

## ALLIANCE FOR COLLEGE READY PUBLIC SCHOOLS

Los Angeles, California

~\$28,505,677\* EFF Financing / Expected Closing: 10/15/2019\* / Expected Final Maturity: 10/1/2049\*

*This loan has not closed as of the date of this Official Statement. The Revolving Fund's intention is to close this loan as soon as possible; however, there is no guarantee that this will close, and therefore there is no guarantee that this will be a part of the loan portfolio which secures the Bonds.*

### Obligor Overview

Alliance for College Ready Public Schools, a California nonprofit corporation ("Alliance"), was formed in 2003 and opened its first charter school in 2004. Alliance operates as a nonprofit charter management organization ("Alliance CMO") that focuses on educating students in grades 6 – 12 in Los Angeles.

The mission of Alliance is "to operate a network of small, high-performing public charter schools serving students in grades 6 – 12 in historically underachieving, low-income communities in California that can achieve year-to-year student academic achievement growth and prepare students for success in college."

Alliance aims to offer:

- an educational model based on high expectations of students;
- small personalized campuses;
- a longer school year and a longer instructional day than traditional public schools in the Los Angeles Unified School District (the "LAUSD") area;
- a team of highly qualified teachers and principals; and
- parents as partners in their child's educational success.

For the 2018-2019 academic year, Alliance provided services to twenty-five charter schools, as listed below (collectively, the "Alliance CMO Schools"), all within the boundaries of the Los Angeles Unified School District. Alliance entered into an administrative services agreement with each charter school in the Alliance CMO. Alliance received 10% of each school's revenues in return for administrative and instructional support, fundraising, and operational and financial services.

The source of annual principal and interest payments on the obligation is the rental payments paid by fifteen charter schools within the Alliance CMO Schools (the "Alliance Obligated Group Schools") to fifteen limited liability companies holding real estate title to the Alliance Obligated Group Schools (collectively, the "Alliance Obligated Group Members").

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\* Preliminary, subject to change.

Alliance CMO Schools	Alliance Obligated Group School
Alliance Marine-Innovation and Technology High School and Middle School (6-12 Complex)	YES
Alliance Ted K. Tajima High School	YES
Alliance Marc & Eva Stern Math and Science School	YES
Alliance Cindy & Bill Simon Technology Academy High School	YES
Alliance Piera Barbaglia Shaheen Health Services Academy	YES
Alliance Judy Ivie Burton Technology Academy High School	YES
Alliance Renee & Meyer Luskin Academy High School	YES
Alliance Ouchi-O'Donovan High School and Middle School (6-12 Complex)	YES
Alliance Collins Family College-Ready High School	YES
Alliance College-Ready Middle Academy #4	YES
Alliance Virgil Roberts Leadership Academy	YES
Alliance College-Ready Middle Academy #12	YES
Alliance Jack H. Skirball Middle School	YES
Alliance Kory Hunter Middle School	YES
Alliance College-Ready Middle Academy #8	YES <sup>†</sup>
Alliance Dr. Olga Mohan High School	NO
Alliance Gertz-Ressler/Richard Merkin High School and Middle School (6-12 Complex)	NO
Alliance Leichtman-Levine Family Foundation Environmental Science High School	NO
Alliance Susan & Eric Smidt Technology High School	NO
Alliance Tennenbaum Family Technology High School	NO
Alliance Morgan McKinzie High School	NO
Alliance Patti & Peter Neuwirth Leadership Academy	NO
Alliance Margaret M. Bloomfield High School	NO
Alliance Alice M. Baxter College-Ready High School	NO
Alliance College-Ready Middle Academy #5	NO

Alliance for College Ready Public Schools Facilities Corporation (“AFCRPSFC”), formed in 2011 to support Alliance charter schools, is the sole member of each of the single member limited liability companies that comprise the Alliance Obligated Group, and acts as the legal borrower on the School Loan and as the real estate affiliate of Alliance.

For the 2018-2019 academic year, 93% of Alliance’s student body qualified for free and reduced lunch.

### Management & Governance

Alliance is governed by a twenty-three-member Board of Directors (the “Alliance Board”). The Alliance Board established the Academic, Executive, Facilities, and Finance, Development and External Relations, Governance and Nominating, and Legal and Audit committees to further the Alliance Board’s goal of enhancing the operations of the Alliance Board and providing additional oversight.

Senior staff of Alliance includes a President and Chief Executive Officer, Chief Business Officer, Chief of Staff, Chief Advancement Officer, General Counsel, Chief College Officer, Chief Talent Officer, Chief Schools Officer, and Chief Academic Officer. Biographies of Alliance Board members and senior staff are included on Alliance’s website.<sup>‡</sup>

<sup>†</sup> This property is currently secured with a new market tax credit transaction. Due to such new market tax credit transaction, the corresponding Alliance Obligated Group Member’s rights, obligation, representations, and covenants as a Member of the Alliance Obligated Group will not become effective until the new market tax credits are no longer subject to recapture and the Alliance Obligated Group Member is no longer liable for the obligation under the new market tax credit financing. Until such date the School Loan is secured on a parity basis by the Alliance Obligated Group Members other than the Member corresponding to Middle Academy #8.

<sup>‡</sup> Information contained on the Alliance website **shall not** be construed as being incorporated herein by reference nor should any decisions relating to the Bonds be made in reliance upon any information from the website.

## Charter Contract

Alliance CMO Schools are authorized by the LAUSD. No application for renewal of any of the Alliance CMO Schools has been denied. The LAUSD has approved more than one charter renewal for six of the Alliance Obligated Group Schools and approved one charter renewal for eight of the Alliance Obligated Group Schools. One Alliance Obligated Group School, Alliance Marine-Innovation and Technology High School and Middle School, operates under its original charter agreement with an expiration date of June 30, 2020.

## Enrollment & Student Information

### Alliance for College Ready Public Schools Historical Obligated Group Student Enrollment FY16 – FY19

<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
6,957	7,506	7,817	8,154

For the 2018-2019 academic year, the Alliance CMO Schools enrolled 12,982 students. Of those students, the Alliance Obligated Group Schools enrolled 8,154, representing approximately 63% of the Alliance CMO Schools' total student enrollment.

As of March 9, 2019, waitlists (as a percentage of enrollment) at the Alliance Obligated Group Schools ranged from 1% at Alliance Cindy & Bill Simon Technology Academy High School to approximately 58% at Alliance College-Ready Middle Academy #12, with an average waitlist of approximately 19% of the Alliance Obligated Group Schools. For academic year 2017-2018, median student retention for the Alliance Obligated Group Schools was 92%, slightly above Alliance CMO Schools' median of 91% and similar to the prior year. Across all Alliance Obligated Group Schools, student retention ranged from a low of 82% to a high of 99%.

## Academic Program & Results

For the 2017-2018 academic year, the number of students attending Alliance Obligated Group Schools eligible for Free and Reduced Lunch ranged from 86% to a high of 98% for an overall rate of 93.7%. Despite the high need population served, Alliance reported that during this period the schools in the Alliance Obligated Group materially exceeded the LAUSD and the State of California averages for English Language Arts Standards ("ELA") for the categories of "All Students" as well as "Economically Disadvantaged Students." ELA results for the highest grade tested, 11<sup>th</sup> grade, show that the Alliance Obligated Group schools significantly outperformed the LAUSD by 39.5%.

For the same academic year, the Alliance CMO Schools exceeded the LAUSD average on the math standardized test but did not outperform the California state average for all students. When isolating students who are economically disadvantaged, results in both the Alliance CMO Schools and the Alliance Obligated Group Schools exceeded the LAUSD and California averages. Math results for the highest grade tested, 11<sup>th</sup> grade, show that the Alliance Obligated Group schools outperformed the LAUSD by 66.1%.

## The Project

Proceeds of the \$28 million loan will be used to advance refund the Alliance's Series 2011 Bonds as well as refinance a new market tax credit loan which was used to construct facilities for Alliance Middle School #8.

Prior debt obligations financed the construction of three facilities. These three schools will join the current twelve-school Obligated Group Schools on the date of closing of the loan resulting in a fifteen-member Alliance Obligated Group with revenues of over \$100 million and total debt outstanding of approximately \$55 million.

## Financial Information

Certain historical financial information for the Alliance Obligated Group Schools is listed below. These metrics will be updated and included in the Equitable School Revolving Fund ("ESRF") continuing disclosure annual report.

**Alliance for College Ready Public Schools  
Historical Financial Information**

Obligated Group Metric	FY16	FY17	FY18
Total Revenue (TR)	\$98,014,726	\$103,407,863	\$108,357,615
DS Coverage Ratio	2.23x	1.30x	1.14x
DS Coverage (subordinating Management fees)	3.11x	2.33x	2.21x
Debt Burden (% of TR)	8.7	10.0%	9.8%
Days Cash on Hand	110.7	140.5	135.3

**Rating:** S&P: BBB

**Website:** <https://www.laalliance.org>\*

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**Alliance for College Ready Public Schools  
Security and Loan Covenants**

<b>Security</b>	First lien deed of trust on all Alliance Obligated Group Schools (subject to the new market tax credit notes above) and a pledge of and lien on Gross Rental Revenues of Alliance Obligated Group Members on a parity basis, such liens run to the master trustee under the master indenture
<b>Debt Service Coverage Ratio</b>	1.00x for the Alliance Obligated Group Members; 1.10x for the Alliance Obligated Group Schools
<b>Additional Bonds Test</b>	Consolidated Base Rent Coverage Ratio for each of the three consecutive fiscal years is 1.20x starting the earlier of either: 1) first full fiscal year of initial use of revenue producing facilities; or 2) when debt service payments, not otherwise provided for, begins. In addition, coverage for the fiscal year immediately preceding the issuance, and taking such additional debt into consideration, is at 1.00x (or greater than it would have been otherwise).
<b>Liquidity Covenant</b>	60 days cash on hand (consolidated) of the Alliance Obligated Group Members; 45 days cash on hand for the Alliance Obligated Group Schools
<b>Academic Covenant</b>	In process
<b>Enrollment Covenant</b>	In process

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