

\$11,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITIES 2025 LOAN
(EDNOVATE INC.)
ITEM # - RESOLUTION 25-22
STAFF SUMMARY

Executive Summary

Applicant/Borrower:	PMC Support Corporation
Par Amount Requested:	Not-to-Exceed \$11,000,000*
Financing Term:	Fixed rate, up to 40-year financing
Projected Interest Rate:	~5.5%
Applicant Description:	Ednovate Inc. ("Ednovate") is a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 that operates charter schools.
Borrower Information:	The borrower will be PMC Support Corporation (the "Borrower"), a California nonprofit public benefit corporation formed for the specific purpose of supporting Ednovate, which will be the Lessee.
Type of Financing:	Educational Facilities Taxable Loan
Project User:	Ednovate - East College Prep
County Served:	Los Angeles County
District in Which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
Financing Description:	Proceeds will be used to (i) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of the East College Prep campus; and (ii) pay the costs of issuance.
Project Site:	1) 3825 North Mission Road, Los Angeles 90031
Financing Details:	Type of Issue: Educational Facility Taxable Loan Tax Status: Taxable Maturity: Not to exceed 2065 Credit Enhancement: Yes Credit Rating: BB+ (expected) Fees: See Costs of Issuance Table
Financing Team:	Lender: Equitable Facilities Fund, Inc. ("EFF") Lender's Counsel: Orrick, Herrington & Sutcliffe LLP Borrower's Counsel: Musick, Peeler & Garrett LLP Financial Advisor: First Tyron Advisors Issuer's Counsel: Office of the Attorney General Bond Trustee: Wilmington Trust, National Association
CSFA Analyst:	Robby Biegler/Mita Parikh
Date of Staff Report:	September 20, 2025
Date of CSFA Board Meeting:	September 25, 2025
Resolution Number:	25-22

Staff Recommendation: Staff recommends the Authority Board approve Resolution Number 25-22 authorizing a conduit loan financing in an amount not to exceed \$11,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Los Angeles County for use by Ednovate.

Background and History

Ednovate is a California nonprofit public benefit corporation. Ednovate operates a total of seven schools, with four of the seven schools currently in the obligated group (see Security and Source of Payment section below): Ednovate - Brio College Prep ("Brio"); Ednovate - Legacy College Prep ("Legacy"); Ednovate – USC Hybrid College Prep ("Hybrid"); and Ednovate - Esperanza College Prep ("Esperanza"). Ednovate - East College Prep ("East") will be added to the obligated group schools with this loan. The network currently (FY 25) serves a total of 2,745 students, of which 2,295 students are enrolled in the post-closing five-school obligated group. Ednovate plans to refinance New Market Tax Credits (NMTC) loans associated with the East campus.

PMC Support Corporation ("PMC" or the "Borrower") was formed in 2015 and will serve as the borrower. PMC is a California nonprofit public benefit corporation. PMC operates exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Ednovate. PMC is the sole member of two limited liability companies ("LLCs") including PMC 17th Street LLC and PMC North Mission Road LLC. These LLCs are special purpose entities that were formed for the purpose of holding the property and leasing the facilities back to the Ednovate schools.

Ednovate Inc. Obligated Group Student Demographics 2024-25

Demographics	FY24	FY25
Socioeconomically Disadvantaged	88%	87%
Hispanic	95%	95%
African American	3%	3%
White, Non-Hispanic	1%	1%
Other	1%	1%
Students w/ Disabilities	14%	14%
ELL	13%	13%

Ednovate Inc. Obligated Group Charter Authorizers and Terms

School	Date Opened (Fall)	Authorizer	Current Charter Expiration Date	Previous Renewals
Hybrid	2012	LAUSD	June 30, 2030	2
Esperanza	2017	LAUSD	June 30, 2030	1
Brio	2017	LAUSD	June 30, 2030	1
Legacy	2016	OC DOE	June 30, 2027	1
East	2015	LAUSD	June 30, 2028	1

**Ednovate Inc. Obligated Group
5-Year Enrollment Projections**

	2025-26	2026-27	2027-28	2028-29	2029-30
East	375	400	410	425	425
Hybrid	510	510	510	510	510
Esperanza	500	500	500	500	500
Brio	495	495	495	495	495
Legacy	415	415	415	415	415
Obligated Group Total	2,295	2,320	2,330	2,345	2,345

This is the third CSFA issuance on behalf of the Ednovate network. The first was a \$15,155,000 2018 bond issuance for the Legacy campus. Last year, in this same fall window, CSFA secured a \$23,130,000 EFF loan for the Hybrid, Esperanza, and Legacy campuses.

The lender, EFF, is a Delaware nonstock nonprofit corporation that has 501(c)(3) tax-exempt status as a public charity. EFF was initially funded by philanthropic contributions from the Walton Family Foundation, and is organized to make low-cost, long-term, fixed rate loans to charter schools for facilities. The EFF program is set up as a revolving loan fund, so that as existing school loans are repaid, the loan repayment revenues can be used to make new loans. In addition, EFF has obtained, and will continue to seek, capital market financing in the form of tax-exempt bonds to leverage the revenue streams from their pool of school loans. Depending on the locations of the projects financed by the loans over time, EFF will issue bonds using various conduit issuers in various jurisdictions, and, as it did in connection with its prior bond issuances from 2019 through 2024, EFF will use the proceeds of such bonds to reimburse itself for loans it previously originated, in order to make additional loans.

Orrick, Herrington & Sutcliffe LLP (Orrick) represents EFF, and acts as its primary outside counsel on all lending and financing transactions nationally. Orrick's relationship with EFF is managed by Eugene Clark-Herrera.

Project Description

Briefly stated, the proceeds of the bonds will be used to: (1) Refinance existing NMTC loans related to the East College Prep campus at 3825 North Mission Road, Los Angeles, CA 90031; (2) Fund accrued interest on NMTC loans; (3) Fund NMTC Exit Put Price and Fees; and (4) Pay the cost of issuance.

Facilities Information

Site	Landlord/School Loan Lender	Location	Purpose	Amount
East College Prep	PMC North Mission Road LLC	3825 North Mission Road, Los Angeles 90031	Refinancing	\$10,940,411.51
Total Estimated Project Costs				\$10,940,411.51

The NMTC loans being refinanced originally financed the acquisition and construction of a 31,085 square facility that houses 316 students (FY 25) in grades 9-12. The facility is owned by the aforementioned PMC North Mission Road LLC. The facility includes 18 classrooms, a multipurpose room/cafeteria, an outdoor sports court, administrative offices, staff lounges, and a parking lot.

The NMTC loans to PMC North Mission Road LLC were made by LIIF Sub-CDE XLIX, LLC, a Delaware limited liability company ("LIIF Lender"), USBCDE Sub-CDE 171, LLC, a Missouri limited liability company ("USBCDE Lender"), and Civic Builders Sub-CDE X, LLC, a New York limited liability company, on October 10, 2018. Certain of the loans, which cannot be prepaid, mature on October 10, 2025. The investors in the lenders prefer to unwind the NMTC transactions after October 10, 2025. The next business day is October 14, 2025, but the parties prefer not to effect the unwind on the first day after a weekend or holiday, so October 15, 2025, is the first available unwind date. There is a \$1,000 put price payable by Ednovate associated with the unwind, and the fees are for the attorneys effectuating the documents for the unwind.

Financing

In the proposed loan to the Borrower, structured as a conduit loan through CSFA, Orrick would act as EFF's counsel. Although Orrick would not have an attorney-client relationship with CSFA on the Ednovate transaction, Orrick would perform most, if not all, of the tasks ordinarily performed in other transactions when acting as bond counsel to CSFA. While these tasks are associated with the role of "bond counsel" to CSFA, there is no legal or ethical requirement that the firm performing these tasks be retained by the conduit issuer. In this transaction, EFF and Orrick have agreed that Orrick should perform these tasks because of its prior experience in doing so on similar transactions. The only difference on this transaction would be that Orrick's client relationship is not with CSFA, but instead with EFF. Therefore, in this transaction, the Attorney General's Office will represent CSFA (as issuer's counsel), without need for an additional law firm to act as CSFA's outside bond counsel. The financing will be structured as a tri-party loan (the "Loan"), with EFF as the lender, CSFA as the conduit borrower, and the Borrower as the obligor responsible for all payments under the Loan. EFF reports that the intercept will lower the costs for Ednovate vs. a conventionally-structured loan. The Loan will be executed and delivered pursuant to a loan agreement among CSFA, EFF, and the Borrower.

A deposit to the Reserve Account for the Series 2025 Bonds in an amount of the Reserve Account Requirement is expected to be funded in whole or in part by proceeds of a grant pursuant to the Authority's Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority, if approved by the Authority.

Security and Source of Payment: The Borrower's obligations under the Loan will be secured by an Obligation issued by the Obligated Group under the Master Trust Indenture, including a pledge of rental revenues of the Obligated Group Schools and mortgages on all related real property interests naming Master Trustee as mortgagee. The rent Ednovate will pay under its lease with the Borrower will be subject to intercept. All payments subject to the Intercept shall only be transferred to EFF or the Master Trustee to repay the Loan or for payment of ground rent, if any. The Loan will be evidenced by a Promissory Note, executed by the Borrower in favor of California School Finance Authority.

Preliminary Sources and Uses and Preliminary 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 these figures are subject to change between the time the board packets are distributed and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

Sources and Uses

Sources:	Series 2025 (Taxable)	Enhancement Grant	Total
Proceeds			
Par Amount:	\$10,940,411.51	\$0.00	\$10,940,411.51
Other Sources:			
Enhancement Grant	\$0.00	\$745,000.00	\$745,000.00
Total:	\$10,940,411.51	\$745,000.00	\$11,685,411.51
Uses:	Series 2025 (Taxable)	Enhancement Grant	Total
Project Fund Deposit			
Refinance NMTC Loans	\$10,424,183.57	\$0.00	\$10,424,183.57
Fund Accrued Loan Interest	\$75,227.94	\$0.00	\$75,227.94
Fund NMTC Exit and Put Fee	\$41,000.00	\$0.00	\$41,000.00
Reserve Fund	\$0.00	\$745,000.00	\$745,000.00
Cost of Issuance	\$400,000.00	\$0.00	\$400,000.00
Total	\$10,940,411.51	\$745,000.00	\$11,685,411.51

Total Costs of Issuance*

Expense	Amount
Issuer Fee	\$15,500
Annual Admin Fee	1,650
Agent-for-Sale Fee	3,500
Issuer's Counsel Fee	20,000
Bond Counsel Fee	130,000
Borrower's Counsel Fee	75,000
Financial Advisor Fee	60,600
Trustee/Trustee Counsel Fee	9,500
Title Insurance Fee	75,000
Contingency Budget	9,250
Total	\$400,000.00

*Estimates based on principal amount of \$11,000,000.

Sales Restrictions

The following sales restrictions will apply. The Authority's sales restrictions can be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

The Loan will be non-transferable except between EFF and its affiliated entity, Equitable School Revolving Fund, LLC ("ESRF"), and in the case of default, to QIBs (note, EFF/ESRF qualify as QIBs). The following restrictions will apply:

1. The Note will not be broken into smaller denominations;
2. The Note will be privately placed with EFF and/or ESRF;
3. EFF and ESRF will each be required to execute an Investor Letter;
4. Subsequent transfers of the Note will be limited to transfers between EFF and ESRF or to other Qualified Institutional Buyers only in the case of a default;
5. Sales restrictions will be conspicuously noted on the Note and described in detail in offering materials, if any, as well as included in the Loan documents;
6. Loan repayments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code.

Other Project Data

Tax Equity and Fiscal Responsibility Act (TEFRA): Not applicable as this is a taxable loan.

Due Diligence Undertaken to Date: The financial, operating and other information concerning the Borrower, the Project and related matters presented in this Staff Summary was provided by the Borrower and Lender. The analysis contained herein was prepared by CSFA Staff for the limited purpose of determining financial feasibility pursuant to Section 17183.5 of the CSFA Act and providing the CSFA Board with information concerning certain aspects of the Project. The review undertaken by CSFA staff, the recommendation of CSFA Staff to the CSFA Board to approve the financing, or any approval by the CSFA Board are not intended to, and did not, include all of the due diligence activities and other investigations necessary or desirable for the purpose of making an investment decision relating to the making of the financing by the Lender, and should not be relied on by any party for such purpose.

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 demonstrating 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.

Staff Recommendation

Staff recommends the board adopt Resolution Number 25-22 authorizing the Loan in an amount not to exceed \$11,000,000 to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of certain educational facilities located in Los Angeles County for use by Ednovate, Inc.

1. **Applicant / Borrower:** PMC Support Corporation
2. **Project:** Refinancing acquisition and construction
3. **Amount of Financing:** Not to exceed \$11,000,000
4. **Maturity:** 40 years (Not-to-exceed 40 years)
5. **Repayment/Security:** Intercept of Lease Payments and Deed of Trust on Real Property
6. **Preliminary Interest Rate:** 5.75% (does not account for interest rate reduction due to CE grant – rate will be reduced by 20 bps)
7. **Preliminary Cost of Issuance:** The preliminary Cost of Issuance is \$400,000
8. **Not an Unconditional Commitment:** The Authority resolution shall not be construed as unconditional commitment to finance the Project, but rather the Authority's approval pursuant to the resolution conditioned upon entry by the Authority and Borrower into a loan agreement, in form and substance satisfactory to the Authority and its counsel.

Limited Time: The Board's approval expires 12 months from the date of its adoption. Thus, CSFA must enter into the loan agreement no later than 12 months from that date. Once the approval has expired, the item must return to the Board for new approval.

APPENDIX A: School Governance

Officers

Chief Executive Officer/Co-Founder	Oliver Sicat
Chief Operating Officer	Katie Hart
Chief Financial Officer	Kyle Goss
Chief of Staff	Kara Maguire
Chief of Schools	Olumide (Mac) Macaulay
Senior Director of Principal Leadership	Rosa Alanis
Senior Director of Family Engagement & Strategy	Jenny Aguas

Board of Directors

Board Chair	Kate Hirsh
Vice Chair	Michael Porter
Board Member	Kyle Salyer
Board Member	Pauline Fischer
Board Member	Elliot Sainer
Board Member	Tammy Anderson
Board Member	Robin Romans
Board Member	Ana Martinez Shropshire
Board Member	Ailen Salazar Bravo
Board Member	Ruth Castillo

APPENDIX B: BUDGET PROJECTIONS

EFF Financial Worksheet Template

INSTITUTION NAME:	Ednovate OG		
Fiscal Year	2022	2023	2024
<u>GENERAL</u>			
Fiscal Year End	06/30/2022	06/30/2023	06/30/2024
Statement Basis	Audited	Audited	Audited
<u>Student Demand and Enrollment</u>			
Number of Schools (in OG/Spread)	5	5	5
Grades Offered	9-12	9-12	9-12
Total FTE Enrollment (Daily Avg Attendance)	2,243	2,221	2,281
<u>Revenues</u>			
Per Pupil Funding:			
Local Funding	29,501,099	31,832,374	35,754,069
State Funding	4,537,341	5,485,617	7,545,875
Federal Funding	3,096,662	2,716,439	2,138,998
COVID/ESSER Related Grants	2,869,185	2,015,444	2,162,214
Grants/Fundraising/Contributions	207,781	345,126	429,762
Other Revenue	250,502	53,286	55,520
Total Revenue	40,462,570	42,448,286	48,086,438
<u>Expenses</u>			
Program Services	18,236,446	20,699,992	22,984,597
Management and General	6,644,388	4,731,041	6,368,925
Occupancy	2,538,191	3,488,090	4,471,416
Lease Expense (East)	1,160,596	1,160,596	1,153,624
EFF Refi (East)			
Lease Expense (Hybrid, Legacy, Esperanza)	1,802,873	2,774,320	2,830,777
EFF Refi (Hybrid, Legacy, Esperanza)			
Legacy Bonds			
Ground Lease (Esperanza)			
Lease Expense (Brio - Current Facility)	1,147,006	1,191,950	1,263,663
Lease Expense (Brio - New Facility)			
CSGF Debt Service (Brio - New Facility)			
EFF Refinance (Brio - New Facility)			
CMO Management Fee	5,363,476	5,879,369	6,649,764
Depreciation	216,882	234,211	305,405
Other (Hybrid NMTC Write Off)			
Total Expenses	37,109,858	40,159,569	46,028,171
Excess of Revenue Over Expense	3,823,308	2,759,313	2,521,891
Add Back: Depreciation & Amortization	216,882	234,211	305,405
Annual Lease Expense	4,110,475	5,126,866	5,248,064

Cash Available for Debt Service	8,150,665	8,120,390	8,075,360
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Add Back: Depreciation & Amortization	216,882	234,211	305,405
Annual Lease Expense	4,110,475	5,126,866	5,248,064
Subordinated Management Fee	5,363,476	5,879,369	6,649,764

Cash Available for Debt Service w/o Management Fee	13,514,141	13,999,759	14,725,124
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Lease-Adjusted ADS	4,110,475	5,126,866	5,248,064
Lease-Adjusted MADS	5,248,064	5,248,064	5,248,064

OPERATING RATIOS

Lease-Adjusted ADS Coverage	2.24	1.74	1.69
Lease-Adjusted MADS Coverage	NA	1.70	1.69
Lease-Adjusted ADS Coverage w/subordinated fee	3.71	3.01	3.08
Lease-Adjusted MADS Coverage w/subordinated fee	NA	2.93	3.08

STATEMENT OF FINANCIAL POSITION

Unrestricted Cash & Investments	12,187,652	19,537,960	22,178,603
Days Cash on Hand	120.6	178.6	177.0