

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)  
CONDUIT 501(c)(3) REVENUE BOND FINANCING**

**STAFF REPORT  
AMENDED AND RESTATED RESOLUTION NO. 20-20**

**EXECUTIVE SUMMARY**

WFCS Holdings II, LLC (“Borrower” or “WFCS II”) is returning to the IBank Board of Directors (the “Board”) to request the Board’s adoption of an amended and restated resolution (the “Amended and Restated Resolution No. 20-20”). WFCS II previously requested the Board’s approval of the Resolution No. 20-20 during the October 28, 2020 Board meeting. The Bonds connected to IBank’s Resolution are part of a larger portfolio financing that includes bonds to be issued by the Public Finance Authority (“PFA”) and the Capital Trust Agency (“CTA”). IBank issued Bonds will finance only California projects. PFA and CTA bonds will finance out of state projects. Identifying the facilities and performing due diligence in such facilities has taken a little longer than expected. The Borrower and their financing team have been working with the seller to finalize the details. Accordingly, the Borrower seeks a 180-day extension of the Resolution and they are also availing themselves of IBank’s current policies to allow for AI’s.

The Amended and Restated Resolution No. 20-20 (the “Resolution”) will continue to authorize (a) financing the acquisition of public charter school facilities located in California, (b) financing improvements to certain of those facilities, (c) funding a debt service reserve fund, and (d) paying certain costs of issuance in connection with the issuance of the Bonds (collectively, the “Project”). The Resolution will authorize the issuance of one or more of the tax-exempt and/or taxable revenue bonds (the “Bonds”), to be sold in a limited offering to qualified institutional buyers within the meaning of S.E.C. Rule 144A (“QIBs”) or accredited investors within the meanings of the Code of Federal Regulations, Section 230.501(a)(1), (2), (3), (7), (8), (9), or (12) (“AIs” and, together with QIBs, “Sophisticated Investors”).

**WFCS HOLDINGS II, LLC**

The Borrower was formed as a Minnesota Limited Liability Company for the purpose of acquiring public charter school facilities. Wonderful Foundations (“Wonderful”) is the Borrower’s sole member and was formed as a 501(c)(3) Oregon non-profit corporation on October 28, 2018. For federal tax purposes, the Borrower is a “disregarded entity” and so holds the same tax-exempt status as its sole member. Wonderful’s mission is to make an innovative public charter school experience available to every child across the nation – and around the globe. Wonderful’ s recognition as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code is based on its mission to assist public charter schools in various ways, specifically including undertaking the Project (and other similar projects) through the Borrower. Among other activities benefitting public charter schools, Wonderful plans to serve as a central hub through which charter schools can access capital financing through tax-exempt bonds and charitable grants, leverage efficiencies, and pool risk to reduce the overall costs of securing facilities, equipment and other capital investments.

The California Secretary of State reports active status for the Borrower.

**DESCRIPTION AND STATUS**

The Project will include financing all or a part of the acquisition of one or more of the following public charter school facilities: John Henry High School located at 1402 Marina Way, South

Point, Richmond, CA 94804; Desert Sands Public Charter and Antelope Valley Learning Academy located at 177 Holston Drive, Lancaster, CA 93535; and Hardy Brown College Prep located at 655 West 2<sup>nd</sup> Street, San Bernardino, CA 92415, (together, the “Facilities”); financing improvements to certain of those facilities; funding a debt service reserve fund; and paying certain costs of issuance in connection with the issuance of the Bonds. After acquiring the Facilities, the Borrower will lease them back to the current charter school tenants, and intends eventually to transfer fee simple title to the charter schools after the Bonds are repaid. The Borrower intends to purchase these Facilities from American Education Properties, LLC (“AEP”) and become the fee simple owner of the Facilities. AEP is a for-profit company with a portfolio of charter schools nationwide. The Borrower plans to maintain the existing leases to the respective charter schools, and expects to renew the leases with those same schools in order to repay the financing.

## PROPOSED IBANK FINANCING

The Board previously approved Resolution No. 20-20 pursuant to the Borrower’s request for the issuance of the Bonds in an amount not to exceed \$100,000,000. IBank’s approval of the Bonds will expire one hundred eighty (180) days from the Resolution No. 20-20 adoption date, on April 26, 2021, unless extended by the Board. The Resolution, among other things, will extend the authorization for an additional hundred eighty (180) days, and expand the sale of the Bonds to AIs. The new expiration date would be on September 20, 2021, which would also cause certain other dates in the Term Sheet of Resolution No. 20-20 to be modified. The expected Closing Date is on May 15, 2021. The updated Term Sheet is attached (**Attachment A**).

Resolution No. 20-20 allowed the sale of the Bonds to only QIBs, consistent with IBank’s Policies and Procedures for Conduit Revenue Bonds for Economic Development Facilities at that time. Subsequently, Resolution No. 21-06, dated February 24, 2021, revised the Policies and Procedures for Conduit Revenue Bonds for Economic Development Facilities to permit unrated bond sales to AIs within the meanings of the Code of Federal Regulations, Section 230.501 (a)(1), (2), (3), (7), (8), (9), or (12). The Borrower thus requests the Resolution No. 20-20 to be amended to allow Bonds sales to AIs in addition to QIBs.

Since, in accordance with IBank policy requirements, the Bonds are expected to be placed directly with Sophisticated Investors in minimum denominations of \$100,000, the Bonds will not be rated by any rating agency.

### **Hardy Brown College Prep Pending Litigation**

The current owner of the Hardy Brown College Prep building was involved in certain litigation with an adjoining landowner over the location of a trash enclosure. Bond Counsel of Orrick, Herrington & Sutcliffe LLP has informed IBank in writing that the parties have negotiated a settlement and are in the process of entering into a settlement agreement. However, the litigation will not be resolved until all parties have signed the settlement agreement and the complaint has been dismissed.

### **Limited Obligations of IBank**

The Bonds are payable solely from and secured solely by the pledge of the Borrower’s payments under the transaction documents and from funds and accounts established under the transaction documents. Neither IBank; nor any of the members of its Board of Directors;

nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

## RECOMMENDATION

Staff recommends approval of Amended and Restated Resolution No. 20-20, for the benefit of WFCS II.

## APPENDIX A

**IBank Term Sheet**  
WFCS Holdings II, LLC  
Board Meeting Date: 3/24/2021

<b>Par Amount:</b>	Not to exceed \$100,000,000 in conduit Tax-Exempt and/or Taxable Fixed Rate Bonds
<b>Type of Offering:</b>	Limited Offering to qualified institutional buyers <b>and institutional accredited investors**</b>
<b>Underwriter:</b>	Citigroup Global Markets Inc.
<b>Credit Enhancement:</b>	N/A
<b>Expected Credit Rating:</b>	Unrated
<b>Interest Rate*:</b>	Coupon rates expected to range between 4% and 8%, depending on maturity and lien position, under no circumstances will rate exceed 12%
<b>Maturity*:</b>	<b>May 1, 2061</b>
<b>Collateral:</b>	The Bonds will be secured by up to three separate Obligations issued pursuant to up to three separate Supplemental Master Indentures among the Borrower, Foundations, and Wilmington Trust, National Association, as Master Trustee.
<b>Expected Closing Date*:</b>	<b>May 15, 2021</b>
<b>Conduit Transaction:</b>	The Bonds are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and from funds and accounts established under the transaction documents, and IBank shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of IBank for all or any portion of payment to be made pursuant to the Bonds.

\* Please note that Interest Rate and Maturity and Expected Closing Date are subject to change.

\*\* The bolded items are the updates to the Resolution No. 20-20 Term Sheet.