

\$4,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA)
EDUCATIONAL FACILITY 2019 TAXABLE LOAN
(ENCORE EDUCATION CORPORATION)
EXECUTIVE SUMMARY
RESOLUTION 19-23
***Not-to-Exceed Amount**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Encore Education Corporation	Par Amount Requested:	Not to Exceed \$4,000,000
Financing Term: September 2019-July 2020, eleven months		Interest Rate / Origination Fee: 6.95% / 1.50% Origination Fee.	
Estimated Source of Funds: Taxable Bank Loan: \$4,000,000		Estimated Use of Funds: Working Capital	
Applicant Description: Encore Public Schools			
Type of Financing: Private Placement - Bank Loan through Charter Asset Management			
Project Users:	Encore High School for the Arts – Riverside (Riverside)	County Served:	Riverside
District in Which Project is Located:	Riverside Unified School District	Charter Authorizers:	Riverside Unified School District
Project Description: .		Working capital for Encore High School for the Arts – Riverside.	
Project Name/Potential Project Sites:		For working capital, main Borrower address is 16955 Lemon Street, Hesperia, CA 92345	
<p>Plan of Finance: \$4,000,000 for working capital for Riverside</p> <p>Type of Issue: Private Placement Tax Status: Taxable Loan Maturity: July 31, 2020 Credit Enhancement: No Credit Rating: N/A CSFA Fees: \$6,000 Issuance Fee Other Fees: See Cost of Issuance Table in Financing Structure Section</p>			
Estimated Sources of Funds: CSFA Taxable Bank Loan: \$4,000,000		Estimated Use of Funds: Working Capital for Encore High School for the Arts – Riverside: \$4,000,000	

Estimated Sources of Funds:		Estimated Use of Funds:	
Estimated Sources of Funds		Estimated Use of Funds	
Total Loan Principal	\$2,500,000	Net Proceeds to School	\$2,384,000
Less: Cost of Issuance	(\$116,000)	Cost of Issuance	\$116,000
Total	\$2,384,000	Total	\$2,500,000

Financing Team:

Financing Team:	
Bond Counsel:	Stradling, Yocca, Carlson & Rauth
Lender/Purchaser:	Charter Asset Management
Financial Advisor:	Delta Managed Solutions, Inc
Issuer's Counsel:	Attorney General's Office
Issuer:	School Finance Authority

Public Benefits:

By lowering the cost of borrowing for Encore Education Corporation, resources otherwise spent on outstanding financial obligations can instead be used in the classroom.

CSFA Staff: Robby Biegler and Jose Franco	Date of Staff Report: August 14, 2019
Date of CSFA Board Meeting: August 28, 2019	Resolution Number: 19-23

Support for Staff Recommendation:

1. Encore working capital needs are better met with the terms of this loan than the current terms of existing factoring agreements.
2. Encore has the receivables to repay their bank loan on the ten-month repayment schedule.
3. Encore has separated the financings for the Riverside and Hesperia campuses to resolve issues of bondholder consent involving the bonds issued by CSFA for Encore.

Staff Recommendation:

Staff recommends the California School Finance Authority approve Resolution Number 19-23 authorizing a loan to CSFA in an amount not to exceed \$4,800,000, the Issuance by CSFA of a promissory note evidencing the obligations of the CSFA in connection with such loan, and a loan from the CSFA to Encore Education Corporation, for working capital for use by Encore High School for the Arts – Riverside, located in Riverside County.

BACKGROUND AND HISTORY

Encore Education Corporation (“Encore”) was established in 2007 as a non-profit public benefit corporation to manage and operate public charter schools. Currently Encore operates two public charter schools: Encore Jr./Sr. High School for the Performing & Visual Arts (the “Hesperia Campus”) and Encore High School for the Arts – Riverside (the “Riverside Campus”). Encore is governed by a five-member board and does not have a sole statutory member structure.

The Hesperia Campus opened in August 2008, and the charter was renewed for a term of five years beginning July 1, 2016. The current term runs through June 30, 2021. The Riverside Campus opened in August 2015 and their charter was approved for a five-year term beginning July 1, 2015 and runs through June 30, 2020. The School has already begun the renewal process with the Riverside Unified School District and anticipates renewal in Winter 2020.

CSFA issued \$17.4 million in bonds in 2016 to acquire the Hesperia Campus facility. Initially, Encore intended this current request for a loan to include both their Hesperia and Riverside Campuses. Encore, however, needed bondholder consent to incur additional debt. After conversation with the bondholders of the 2016 issuance, Encore decided to split their financings: \$4,000,000 million loan for the Riverside Campus and a \$4,000,000 issuance of Revenue Anticipation Notes (“RANs”) for the Hesperia Campus.

The current charter for the Riverside campus ends June 30, 2020, before final maturity of the loan. While Encore Riverside is preparing to apply for its new charter, and expects renewal (generally in the fall/winter) 100% of the intercepted funds to repay the Riverside Loan are from 2019-20 apportionments (through June 2020). While the maturity date adds a cushion of 10 days to allow receipt of the final June 2019-20 Second Principal Apportionment of State Aid Funding and 2019-20 Education Protection Account, Quarter Four apportionment payments in early July from the State Controller’s Office Intercept in late June, there are no intercepts or payments due from any 2020-21 revenues (the July 2020 Advance Apportionment is not intercepted and is not required for full repayment). While Encore anticipates renewal of its charter, non-renewal of the Riverside charter would not impact either the CAM Loan or the RANs.

PROJECT DESCRIPTION

Encore wishes to obtain a taxable bank loan from CSFA through Charter Asset Management (CAM) for working capital. The loan would fund working capital needs at Encore’s Riverside Campus for the first several months of the 2019-20 fiscal year. The loan would subsequently be repaid from SCO intercepts of Local Control Funding Formula (“LCFF”) State Aid and Education Protection Account Advanced Apportionments payable to Encore Riverside between February 2020 and June 2020.

Encore had significant budget deficits that drove their net asset balance negative. Causes for the deficit included:

1. One-time legal settlement for \$1 million, split across the Riverside and Hesperia schools – paid out over five years (the \$1 million cost had to be all recorded in 2017-18);
2. Staff cost increased substantially in preparation for additional enrollment/Average Daily Attendance growth;
3. Enrollment growth not hitting targets, leading to loss of revenue;
4. When staffing cuts were made to address enrollment drops, departmental heads replaced loss of staff with overtime and substitutes, which increased staff costs overall;

In Spring 2018, Encore imposed a corrective action plan to “rightsize” staffing, moved overtime/substitute authority back to head office only, and staff agreed to 4% across-the-board pay cut.

For 2019-20, enrollment improved and staffing costs have been kept in line, resulting in substantial budget surplus for the 2018-19 year just ending and projected for the 2019-20 year. The School has now opened for the 2019-20 school year at expected target enrollment levels and anticipates aligning closely with the 2019-20 approved July 1 Budget.

Currently the school is meeting their working capital needs through factoring. With this loan, Encore intends to:

- Expedite the process of paying off all short term borrowing, estimated by June, 2021, and restore cash on hand to levels sufficient to avoid working capital borrowing (at least 45 days of cash-on-hand assuming stable ADA);
- Until cash reserves can be built up, minimize the borrowing cost of all required working capital.

Borrower	Authorizer	Location	Purpose	Amount
Encore High School for the Arts -- Riverside	Riverside Unified School District	3800 Main Street, Riverside, CA 92501	Working Capital	\$4,000,000
Total Estimated Project Costs				\$4,000,000

While the not-to-exceed amount for the loan is \$4,000,000, the actual loan amount will most likely be \$2,384,000, proceeds of that amount will be spent as such:

Certificated Salaries	\$ 657,897
Classified Salaries	542,490
Benefits	387,123
Materials & Supplies	36,582
Services and Operations	<u>759,909</u>
Total Use of Net Proceeds	\$ 2,384,000

Charter Asset Management is a Los Angeles-based private sector business that provides charter schools financial assistance primarily by purchasing state-guaranteed apportionments at a discount and collecting those funds once they have been distributed by the state; this is commonly referred to as factoring. Encore has already factored with CAM and is applying for this loan to help move away from the high costs of factoring.

FINANCING STRUCTURE

CSFA Term Sheet
Encore Education Group
Board Meeting Date: August 28, 2019

Loan Amount:	Not-to-Exceed \$4,000,000
Type of Offering:	Private Placement
Underwriter:	Loan Originates with Charter Asset Management
Expected Credit Rating:	N/A
Interest Rate and Fee:	6.95%* and 1.50% Origination Fee
Maturity:	July 10, 2020
Collateral:	LCFF Advance Apportionment
Closing Date:	September 10, 2019*
Conduit Transaction:	N/A

*Please note the Interest Rate and Closing Date are subject to change.

The loan would be for a seven-month term and taxable, originating from CAM to CSFA, with a corresponding loan made from CSFA to Encore Education Corporation as Borrower. Given this structure, no underwriting or placement of the loan would be required. Expected maturity is July 10, 2020, with monthly repayments of principal and interest beginning in September 2019.

Security and Source of Payment

The loan would be approximately ten months and taxable, originating from CAM to CSFA, with a corresponding loan made from CSFA to Encore as Borrower.

The Interest Rate will be 6.95% (taxable), with an Origination Fee of 1.50%. Expected maturity is July 10, 2020, with monthly repayments of principal and interest beginning in February 2020.

Preliminary Sources and Uses and Preliminary Cost of Issuance

Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for Board consideration. Please note 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.

Estimated Sources & Uses

Sources:			Series 2019	Total
Loan Proceeds				
Total Loan Agreement:			<u>\$2,500,000</u>	<u>\$2,500,000</u>
	Total:		\$2,500,000	\$2,500,000
Uses:			Series 2019	Total
Project Fund Deposits:				
	Net Proceeds to School:		\$2,384,000	\$2,384,000
	Total:		\$2,384,000	\$2,384,000
Delivery Date Expenses:				
	Costs of Issuance:		<u>\$116,000</u>	<u>\$116,000</u>
	Total:		\$116,000	\$116,000
	Total:		\$2,500,000	\$2,500,000

Estimated Cost of Issuance

Expense	Amount
Loan Origination Fee	\$37,500.00
CSFA Issuance Fees	\$6,000.00
Issuer's Counsel Fees	\$8,000.00
Financial Advisor Fee	\$23,500.00
Bond Counsel Fees	\$25,000.00
Borrower's Counsel Fees	\$7,500.00
Trustee Fees	\$1,500.00
Trustee's Counsel Fee	\$6,000.00
Contingency Fees	\$1,000.00
Total	\$116,000.00

PUBLIC BENEFITS

By lowering the cost of borrowing for Encore Education Corporation, resources otherwise spent on outstanding financial obligations can instead be used in the classroom. A comparison of the costs of the loan to Encore and the costs of factoring is included as Appendix D. Additionally, Appendix D includes outstanding factoring amounts owed by Encore through the end of the loan.

SALES RESTRICTIONS

The following restrictions will apply:

1. There will be a single Promissory Note for the full amount of the loan;
2. The loan will be initially privately placed with and thereafter held by a single Qualified Institutional Buyer (QIB);
3. The initial Holder of the Promissory Note will be required to execute an Investor Letter in the form set forth as an attachment to the Loan Agreement;
4. Subsequent transfers of the Promissory Note will be limited to a single QIB at any one time;
5. Transfer restrictions shall be conspicuously noted on the Promissory Note and described in detail in the loan documents; and
6. Loan payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code.

OTHER PROJECT DATA

Permits and Approvals

The Encore Board has approved this loan and CSFA staff was provided a copy of the Resolution.

TEFRA

N/A

Eligibility Review

Applicant meets all of CSFA's eligibility criteria.

1. Project is a charter school in the State of California.
2. The Borrower is capable of meeting the obligations of the relevant financing agreements.
3. The Borrower and financing agreements have been vetted and meet all legal requirements.
4. Payments made by the Borrower to CSFA under the financing agreements are adequate to pay CSFA expenses connected to the financing and to make all scheduled proposed payments.
5. The proposed financing is appropriate for the project.

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, Appendix B contains financial and operational information for Encore High School for the Arts – Riverside.

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 (as applicable), has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

STAFF RECOMMENDATION

Staff recommends the California School Finance Authority approve Resolution Number 19-23 authorizing a loan to the Authority in an amount not to exceed \$4,000,000, the issuance by the Authority of a promissory note evidencing the obligations of the Authority in connection with such loan, and a loan from the Authority to Encore Education Corporation, for working capital for use by Encore High School for the Arts – Riverside, located in Riverside County, providing the terms and conditions for such loans and promissory note and other matters relating thereto, and authorizing the execution of certain documents in connection therewith.

1. **Applicant / Borrower:** Encore Education Corporation
2. **Project:** Working Capital
3. **Amount of Financing:** \$4,000,000
4. **Maturity:** July 10, 2020
5. **Repayment/Security:** The loan will be repaid from State Controller's Office intercepts of LCFF State Aid and Education Protection Account apportionments payable to the Borrower's Riverside charter school between February 2020 and June 2020. All apportionments would be based on the 2019-20 first and second Principal Apportionment as certified by the California Department of Education
6. **Interest Rate:** 6.95%
7. **Fees:** Origination fee of 1.50%.
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a financing agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board's approval expires one year from the date of its adoption. Thus, CSFA and Encore Education Corporation must enter into the financing agreement no later than one year from such date.
10. **Financing Agreement Covenants:** N/A

APPENDIX A: GOVERNANCE AND MANAGEMENT

Board of Directors

Lenny Esposito	Board President	Business Owner, Riverside
Suzanne Cherry	Vice President	Retail Manager, Apple Valley
Kelly Ahmed	Board Member	Doctor, Apple Valley
Rob Gabler	Board Member	Fireman, Riverside
Paula Gharib	Board Member	Retired Schoolteacher
Kathy Nielsen	Alternate Board Member	Retired Media Manager, Victorville
Mari Miller	Alternate Board Member	School Records Manager, Apple Valley

Officers

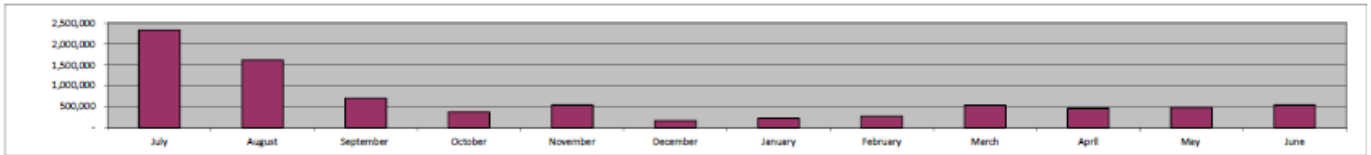
Denise Griffin	Chief Executive Officer and Founder
John Griffin	Chief Operating Officer

**APPENDIX B:
FINANCIAL PROJECTIONS, ENROLLMENT AND COVERAGE RATIOS**

Encore Schools 2019-20 Budget ENROLLMENT AND A.D.A. ASSUMPTIONS - RIVERSIDE ONLY						
	2019-20 (Year 1)		2020-21 (Year 2)		2021-22 (Year 3)	
	ENROLL	ADA	ENROLL	ADA	ENROLL	ADA
Total K-3 Enrollment	0	-	0	-	0	-
Total 4-6 Enrollment	0	-	0	-	0	-
Total 7-8 Enrollment	333	313.02	339	318.66	345	324.30
Total 9-12 Enrollment	538	505.72	550	517.00	562	528.28
TTL Enrollment/ADA	871	818.74	889	835.66	907	852.58
TTL Grade 7 Enrollment	164	154.16	167	156.98	170	159.80
TTL Grade 8 Enrollment	169	158.86	172	161.68	175	164.50
TTL Grade 9 Enrollment	194	182.36	197	185.18	200	188.00
TTL Grade 10 Enrollment	139	130.66	142	133.48	145	136.30
TTL Grade 11 Enrollment	110	103.40	113	106.22	116	109.04
TTL Grade 12 Enrollment	95	89.30	98	92.12	101	94.94
TOTAL:	871	818.74	889	835.66	907	852.58

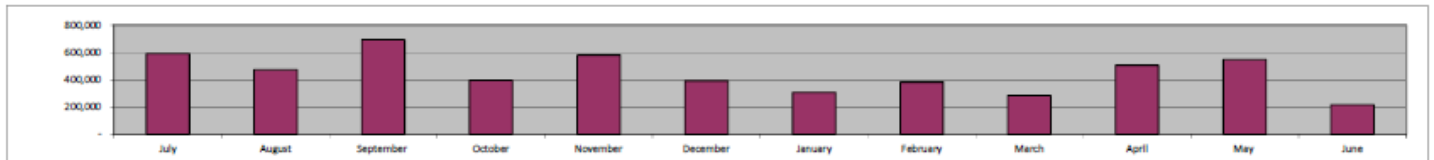
Encore Schools - Riverside
2019-20 Budget
2019-20 Projected Monthly Cash Flow Statement

Description	2019-20 Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accruals	Total For Year
BEGINNING CASH		952,508	2,334,805	1,617,807	704,967	377,894	548,019	173,452	232,284	276,826	541,024	468,076	481,928	546,565	952,508
CASH INFLOWS															
REVENUES															
General Purpose Block Grant	6,587,048	-	293,208	293,208	527,774	527,774	527,774	527,774	527,774	672,353	672,353	672,353	1,344,705	-	6,587,048
Education Protection Account	167,132	-	-	-	40,195	-	-	40,195	-	-	43,372	-	-	-	167,132
In-Lieu-Of Property Taxes	1,506,271	-	90,376	180,753	120,502	120,502	120,502	120,502	120,502	210,878	105,439	105,439	105,439	105,439	1,506,271
Prior Year Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenues	233,929	-	-	29,241	-	-	58,482	-	-	58,482	33,418	-	36,589	-	233,929
Other State Revenues	1,478,901	-	85,675	85,675	85,675	85,675	154,215	-	154,215	-	-	79,500	-	594,054	1,478,901
Other Local Revenues	84,760	2,119	2,119	7,705	7,705	7,705	7,705	7,705	7,705	7,705	7,705	7,705	7,705	3,467	84,760
TTL CASH INFLOWS	10,058,041	2,119	471,378	596,582	781,851	741,656	868,679	696,176	810,197	1,103,634	862,287	864,997	1,494,439	764,047	10,058,041
EXPENDITURES															
All Certificated Salaries	2,532,787	194,830	194,830	194,830	194,830	194,830	194,830	194,830	194,830	194,830	194,830	194,830	194,830	194,830	2,532,787
All Classified Salaries	2,088,491	170,489	170,489	170,489	170,489	170,489	170,489	170,489	170,489	170,489	170,489	170,489	170,489	170,489	2,088,491
All Benefits	1,490,355	117,815	117,815	117,815	117,815	117,815	117,815	117,815	117,815	117,815	117,815	117,815	117,815	76,578	1,490,355
All Materials & Supplies	140,833	7,042	38,464	10,010	15,278	9,733	10,001	4,099	7,409	14,524	10,323	1,233	4,890	7,828	140,833
All Services and Operations	2,825,517	241,778	241,778	241,778	241,778	241,778	241,778	241,778	241,778	241,778	241,778	241,778	241,778	24,178	2,825,517
All Capital Outlay	95,177	-	-	-	-	-	-	-	-	-	-	-	-	-	95,177
All Other Outgo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TTL CASH OUTFLOWS	9,273,160	731,953	763,376	734,921	740,190	734,645	734,913	729,011	732,321	739,436	735,235	726,145	729,802	441,211	9,273,160
	784,881														784,881
Accounts Receivable (net change)		222,633	-	133,832	539,599	-	-	-	-	-	-	-	-	-	896,064
EXISTING FACTORING		-	-	-	-	-	-	-	-	-	-	-	-	-	-
EXISTING REPAYMENT		(400,000)	(400,000)	(400,000)	(400,000)	(1,803,553)	-	-	-	-	-	-	-	-	(1,403,553)
NEW FACTORING		2,500,000	-	-	-	2,500,000	-	600,000	-	500,000	400,000	500,000	-	-	7,000,000
NEW FACTORING REPAYMENT		-	-	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	-	(600,000)	(600,000)	(600,000)	(700,000)	-	(5,000,000)
Net Change in Payables		(210,502)	-	-	-	-	-	-	-	-	-	-	-	-	(210,502)
Fixed Asset Acquisitions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interschool Cash Advances/(Repayments)		-	(25,000)	(8,333)	(8,333)	(8,333)	(8,333)	(8,333)	(8,333)	(25,000)	-	(25,000)	-	-	(49,998)
PAGA Settlement Payments		-	-	-	-	-	-	-	-	-	-	-	-	-	(100,000)
Other Cash Inflows/Outflows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INFLOWS/OUTFLOWS		2,112,131	(425,000)	(774,501)	(368,734)	163,114	(508,333)	91,667	(33,333)	(100,000)	(200,000)	(125,000)	(700,000)		(867,989)
ENDING CASH BALANCE		2,334,805	1,617,807	704,967	377,894	548,019	173,452	232,284	276,826	541,024	468,076	481,928	546,565		
Monthly Factoring Balance		5,503,553	5,103,553	4,203,553	3,303,553	3,500,000	3,000,000	3,100,000	3,100,000	3,000,000	2,800,000	2,700,000	2,000,000		
Days Cash On Hand		97	67	29	16	23	7	10	12	23	19	20	23		



Encore Schools - Riverside
2019-20 Budget
2020-21 Projected Monthly Cash Flow Statement

Description	2020-21 Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accruals	Total For Year
BEGINNING CASH		546,565	591,347	473,703	693,030	396,710	581,050	391,527	306,619	383,332	284,932	505,734	547,590	215,471	546,565
CASH INFLOWS															
REVENUES															
General Purpose Block Grant	6,984,653	-	329,352	329,352	592,834	592,834	592,834	592,834	592,834	672,355	672,355	672,355	1,344,711	-	6,984,653
Education Protection Account	170,516	-	-	41,783	-	-	41,783	-	-	43,475	-	-	43,475	-	170,516
In-Lieu-Of Property Taxes	1,536,769	-	86,940	173,881	115,920	115,920	115,920	115,920	115,920	232,115	116,058	116,058	116,058	116,058	1,536,769
Prior Year Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenues	238,508	-	-	29,813	-	-	59,627	-	-	59,627	34,073	34,073	-	21,295	238,508
Other State Revenues	1,508,723	-	96,237	96,237	173,226	173,226	173,226	173,226	163,226	163,226	163,226	-	123,000	10,667	1,508,723
Other Local Revenues	84,790	2,119	2,119	7,705	7,705	7,705	7,705	7,705	7,705	7,705	7,705	7,705	7,705	3,667	84,790
TTL CASH INFLOWS	10,523,929	2,119	514,648	678,772	889,686	889,686	991,096	889,686	879,686	1,178,504	993,417	830,191	1,634,949	151,487	10,523,929
EXPENDITURES															
All Certificated Salaries	2,661,591	-	219,966	219,966	219,966	219,966	219,966	219,966	219,966	219,966	219,966	219,966	219,966	241,963	2,661,591
All Classified Salaries	2,194,701	179,159	179,159	179,159	179,159	179,159	179,159	179,159	179,159	179,159	179,159	179,159	179,159	44,790	2,194,701
All Benefits	1,499,976	29,390	118,575	118,575	118,575	118,575	118,575	118,575	118,575	118,575	118,575	118,575	118,575	166,258	1,499,976
All Materials & Supplies	143,782	7,189	39,270	10,219	15,598	9,937	10,211	4,185	7,564	14,829	10,539	4,992	7,990	143,782	143,782
All Services and Operations	2,956,938	244,375	244,375	244,375	244,375	244,375	244,375	244,375	244,375	244,375	244,375	244,375	244,375	24,438	2,956,938
All Capital Outlay	95,177	-	-	-	-	-	-	-	-	-	-	-	-	95,177	95,177
All Other Outgo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TTL CASH OUTFLOWS	9,552,165	460,113	801,345	772,295	777,674	772,013	772,287	766,261	769,640	776,904	772,615	763,335	767,068	580,615	9,552,165
	971,763														971,763
Accounts Receivable (net change)		148,810	594,054	21,183	-	-	-	-	-	-	-	-	-	-	764,047
EXISTING FACTORING		-	-	-	-	-	-	-	-	-	-	-	-	-	-
EXISTING REPAYMENT		-	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	-	-	-	-	-	-	-	(2,000,000)
NEW FACTORING		700,000	700,000	700,000	-	500,000	-	-	-	-	-	-	-	-	1,900,000
NEW FACTORING REPAYMENT		-	-	-	-	-	-	(200,000)	-	(500,000)	-	-	(1,200,000)	-	(1,900,000)
Net Change in Payables		(346,034)	-	-	-	-	-	-	-	-	-	-	-	-	(346,034)
Fixed Asset Acquisitions		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interschool Cash Advances/(Repayments)		-	-	(8,333)	(8,333)	(8,333)	(8,333)	(8,333)	(8,333)	-	-	-	-	-	(49,998)
PAGA Settlement Payments		-	(25,000)	-	-	(25,000)	-	(25,000)	-	-	-	(25,000)	-	-	(100,000)
Other Cash Inflows/Outflows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INFLOWS/OUTFLOWS		502,776	169,054	312,850	(408,333)	66,667	(408,333)	(208,333)	(33,333)	(500,000)	-	(25,000)	(1,200,000)	-	(1,731,985)
ENDING CASH BALANCE		591,347	473,703	693,030	396,710	581,050	391,527	306,619	383,332	284,932	505,734	547,590	215,471		
Monthly Factoring Balance		2,700,000	2,300,000	2,600,000	2,200,000	2,300,000	1,900,000	1,700,000	1,700,000	1,200,000	1,200,000	1,200,000	1,200,000		(0)
Days Cash On Hand		25	20	29	17	24	16	13	16	12	21	23	9		



APPENDIX C: MONTHLY LCFF REVENUE SUBJECT to SCO INTERCEPT

Encore Education Corporation (Riverside Campus)

\$2,500,000 2019 Loan Agreement

2019-20 Monthly Interceptable Revenues (State Controller's Office Intercept)

Monthly payments of LCFF State Aid and LCFF Education Protection Account (EPA) funding for the months from February through June 2020 are referred to as the P-1 First Principal Apportionment (Feb-May) and the P-2 Second Principal Apportionment (June) and are based on average daily attendance generated through the 2019-20 P-2 attendance period ending in April 2020.

In practice, as monthly apportionments are generated from February 2020 through June 2020, the Loan Agreement payments will be intercepted at the State Controller's Office level and transferred to pay the Loan Agreement payments. The amount of available revenues in each month will be approximately 1.3x coverage of the monthly Loan Agreement payments.

If for any reason amounts are not sufficient in any month to pay the Loan Agreement payment in full, the School is required to pay the shortfall from other sources or cash on hand. In no event will the SCO be obligated to transfer any amount over what is received on Encore's behalf.

ENCORE - RIVERSIDE	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	TOTAL 1st/2nd Apportionment
LCFF: State Aid	672,353	672,353	672,353	672,353	672,353	3,361,763
LCFF: Ed Protection Acct	-	43,372	-	-	43,372	86,743
LCFF: Combined Revenues Subject to SCO Intercept	672,353	715,724	672,353	672,353	715,724	3,448,506
Loan Agreement Payment	511,875	542,018	508,948	511,052	543,128	2,617,021
Coverage Ratio	1.31x	1.32x	1.32x	1.32x	1.32x	

**APPENDIX D:
COST of LOAN vs. FACTORING & FACTORING SCHEDULE THROUGH LIFE of CSFA
LOAN**

California School Finance Authority Loan Agreement (Riverside Campus) (Encore Education Working Capital Financing)					
COMPARISON WITH FACTORING					
Factoring Fee (as % of amount):	7.2700%	FACTORING RESULTS			
INPUTS		Factoring Fee Rec'd:	\$	324,969	
Total Factoring	\$ 4,470,000	Total Cost of Funds	\$	324,969	
Factoring Fee (paid at maturity)	324,969	VS. LOAN RESULTS			
Total Future Receivables Paid:	\$ 4,794,969	Loan Costs	\$	116,000	
Closing Date:	9/10/2019	Loan Interest:		117,021	
Final Maturity Date:	7/10/2020	Total Cost of Funds	\$	233,021	
		Amount Saved By School		91,948	
Date	Factoring Disbursement	Future Repayment	Factoring Balance	Factoring Discount/Fees	Total Payments
9/10/2019	690,000.00	-	690,000.00	-	-
10/10/2019	760,000.00	-	1,450,000.00	-	-
11/10/2019	680,000.00	-	2,130,000.00	-	-
12/10/2019	720,000.00	-	2,850,000.00	-	-
1/10/2020	620,000.00	-	3,470,000.00	-	-
2/10/2020	500,000.00	(690,000.00)	3,280,000.00	(50,163.00)	(740,163.00)
3/10/2020	500,000.00	(760,000.00)	3,020,000.00	(55,252.00)	(815,252.00)
4/10/2020		(680,000.00)	2,340,000.00	(49,436.00)	(729,436.00)
5/10/2020		(720,000.00)	1,620,000.00	(52,344.00)	(772,344.00)
6/10/2020		(620,000.00)	1,000,000.00	(45,074.00)	(665,074.00)
7/10/2020	-	(1,000,000.00)	-	(72,700.00)	(1,072,700.00)
Total	4,470,000.00	(4,470,000.00)		(324,969.00)	(4,794,969.00)