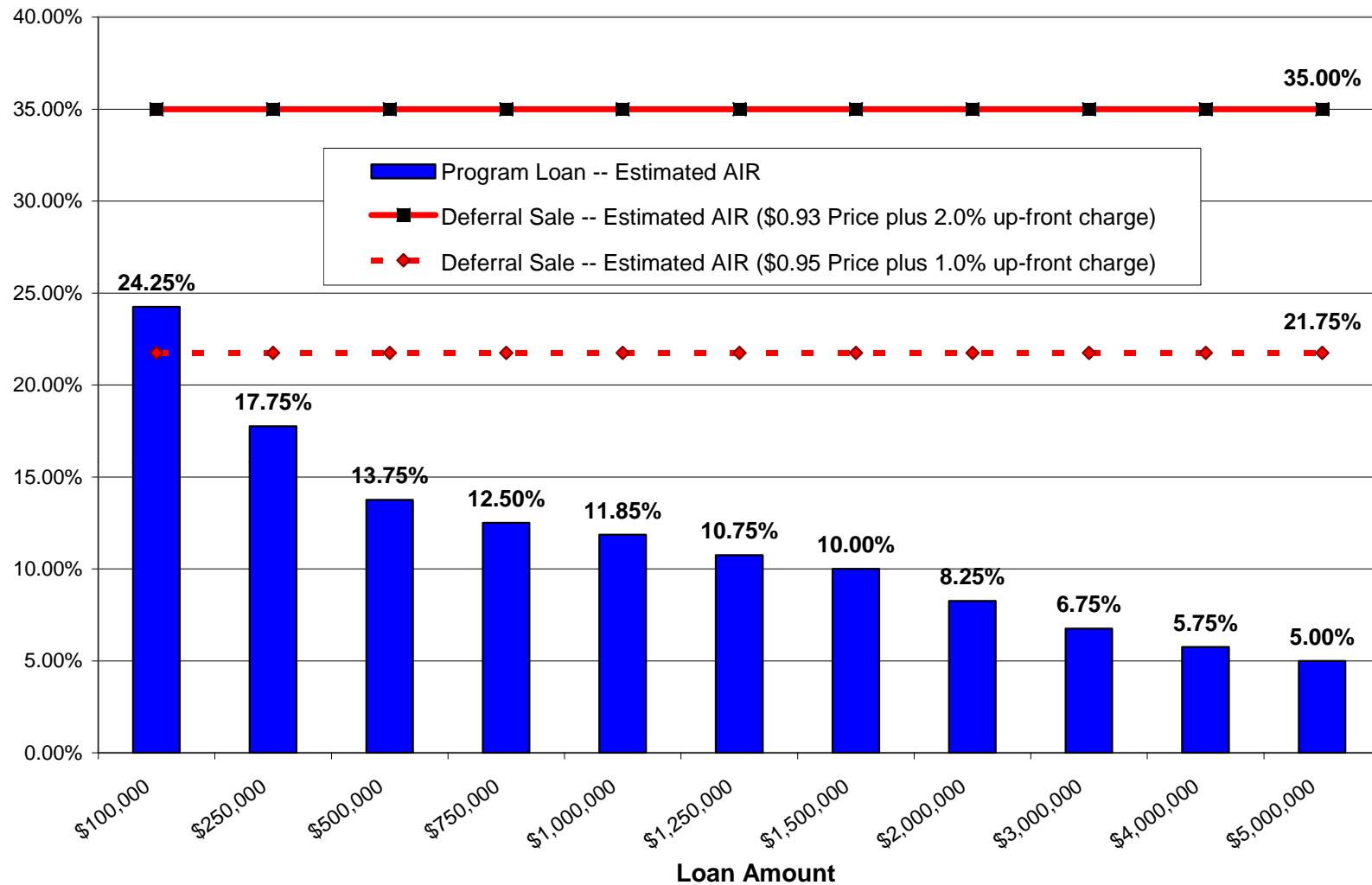
Total Cost \$ 45,824
All Inclusive Rate 11.85%
Amount Received per \$1 of Deferral \$ 0.955

¹ Example of a price

² Reflects estimated annualized borrowing cost

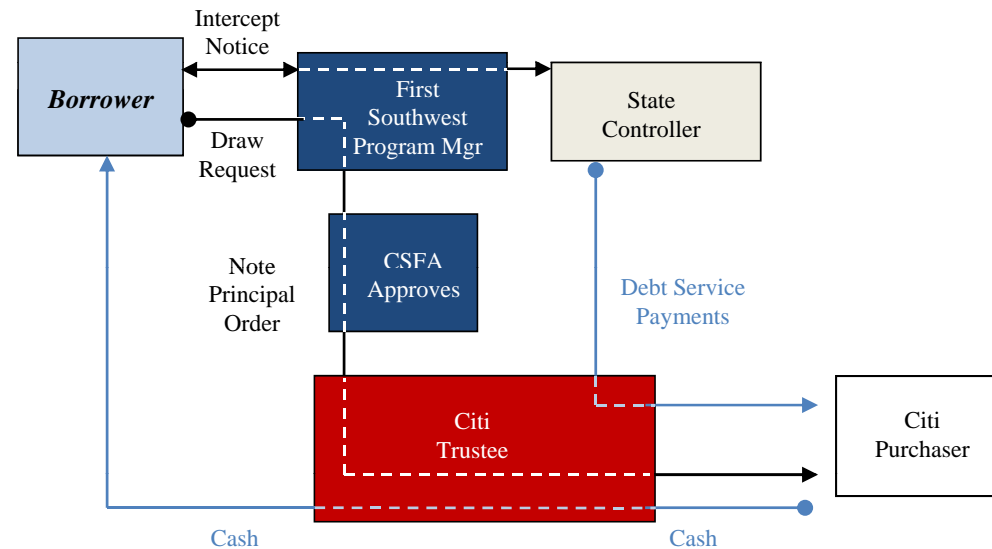
Comparison of Program Loan to Deferral Sale -- Estimated All Inclusive Rates

Based on Estimated All Inclusive Rates (“AIR”) including all costs for both alternatives, the Program Loan is expected to provide the lower funding cost for all but the smallest loan sizes



How it Works and Legal Considerations

- Intercept Notice and the State Controller
- Draw Mechanics



- Legal Considerations:
 - Resolution
 - Loan Agreement
 - Indenture
 - Program Management Agreement
 - Note Purchase Agreement
 - Opinion of Borrower's Counsel

How to Apply

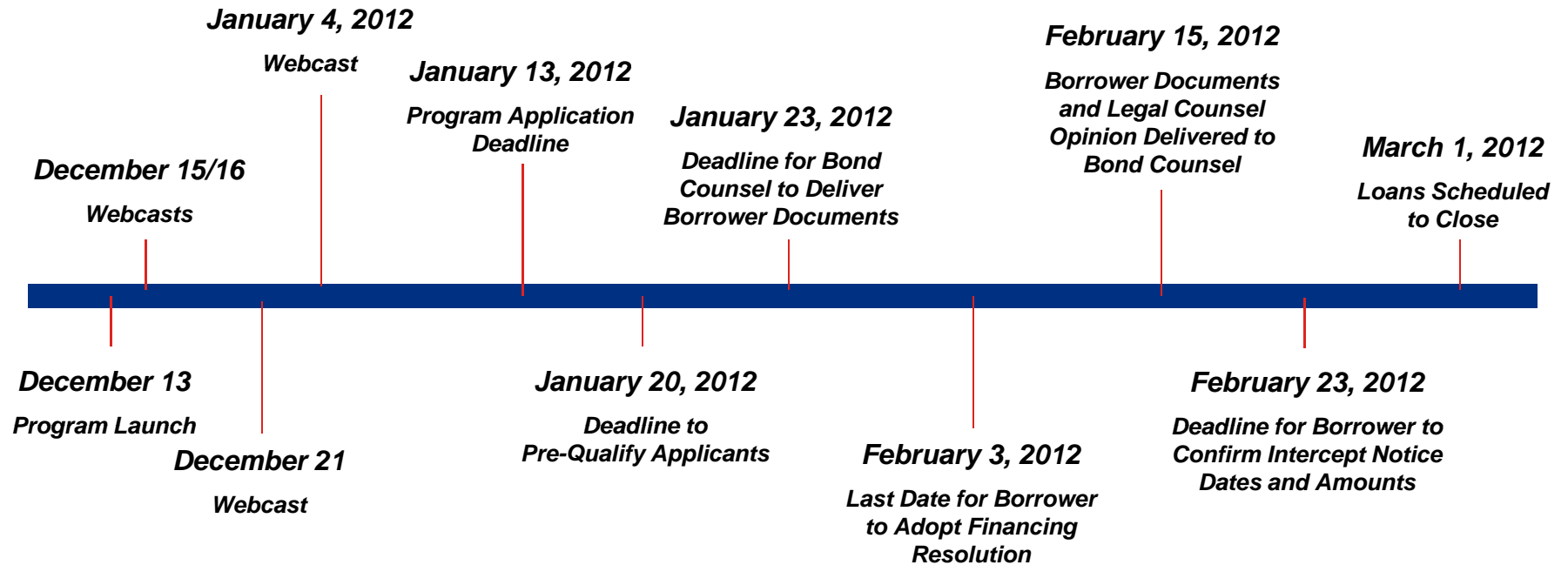
A three-step application to be completed online will determine each school's eligibility

Step	Required Information
1. Charter Information & Contacts	<ul style="list-style-type: none">• Name and address of charter school• School CDS code and charter number• Names of charter authorizer and domiciled district (if different)• Dates of school opening and expiry of current charter• Name of CMO, if applicable¹• Primary and working contact information• Names and titles for persons authorized to sign documents
2. School Statistics	<ul style="list-style-type: none">• P-1 Attendance Report
3. Financial Information	<ul style="list-style-type: none">• First interim budget report for 2011-12• Audited financial statements for 2010-11, if available 2009-10 and 2008-09• Terms of existing debt including summary of collateral pledge, financial reporting requirements and covenants

- To apply, go to: www.charterschoolfunding.org
- For Free and Reduced Meal Program data, go to: <http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp>

¹Application data must be provided for each school managed by a CMO

Program Timeline



Program Contact Information

First Southwest Company <i>Program Manager</i>	Mike Kremer (310) 401-8050 michael.kremer@firstsw.com Phil Curls (310)401-8050 phillip.curls@firstsw.com
Citi <i>Note Purchaser</i>	Betina Dowdell (212) 723-5960 betina.dowdell@citi.com Stephen Field (213) 486-7197 stephen.field@citi.com
California School Finance Authority <i>Note Issuer</i>	Katrina Johantgen (213) 620-2305 katrina.johantgen@treasurer.ca.gov
Orrick, Herrington & Sutcliffe <i>Bond Counsel</i>	Bill Bothwell (213) 612-2403 wbothwell@orrick.com Kevin Hale (213) 612-2356 khale@orrick.com

First Southwest Company Disclosure

Disclaimer: This material is intended for issuers for educational and informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this data was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute First Southwest Company views as of the date of the report and are subject to change without notice. This data represents historical information only and is not an indication of future performance.

First Southwest Company ("FirstSouthwest") is providing the information contained in this document for discussion purposes only. FirstSouthwest's financial and other interests may differ from those of the California School Finance Authority (the "Authority") and Borrowers in the 2011-12 Charter School Working Capital Note Program (the "Program"), and therefore, FirstSouthwest will not serve as a municipal advisor, financial advisor, or fiduciary to the Authority, any Borrower or any other person or entity on such transaction, regardless of whether FirstSouthwest or its representatives or affiliates have advised or are advising any such parties on other matters. The information provided herein is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities and Exchange Act of 1934. The Authority and any Borrower should consult with its own financial, municipal, legal accounting, tax and/or other advisors, as applicable, to the extent it deems appropriate. If the Authority and any Borrower would like a municipal advisor that has legal fiduciary duties to thereto, the Authority and any Borrower should consider engaging a municipal advisor to serve in that capacity. FirstSouthwest will not have any duties or liability to any person or entity in connection with the information being provided herein. The information provided in this document is indicative only and constitutes our judgment as of this date based on current market conditions and other information available to us.

Citigroup Disclosure

Components of this presentation have been prepared by individual personnel of Citigroup Global Markets Inc., Citigroup Global Markets Limited or their subsidiaries or affiliates (collectively, "Citi"). Such employees are not research analysts and are not subject to SEC or FSA rules designed to promote the independence of research and research analysts and accordingly may receive compensation related to securities or products to which these materials relate. These materials may contain general market commentary and excerpts of research; however they are not intended to constitute investment research, a research recommendation, research analysis or a research report for purposes of such rules.

The provision of information in this presentation is not based on your individual circumstances and should not be relied upon as an assessment of suitability for you of a particular product or transaction. Even if Citi possesses information as to your objectives in relation to any transaction, series of transactions or trading strategy, this will not be deemed sufficient for any assessment of suitability for you of any transaction, series of transactions or trading strategy.

This presentation is provided for information purposes and is intended for your use only. Except in those jurisdictions where it is impermissible to make such a statement, Citi hereby informs you that this presentation should not be considered as a solicitation or offer to sell or purchase any securities or other financial products. This presentation does not constitute investment advice and does not purport to identify all risks or material considerations which should be considered when undertaking a transaction. Citi makes no recommendation as to the suitability of any of the products or transactions mentioned. Any trading or investment decisions you take are in reliance on your own analysis and judgment and/or that of your advisors and not in reliance on us.

Certain transactions, including those involving swaps and options, give rise to substantial risk including the potential loss of the principal amount invested, and are not suitable for all investors. In connection with this Transaction, Citi will be acting solely as a principal and in its own best interests, and not as your agent, advisor, account manager or fiduciary. Citi has not assumed a fiduciary responsibility with respect to this Transaction, and nothing in this Transaction or in any prior relationship between you and Citi will be deemed to create an advisory, fiduciary or agency relationship between us in respect of this Transaction. You should consider carefully whether you would like to engage an independent advisor to represent or otherwise advise you in connection with this Transaction, if you have not already done so. Citi does not provide investment, accounting, tax, financial or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your independent advisors. Therefore, prior to entering into any transaction, you should determine, without reliance on Citi, the economic risks or merits, as well as the legal, tax and accounting characteristics and consequences of the transaction and that you are able to assume these risks.

This presentation is not intended to forecast or predict future events. Past performance is not a guarantee or indication of future results. Any estimates and opinions included herein constitute Citi's judgment as of the date hereof and are subject to change without any notice.

This presentation may contain "forward-looking" information. Such information may include, but not be limited to, projections, forecasts or estimates of cash flows, yields or return, scenario analyses and proposed or expected portfolio composition. Any forward-looking information is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein or can be ascertained at this time). It does not represent actual termination or unwind prices that may be available to you. Actual events or conditions are unlikely to be consistent with, and may differ significantly from, those assumed. Illustrative performance results may be based on mathematical models that calculate those results by using inputs that are based on assumptions about a variety of future conditions and events and not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results may vary and the variations may be substantial. The products or securities identified in any of the illustrative calculations presented herein may therefore not perform as described and actual performance may differ, and may differ substantially, from those illustrated in this material. When evaluating any forward looking information you should understand the assumptions used and, together with your independent advisors, consider whether they are appropriate for your purposes.

Any securities or other financial products described herein may be subject to fluctuations of their mark-to market price or value. Such fluctuations may be substantial, depending on the type of securities or other financial products and the financial environment. In addition certain securities described in the presentation may provide for payments linked to or derived from prices or yields of one or more securities or other instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of and the amounts payable with respect to such securities prior to or at redemption. You should consider the implication of such fluctuation with your independent accounting, tax and risk advisors.

Citi shall have no liability to you, the user or to third parties, for the quality, accuracy, timeliness, continued availability or completeness of the data nor for any special, direct, indirect, incidental or consequential loss or damage which may be experienced because of the use of the information in this presentation or otherwise arising in connection with this presentation, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to Citi that may not be excluded or restricted. These materials are intended for distribution solely to customers of Citi in jurisdictions where such distribution is permitted. The information contained herein is proprietary information of Citi and may not be reproduced or otherwise disseminated in whole or in part without Citi's prior written consent.

Citi often acts as (i) a market maker; (ii) an issuer of financial instruments and other products; and (iii) trades as principal in many different financial instruments and other products, and can be expected to perform or seek to perform investment banking and other services for the issuer of such financial instruments or other products. The author of this presentation may have discussed the information contained therein with others within or outside Citi and the author and/or such other Citi personnel may have already acted on the basis of this information (including by trading for Citi's proprietary accounts or communicating the information contained herein to other customers of Citi). Citi, Citi's personnel (including those with whom the author may have consulted in the preparation of this presentation), and other customers of Citi may be long or short the financial instruments or other products referred to in this Presentation, may have acquired such positions at prices and market conditions that are no longer available, and may have interests different from or adverse to your interests.

Although Citibank, N.A. (together with its subsidiaries and branches worldwide, "Citibank") is an affiliate of Citi, you should be aware that none of the financial instruments or other products mentioned in this presentation (unless expressly stated otherwise) are (i) insured by the Federal Deposit Insurance Corporation or any other governmental authority, or (ii) deposits or other obligations of, or guaranteed by, Citibank or any other insured depository institution.

IRS Circular 230 Disclosure: Citi and its employees are not in the business of providing, and do not provide, tax or legal advice to any taxpayer outside of Citi. Any statements in this presentation regarding tax matters were not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

©2011 Citigroup Global Markets Inc. Member SIPC. All rights reserved. Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.