Selecting the Best Financing Option for Your School.

PRESENTERS:
Brian Colon, Baird
John Buck, Buck Financial
David Sciarratta, Albert Einstein Academies

WHO WE ARE:
The country’s No. 1 underwriter of charter school bonds since 2009. Baird has completed more than 170 charter school financings totaling over $3.5 billion, including 26 financings totaling $470 million for California charter schools including:
- Albert Einstein Academies
- Alliance
- Green Dot Public Schools
- Julian Charter School
- King Chavez Academies
- KIPP LA
- New Designs Charter School
- Palmdale Aerospace Academy
- Partnership to Uplift Communities
- River Charter Schools
- Urban Discovery Academy

The largest charter school financial advisory firm and the only FA firm focusing solely on charter schools. Over 140 transactions completed totaling over $3.2 billion.

Albert Einstein Academies (AEA) provides dual-language, International Baccalaureate programs to elementary and middle school students in San Diego. Please visit www.aeacs.org for more information.

PRIMARY FINANCING VEHICLES FOR CHARTER SCHOOLS

<table>
<thead>
<tr>
<th>Types of Financing</th>
<th>Traditional Bank Loans</th>
<th>New Markets Tax Credit (NMTC)</th>
<th>Developer-Financed Lease Purchase</th>
<th>CDFIs</th>
<th>Charter School Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally Appropriate for...</td>
<td>Newer or seasoned schools, interim construction possible</td>
<td>New or more seasoned schools, but project must be in a “qualifying area” defined by census track and poverty levels OR serve a targeted population</td>
<td>Newer schools, interim financing until permanent takeout available</td>
<td>Seasoned schools or new schools of experienced operators</td>
<td>Generally, more seasoned school or organizations with substantial credibility</td>
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<tr>
<td>Amount Financeable (Loan to Value)</td>
<td>70–80%</td>
<td>+/- 90–100%</td>
<td>Flexible but reflected in the cost of the lease</td>
<td>65–80%</td>
<td>+/- 100%</td>
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<tr>
<td>Typical Term</td>
<td>5–10 year term with 20–25 year amortization</td>
<td>Usually interest-only for the first 7 years</td>
<td>20–30 years</td>
<td>5–7 years</td>
<td>30–15 years, fully amortized fixed rate</td>
</tr>
<tr>
<td>Appraisal Requirement</td>
<td>Yes</td>
<td>Generally, yes</td>
<td>Depends</td>
<td>Yes</td>
<td>Generally, no</td>
</tr>
<tr>
<td>Required to Refinance?</td>
<td>Yes</td>
<td>Yes</td>
<td>Typically yes, but restrictions can apply</td>
<td>Yes</td>
<td>No; option of school if advantageous</td>
</tr>
<tr>
<td>Complexity</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Typical Time Required to Close</td>
<td>+/- 30 days</td>
<td>+/- 90–120 days (or longer)</td>
<td>+/- 60 days</td>
<td>+/- 60–90 days</td>
<td>+/- 90 days</td>
</tr>
<tr>
<td>Other</td>
<td>Lender may require all deposits and credit lines</td>
<td>20–25% on loan normally “forgiven” at end of year 7</td>
<td>Can include minimum ROE; one-stop shopping</td>
<td>Various covenants required to be maintained</td>
<td></td>
</tr>
</tbody>
</table>

FACTORS IMPORTANT TO INVESTORS AND LENDERS

Enrollment: Waiting list, stable or increasing enrollment.
Debt Factors: Debt service below 20% of budget at consistent enrollment, below 15% is preferred.
Financial Conditions: Stable and/or increasing fund balance (minimum 5% of operating expenses), positive net revenues available for debt service, sufficient liquidity (cash) important.
Governance: Board business acumen, micro-manage vs. set direction, team approach vs. one person, established policies and procedures.
Academic Program: Positive test score trends or explicable deviations, distinguishing curriculum, other accreditation.
Competition: Want to understand differences in population, test scores, curriculum – “Why would a parent choose your school over other schools?”
Charter Renewal: Minimum one renewal event preferred, if applicable.
Student Retention: Grade roll-through student retention in the 90% range.
Transaction Size: Prefer $5 million minimum if done as a bond issue. NMTC lenders and investors are generally more flexible regarding size, though terms are generally better for $5 million minimum.