

**\$40,000,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY**  
**CHARTER SCHOOL REVENUE BONDS**  
**(BRIGHT STAR SCHOOLS – OBLIGATED GROUP)**  
**Series 2017**

**EXECUTIVE SUMMARY**  
**RESOLUTION 17-31**

<b>Borrower/ Sole Member of Owners:</b>	Bright Star Education Group
<b>Owners:</b>	Bright Star Development Group – 9334 Lemona, LLC and BSDG 4115 MLK LLC
<b>Project Users:</b>	Bright Star Schools for use by Valor Academy High School and Stella Middle Charter Academy
<b>Loan Amount:</b>	Not to exceed \$40,000,000
<b>Expected Issuance:</b>	December 2017
<b>Project:</b>	The bond proceeds will be used by the Borrower to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of educational facilities for use by Bright Star Schools as operator of Valor Academy High School and Stella Middle Charter Academy
<b>Bond Type:</b>	Charter School Revenue Bonds (Tax-Exempt and Taxable Bonds)
<b>Project Location:</b>	Los Angeles, California
<b>County:</b>	Los Angeles County
<b>District in which Project is Located:</b>	Los Angeles Unified School District
<b>Charter Authorizer:</b>	Los Angeles Unified School District
<b>Est. Annual Payment:</b>	Approximately \$1.96 million
<b>Expected Rating:</b>	Rating TBD (Baa3 expected)
<b>Expected Structure:</b>	Term Bonds amortized over 36 years, with a final maturity date of June 1, 2054
<b>Sale Method:</b>	Public Offering
<b>Underwriter:</b>	Stifel, Nicolaus & Company, Inc.
<b>Trustee:</b>	Wilmington Trust, National Association
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP

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*\*Not to Exceed Amount*

## I. Use of Bond Proceeds / Project Information

The proceeds of the Bonds shall be used to make a loan to the Borrower for any or all of the following purposes: (1) to finance and/or refinance the costs (as defined in the Act) of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the charter school educational facilities known as (a) Valor Academy High School, to be located at (i) 9334 Lemona Avenue, Los Angeles, California 91343, (ii) 9336 Lemona Avenue, Los Angeles, California 91343, (iii) 9356 Lemona Avenue, Los Angeles, California 91343 and (iv) 9404 Lemona Avenue, Los Angeles, California 91343, and (b) Stella Middle Charter Academy, to be located at 4115 West Martin Luther King, Jr. Boulevard, Los Angeles, California 90008 (together, the "Project"). The following table summarizes the expected project fund amounts for each of the project locations:

Site	Landlord	Location	Purpose	Amount
Valor Academy High School	Bright Star Development Group – 9334 Lemona, LLC	9334 Lemona Avenue, Los Angeles	Purchase of land and building from PCSD	\$12,400,000
Valor Academy High School - Adjacent Parcel (Athletic Field)	Bright Star Development Group – 9334 Lemona, LLC	9404 Lemona Avenue, Los Angeles	Purchase of vacant land and development of improvements	\$2,295,800
Stella Middle Charter Academy	BSDG 4114 MLK LLC	4115 W. Martin Luther King, Jr. Blvd., Los Angeles	Construction of new building	\$15,044,300
<b>Total Estimated Project Costs</b>				<b>\$29,740,100</b>

## II. Bright Star Development Group/Bright Star Education Group

Bright Star Education Group ("BSEG") is a California nonprofit public benefit corporation, a 501(c)(3) organization formed to develop facilities for Bright Star Schools ("BSS" or "Bright Star") that develops, owns and maintains real estate projects for Bright Star. Each real estate development project sponsored by BSEG is organized as its own LLC to act as Landlord to an Obligated Group School.

Bright Star was formed in the early 2000s to support the West Adams community of Los Angeles, a historically underserved area southwest of downtown. Bright Star gained its first charter from LAUSD in 2003 for Stella Middle Charter Academy, which opened that August. Since then, Bright Star has opened six additional schools in Los Angeles County: (1) Bright Star Secondary Charter Academy, located in Westchester; (2) Rise Kohyang Middle School and (3) Rise Kohyang High School, located in Koreatown; (4) Valor Academy Middle School and (5) Valor Academy High School, in Panorama City; and (6) Valor Academy Elementary School, in Northridge. In 2017-18 Bright Star is serving 2,800 students.

In nurturing its students to grow their unique talents and find fulfillment in higher education, career and life, Bright Star emphasizes four core values: integrity, humanity, community, and growth.

### III. Financial Structure

The Bonds are expected to be issued in one series that will be issued in the approximate aggregate principal amount of \$32,160,000. The Bonds will be amortized over 36 years with a final maturity date of June 1, 2054.

### IV. Security and Source of Payment

The Bonds will be payable out of Payments under the Indenture, to be dated as of December 1, 2017 (the "Indenture"), between the Authority and Wilmington Trust, National Association (the "Bond Trustee"), consisting primarily of moneys received by the Bond Trustee with respect to the Intercept and Loan Repayments received by the Bond Trustee pursuant to the Loan Agreement, dated as of December 1, 2017 (the "Loan Agreement"), between the Authority and Bright Star Education Group, and acknowledged and agreed to by Bright Star Development Group - 9334 Lemona, LLC and BSDG 4115 MLK, LLC, as Lessors. The obligations of the Borrower under the Loan Agreement are secured by: (i) a pledge of each Obligated Group Member's unrestricted revenues, including all Rent collected from each School Tenant.

### V. Preliminary Sources and Uses and Costs of Issuance

Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for board consideration. Please note that these figures are subject to change between the time the board packets are distributed and the time the board meets and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

#### Preliminary Sources and Uses

<b>Sources:</b>	
<b>Bond Proceeds:</b>	
Par Amount	\$32,160,000.00
Bond Premium	\$1,275,839.70
Bright Star Equity Contribution	\$662,976.00
<b>Total Sources</b>	<b>\$34,098,815.70</b>
<b>Uses:</b>	
<b>Project Fund Deposits:</b>	
VAHS Project - Purchase Land/Building	\$12,400,000.00
VAHS Project - Athletic Field	\$2,295,800.00
SMCA Project - Purchase Building	\$15,044,300.00
	<b>\$29,740,100.00</b>
<b>Other Fund Deposits:</b>	
Debt Service Reserve Fund	<b>\$1,966,750.00</b>
Capitalized Interest Fund	<b>\$1,089,866.67</b>
<b>Delivery Date Expenses:</b>	
Cost of Issuance	\$577,576.00
Underwriter's Discount	\$723,600.00
	<b>\$1,301,176.00</b>
<b>Other Uses of Funds:</b>	
Contingency	<b>\$923.03</b>
<b>Total Uses</b>	<b>\$34,098,815.70</b>

## Cost of Issuance

<u>Cost of Issuance:</u>	<u>Budgeted Amount</u>
Issuer Fee	\$40,904.00
Agent-for-Sale Fee	\$6,000.00
Financial Advisor Fee	\$60,000.00
Bond Counsel Fee	\$150,000.00
Borrower's Counsel Fee	\$80,000.00
Underwriter's Counsel	\$100,000.00
Trustee Fee	\$9,000.00
Trustee's Counsel Fee	\$1,000.00
Ratings Agency - Moody's	\$30,000.00
Ratings Agency - Fitch	\$0.00
Rating Agency - S&P	\$0.00
Financial Printer Fee	\$5,000.00
CDLAC Fee**	\$0.00
Miscellaneous COI ( <i>specify</i> )	
Contingency	\$25,000.00
Title Insurance	\$49,672.00
Appraisals	\$16,000.00
<b>Total COI</b>	<b>\$572,576.00</b>

### VI. Borrower Financial Data

Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration of feasibility, the participating party may take into account all of its funds, and may base future projections upon historical experience or reasonable expectations, or a combination thereof. Nothing in Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter. Pursuant to this provision, Exhibit A contains financial and operational information for Bright Star.

### VII. 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.

### VIII. Bond Sales Restrictions

Per Bond Issuance Guidelines adopted by the CSFA board, and given the anticipated Baa3 rating for the bonds, the following sales restrictions are expected to apply to the Bright Star Public Schools financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Bonds will be in minimum denominations of \$25,000;
2. Bonds will be privately placed or publicly offered initially to QIBs and AIs;
3. Subsequent transfers of bonds will be limited to QIBs and AIs;
4. Sales restrictions conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;

5. 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 17-31 Authorizing the Issuance of Charter School Revenue Bonds in an Amount Not to Exceed \$40,000,000 to Finance and/or Refinance the Acquisition, Construction, Expansion, Remodeling, Renovation, Improvement, Furnishing, and/or Equipping of Educational Facilities Located in Los Angeles, California for use by Bright Star Education Group and Bright Star Schools.

**Exhibit A**  
**5-Year Enrollment and Financial Projections and Coverage Ratios**

	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
Enrollment	975	988	988	988	988
ADA	931	944	944	944	944
ADA %	95.5%	95.5%	95.5%	95.5%	95.5%
<b>Revenues</b>					
LCFF Revenues	\$ 9,750,078	\$ 10,259,487	\$ 10,541,963	\$ 10,969,292	\$ 11,188,678
Federal Revenues	534,676	546,719	562,485	573,734	585,208
SB740 Revenues (75% of Funding Level)	272,175	768,729	790,836	790,836	790,836
Other State Revenues	1,120,012	1,163,770	1,183,539	1,200,631	1,224,644
Local Revenues	235,321	216,535	222,670	233,817	238,493
<b>Total Revenues</b>	<b>\$ 11,912,262</b>	<b>\$ 12,955,240</b>	<b>\$ 13,301,493</b>	<b>\$ 13,768,310</b>	<b>\$ 14,027,859</b>
<b>Expenses</b>					
Certificated Salaries	\$ 4,807,637	\$ 4,859,739	\$ 4,937,650	\$ 5,062,920	\$ 5,164,178
Classified Salaries	1,416,932	1,474,682	1,509,283	1,545,882	1,576,800
Employee Benefits	1,483,459	1,609,435	1,737,628	1,839,416	1,876,204
Supplies	1,318,040	1,204,822	1,222,839	1,241,215	1,266,040
Leases - Sites and Buildings	483,866	228,088	-	-	-
Debt Service - 2017 Bonds	-	1,371,104	1,715,750	1,809,750	1,833,500
Operating Services	658,989	706,370	743,686	762,199	777,442
Depreciation	50,115	51,117	52,140	53,182	54,246
Subordinated CMO Management Fees	854,115	985,371	1,042,622	1,083,209	1,104,873
Other Outgoing Expenses	584,123	253,437	259,278	266,629	271,961
<b>Total Expenses</b>	<b>\$ 11,657,276</b>	<b>\$ 12,744,165</b>	<b>\$ 13,220,876</b>	<b>\$ 13,664,402</b>	<b>\$ 13,925,244</b>
<b>Net Income</b>	<b>\$ 254,986</b>	<b>\$ 211,075</b>	<b>\$ 80,617</b>	<b>\$ 103,908</b>	<b>\$ 102,615</b>
Add Back: Depreciation	50,115	51,117	52,140	53,182	54,246
Add Back: Subord. CMO Management Fees	854,115	985,371	1,042,622	1,083,209	1,104,873
Add Back: Leases - Sites and Buildings	483,866	228,088	-	-	-
Add Back: Debt Service - 2017 Bonds	-	1,371,104	1,715,750	1,809,750	1,833,500
<b>Net Operating School Revenues</b>	<b>\$ 1,643,082</b>	<b>\$ 2,846,755</b>	<b>\$ 2,891,129</b>	<b>\$ 3,050,049</b>	<b>\$ 3,095,234</b>
Base Rent	483,866	1,599,192	1,715,750	1,809,750	1,833,500
<b>Base Rent Coverage Ratio</b>	<b>3.40x</b>	<b>1.78x</b>	<b>1.69x</b>	<b>1.69x</b>	<b>1.69x</b>