

\$7,500,000
California School Finance Authority
School Facility Variable Rate Demand Revenue Bonds
(Camino Nuevo - 3500 West Temple LLC Project), Series 2013

EXECUTIVE SUMMARY
RESOLUTION 13-52

Borrower/Owner:	3500 West Temple LLC (“Borrower”)
Sole Member of Borrower:	Pueblo Nuevo Development, Camino Nuevo Charter Academy, or Grupo Nuevo Los Angeles
Project Users:	Camino Nuevo Charter Academy (“CNCA”) which operates Camino Nuevo High School #2 (the “Charter School”)
Loan Amount:	Not to exceed \$7,500,000
Expected Issuance:	December 20, 2013
Project:	The bond proceeds will be used by the Borrower to finance and refinance the acquisition, construction, improvement and equipping the property for the benefit of the Charter School
Bond Type:	School Facility Variable Rate Demand Revenue Bonds (the “Bonds”)
Project Location:	3500 West Temple St., Los Angeles, California
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Est. Annual Payment:	Approximately \$528,000
Expected Rating:	Nonrated
Structure:	Term Bonds amortized over 20 years with mandatory tender on January 1, 2024
Sale Method:	Privately Placed
Financial Advisor:	BLX Group LLC
Bond Purchase:	Wells Fargo Bank, N.A.
Bond Counsel:	Orrick, Herrington and Sutcliffe LLP

I. Background and Project

Camino Nuevo High School opened in 2004 in a temporary location while its permanent facility was under construction. CNCA purchased the property at 3500 West Temple from a third party in 2004 for \$3.1 million, and granted a long-term ground lease for \$1 per year to Pueblo Nuevo Development (PND) (Camino's development and real estate arm). In March 2006, PND obtained an \$8 million construction loan from Los Angeles Charter School New Markets Community Development Entity (LACSNM), a new markets tax credit fund created by ExED, in which Citibank is the lead investor. Between March 2006 and March 2007, PND oversaw construction of the building, funded through monthly construction disbursements. In March 2007, upon completion of construction, LACSNM's loan was converted to fixed rate at 5.9%, amortized over 25 years, with a balloon payment due on April 1, 2014. At that time the property was transferred from PND to 3500 West Temple LLC, to meet LACSNM's requirement that title be held in a special purpose entity. To enable 3500 West Temple LLC to make payments on the fixed rate loan, the school has been leased to CNCA for \$630,324 per year. The outstanding principal balance on the LACSNM loan is \$6,854,375 on December 1, 2013. There is no other debt on the property. The loan matures in April of 2014 but LACSNM has agreed to accept payment on or after 10/31/2012. If the loan is paid before the scheduled maturity, LACNSM will also charge a convenience fee of \$22,500 to recoup costs it incurred to facilitate early repayment by its borrowers. The new financing will again be obtained by PND's special purpose entity 3500 West Temple LLC, supported by a lease from CNCA. CNCA will subordinate its ground lease to the new financing.

The Authority proposes to issue its School Facility Variable Rate Demand Revenue Bonds (Camino Nuevo - 3500 West Temple LLC Project), Series 2013 (the "Bonds") in amount not-to-exceed \$7,500,000. The proceeds of the Bonds shall be used to finance and refinance the costs of the acquisition, construction, rehabilitation, equipping, installation, improvement and/or furnishing of charter school facilities for Camino Nuevo High School #2.

II. The Borrower and the Lessee

The proceeds of the Bonds will be loaned to the Borrower, the sole member of which is Pueblo Nuevo Development, a California nonprofit public benefit corporation and the Facility will be leased to Camino Nuevo Charter Academy, a California nonprofit public benefit corporation (the "Lessee"), pursuant to a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower. In addition to Pueblo Nuevo Development serving as the sole member, Camino Nuevo Charter Academy or Grupo Nuevo Los Angeles may also serve as sole members.

Camino Nuevo Charter Academy is a 501(c)(3) nonprofit, public benefit corporation with 501(c)(3) status. Consisting of five academies, Camino Nuevo Charter Academy (CNCA) is a charter management organization that operates Camino Nuevo Charter Academy (Burlington), Camino Nuevo Charter Academy #2 (Harvard), Camino Nuevo Charter Academy #3 (Jose A. Castellanos Elementary Campus), Camino Nuevo Charter Academy #4 (Sandra Cisneros Learning

Academy), and Camino Nuevo Charter High School (CNCHS). CNCA was founded in August 2000 by Pueblo Nuevo Development, a nonprofit community development corporation in the MacArthur Park neighborhood west of downtown Los Angeles, to promote access to schools with high student achievement. CNCA first opened a K-5 campus in 2000 and then opened its middle school campus in 2001. CNCA operates multiple sites in a focused geographical region just west of downtown Los Angeles, the MacArthur Park and Mid-Wilshire Koreatown Neighborhoods. The student population is drawn from the poorest quartile of minority residents in Los Angeles in the most densely populated communities. The census tract for the area reveals that this is one of the most overcrowded neighborhoods for high school students in the City of Los Angeles, and 96% of the households are renters. Approximately 97% of the overall CNCA student body is eligible for Free/Reduced Priced Lunch. At CNCHS, in particular, 96% of students are eligible for Free/Reduced Lunch. The students and their families are challenged by limited English proficiency, with the percentage of English Learners averaging 30% in grades 9-12. An estimated 81% of students live at or below the poverty rate.

CNCA is led by CEO Ana Ponce who was recognized by Forbes (November 5, 2011) as one of the seven most powerful educators in the world. CNCA's board consists of experts in the areas of entertainment, education, investment, public affairs, and non-profit organizations.

III. Bond and Swap Features

This financing includes a number of features that require highly customized legal documentation. In addition to its being a private placement to Wells Fargo Bank (the "Bank"), these Bonds will have a number of optional interest rate modes established under the Indenture. These Modes include a weekly rate mode, a flexible rate mode, a fixed rate mode and an index rate mode. The Bonds will bear interest linked to the LIBOR One Month Interest Rate. The Bank currently intends to hold the Bonds, subject to the terms of the Loan Agreement and the Indenture through January 1, 2024. The first interest period, through January 1, 2014, will be indexed at a percentage of the LIBOR One Month rate. As the index rate changes, so will the rate of interest on the Bonds, up to the maximum lawful rate of 12% per annum.

To mitigate the risk to the Borrower of the variable interest rates on the Bonds, the Borrower has elected to enter into an interest rate swap agreement (the "Swap Agreement") with Wells Fargo Bank as the counterparty (in this capacity, the "Swap Provider"). The Swap Agreement will require that during its term, the Swap Provider pay a percentage of the LIBOR One Month rate (the same percentage as the bonds) to the Borrower, while the Borrower pays a fixed rate to the Swap Provider. The current all-in interest rate for the combined Bonds and Swap Agreement, payable by the Borrower, is currently estimated to be 3.944% per annum for ten years. The Indenture and the Loan Agreement provide that payments made by the Swap Provider are a full credit against Loan Payments otherwise due from the Borrower. *The Authority is not a party to the Swap Agreement and has no obligations thereunder.*

As currently contemplated, the Swap Agreement is terminable by the Borrower at its option beginning on the Agreement's fifth anniversary and at any point during the next five years, without penalty or premium. The Borrower also may request termination at any time during the term of the Swap Agreement, but may be obligated to pay a Termination Fee to the Swap Provider depending on the then-current interest rates. However, the obligation to pay a Termination Fee under such circumstances would only occur if the interest rates were lower at the time of Termination than when the Swap Agreement is executed. The current One Month LIBOR Interest Rate is 0.16%.

IV. Financial Structure

The California School Finance Authority School Facility Variable Rate Demand Revenue Bonds (Camino Nuevo - 3500 West Temple LLC Project), Series 2013, in the aggregate principal amount of not to exceed \$7,500,000 (the "Series 2013 Bonds" or the "Bonds") will be issued by the California School Finance Authority (the "Authority") pursuant to an Indenture of Trust (the "Indenture"), by and between the Authority and Wells Fargo Bank, N.A. as trustee (the "Trustee"). The Authority will loan the proceeds of the Bonds to the Borrower. Interest on the Bonds is expected to be payable monthly on the first day of each month commencing January 1, 2014. As noted above, the Bonds will have a variable interest rate, but due to the Swap Agreement being entered into between Wells Fargo and the Borrower, the actual rate will be in a fixed mode for the first ten years (the term of the Swap Agreement).

V. Security and Source of Payment

The Series 2013 Bonds and the interest thereon are payable solely from certain revenues derived by the Authority under the Loan Agreement and from certain funds and accounts established and maintained under the Indenture. Under the Indenture, the Authority assigns to the Trustee, and to its successors in trust, and its and their assigns, all right, title and interest of the Authority in and to (a) the Revenues, including, without limitation, all Loan Repayments and other amounts receivable by or on behalf of the Authority under the Loan Agreement in respect of repayment of the Loan and all monies and investments in the funds and accounts established pursuant to the Indenture except monies on deposit in the Rebate Fund; (b) the Loan Agreement, except for the Retained Authority Rights; (c) the Deed of Trust; and (d) the Lease.

The obligations of the Borrower to make Loan Repayments and Additional Payments under the Loan Agreement are absolute and unconditional. However, the expected sole source of funds for such Loan Repayments and Additional Payments is payments made by the Charter School to 3500 West Temple under the Lease. The Charter School's obligation to pay Rent under the Lease is a special obligation limited solely to the Gross Income of the Charter Schools. The Charter School will not make payments under the Loan Agreement separate from payments made under the Lease.

VI. Preliminary Sources and Uses

Sources & Uses	
Dated 12/20/2013 Delivered 12/20/2013	
Sources Of Funds	
Par Amount of Bonds	\$7,245,000.00
Cash from Borrower	133,771.29
Total Sources	\$7,378,771.29
Uses Of Funds	
Pay-off Loan (includes \$22,500 Convenience Fee)	6,910,575.29
Costs of Issuance	275,000.00
Reimbursement - CNCA HS Capital Improvements	193,196.00
Total Uses	\$7,378,771.29

VII. Borrower Financial Data

The Borrower is a limited liability company, the sole member of which is Pueblo Nuevo Development. Pueblo Nuevo Development has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code. The Borrower is a single purpose entity with no assets other than the Facilities and its rights under the Lease, which have been assigned to the Trustee. The Borrower was formed for the purpose of owning the Facilities and may not have any other assets or revenue available to it to make payments due under the Loan Agreement. Attached as Exhibit A is a schedule of the Camino Nuevo High School #2's 5-year budget.

VIII. Due Diligence Undertaken to Date

No information was disclosed that questions the financial viability or legal integrity of the Borrower. Standard opinions of counsel to the Borrower (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. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, the following sales restrictions will be in place for the 3500 West Temple LLC financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>. The following bond issuance guidelines apply to this transaction: 1) the bonds shall have minimum authorized

denominations of \$250,000; and 2) subsequent transfers of bonds will be limited to Qualified Institutional Buyers.

X. Staff Recommendation

Staff recommends CSFA approve Resolution Number 13-52 in an amount not to exceed \$7,500,000 for 3500 West Temple, LLC.

Exhibit A
5 Year Budget Projections
(Camino Nuevo High School #2)

Camino Nuevo High School No. 2
Projected Revenues, Expenses, and Debt Service Coverage

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Revenue:					
Charter Schools General Purpose - State Aid	\$2,023,284	\$2,747,619	\$2,852,092	\$2,970,395	\$3,074,674
Education Protection	473,999	640,520	661,404	684,922	704,785
In-Lieu of Property Taxes	465,209	615,110	620,279	625,448	625,448
Federal Revenue	370,210	489,500	545,480	550,042	551,981
State Revenue	525,980	695,349	705,746	711,397	711,397
Other/Local	350,046	61	62	64	64
Total Revenue	\$4,208,728	\$5,188,159	\$5,385,063	\$5,542,268	\$5,668,349
Expenses:					
Certified Salaries	\$1,558,360	\$1,832,483	\$1,870,229	\$1,907,114	\$1,941,662
Classified Salaries	270,220	272,923	281,110	286,733	292,467
Employee Benefits	438,192	472,656	480,647	488,136	495,517
Supplies	310,546	372,973	378,543	384,181	387,352
Travel/Conference and Dues/Memberships	40,371	43,938	44,913	45,910	46,829
Housekeeping Services	69,092	63,844	65,121	66,423	67,752
Electricity/Gas/Water/Waste	88,470	116,358	119,605	122,934	125,392
Rent - Facilities/Buildings/Space (1)	645,532	645,532	645,532	645,532	645,532
Equipment Lease	33,183	33,846	34,523	35,214	35,918
Vendor Repairs	30,118	40,619	41,780	42,970	43,830
Transportation	39,200	39,984	40,784	41,599	42,431
Consultants	84,298	90,025	91,968	93,952	95,831
Special Ed Fair Share	99,522	164,488	199,044	234,153	234,153
Telephone/Internet/Postage/Fees/Advertise	20,648	22,014	22,453	22,903	23,362
District Oversight Fee	29,625	40,032	41,338	42,808	44,049
Depreciation	37,786	16,932	14,810	11,612	4,841
Indirect Costs	379,359	510,203	529,821	545,469	558,077
Total Expenses	\$4,174,522	\$4,778,850	\$4,902,221	\$5,017,643	\$5,084,995
Net Income	\$34,206	\$409,309	\$482,842	\$524,625	\$583,354
Adjustments:					
Facilities - Loan Payments Refinanced	\$323,693	\$612,674	\$612,674	\$612,674	\$612,674
Depreciation	37,786	16,932	14,810	11,612	4,841
Available for Debt Service	\$395,685	\$1,038,915	\$1,110,326	\$1,148,911	\$1,200,869
New Debt Service Payments	\$262,733	\$525,466	\$525,466	\$525,466	\$525,466
Fiscal Year Debt Service Coverage	1.51	1.98	2.11	2.19	2.29
Maximum Fiscal Year Debt Service Coverage	0.75	1.98	2.11	2.19	2.29

(1): Each year includes \$612,674 for loan payments on the loan that is being refinanced.