

**\$32,000,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY**  
**CHARTER SCHOOL REVENUE BONDS**  
**(ROCKETSHIP EDUCATION - MULTIPLE PROJECTS)**  
**SERIES 2016A (TAX-EXEMPT) AND 2016B (TAXABLE)**  
**EXECUTIVE SUMMARY**  
**RESOLUTION 15-37**

<b>Borrower</b>	Launchpad Development Company, a CA nonprofit public benefit corporation
<b>Owner of Facilities:</b>	Launchpad Development One LLC, Launchpad Development Ten LLC, and Launchpad Development Sixteen LLC, the sole member of each of which is Launchpad Development Company
<b>Project User:</b>	Rocketship Education (Rocketship Franklin-McKinley Elementary School - Senter Road, Rocketship Spark Academy and Rocketship Mateo Sheedy Schools)
<b>Loan Amount:</b>	Not to exceed \$32,000,000
<b>Expected Issuance:</b>	January 2016
<b>Project:</b>	To finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the land and facilities
<b>Bond Type:</b>	Charter School Revenue Bonds (Tax-Exempt and Taxable Bonds)
<b>Project Location:</b>	3167 Senter Road, San Jose; 683 Sylvandale Ave., San Jose, CA; 788 Locust Street, San Jose, CA
<b>County:</b>	Santa Clara County
<b>Districts in which Project is Located:</b>	Franklin-McKinley Elementary School District;
<b>Charter Authorizer:</b>	Franklin-McKinley Elementary School District;
<b>Est. Annual Payment:</b>	\$2,217,500
<b>Anticipated Rating:</b>	Non-rated
<b>Sale Method:</b>	Limited Public Offering
<b>Underwriter:</b>	Stifel, Nicolaus & Company, Incorporated
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP

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**I. Use of Bond Proceeds**

The purpose of the proposed financing is to finance and/or refinance the costs of acquisition, construction, renovation, improvement and equipping of public charter school facilities located in San Jose, California, owned or to be owned by Launchpad Development One LLC (“LLC1”), Launchpad Development Ten (“LLC10”), and Launchpad Development Sixteen (“LLC16”) (each an “Owner”) and leased to Rocketship Education, a California nonprofit public benefit corporation (“Rocketship”), for use and occupancy by the Schools (the “Facilities”).

School Site	Location	Purpose	Amount
Rocketship Mateo Sheedy (RMS)	788 Locust Street, San Jose, CA 95110	Land purchase from Landlord	\$3,407,500
Rocketship Spark Academy (RSK)	683 Sylvandale Ave, San Jose, CA 95111	Take-out of Turner-Agassi sub-sublease	\$8,447,392
Rocketship Franklin-McKinley (RSFM)	3167 Senter Road, San Jose, CA 95111	Acquisition and construction	\$14,000,000
<b>Total Estimated Project Costs</b>			<b>\$25,854,892</b>

Rocketship Mateo Sheedy (RMS): Rocketship is currently leasing the land on which the RMS facility is located from a non-profit ground lessor, Center for Employment Training (“CET”). The facility is located at 788 Locust Street in San Jose, CA on a 1-acre parcel of land. The facility includes a single-story administrative and computer lab building, a single-story cafeteria for food service, and a two-story classroom building. Outdoor features of the facility include open play areas, a playground structure, a small parking lot and a shade structure that may be used as multi-purpose space. A portion of the 2016 Bond proceeds will facilitate the acquisition of the 1.0 acre of land where the school is located as well as an additional and contiguous 0.55-acre parking lot that includes approximately 30 additional parking spaces to be utilized by staff. The purchase price to buy the land from CET is approximately \$3.4 million. A portion of the bond proceeds may also be used for the renovation, improvement and equipping of the RMS facility or the refinancing of the CSFA Charter School Revenue Bonds (Rocketship Education – Mateo Sheedy Project) Series 2015A & Series 2015B (Taxable) (the “RMS Project”). The current RMS school facilities were originally financed by a CDFI (nonprofit) lender loan, which was subsequently refinanced by the \$6,385,000 California School Finance Authority Charter School Revenue Bonds (Rocketship Education – Mateo Sheedy Project) Series 2015A & 2015B (Taxable)

Rocketship Spark Academy (RSK): The RSK Facility is located at 683 Sylvandale Avenue in San Jose, CA and was originally financed in 2013 through a sublease/sub-sublease structure with the Canyon-Agassi Charter School Facilities Fund (now Turner-Agassi Charter School Facilities Fund) (“Canyon”). RSK has the option to terminate the sub-sublease with Canyon at a termination price of \$8.45 million if terminated before July 2016 (the termination price escalates if done later). The sub-sublease is expected to be refinanced by a portion of the bond proceeds (the “RSK Project”).

Rocketship Franklin-McKinley Elementary School - Senter Road (RSFM): A new campus for Rocketship’s third school in the Franklin McKinley School District will be developed at 3167 Senter Road in San Jose, CA. The school is scheduled to open in August 2016. The land was acquired by Launchpad Development Sixteen LLC on October 1, 2015 and consists of approximately 1.66 acres of land. The land will be improved with a single-story administrative building and a two-story classroom building totaling approximately 22,000 SF. The campus will also include outdoor play areas, a play structure, a shade structure and a parking lot. A portion of the bond proceeds will be used to finance and/or reimburse LLC16 for the approximately \$14 million costs of new construction of the school building and parking/land acquisition costs incurred (the “RSFM Project”, together with the RMS Project, and the RSK Project: the “Project”).

**II. The Project User and the Borrower**

**The Borrower:** Launchpad Development Company (the “Borrower”), is a California nonprofit public benefit corporation, that supports Rocketship Mateo Sheedy Elementary, Rocketship Spark Academy, and Rocketship Franklin-McKinley Elementary School (collectively, the “Schools”), each a charter school organized under California Education Code (“EC”) 47600 et seq.

In 1999, officials from Santa Clara University asked Father Mateo Sheedy, Pastor of Sacred Heart Parish in San Jose, to recommend children from his parish for the Juan Diego Scholarship program. Father Mateo conducted an exhaustive search to find candidates who could attend and succeed at this four-year college, but he was unable to find a single qualified student. He was appalled that, of the hundreds of children in his parish, none had received the education necessary to attend Santa Clara University. Father Mateo immediately began researching ways to solve this problem. He soon became convinced that the public schools around his parish were failing to educate the students in his church. He decided that the children of the parish needed to have an alternative to their neighborhood district school. Father Mateo's vision brought a full K-12 alternative path to downtown San Jose through the following schools: Rocketship Mateo Sheedy Elementary School (K-5), Sacred Heart Nativity School (6-8), and Downtown College Preparatory (9-12).

In its first year of operation, Rocketship Education's first school, Rocketship Mateo Sheedy Elementary School became the highest ranked low-income elementary school in Santa Clara County and the seventh ranked school in California. This caused an enormous demand from parents in other parts of Santa Clara County for Rocketship Education to open additional schools. Based on the success of Rocketship Mateo Sheedy Elementary School, the founders decided to expand Rocketship Education to serve other schools in the most troubled neighborhoods in San Jose. Rocketship Education believes that it has taken the successful model pioneered at Rocketship Mateo Sheedy Elementary School and translated it into the critical systems necessary for successful replication. Rocketship Education will provide each Rocketship school with systems and support for Curriculum, Finance, Legal, Learning Lab, and Human Resources.

By capturing the best practices from Rocketship Mateo Sheedy Elementary School, Rocketship Education believes that each Rocketship school can avoid many of the startup hurdles faced by most charter schools and quickly produce strong academic results and a solid school culture by focusing on the key levers which drive student achievement. Rocketship Education believes that its model is fundamentally different from other elementary schools in five important ways: an extended school day, high expectations, teacher teaming, deep community involvement, and individualization for each student.

Rocketship Education is designed to serve students who are or may be at risk of achieving below basic proficiency on state exams. Rocketship Education intends to attract children of parents who are seeking an alternative to their current educational system, who desire an innovative educational approach, and who share the vision of Rocketship Education. Rocketship Education anticipates that it will enroll primarily students from schools which are undergoing program improvement ("PI") in conjunction with the Federal No Child Left Behind regulations.

**The Project User:** Rocketship Mateo Sheedy received its original charter (CDS Code: 43 10439 0113704) in 2007 from the Santa Clara County Office of Education ("SCCOE") to operate a Grade K-5 school. In 2010, the SCCOE approved the school's charter renewal petition. The current charter will expire on June 30, 2020. Rocketship Spark Academy received its original charter in 2012 from the Franklin-McKinley Elementary School District to operate a Grade K-5 school. The current charter will expire on June 30, 2016. Rocketship Franklin-McKinley Elementary School received its original charter on June 17, 2015 from the Santa Clara County Office of Education to operate a Grade K-5 school. The current charter will expire on June 30, 2021.

### **III. Financial Structure**

The Bonds will be issued in two series: (1) Series A (tax-exempt) will be approximately \$29,105,000, and (2) Series B (taxable) will be approximately \$590,000. The Bonds will have a final maturity of June 1, 2046. The Bonds are expected to be interest only through June 1, 2017 (the first principal payment will be June 1, 2017). Interest is expected to be capitalized through June 1, 2016.

The Bonds will be issued pursuant to an Indenture, by and between the Authority and Wells Fargo Bank, National Association, Los Angeles, California, as trustee. The Bonds will accrue interest payable semiannually on June 1 and December 1 of each year, commencing June 1, 2016 and will be subject to optional, mandatory and extraordinary redemption prior to maturity. The proceeds of the Bonds will be loaned to Launchpad Development Company, a California nonprofit public benefit corporation (the "Borrower"), pursuant to a Loan Agreement.

The facilities financed with proceeds of the Bonds will be leased to Rocketship Education, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 pursuant to certain leases by and between Rocketship Education and certain California limited liability companies, the sole member of each of which is the Borrower.

### **IV. Security and Source of Payment**

Rocketship Education will pay rent under each lease solely from revenues derived from or attributable to the charter schools operated in the financed facilities. The Bonds will be payable solely from Loan Repayments made by the Borrower solely from the rents payable by the Schools under the leases. In addition, the Borrower, and certain other limited liability companies the sole member of which is the Borrower, are party to a master trust indenture pursuant to which the Borrower may from time to time guarantee debt obligations of the Borrower secured by the joint and several obligations of the parties to the master trust indenture (the "Obligated Group"). Launchpad Development One LLC will become parties to the master trust indenture in order for the Borrower's payment obligations with respect to the Bonds to be guaranteed by the Obligated Group. A shortfall in payment of Base Rent when due from any charter school that occupies a facility owned by a member of the Obligated Group will result in additional Rent payments becoming due from the remaining charter schools.

Payment of management fees to the Borrower and to Rocketship Education from the revenues of such charter schools will be subordinated to the obligation to pay Base Rent under the leases.

### **V. Preliminary Sources and Uses/Cost of Issuance**

Below are the preliminary sources and uses, and detailed information about the costs of issuance for board consideration.

### Estimated Sources & Uses

Sources:	Series 2015A (Tax-Exempt)	Series 2015B (Taxable)	Total
<b>Bond Proceeds:</b>			
Par Amount	\$29,105,000.00	\$590,000.00	\$29,695,000.00
<b>Uses:</b>			
Uses:	Series 2015A (Tax-Exempt)	Series 2015B (Taxable)	Total
<b>Project Fund Deposits:</b>			
Rocketship Mateo Sheedy (RMS)	\$3,407,500.00	\$0.00	\$3,407,500.00
Rocketship Spark Academy (RSK)	\$8,447,392.00	\$0.00	\$8,447,392.00
Rocketship Franklin-McKinley (RSFM)	\$14,000,000.00	\$0.00	\$14,000,000.00
	<b>\$25,854,892.00</b>	<b>\$0.00</b>	<b>\$25,854,892.00</b>
<b>Other Fund Deposits:</b>			
Debt Service Reserve Fund	\$2,174,666.40	\$44,083.60	\$2,218,750.00
Capitalized Interest	\$490,136.28	\$11,525.49	\$501,661.77
	<b>\$2,664,802.68</b>	<b>\$55,609.09</b>	<b>\$2,720,411.77</b>
<b>Delivery Date Expenses:</b>			
Cost of Issuance	\$233,334.11	\$213,796.64	\$447,130.75
Underwriter's Discount	\$348,665.92	\$319,471.58	\$668,137.50
	<b>\$582,000.03</b>	<b>\$533,268.22</b>	<b>\$1,115,268.25</b>
<b>Other Uses of Funds:</b>			
Contingency	\$3,305.29	\$1,122.69	\$4,427.98
<b>Total</b>	<b>\$29,105,000.00</b>	<b>\$590,000.00</b>	<b>\$29,695,000.00</b>

### Estimated Costs of Issuance

<u>Cost of Issuance:</u>	<u>Budgeted Amount</u>
<b>Issuer Fee</b>	\$30,801.75
<b>Agent-for-Sale Fee</b>	\$6,000.00
<b>Issuer Counsel Fee</b>	\$8,000.00
<b>Bond Counsel Fee</b>	\$120,000.00
<b>Borrower's Counsel Fee</b>	\$50,000.00
<b>Trustee Fee</b>	\$11,000.00
<b>Trustee's Counsel Fee</b>	\$5,000.00
<b>Financial Printer Fee</b>	\$7,500.00
<b><i>Miscellaneous COI (specify)</i></b>	
<b>Contingency</b>	\$25,000.00
<b>Underwriter's Counsel Fee</b>	\$95,000.00
Independent Consultant (VLS)	\$2,500.00
Appraisals	\$15,000.00
Title Insurance (First American)	\$35,634.00
<b>Total COI</b>	<b>\$411,435.75</b>

\*Cost of Issuance is based on Par Amount of \$29,695,000

## VI. Borrower Financial Data

Attached at Exhibit A is a schedule of Rocketship 5-year budget and enrollment for RMS, RSK, RSFM. Exhibit B includes 2015-16 budget data for Rocketship Education as an organization.

## VII. 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, is a 501(c)(3) organization, has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

## VIII. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, and given no bond rating, the following sales restrictions may apply to the *currently unrated* Rocketship financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$100,000 or \$250,000
2. Bonds will be privately placed or publicly offered initially and subsequently transferable only to QIB's (in minimum denominations of either \$100,000 or \$250,000) or Accredited Investors (in minimum denominations of \$250,000 only)
3. Bond purchasers will be required to execute an initial Investor Letter
4. Sales restrictions shall be conspicuously noted on bond and described in detail in offering materials, as well as in the bond documents
5. In accordance with Authority policy, one or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
  - a. Traveling Investor Letter; or
  - b. Higher minimum denominations of \$250,000; or
  - c. Physical Delivery; or
  - d. Limited initial sale to QIB's, with subsequent transfers limited to QIB's as well; or
6. Other investor protection measures Bond payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

## IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 15-37 in an amount not to exceed \$32,000,000.

**Exhibit A**  
**5-Year Budget Projections**

<b>Consolidated Net Income Projections - RMS, RSK, RSFM</b>					
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Grades	TK-5th	TK-5th	TK-5th	TK-5th	TK-5th
Enrollment	1,247	1,651	1,757	1,808	1,858
ADA	1,170	1,552	1,652	1,699	1,747
Teachers	36	47	50	52	53
<b>Revenue</b>					
Public Revenues	13,446,102	17,299,569	18,308,248	18,940,791	19,469,960
Philanthropy	75,000	75,000	75,000	75,000	75,000
Other	104,250	138,189	147,094	151,325	155,555
<b>Total Revenue</b>	<b>13,625,352</b>	<b>17,512,758</b>	<b>18,530,343</b>	<b>19,167,116</b>	<b>19,700,514</b>
<b>Expenses</b>					
Compensation	5,258,710	7,139,360	7,605,258	7,932,830	8,186,389
Other	3,163,905	4,544,741	4,409,950	4,479,926	4,551,396
Management Fee	1,842,321	2,338,947	2,537,793	2,627,650	2,702,002
Lease Expense	1,294,328	3,040,892	3,390,806	3,384,853	3,360,702
<b>Total Expenses</b>	<b>11,559,264</b>	<b>17,063,940</b>	<b>17,943,807</b>	<b>18,425,259</b>	<b>18,800,488</b>
<i>Adj. Facility Fee Write Off</i>	<i>(546,081)</i>	-	-	-	-
<b>Inc in Net Assets</b>	<b>2,612,169</b>	<b>448,818</b>	<b>586,535</b>	<b>741,857</b>	<b>900,026</b>
<i>EOP Cash</i>	<i>2,075,516</i>	<i>2,953,684</i>	<i>3,688,951</i>	<i>4,681,558</i>	<i>5,818,831</i>

**Exhibit B  
2015-16 Budget Data for Rocketship Education**

	RSED					RSED
	Bay Area	Milwaukee	Nashville	DC	National	
Public / Recurring Revenues	65,311	4,232	9,306	100	-	78,949
Philanthropy	338	186	278	2,100	5,899	8,800
Central Office Allocation Rev	2,811	186	396	-	6,785(10,177)	-
<b>Total Revenue</b>	<b>68,459</b>	<b>4,604</b>	<b>9,980</b>	<b>2,200</b>	<b>12,684</b>	<b>87,749</b>
Compensation	29,487	2,342	4,973	830	9,133	46,765
Other	16,673	1,406	3,511	338	3,749	25,677
Lease Expense	10,184	601	1,772	-	-	12,557
Central Office Allocation Fee	8,432	559	1,187	-	- (10,177)	-
<b>Total Expenses</b>	<b>64,776</b>	<b>4,907</b>	<b>11,444</b>	<b>1,168</b>	<b>12,883</b>	<b>84,999</b>
<b>Change in Net Assets</b>	<b>3,683</b>	<b>(303)</b>	<b>(1,464)</b>	<b>1,032</b>	<b>(198)</b>	<b>2,750</b>
<i>CINA w/out Philanthropy</i>	<i>3,346</i>	<i>(489)</i>	<i>(1,742)</i>	<i>(1,068)</i>	<i>(6,098)</i>	<i>(6,050)</i>
<b>EOP Cash</b>	<b>8,113</b>	<b>497</b>	<b>731</b>	<b>1,157</b>	<b>2,438</b>	<b>12,936</b>
<i>Cash Reserve</i>	<i>13%</i>	<i>10%</i>	<i>6%</i>	<i>99%</i>	<i>19%</i>	<i>15%</i>
<b>May Budget CINA</b>	<b>(341)</b>	<b>(314)</b>	<b>(775)</b>	<b>(68)</b>	<b>(169)</b>	<b>(1,667)</b>
<i>May Budget EOP Cash</i>	<i>6,147</i>	<i>498</i>	<i>1,051</i>	<i>317</i>	<i>2,108</i>	<i>10,122</i>

	RSED		
	FY15 Budget	FY15 Actual	FY16 Budget
<i>Enrollment</i>	<i>6,120</i>	<i>5,895</i>	<i>7,004</i>
Public / Recurring Revenues	60,206	60,482	78,949
Philanthropy	8,289	5,766	8,800
Central Office Allocation Rev	-	-	-
<b>Total Revenue</b>	<b>68,495</b>	<b>66,247</b>	<b>87,749</b>
Compensation	38,416	36,078	46,765
Other	19,582	20,839	25,677
Lease Expense	11,215	10,633	12,557
Central Office Allocation Fee	-	-	-
<b>Total Expenses</b>	<b>69,212</b>	<b>67,550</b>	<b>84,999</b>
<b>Change in Net Assets</b>	<b>(717)</b>	<b>(1,303)</b>	<b>2,750</b>
<i>CINA w/out Philanthropy</i>	<i>(9,006)</i>	<i>(7,069)</i>	<i>(6,050)</i>
<b>EOP Cash</b>	<b>10,217</b>	<b>11,032</b>	<b>12,936</b>
<i>Cash Reserve</i>	<i>15%</i>	<i>16%</i>	<i>15%</i>