



Magnolia Public Schools

Special Ad-Hoc Committee Meeting

Date and Time

Wednesday April 26, 2017 at 6:30 PM

Location

Teleconference Dial: 1.844. 572.5683 Code: 1948435

AGENDA Special Ad-Hoc Committee Meeting

Access to the Meeting: Any interested parties or community members from remote locations may attend the meeting at the following school sites or the addresses where the Board members are joining the meeting from:

Remotely by dialing in to the numbers provided above:

- 1020 South Olive Street, 7th Floor Los Angeles, CA 90015 (Ms. Noel Russell-Unterburger)
- 449 36th Street #2 Brooklyn, NY 11232 (Mr. Nguyen Huynh)
- MSA-San Diego: 6365 Lake Atlin Ave San Diego, CA 92119 (Dr. Salih Dikbas)

In compliance with the Americans with Disabilities Act (ADA) and upon request, Magnolia Public Schools may furnish reasonable auxiliary aids and services to qualified individuals with disabilities. Individuals who require appropriate alternative modification of the agenda in order to participate in Board meetings are invited to contact the MPS central office. If you need special assistance to attend the meeting, please notify Barbara Torres at (213) 628-3634 x100 to make arrangements and accommodate your disability.

Any public records relating to an agenda item for an open session of the Board which are distributed to all, or a majority of all, of the Board members shall be available for public inspection at 250 East 1st Street Ste 1500 Los Angeles, CA 90012.

MPS Board Members:

Ms. Noel Russell- Unterburger

Dr. Salih Dikbas

Mr. Nguyen Huynh

CEO & Superintendent:

Agenda

	Purpose	Presenter	Duration
I. Opening Items			
A. Call the Meeting to Order			
B. Record Attendance and Guests			
C. Public Comments			
D. Approval of the Agenda	Vote		
II. Action Item			
A. Approval of Bridge Financing for MSA-San Diego, MSA-Santa Ana and MSA-1 Projects	Vote	Caprice Young	40
III. Updates			
A. Bond Financing Update	Discuss	Caprice Young	15
IV. Closing Items			
A. Adjourn Meeting	Vote		

Agenda Cover Sheets

Section: **II. Action Item**
Item: A. Approval of Bridge Financing for MSA-San Diego, MSA-Santa Ana and MSA-1 Projects
Purpose: Vote
Key Result:
Submitted by:
Related Material: Bridge Financing for MSA SA and MSA SD.pdf
FE-008268.pdf
FE-008270.pdf
MPS Cash Flow.xlsx
US Bank Capital vs. CSC Offers.xlsx



Board Agenda Item #	Agenda # III K
Date:	March 9, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Caprice Young, Ed.D., CEO & Superintendent
RE:	Approval of Bridge Financing for MSA Santa Ana and San Diego Projects (including transfer of Magnolia Banking Relationships)

Proposed Board Recommendation

I move that the board approve the Bridge Financing for MSA Santa Ana and San Diego Projects as needed up to \$7 million and transfer of Magnolia's banking relationship. Because final proposal analysis is incomplete and due to the urgency of the decision timeline, the board delegates the final decision on this item to a closed session of an ad hoc committee consisting of the board president (Noël Russell Unterburger), the facilities committee chair (Nguyen Huynh), and the finance committee chair (Serdar Orazov).

Background

At the December 2016 board meeting, the board approved internal interagency loans to provide the cash flow needed to keep the Santa Ana, San Diego and Magnolia Science Academy 1 facilities projects on track through the pre-construction phase while the bond financing is completed. That financing is on track to close shortly following the April 6 CSFA meeting to approve the bonds. The terms sheet for that financing is included as a separate item for discussion but is not scheduled for board approval until the April meeting.

Because Magnolia is required to maintain a variety of specialized reserves, we have construction related cash needs beyond the amounts set aside by the board in December. In addition, the San Diego and Santa Ana projects must begin construction within 30 days in time for completion prior to the 2017-18 school year. The attached spreadsheet shows the monthly cash flows we are addressing with this short-term bridge. In order to secure a project completion bond, we need to show financing of the complete projects, although the 60-90 day cash flow needs are not more than \$2-\$2.5 million. Both the board's earlier \$1.5 million commitment and the bridge loan would be reimbursed by the bonds and, for MSA 1, Charter Schools Facilities Incentive Grants funds of up to \$500,000 during FY 2016-17.

Anticipating this need, Magnolia began seeking bridge financing during December immediately following approval of MSA 1, 2 and 3. With the help of Board Member Nguyen Huynh, we sought proposals from a variety of financing organizations, some of which were willing to

consider the short-term loan to Magnolia. Three funders declined to propose, mainly identifying “headline” risk given the ongoing OIG investigation and allegations instigated by the foreign representatives of the Turkish president. We have received firm proposals from Charter School Capital and Union Bank, a preliminary offer from US Capital Partners, and interest from Preferred Bank.

The offer from Union Bank would be an improved banking relationship with a cash-secured line of credit (they would loan us up to \$7 million based on the amount we have deposited with them on a segregated basis for security). This would allow us to maintain required reserves while accessing cash for construction; however, we do not believe the security requirements would be consistent with the liquidity requirements on our reserves for more than \$2 million. This credit facility also will require approximately two months to establish, beyond our current bridge loan timeline. Therefore, while the shift in our banking relationship would save us upwards of \$12,000 annually in fees and result in improved treasury management, it does not address our current bridge loan needs. Union Bank has been a consistent friend to charter schools, providing grants, banking facilities and loans when others shied away. Union Bank representatives have continued outreach to Magnolia consistently since July 2015 in various contexts. Staff believes that moving forward with transferring our banking relationship to Union Bank would be wise regardless of our bridge loan decision in order to establish a long term relationship with greater nimbleness for the future and to address our need for an improved banking relationship. However, the representative from Preferred Bank has stated that when their bridge loan proposal is made, it would be contingent upon also giving them our business as a banking client. Because we do not have an offer currently from them to consider, staff recommends a preference towards Union Bank. The loan terms and bank fee analysis from Union Bank are attached.

The two offers for bridge loan terms are from US Capital Bank and Charter School Capital. Preferred Bank has stated that they intend to submit a proposal prior to our board meeting. The Charter School Capital offer could close by March 15. The first \$2 million of the US Capital Bank offer would close within two weeks, assuming the terms sheet still stands, with the term loan of up to \$7 million closing following an underwriting period. Charter School Capital, a company that has previously funded Magnolia, has offered to purchase up to \$7.8 million in net receivables. Because these are negotiated terms, the attachments are being supplied only to board members. Because of the incongruity of the \$7 million proposals, they are difficult to compare. The preliminary analysis of the \$2 million bridge loans show the total cost of capital proposed by CSC to be lower and faster than US Capital Bank.

Due to the tight timeframe and the complexity of the deal analysis, staff recommends that the board delegate the decision on this financing to the ad hoc committee identified above.

Budget Implications

Please see attached cash flow analysis and confidential deal offers.

How Does This Action Relate/Affect/Benefit All MSAs?

Ensuring that Magnolia has the facilities for San Diego and Santa Ana completed prior to the beginning of the 2017-18 school year is vital to all of Magnolia’s schools. Fortunately, the LACOE approval of the MSA 1, 2 and 3 allows these facilities projects to get back on track, albeit at the cost of financing a bridge loan.

Name of Staff Originator:

Caprice Young, CEO; support from Nanie Montijo, CFO

Attachments

Cash Flow Excel Sheet

Union Bank proposals

CSC proposal

US Capital Bank preliminary offer

US Bank Capital vs. CSC offers spreadsheet



PROPOSED TERMS AND CONDITIONS

THIS DOCUMENT IS NOT MEANT TO BE, NOR SHALL IT BE CONSTRUED AS, EITHER A BINDING COMMITMENT OR AN ATTEMPT TO DEFINE ALL TERMS AND CONDITIONS OF THE TRANSACTIONS DESCRIBED HEREIN. RATHER, IT IS INTENDED AS A DISCUSSION DOCUMENT ONLY, TO OUTLINE A POSSIBLE FINANCING STRUCTURE FOR THE TRANSACTIONS DESCRIBED BELOW. ANY SUCH FINANCING WOULD BE SUBJECT TO NEGOTIATION OF A DEFINITIVE COMMITMENT LETTER, AND CREDIT APPROVAL ON THE PART OF MUFG UNION BANK, N.A., FURTHER DUE DILLIGENCE ON ALL ASPECTS OF THE TRANSACTION AND FULFILLMENT OF ALL OTHER CONDITIONS SPECIFIED IN SUCH COMMITMENT LETTER. THE PRINCIPAL PURPOSE OF THIS CORRESPONDENCE, HOWEVER, IS TO FACILITATE DISCUSSION AS TO HOW MUFG UNION BANK, N.A. MIGHT CONSIDER SUCH FINANCINGS. OTHERWISE, THE PURPOSE OF THIS DOCUMENT IS TO PROVIDE A SUMMARY OF CREDIT FACILITIES PROPOSED ON THE COMPANY'S BEHALF, CONTINGENT UPON THE COMPANY'S ABILITY TO FULFILL OTHER REQUIREMENTS AS DETAILED HEREIN:

Borrower:	Magnolia Educational Foundation and Research Center
Lender:	MUFG Union Bank, N.A. ("UB")
Credit Facility	Cash Secured Working Capital Revolving Line of Credit
Loan Amount:	The lesser of \$7,000,000 or the amount of cash or equivalent collateral on deposit with and pledged to Bank.
Expiration Date:	2 years, to be renewed annually at Bank's discretion.
Interest:	1.75% over TDA; Interest payable monthly. <i>per annum</i>
Repayment:	Facility may be drawn down at Borrower's option and repaid, and re-borrowed thereafter, however all unpaid principal and accrued interest is due and payable at expiration.
Collateral:	Cash Collateral Savings Account (Acct # TBD).
Guaranty:	None
Conditions Precedent:	Continued corporate good standing of borrower. No material or adverse change in the Borrower's ownership, financial condition, assets, liabilities business or prospects subsequent to the bank's initial review of any submitted financial information.
Reporting:	Annual CPA Reviewed or better FYE financial statements within 180 days of Fiscal Year end
Financial Covenants:	None

Annual Fee: Waived

Other Conditions: (a) Opinion of counsel pertaining to Magnolia's ability to pledge funds, which are to be held by MUFG Bank as collateral.
(b) Deposit and Transaction relationship to be maintained with MUFG Union Bank

In addition to this proposal for credit services, a separate proposal for Deposit and Transaction Banking services also accompanies this document for your consideration. It is intended that any legal rights or obligations between us will come into existence only if comprehensive loan documents are executed and delivered. Such legal rights and obligation shall be only those set forth in such loan documents. In addition, the contemplated credit facilities will be subject to credit approval by the Bank and there being no adverse change in (i) the financial condition, assets, liabilities, business or prospects of Borrower, or any change in the management or ownership structure of, or ownership interests in, Borrower. In addition, if Borrower, is in default under any agreement between such party and Bank, Bank shall have no obligation to make available to Borrower any of the contemplated credit facilities.

We wish to take this opportunity to express our appreciation for your consideration of a commercial credit relationship with Union Bank, N.A. If you have any question, please contact me at 909-244-1252.

Sincerely Yours,

UNION BANK, N.A.

By: LaRonda Fisher-Rogers, Vice President

Its: Vice President

Date:

Accepted by:

Magnolia Educational Foundation and Research Center

By: _____

Its:

Date:

Price Menu
PROFORMA ACCOUNT ANALYSIS STATEMENT
Magnolia Education & Research Foundation
December 2016

UNION BANK	
BALANCE SUMMARY	
Average Ledger Balance	\$6,941,020.91
Less: Average Uncollected (FLOAT)	\$0.00
Average Collected Balance	\$6,941,020.91
Less: Reserve Requirement (10%)	\$694,102.09
Less: Sweep Compensating Balance	\$0.00
Balance Available to Support Activity	\$6,246,918.82

ACCOUNT POSITION	
Earnings Credit Rate	0.40%
Number of Days in Month	31
 Recurring Months	
Earnings Credit:	\$2,116.44
Less: Interest Paid on Interest Bearing Accounts	\$0.00
Net Earnings Allowance - This Month	\$2,116.44
Less: Charges for Balance Compensated Services	\$2,646.81
Net Earnings Allowance (Recurring)	(\$530.37)

ACCOUNTS INCLUDED IN ANALYSIS	
12 Accounts	

OVERDRAFT / UNCOLLECTED FUNDS CHARGES	
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Uncollected Funds

Customer usage of uncollected funds is charged the Union Bank Reference Rate plus 4.0% per annum, computed on the average daily usage of uncollected funds for the month in question.

Overdrafts

Overdraft balances and related fees are charged the Union Bank Reference Rate plus 4.0% per annum, computed daily, with a minimum daily charge of \$10.00, assessed from the time such overdraft balances are created and related fees incurred. The minimum daily charge and accrued interest are then added to the overdraft balance.

Checks or other transactions presented against insufficient funds whether paid or unpaid are assessed at \$35 per item.

This Pro Forma Account Analysis is an estimate based on assumptions about the services and volumes that will be used. Every effort has been made to provide an accurate estimate, but actual usage may vary and cause the results to differ. We reserve the right to bill for services that are not included in the above estimate if the applicable services are implemented by the bank and utilized by you.

UNION BANK
COMMERCIAL TREASURY SERVICES PRICING SCENARIO - PRICE SCHEDULE 00
Magnolia Education & Research Foundation
December 2016

BILLABLE DESCRIPTION	VOLUME	Proposed Price \$	Extended Proposed Price \$
ACCOUNT ANALYSIS			
ACCT MAINTENANCE - WEB	12	10.00	120.00
SUBTOTAL			<u>120.00</u>
ACCOUNT RECONCILIATION			
FULL RECON MONTHLY MAINT	12	50.00	600.00
POS PAY MONTHLY MAINT	12	0.00	0.00
TRANSMISSION ISSUE INPUT-BASE	24	2.00	48.00
TRANSMISSION ISSUE INPUT-ITEM	326	0.07	21.19
CHECK PAID TRUNCATED	325	0.12	39.00
DAILY PAID REPORT	1	0.00	0.00
PAYEE NAME VALIDATION	326	0.04	11.41
SUBTOTAL			<u>719.60</u>
BUSINESS CHECKING			
ELECTRONIC CREDIT	36	0.20	7.20
ELECTRONIC DEBIT	72	0.20	14.40
BANK STATEMENT WEB	12	3.00	36.00
DEPOSIT ADMIN FEE (000's)	6,941.0	0.13	867.63
SUBTOTAL			<u>925.23</u>
CUSTOMER SERVICE ACTIVITIES			
CASHIER'S CHECKS	2	10.00	20.00
SUBTOTAL			<u>20.00</u>
ELECTRONIC PAYMENT AUTHORIZAT			
EPA MONTHLY MAINTENANCE	1	10.00	10.00
EPA MONTHLY MAINTENANCE	9	10.00	90.00
EPA MONTHLY MAINTENANCE	1	10.00	10.00
SUBTOTAL			<u>110.00</u>
IMAGE CHECK			
REMOTE DEPOSIT MONTHLY MAINT	1	100.00	100.00
REMOTE DEPOSIT ADD'L ACCT	9	10.00	90.00
REMOTE DEPOSIT PER TRANSIT	47	0.09	4.23
REMOTE DEPOSIT PER DEPOSIT	39	1.00	39.00
SUBTOTAL			<u>233.23</u>
CHECK IMAGE			
IOD MONTHLY MAINTENANCE FEE	12	5.00	60.00
SUBTOTAL			<u>60.00</u>
INFORMATION REPORTING			

UNION BANK
COMMERCIAL TREASURY SERVICES PRICING SCENARIO - PRICE SCHEDULE 00
Magnolia Education & Research Foundation
December 2016

BILLABLE DESCRIPTION	VOLUME	Proposed Price \$	Extended Proposed Price \$
WEB PRIOR DAY REPORT ACCOUNTS	1	20.00	20.00
WEB PRIOR DAY REPORT ACCOUNTS	11	10.00	110.00
WEB PD BAL/SUM UPDATED	1,260	0.05	63.00
WEB PD TRANSACTIONS UPDATED	847	0.05	42.35
WEB CD BAL/SUM UPDATED	756	0.05	37.80
WEB CD TRANSACTIONS UPDATED	737	0.05	36.85
WEB CURRENT DAY RPT ACCOUNTS	1	20.00	20.00
WEB CURRENT DAY RPT ACCOUNTS	11	10.00	110.00
SUBTOTAL			440.00
OFFICE CASH SERVICES			
DEPOSITED CURRENCY (000's)	12.5	1.50	18.75
SUBTOTAL			18.75
TEAM STOP PAYMENTS			
WEB DDA STOP PAYMENT	*	10.00	0.00
SUBTOTAL			0.00
MONTHLY SERVICE TOTAL			2,646.81
SETUP AND ONE-TIME FEES			
EPA SETUP	*	50.00	0.00
EPA TRADING PARTNER SETUP	*	15.00	0.00
REMOTE DEPOSIT SVC SET UP	*	125.00	0.00
SETUP AND ONE-TIME FEES TOTAL			0.00

This Pro Forma Account Analysis is an estimate based on assumptions about the services and volumes that will be used. Every effort has been made to provide an accurate estimate, but actual usage may vary and cause the results to differ. We reserve the right to bill for services that are not included in the above estimate if the applicable services are implemented by the bank and utilized by you.



Funding Proposal : Magnolia Public Schools

		FY 2016-17				
		100%	15%	85%		
	<u>Projected Purchase Date</u>	<u>Gross Receivable Amount</u>	<u>Maximum Deferred Price</u>	<u>Initial Purchase (Face Value)</u>	<u>Discount</u>	<u>Upfront Purchase Price</u>
<u>EPA</u>						
4Q	3/15/17	\$997,427	\$149,927	\$847,500	\$31,357	\$816,143
<u>LCFF</u>						
Apr	3/15/17	\$2,286,656	\$343,556	\$1,943,100	\$48,400	\$1,894,700
May	3/15/17	\$2,286,656	\$343,556	\$1,943,100	\$60,414	\$1,882,686
June	3/15/17	\$2,286,656	\$343,556	\$1,943,100	\$71,895	\$1,871,205
<u>In-Lieu</u>						
May	3/15/17	\$589,586	\$88,886	\$500,700	\$12,471	\$488,229
Jun	3/15/17	\$589,586	\$88,886	\$500,700	\$15,567	\$485,133
July	3/15/17	\$589,586	\$88,886	\$500,700	\$18,527	\$482,173
	Total	\$9,626,153	\$1,447,253	\$8,178,900	\$258,631	\$7,920,269
Upfront Purchase Price This Transaction						\$7,920,269
Current Program Fee						\$81,789
Projected Net: This Transaction						\$7,838,480

Confidentiality: This Funding Proposal has been prepared for your school on a confidential basis and is subject to the Confidentiality provisions set forth in the Receivables Purchase Agreement.



Funding Proposal : MSA 2 16-17 P1 Estimate

	<u>Projected Purchase Date</u>
EPA	
4Q	3/15/17
LCFF	
May	3/15/17
June	3/15/17

FY 2015-16				
100%	15%	85%		
<u>Gross Receivable Amount</u>	<u>Maximum Deferred Price</u>	<u>Initial Purchase (Face Value)</u>	<u>Discount</u>	<u>Upfront Purchase Price</u>
\$151,914	\$22,814	\$129,100	\$6,008	\$123,092
\$238,284	\$35,784	\$202,500	\$6,816	\$195,684
\$238,284	\$35,784	\$202,500	\$9,424	\$193,076
\$628,482	\$94,382	\$534,100	\$22,248	\$511,852
Upfront Purchase Price This Transaction				\$511,852
Current Program Fee				\$5,341
Program Fee Balance				
Misc. Offset/Credit				\$0
Projected Net: This Transaction				\$506,511

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Funding Proposal : MSA 3 16-17 P1 Estimate

EPA
4Q
LCFF
May
June

Projected Purchase Date

4/15/17
4/15/17
4/15/17

Total

FY 2016-17				
100%	15%	85%		
<u>Gross Receivable Amount</u>	<u>Maximum Deferred Price</u>	<u>Initial Purchase (Face Value)</u>	<u>Discount</u>	<u>Upfront Purchase Price</u>
\$154,086	\$23,186	\$130,900	\$5,241	\$125,659
\$265,840	\$39,940	\$225,900	\$6,095	\$219,805
\$265,840	\$39,940	\$225,900	\$9,045	\$216,855
\$685,766	\$103,066	\$582,700	\$20,381	\$562,319
Upfront Purchase Price This Transaction				\$562,319
Current Program Fee				\$5,827
Program Fee Balance				
Misc. Offset/Credit				\$0
Projected Net: This Transaction				\$556,492

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Funding Proposal : MSA 4 16-17 P1 Estimate

EPA
4Q
LCFF
May
June

Projected Purchase Date

4/15/17
4/15/17
4/15/17

Total

FY 2016-17				
100%	15%	85%		
<u>Gross Receivable Amount</u>	<u>Maximum Deferred Price</u>	<u>Initial Purchase (Face Value)</u>	<u>Discount</u>	<u>Upfront Purchase Price</u>
\$67,358	\$10,158	\$57,200	\$2,290	\$54,910
\$113,934	\$17,134	\$96,800	\$2,612	\$94,188
\$113,934	\$17,134	\$96,800	\$3,876	\$92,924
\$295,226	\$44,426	\$250,800	\$8,778	\$242,022
Upfront Purchase Price This Transaction				\$242,022
Current Program Fee				\$2,508
Program Fee Balance				
Misc. Offset/Credit				\$0
Projected Net: This Transaction				\$239,514

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Funding Proposal : MSA 7 16-17 P1 Estimate

EPA
4Q
LCFF
May
June

Projected Purchase Date

3/15/17
3/15/17
3/15/17

Total

FY 2016-17				
100%	15%	85%		
<u>Gross Receivable Amount</u>	<u>Maximum Deferred Price</u>	<u>Initial Purchase (Face Value)</u>	<u>Discount</u>	<u>Upfront Purchase Price</u>
\$91,738	\$13,738	\$78,000	\$3,630	\$74,370
\$172,334	\$25,934	\$146,400	\$4,928	\$141,472
\$172,334	\$25,934	\$146,400	\$6,814	\$139,586
\$436,406	\$65,606	\$370,800	\$15,372	\$355,428
Upfront Purchase Price This Transaction				\$355,428
Current Program Fee				\$3,708
Program Fee Balance				
Misc. Offset/Credit				\$0
Projected Net: This Transaction				\$351,720

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Funding Proposal : MSA Bell 16-17 P1 Estimate

EPA
4Q
LCFF
May
June

Projected Purchase Date

4/15/17

4/15/17

4/15/17

Total

FY 2016-17				
100%	15%	85%		
<u>Gross</u> <u>Receivable</u> <u>Amount</u>	<u>Maximum</u> <u>Deferred</u> <u>Price</u>	<u>Initial Purchase</u> <u>(Face Value)</u>	<u>Discount</u>	<u>Upfront</u> <u>Purchase</u> <u>Price</u>
\$160,716	\$24,116	\$136,600	\$5,469	\$131,131
\$269,724	\$40,524	\$229,200	\$6,184	\$223,016
\$269,724	\$40,524	\$229,200	\$9,177	\$220,023
\$700,164	\$105,164	\$595,000	\$20,830	\$574,170
Upfront Purchase Price This Transaction				\$574,170
Current Program Fee				\$5,950
Program Fee Balance				
Misc. Offset/Credit				\$0
Projected Net: This Transaction				\$568,220

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Caprice Young <cyoung@magnoliapublicschools.org>

Magnolia Bridge Loan - terms from US Capital Partners.

2 messages

Nguyen (Win) Huynh <nguyen.huynh@gatescapital.com> Wed, Feb 8, 2017 at 8:12 AM
To: "Dr. Caprice Young (cyoung@magnoliapublicschools.org)" <cyoung@magnoliapublicschools.org>, "nmontijo@magnoliapublicschools.org" <nmontijo@magnoliapublicschools.org>
Cc: "Nguyen (Win) Huynh" <nguyen.huynh@gatescapital.com>

Bridge Loan terms from US Capital Partners.

Their idea is an initial bridge loan up to \$2 million that can close quickly; within 2 weeks.

A second tranche, the term loan would take out the bridge loan and have value up to \$7 million.

Not the cheapest financing but they can close quickly. The appropriate comp is financing fromn CSC.

Thank you.

From: Jack Monopoli [<mailto:jmonopoli@uscapitalpartners.net>]
Sent: Monday, February 06, 2017 6:22 PM
To: Nguyen (Win) Huynh
Cc: Irving Vela
Subject: US Capital email terms

Dear Nguyen, As discussed see email terms below. We did lower banking fees. Let me know if you have any questions.

I have enjoyed our interaction and am very interested in your company and financing requirements. We have reviewed the information you have provided thus far with our internal underwriting group and are ready to move forward to a Term Sheet.

The Term Sheet will detail the following financing program for Magnolia Educational & Research Foundation:

\$7,000,000

Total Facility Size:

Facility Type: \$7,000,000 facility made up as follows:

- (a) \$800,000 to \$2,000,000 Bridge Loan Facility (“Bridge Loan”), depending on qualification and client request.
- (b) \$7,000,000 Term Loan Facility (“Term Loan”).

- (a) Bridge Loan: Up to 12 months from the date of closing.
- Term of Facility:**
- (b) Term Loan: Up to 12 months from the date of closing.
- Amortization:**
- (a) Bridge Loan: Interest only payments over a 12 month schedule with a balloon payment due at maturity.
- (b) Term Loan: Interest only payments over a 12 month schedule with a balloon payment due at maturity.
- Interest:**
- (a) Bridge Loan: A fixed rate per annum (360-day basis) equal to up to 8.00%.
- (b) Term Loan: A fluctuating rate per annum (360-day basis) equal to LIBOR *plus* up to 5.00%.
- Use of Proceeds:**
- (a) Bridge Loan: To provide capital for the construction of the property.
- (b) Term Loan: To provide working capital for the Company's current and future needs and to pay off the Bridge Loan Facility.
- Yield Maintenance:**
- (a) Bridge Loan: Waived.
- (b) Term Loan: The Loan may be prepaid at any time, provided that a minimum of 6 months of interest payments will be made during the Term of the Facility.
- Credit Facility Fee:**
- (a) Bridge Loan: A one-time fee of 1.50% of the Bridge Loan amount, payable at closing.
- (b) Term Loan: A one-time fee of 1.50% of the Term Loan amount, payable at closing.
- Banking Fee:**
- (a) Bridge Loan: 2.50% of the total credit facility amount, payable at closing, as well as 2.50% on any increases thereto that may be secured for Company. The minimum Banking Fee is \$20,000.
- (b) Term Loan: 2.00% of the total credit facility amount, payable at closing, as well as 2.00% on any increases thereto that may be secured for Company. The minimum Banking Fee is \$140,000.

\$30,000 payable at execution of Term Sheet.

**Due Diligence and
Underwriting Fee:**

If the above terms are acceptable to you, please send an affirmative response and we will issue our Term Sheet. Upon your approval and execution of our Term Sheet, we will collect our Due Diligence and Underwriting Fee to complete the gathering and verification of the data that you provided. After execution of the Term Sheet, and at the end of this diligence process, we will issue a Commitment Letter or go directly to loan documents.

This email indication of terms will automatically expire in 5 business days from the date of this email at 5:00 p.m. Pacific Time, unless you have acknowledged your acceptance.

Please call/email if you have any questions.

Thanks very much.

Caprice Young <cyoung@magnoliapublicschools.org>
To: "Nguyen (Win) Huynh" <nguyen.huynh@gatescapital.com>
Cc: "nmontijo@magnoliapublicschools.org" <nmontijo@magnoliapublicschools.org>

Sun, Feb 12, 2017 at 4:58 PM

This looks competitive compared with what we've seen. I am going through where we are on all of the possibilities now. I think we have to get back to them tomorrow. Monday.

Caprice

Caprice Young, Ed.D.
CEO & Superintendent

Magnolia Public Schools
250 E. 1st Street, Suite 1500
Los Angeles, CA 90012
Office: (213) 628-3634
Fax: (714) 362-9588
www.magnoliapublicschools.org

[Magnolia Public Schools - 15 Year Anniversary Video](#)

Graduates of Magnolia Public Schools are scientific thinkers who contribute to the global community as socially responsible and educated members of society.

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Funding Estimate for Magnolia Public Schools

04/25/17

Thank you for requesting information from the Charter School Capital team to support the educational efforts at Magnolia Public Schools. Below please find the information requested.

Our team is committed to your success and is here for you so you can focus on your mission – educating students. Charter schools help create educational choice. That’s why we only work with charter schools. We believe in their power to deliver quality education. Since 2007, we have provided more than \$1.5 billion in funding to 550+ charter schools serving 650,000 students nationwide. We look forward to supporting your charter school.

Questions? Please contact:

Donna Kopman - (971) 634-1872
dkopman@charterschoolcapital.org

Amount Requested: \$ 600,000

Magnolia Science Academy 5 Hollywood

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
Q4 Education Protection Account FY16-17	05/10/2017	\$ 63,092	\$ 53,600	\$ 9,492	\$ 1,862	3.47%	\$ 51,738
Total		\$63,092	\$53,600	\$9,492	\$1,862	3.47%	\$51,738

Magnolia Science Academy 6 Palms

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
Q4 Education Protection Account FY16-17	05/10/2017	\$ 58,443	\$ 49,600	\$ 8,843	\$ 1,723	3.47%	\$ 47,877
Total		\$58,443	\$49,600	\$8,843	\$1,723	3.47%	\$47,877

Magnolia Science Academy 8 Bell

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
Q4 Education Protection Account FY16-17	05/10/2017	\$ 165,887	\$ 141,000	\$ 24,887	\$ 4,897	3.47%	\$ 136,103
Total		\$165,887	\$141,000	\$24,887	\$4,897	3.47%	\$136,103

CONFIDENTIALITY: This Funding Estimate has been prepared for your school on a confidential basis. This Funding Estimate is the property of Charter School Capital and shall not be duplicated or distributed to any third parties without the express prior written consent of Charter School Capital.

Magnolia Science Academy 2 Valley

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
Q4 Education Protection Account FY16-17	05/10/2017	\$ 156,801	\$ 133,200	\$ 23,601	\$ 4,626	3.47%	\$ 128,574
Total		\$156,801	\$133,200	\$23,601	\$4,626	3.47%	\$128,574

Magnolia Science Academy 3 Carson

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
Q4 Education Protection Account FY16-17	05/10/2017	\$ 159,043	\$ 135,100	\$ 23,943	\$ 4,692	3.47%	\$ 130,408
Total		\$159,043	\$135,100	\$23,943	\$4,692	3.47%	\$130,408

Magnolia Science Academy 4 Venice

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
Q4 Education Protection Account FY16-17	05/10/2017	\$ 69,525	\$ 59,000	\$ 10,525	\$ 2,049	3.47%	\$ 56,951
Total		\$69,525	\$59,000	\$10,525	\$2,049	3.47%	\$56,951

Magnolia Science Academy 7 Van Nuys

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
Q4 Education Protection Account FY16-17	05/10/2017	\$ 94,689	\$ 80,400	\$ 14,289	\$ 2,792	3.47%	\$ 77,608
Total		\$94,689	\$80,400	\$14,289	\$2,792	3.47%	\$77,608

Upfront Purchase Price	\$ 629,259
Program Fee	\$ 6,519
Transaction Fee	\$ 0
Total Fees	\$ 6,519
Net to School	\$ 622,740

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Estimates only. To be finalized at closing.

Important Information

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2. The Funding Estimate is based on an estimate of projected Receivables. This Funding Estimate is only a preliminary assessment, not a promise or guarantee to provide funding. Charter School Capital relies primarily on the credit markets to provide funds to charter schools. These markets necessarily carry risk regarding the timing and availability of funds. In addition, the actual financing is subject to completion of our due diligence, the execution and delivery of a receivables purchase agreement and related documentation, and the satisfaction of all the conditions to closing specified in the receivables purchase agreement.

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04/25/17

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Questions? Please contact:

Donna Kopman - (971) 634-1872
dkopman@charterschoolcapital.org

Amount Requested: \$ 900,000

Magnolia Science Academy 5 Hollywood

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
June LCFF FY16-17	06/09/2017	\$ 99,098	\$ 84,200	\$ 14,898	\$ 2,381	2.83%	\$ 81,819
Total		\$99,098	\$84,200	\$14,898	\$2,381	2.83%	\$81,819

Magnolia Science Academy 6 Palms

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
June LCFF FY16-17	06/09/2017	\$ 84,926	\$ 72,100	\$ 12,826	\$ 2,039	2.83%	\$ 70,061
Total		\$84,926	\$72,100	\$12,826	\$2,039	2.83%	\$70,061

Magnolia Science Academy 8 Bell

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
June LCFF FY16-17	06/09/2017	\$ 248,373	\$ 211,100	\$ 37,273	\$ 5,970	2.83%	\$ 205,130
Total		\$248,373	\$211,100	\$37,273	\$5,970	2.83%	\$205,130

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Magnolia Science Academy 2 Valley

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
June LCFF FY16-17	06/09/2017	\$ 221,244	\$ 188,000	\$ 33,244	\$ 5,317	2.83%	\$ 182,683
Total		\$221,244	\$188,000	\$33,244	\$5,317	2.83%	\$182,683

Magnolia Science Academy 3 Carson

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
June LCFF FY16-17	06/09/2017	\$ 243,297	\$ 206,800	\$ 36,497	\$ 5,849	2.83%	\$ 200,951
Total		\$243,297	\$206,800	\$36,497	\$5,849	2.83%	\$200,951

Magnolia Science Academy 4 Venice

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
June LCFF FY16-17	06/09/2017	\$ 105,252	\$ 89,400	\$ 15,852	\$ 2,528	2.83%	\$ 86,872
Total		\$105,252	\$89,400	\$15,852	\$2,528	2.83%	\$86,872

Magnolia Science Academy 7 Van Nuys

Receivable	Target Funding Date	Gross Receivable Value	Initial Purchase Face Value	Max Def. Purchase Price	Discount	Discount %	Upfront Purchase Price
June LCFF FY16-17	06/09/2017	\$ 132,057	\$ 112,200	\$ 19,857	\$ 3,173	2.83%	\$ 109,027
Total		\$132,057	\$112,200	\$19,857	\$3,173	2.83%	\$109,027

Upfront Purchase Price	\$ 936,543
Program Fee	\$ 9,638
Transaction Fee	\$ 0
Total Fees	\$9,638
Net to School	\$ 926,905

Estimates only. To be finalized at closing.

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Attachments

The following files are attached to this PDF: You will need to open this document in an application that supports attachments (i.e. [Adobe Reader](#)) in order to access these files.

MPS Cash Flow.xlsx

US Bank Capital vs. CSC Offers.xlsx