Executive Summary

Building Hope, a nonprofit mission-driven Community Development Financial Institution (CDFI) requests $8 million from the Credit Enhancement for Charter School Facilities (CECSF) program. This application is designed to meet two goals: provide the most efficient capital to the neediest charter schools and source new capital in an innovative manner. Building Hope will do this in our key markets of Washington, D.C., Florida, Texas, Tennessee, and North Carolina. These markets are also home to numerous failing public schools.

Building Hope (also referred to as "BH" in this application) has been a leader in charter school financing for over a decade. Started in 2003, we have provided over $225 million in investments to over 225 schools. Our direct investments have leveraged over $1.3 billion in charter school constructions and created opportunities for over 75,000 predominantly low-income, minority students to receive a quality education.

Building Hope also is the owner and manager of America's Charter, a recipient of $5 million during the first demonstration project for the Credit Enhancement program in 2002. Through the efficient design and implementation of this program, we have provided credit enhancements resulting in over $550 million in total financing and lease payments and leveraged almost $300 million in direct loans. The $5 million award has been recycled over five times in 14 years without default. The total leverage ratio is 112:1. Currently, our entire allocation of credit enhancement funds is deployed.

This application seeks to expand these results by combining the proven experience of our existing America's Charter program and expanding the impact through a new innovative approach to bringing new loan capital to the charter school sector. We will be issuing the first

Charter School Investment Note to raise an initial offering of $25 million for our revolving loan fund.

Building Hope will make a significant contribution toward meeting the purpose of the credit enhancement program. We will leverage the funds at a high rate to make loans to schools eligible for the competitive preferences and create an innovative solution for financing charter schools.

A. Quality of project design and significance

1) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program.

The previous federal credit enhancement awards have enabled Building Hope to greatly expand its efforts to provide facilities financing and real estate solutions to charter schools nationwide at attractive rates and terms. BH has a proven commitment to newly-formed and early stage schools for which securing a site to open is often the most daunting challenge. BH, through the America's Charter credit enhancement program has led the efforts to close the "gap" between private lenders requiring 15-25% equity in each transaction and the facility needs of charter schools needing 100% financing. BH has repeatedly demonstrated its versatility by working with a variety of charter schools with varying academic missions, curricula and student demographics, as well as independent and charter/education management organizations that manage multiple charter schools.

The key to understanding the rates and terms is to understand the risk profile of the borrower. While there are other CDFIs lending to charter schools, they typically focus on more mature borrowers, Charter Management Organizations (CMOs), those in specific markets, and those that can meet more stringent underwriting criteria. This leaves an unmet need for new freestanding schools which are still the vast majority of charter schools. According to the National Alliance of Public Charter Schools, as of 2011 there were 3,548 freestanding schools and 1,709 CMO/EMO managed schools. While the growth of CMOs and mature schools is important, programs targeting today's new freestanding schools are critical to ensure continued growth in the sector. These new freestanding schools are often priced out of the market or ignored by other financial institutions.

Other CDFIs and traditional lenders want to see loan-to-value (LTV) ratios of 70% - 85%, but BH's programs result in 100% LTV. New schools do not have any equity to contribute to a project. Additionally, we do not require traditional collateral and will regularly finance leasehold improvements, something a bank or other CDFIs will rarely do as these loans have little or no collateral value.

Building Hope enables client schools to access and leverage capital financing to cover 100% of the cost of owning or renovating a facility through a leasehold improvement loan by providing financing in lieu of the cash equity that would normally be required of a commercial borrower.

The Department of Education cited Building Hope in their 2008 report "Implementation of the Credit Enhancement for Charter School Facilities Program," as one of the nation's most effective financial organizations in supporting the growth of charter schools in low-income communities.

The grant will enable Building Hope to structure affordable financing packages with interest rates in the 4-7% range for schools (approximately 200-300 basis points below prevailing 7-9% market rates, depending on assessed risk) that otherwise would not meet the credit standards or collateral requirements of traditional lenders and most other CDFI's (i.e., three years of audited financial statements, full enrollment, perfected collateral, etc.). BH will be able to keep interest rates low, despite the relatively risky nature of the types of lending we propose. Lacking access to affordable sub debt, schools are forced to finance the LTV gap through other means. Fundraising is the most typical, which, even when successful, comes at both a human resource (dedicated staff or board members volunteering) and financial (outsourced professional fundraiser or grant writer) cost to the school which cannot be underestimated. Often "access" to financing equates to "better rates and terms."

The proceeds from the Note would provide subordinate loan capital to charter schools at better rates and terms than currently available. The average expected interest rate on the Note is [redacted] This is less expensive than the interest rate most CDFIs can raise funds by [redacted] basis points. These savings will be passed on to the charter school. Our targeted rate will be approximately [redacted] basis points above our cost of capital, or [redacted]. Most charter schools cannot access subordinate loan capital for less than 7%. And most lenders do not even provide subordinate loan capital to 100% of the value of the project. Most CDFIs have a ceiling of 90% LTV. Building Hope is a rare exception that will provide loan capital to 100% LTV.

2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program.

Building Hope's project goals, measurable objectives, and timeline are more fully described throughout this application, but summarized below. To assure progress in achieving these goals, BH will collect and analyze data, document best practices and market the program to our core communities to ensure adequate pipeline to meet the stated goals. Performance results, best practices and lessons learned will be shared with organizations researching policy implications of education reform.

Goal 1. Further the goals of the Department of Education and applicable federal education laws and serve communities/schools in need.

Measurable Objectives:

• A minimum of 80% of the Charter Schools served during each project year will meet at least one of the following criteria:

- Located in a district where more than 50% of students do not meet the standard for proficiency in either math or language on the state assessment; or
- Located in a district with 60% or more of the student population eligible for free or reduced-price lunch; or
- Have more than 50% of current or projected student enrollment who are eligible for free or reduced-price lunch; or
- Located in a district where more than 25% of public schools have been identified for improvement or corrective action.

Goal 2: Serve new and early stage charter schools defined as those that have less than three full school years of operating experience.

Measurable Objective:

• At least 75% of the schools served under this grant each project year will have less than 3 full years of operating history.

Goal 3. Increase the volume of affordable capital available for lending to charter schools, including loans for subordinate debt or leasehold improvements at better rates and terms.

Measurable Objectives:

• BH will raise new capital to provide acquisition, construction, renovation, leasehold and "mini-perm" loans either as senior or subordinate debt per the following timeline:

- Secure $25 million in lending capital through an Investment Note.

• Fully commit the first $10 million in loan proceeds within the first 2 project years.

• Recycle and redeploy the initial capital between years 5-10 of the grant period.

• All loans made through with proceeds from the Investment Note in qualifying projects will have the following financial terms:

- Term - 1-5 years

- Amortization - up to 25 years

- Interest only during construction and initial enrollment periods

- Interest rates – Based on the average cost of capital of the Investment Note. The expected spread is [redacted] basis points above the cost of capital, but can vary based on the risk rating assigned to the project. The current projection is [redacted]

- Performance based pricing – Interest rates will be discounted by 0.25% if a school has demonstrated high quality academic achievement. We will use the Authorizer's annual evaluation (or a similar entity in lieu of an Authorizer evaluation) to determine if the school has met these performance objectives.

- LTVs up to 100% for new, early stage & rural schools

- Maximum loan size - $1,500,000

• Provide technical assistance free of charge as a standard part of the application due diligence process pursuant to BH's CDFI mission.

Goal 4: Serve charter schools located in states with strong charter laws.

Measurable Objective:

• Deploy 80% of credit enhancements in states with strong charter schools laws as defined by section 4303 (g)(2) of the Elementary and Secondary Education Act (ESEA). The focus of this program will serve schools in Washington, D.C., Texas, Florida, North Carolina, and Tennessee.

Goal 5: Serve 44 charter schools and leverage $297.5 million in loan capital during the grant period achieving leverage of almost 37:1 cumulative per the following timeline.

Measurable Objectives:

The following table summarizes the overall program performance measures and the project-specific performance measures.

		Year 1	Year 2	Year 3	Year 4	Year 5	
Lease Guarantees*	#	2	2	2	2	2	10
	C.E.	$0.5M	$0.5M	$0.5M			$1.5M
	Leverage	$1.0M	$1.0M	$1.0M	$1.0M	$1.0M	$5M
Loan Guarantees (Leasehold Improvement and	#	3	3	3			9
	C.E.	$1.5M	$1.5M	$1.5M			$4.5M
	Leverage	$22.5M	$22.5M	$22.5M			$67.5M

Construction /Mini-perm)							
Note Guarantee**	#		10	15			
	C.E.		$1M	$1M			$2M
	Leverage		$90M	$135M			$225M
TOTAL	#	5	15	20	2	2	44
	C.E.	$2M	$3M	$3M			$8M
	Leverage	$5.5M	$15.5M	$20.5M	$1M	$1M	$297.5M

* Lease Guarantees are typically three years and recycle in years 4 and 5.

** The Note will be sold in year 1 with proceeds distributed starting in year 2

The evidence for achieving these goals will be collected through our loan management system which also collects impact data. This allows us to produce timely Project Directors' reports for the Department of Education.

The goal of the guaranty for the Investment Note has a clear goal: to raise $25 million in funds that will be used as subordinate debt to further leverage $75 million in senior bank debt. This $2 million allocation of the $8 million request will have a 50:1 direct leverage ratio over five years. If one doubled the time horizon, the ratio doubles to 100:1. If we were to include the indirect benefits of proving a new model and creating a new method of raising funds, the ratio grows exponentially.

The objective of this partial allocation to the Note is to fund 25 schools serving 12,500 students in the first five years. These students will be overwhelmingly minority students with more than

75% qualifying for at-risk status in cities where the traditional school system requires corrective action.

The timeline for the Investment Note has already started. The Investment Note will be listed on the on-line marketplace this year. The sale of the Note is expected to be complete within 12 months. The proceeds from the Note will be deployed over the course of two years. In the first year of the program, we will deploy $10 million and leverage $30 million in additional bank capital. In the second year, we will deploy the remaining $15 million and leverage $45 million in additional bank capital. The draft of the Prospectus for the Investment Note is attached as Appendix A.

Based on our experience under the previous award for America's Charter, we will document the project procedures and results by using data collected through our loan management system and through the Investment Note platform. We will submit the annual Project Director's report and attend the annual Project Director's meetings hosted by the Department of Education.

3) The extent to which the project implementation plan and activities are likely to achieve measurable objectives that further the purposes of the program.

This project is likely to achieve the objectives based on the history of the participants and the proven methodology proposed herein. Building Hope owns America's Charter, the first recipient of demonstration funds for the credit enhancement. This very first award is one of the most successful credit enhancement awards ever issued according to the 2008 "Implementation of the Credit Enhancement for Charter School Facilities Program" report. It has supported 54 different charter schools resulting in $556,815,348 in total financing and lease payments leveraged (a 111:1 ratio). The grant funds have been recycled 5.3 times for a total of $26,458,000 in committed funds. Over 23,950 charter school seats have been created by the financings committed with the federal grant. As the funds are repaid, they will continue to be recycled because there have been no delinquencies or defaults in the fourteen-year history of our credit enhancement program.

This expertise of the credit enhancement coupled with the track record of Building Hope demonstrate a high probability of successful meetings measurable objectives. This application will expand the opportunity to meet similar objectives.

The implementation plan for the America's Charter guarantee program is already underway. Building Hope works closely with all our current partners to identify new schools that need the assistance of this award. We already have a pipeline of projects that needs assistance. Our partners include the state associations in Washington, D.C., Florida, Texas, Tennessee, and North Carolina who helped inform this application to market the program to prospective borrowers, ensuring an ongoing and adequate pipeline each year to meet the specific performance goals related to deployment. There has been no historical lack of pipeline from schools in our current markets.

Building Hope conducts direct outreach to charter authorizing agencies, CMOs, state charter school associations, education philanthropies, capital providers, and community sponsors to cultivate relationships and obtain introductions to stakeholders who have created, or are considering creating, new schools. BH participates in regional and national charter school conferences and workshops and utilize Governing and Advisory Board members to generate referrals of charter schools that meet our mission driven criteria and would be good candidates for BH's assistance.

The project team reviews pipeline projects weekly and identifies those meeting the competitive preference priorities of this program.

Building Hope has developed an impact report to track the annual performance of its charter school clients and the overall social impact performance of its loan portfolio in addition to the financial performance. The double bottom line portfolio monitoring conforms to BH's ongoing policies with each new school loan risk-rated at the time of approval and tracked to assure diligent performance monitoring and data collection. To assure accountability and achievement of the aforementioned goals, BH will work closely with state associations and other support organizations researching the need for facilities finance programs for new schools. These reports will also help to disseminate results and assist in efforts to replicate characteristics of this program.

Similarly, the implementation plan for the Investment Note is already underway. The Investment Note is drafted and the listing agreement is under review. The on-line trading platform [redacted] will conduct their due diligence as they wait to hear if the Note can be partially guaranteed.

The Investment Note will have very easily measurable results. We will know at all times the subscription to the Note and the amount of new money raised. To measure the deployment of these funds, Building Hope uses its Loan Management System that will track the loans made with proceeds from the Investment Note. The Loan Management System can provide a snapshot and history of the deployment of these funds to charter schools. The Loan Management System (LMS) can also track the leverage ratio of the Note's proceeds and the impact on the number of students by socio-economic and geographic characteristics.

4) The extent to which the grant project is likely to produce results that are replicable.

This grant project has three programs which we believe can be replicable.

1) The first is the America's Charter model, which in turn, has three replicable factors.

a) First, the focus on schools that need the most help can be replicated as we show that new schools can be wise investments. Good underwriting on new schools can eliminate much of the risk that is associated with operators without a track record. We understand other applicants may focus on proven operators pursuing larger projects, but we think those schools need less assistance that new schools.

b) Second, smaller allocations of credit enhancements can be leveraged farther and recycled faster that larger allocations of credit.

c) Third, burn-offs of credit enhancements should be pursued at all times to help recycle the funds faster. Building Hope pursues a 3-year burn off of all credit enhancement.

   This burn-off is more successful with smaller amounts. These smaller amounts are often to prove to a landlord or a lender that the school can meet its enrollment targets and add additional grades. This risk is often measured in the first or second year of a school. Credit enhancements do not need to extend in their entire amount for five years or more.

   We understand that larger financial institutions and bond buyers would like to have credit enhancements, and we support the larger CMOs who are building large facilities with innovative financial products. But we are not sure that those entities need credit enhancements. We believe that the smaller schools with the riskiest profiles are the entities that need these credit enhancements.

2) The second is a place-based facility model. We also believe this program can encourage the replication of state based funds. Of the 43 states authorizing charter schools, there are very few state-based loan funds and technical assistance providers. We know that Harbomasters in these states are looking for systemic place-based solutions. In the past three years, we have been approached by Idaho, Colorado, Texas, Nevada, and Tennessee to create a place-based comprehensive facility solution for charter schools.

By demonstrating that a credit enhancement fund can be the catalyst for creating a place-based solutions, we think more states will pursue this strategy.

One tangible piece of evidence of the replication of a credit enhancement program occurred in Idaho. The success of Building Hope's America's Charter program was displayed in an educational presentation for state legislators in Idaho. The legislators then approved an allocation of state funds to create their own Idaho Charter School Credit Enhancement program.

3) The third is a new financial instrument. The Investment Note is the first of its kind. The recently enacted guidelines for the JOBS Act and recent launching of an on-line marketplace for the sale of the Investment Notes has created a new avenue for this financial product. The Investment Note can be replicated in two different ways. First, once the initial sale of $25 million in Building Hope Investment Notes is completed, we can issue a second offering. If the market studies prove to be correct, the second offering could come within one year and be four times as large. We are prepared to issue a second Note for [redacted] million once the sale of the first Note is closed. Second, the success of the Note can be replicated by any other non-profit CDFI. There could be numerous Charter School Investment Notes sold on the on-line marketplace. Each Note might focus on a specific geography (i.e. California charter schools), or a type of school (i.e.

Montessori charter schools or STEM charter schools), or even be co-branded with specific CMOs. There is no limit as to the innovation that can occur in this new model.

5) The extent to which the grant project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given.

Building Hope will focus 80% of the America's Charter II Fund to our key markets where we have in-depth market intelligence and understand the charter school market risks. We work with local charter support organizations including the authorizers, trade associations, foundations, and the Harbormasters to identify new, expanding, and replicating charter schools with the best chances of delivering quality education. These organizations have conducted research on the school leaders, the school academic models, the school's governing board, and the school's business plan to ensure these schools will be successful. These organizations also understand which schools will be serving students most in need of high quality academic programs, including those with high free and reduced lunch populations, high minority populations, and other at-risk indicators.

We will first target new schools, then those growing with less than 3 years of experience, and those replicating. Our underwriting criteria addresses a range of risk factors and has been the key success factor to our historical loan loss ratio of 0% for over 180 projects needing facility financing.

We will evaluate each project based on our underwriting criteria to determine its risk level and the appropriateness for this program. We do not select the safest projects, but we do want to know the strategies to mitigate any risk. Our historical 0% loan loss rate on American's Charter

Fund I demonstrates we can be successful investing in new start-up and early stage charter schools. Our underwriting criteria measures:

1) Project Risk, including the cost of the project, the fees paid to third parties, the sources and uses of funds, the collateral, the adequacy of the project, the development team and the timeline.
2) Operator Risk including the School Management, the governance, the relationship to a parent organization, Academic Performance, the alignment of the program to the needs of the community, enrollment projects, waiting lists, competition, a marketing plan, financial measurements for debt service, and adequacy of a proforma tested through a sensitivity analysis.
3) Political Risk including Legal and Regulatory Issues, the length of the charter, the political culture of the community,
4) Exit Risk including the exit strategy for our loan or credit enhancement including a new facility, refinancing through mini perm financing or ln germ financing such as a bond.

A detailed description of the underwriting and application process can be found under "Capacity." [redacted]

BH has established the following parameters for determining the type and amount of assistance provided to an individual school under this program:

- Range of credit enhancement provided: $100,000 to $1.5 million
- Range of credit enhanced loans provided: $250,000 to $2 million
- Maximum LTV is 100%

6) The extent to which the proposed activities will leverage private or public- sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs beyond what would be accomplished absent the program.

Building Hope projects that the grant will be leveraged at 37:1 times to provide $297.5 million in financing to 44 charter schools during the first five years of the project period. BH is nationally regarded as having established the standards for effectively lending to what are perceived by traditional lenders as the riskiest of charter schools. Its national reputation has attracted strategic Program Related Investments (PRI) from partners like the Walton Family Foundation [redacted] PRI), Albertson Foundation ([redacted] PRI), Calvert Foundation ([redacted] PRI), Opportunity180 in Nevada, and the Sallie Mae Fund ($28M grant). We expect growth into new markets of Texas and Tennessee will attract new private sector capital from local foundations, including [redacted] and [redacted] in Texas, and the [redacted], [redacted], [redacted], [redacted] and the [redacted] in Tennessee. One of the organizations mentioned has already expressed interest in increasing their investments in charter schools through BH as the underwriter, originator and servicer of the loans, and has provided a letter of support for this proposal (Appendix C).

The Investment Note will leverage new sources of private sector funds. These additional funds will allow us to expand loan products to a higher number and a broader array of charter schools. Without this program, the immense resources of the private sector investment market would be largely untapped. As the fifth largest charter school lender in the country according to the latest LISC Charter School Facility Landscape Report, we will be able to increase our lending ability by 50%.

The credit enhancement funds allow us to help secure leases for new schools. It also helps bring senior debt to projects from local and regional banks which have not participated in charter school financings in the past. This will increase the number and variety of schools assisted. Each state has a different demographic and socio-economic profile which will attract a variety of school types. For example, early childhood charter school programs receive funding in Washington, D.C.; North Carolina's large rural population may require more schools using distance learning; Memphis, TN is a severely economically depressed city with an extremely high poverty rate, and Texas has a large population of English Language learners. The focus on new schools will invite innovative models to serve the needs of these diverse communities compared to focusing on supporting the same large CMOs to replicate their programs. **The new schools would also struggle to find any financing absent this program.**

7) The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in Section 4303 (g)(2) of the Elementary and Secondary Education Act of 1965.

Building Hope is targeting states demonstrating a need for corrective action. These include Washington, D.C., Florida (including Miami Dade County), Texas and its large markets of Houston, Austin, San Antonio, and Dallas; and Tennessee with a focus on Memphis and Nashville. The Center for Education Reform is a recognized authority for analyzing the nation's charter laws and assigns each state a letter grade based on a combination of factors. Similarly, the National Alliance for Public Charter Schools ranks each state in order of its relative strength based on 20 components. Historically, over 80% of BH's grants have been deployed in "A" or "B" rated states by CER, and over 80% has been deployed in the top 50th percentile of states ranked by the National Alliance. For this proposal, BH expects to maintain similar levels of investment. BH has set a goal of deploying at least 80% of funds in the five states listed above (DC, TN, TX, NC, and FL) with a rating of “A” or “B” or “C”.

BH has provided financing in 21 states including the District of Columbia. Based on these criteria, the four states and the District of Columbia where Building Hope is engaged, all have strong state charter laws that support the priorities set forth in ESEA. A basic comparison of their state laws is below. A thorough analysis of how each state law measures against section 4303(g)(2) of ESEA is provided in Appendix B.

	National Alliance Ranking	CER Ranking (44 states)
Washington DC	18	1 (letter grade of A)
Florida	8	8 (B)
Texas	25	12 (C)
North Carolina	14	13 (C)
Tennessee	29	19 (C)

The thorough comparison of state law rankings published by both the National Alliance for Public Charter Schools[i] and The Center for Education Reform[ii] demonstrates a significant need for charter school financing options in these regions. While all these states have “equitable” funding codified in law, most have some form of facilities assistance, and all share considerably active charter authorizing environments, access to adequate facilities and capital is limited. Approximately 250,000 students are on charter school waiting lists in the District of Columbia, Florida, North Carolina, Tennessee and Texas. Assuming 400 students per school, this equates to an unmet demand of 600 schools. Through the Credit Enhancement for Charter Schools Program and with these grant funds, Building Hope is well-positioned to meet the demand for high-quality charter school seats.

8) The extent to which the requested grant amount and project costs are reasonable in relation to the objectives, design, and potential significance of the project.

The $8 million credit enhancement award will increase Building Hope's capacity to provide essential capital to new schools in struggling cities. The demand for programs and services specifically targeted to the needs of these new is critical to the continued growth of the charter school movement. As further described in the "Capacity" section, BH has the personnel, pipeline and resources to fully leverage the $8 million grant to its projected $297.5 million level due to recycling and revolving funds. We have leveraged over $1.3 billion in our first 13 years and this projection is in line with our experience.

In addition, through the Investment Note, the results of a mass marketed financial product for the charter school sector with help from this grant will give great insight into this new product offering. This can lead to adoption by other CDFIs to help raise capital for the sector.

This grant will reduce BH's cost of new funds to approximately 1-3% and enable BH to pass the cost savings directly through to its client schools. Project costs as outlined in the attached Budget are nominal and primarily related to subsidizing closing costs and legal fees of borrowers. BH covers administrative costs in excess of the grant's 2.5% through revenue generated from loan origination fees, spread income and its other non-CDFI activities, primarily the development, leasing and sale of its design-build properties to charter school tenants. The award proceeds will be deposited in a similar fashion as previous awards, i.e. with an FDIC-insured or other deposit account pursuant to program regulations. Projections in the attached Cash Flow Proforma are conservative and reflect the historically low interest rate environment. To the extent that interest rates improve, income to the grant will increase while expenses will remain consistent with the proposed budget. Total revenue from the reserve account is projected at $800,000 for the tenyear contract period. This will cover the $800,000 in expenses expected to be charged to the reserve account.

B. Quality of project services

1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served.

The majority of charter schools, especially new schools, do not have sufficient available cash to meet a lender's equity requirements. As a result, most schools need to borrow 100% of their acquisition, renovation or construction costs. Building Hope has been addressing this discrepancy for a decade by providing credit enhancements and sub debt loans in lieu of the cash equity that would normally be required of a commercial borrower. BH's loan programs are designed to offer schools "one-stop shopping" for their financing needs and our borrowers will not have to secure other sources of credit enhancement or equity nor divert educational funding to satisfy commercial lending requirements. A consulting group, Education Facility Solutions, has completed nearly 50 charter school transactions and writes, "In our extensive experience, the greatest facility financing needs of charter school organizations are . . . financing tenant improvements for rented facilities."

BH has been helpful to start-up and small charters allowing them to access funds in the marketplace that would otherwise be unavailable to them. By providing subordinate debt for all or part of the loan that a charter is seeking, BH provides an increased level of security that brings money to the table that would otherwise be inaccessible to these schools.

Building Hope's fixed-rate financing and purchase options empower school governing boards by bringing this predictability to their facility/occupancy expense. With amortization schedules of up to 25 years and a maturity date to coincide with a school's financial stability (typically in year 5), BH's products assure boards that school leaders can focus on producing strong educational programs and solid academic results without the financial pressure of fluctuating interest rates or the need to refinance short-term debt. BH's support makes a true difference.

2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for the grant project.

Charter schools, chartering agencies, and charter support groups were consulted for this grant proposal. Building Hope has an Advisory Board to assure accountability to our target market (see also "Capacity"). Advisory Board Members are responsible for providing input and feedback regarding our services and ensuring that our financial products are tailored to the needs of the members' constituents. They advised us on the continued use of this program. In addition, the program has been informed by the experience of the previous 54 applicants. Working with each of them over the years has provide invaluable insight into the proper way to structure the program. As for new schools, we have talked to some schools that are interested in applying for charters in the future, but for the most part, no one knows who will be opening a school three years from now. We have worked with the charter support organizations in Washington D.C. where a significant amount of these funds have been used. We have letters of support from the DC Charter School Association, Citybridge Foundation (the Harbormaster), and FOCUS (another trade association). Our efforts to expand in Texas and our work with Choose to Succeed, a local collection of philanthropists, helped informed the need for the Investment Note. The letters of support are attached in Appendix C. Without BH's credit enhancement, schools wouldn't have been able to obtain the current school buildings in which they currently occupy.

3) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms.

The grant project team consists of experts in charter school finance who regularly provide one-on-one counseling free of charge to both prospective and client schools. Building Hope's technical assistance is customized to address each school's specific area of need. Topics often focus on financial modeling, growth and business planning, budgeting and forecasting, cash flow analysis, cost benefit analysis; and financial performance monitoring and evaluation.

BH's services help prospective and current clients accurately assess their potential and develop business plans to support the achievement of their goals. BH helps schools avoid crisis management by requiring schools to address the following during the application process: leadership development, financial contingency planning, marketing and student recruitment strategies, and academic accountability plans. Some charter school applicants may not be deemed immediately qualified for BH's financial assistance. As part of the initial due diligence process, staff works with school management to identify weaknesses and strategies for improvement. Our no cost technical assistance is highly effective, as between 80-90% of all schools receiving such services eventually opened schools. Further, BH has incurred a default rate of 0.3%, establishing a direct link between the level of technical assistance provided and the sustained quality of its portfolio.

BH charges standard market rate fees for loan origination of 1%, offers interest only periods during construction and fixes interest rates within the range of 4-7% at closing. These interest rates are comparable to bank and other CDFI rates charged on senior, real estate secured loans with perfected collateral despite the fact that the majority of loans under this fund will provide sub debt and leasehold improvement loans which typically attract higher rates relative to the higher risk/lower collateral. We accomplish this, in part, by keeping our cost of funds as low as possible by working with foundation partners.

4) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools that have the greatest needs for assistance under the program.

The focus of this project on new schools meets a need that is currently unfulfilled. As described earlier, most other CDFIs are focusing on mature schools or those that are part of a CMO/EMO. This leaves new freestanding schools on their own, which is shortsighted because these schools may become the CMOs of tomorrow.

BH's new client schools are defined by the characteristics they share: a) they do not meet traditional lending underwriting standards; b) they have limited assets and little or no operating experience or credit history; c) they are significantly underfunded as compared to district school counterparts; d) cash flows, operating margins, and reserves are neither adequate nor stable, as the school's enrollment growth and the addition of more classes, grades, and students does not stabilize until the 3rd-5th year of operation; e) management, while strong in educational matters, has limited real estate or financing-related experience; f) they cannot obtain long term financing due to traditional lenders' fears of 'charter renewal risk;' and g) the appraisal gaps confronting schools, especially those locating in low-income urban communities with severely depressed real estate values, often prevents them from accessing private sector capital absent credit enhancement.

C. Capacity

The following two chapters demonstrate we have the ability to carry out the proposed grant project based on our people, our systems, our enviable financial position, and coupled with our successful experience with the first America's Charter program.

(1) **The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**

Building Hope is a unique CDFI in that we focus exclusively on financing charter schools and their facilities projects. By concentrating our expertise into this single sector of community development, we have become experts in discerning high quality charter schools and in recognizing the need for affordable, long-term facilities solutions. We know that access to facilities is the single most persistent gap in a successful charter school's plan. By providing a choice of affordable options, along with technical assistance, Building Hope eases the strain for charter school leaders and allows them to focus on their core expertise, which is providing a high-quality education to all children.

Building Hope has been providing credit enhancements to charter schools for over a decade. We have leveraged the original federal grant for America's Charter into projects around the country and particularly in the Washington, D.C. market. BH has guaranteed leases, leasehold improvement loans, senior mortgages, lines of credit, subordinate loans, bridge loans, and gaps in collateral value. All credit enhancements receive the full due diligence and underwriting required of all Building Hope charter school loans and projects, and are subject to same Credit Committee and Board approval process.

America's Charter has just completed its fourteenth year of operations with great success and strong leverage of the initial $5 million award. Highlights include:

- Support for 54 different charter schools resulting in $556,815,348 in total financing and lease payments leveraged; America's Charter directly leveraged $290,222,910 in charter school facility development capital through our credit enhancement program.
- Grant funds recycled 5.3 times for a total of $26,458,000 in committed funds. This produced a leverage ratio of 112:1 for all financing leveraged and 58:1 directly leveraged.
- Over 23,950 charter school seats created by the financings committed with the federal grant.
- No delinquencies or defaults in the fourteen-year history of our credit enhancement program.

(2) The applicant's financial stability;

Founded with a $28 million grant from the Sallie Mae Corporation, Building Hope has enjoyed sustained financial stability stemming from an extremely low cost of capital, low loss rate on our loans, and effective implementation of program-related investments. The zero-interest initial seed money capitalized Building Hope's loans until 2011, when BH was the recipient of further [redacted] interest investments from the Walton Family Foundation and, subsequently, other philanthropic entities that recognize the impact of our work and delegate their program-related investments to Building Hope. Today, our cost of capital remains less than [redacted].

BH generates positive net income without the need for grant funds or any subsidies. As of December 31, 2016, BH reported $88 million in Total Assets and $49 million in Net Assets for a

Net Asset ratio of 0.56. We generated a positive change in net assets in excess of $2 million in FY 16.

In Building Hope's 14-year history, there have been only four loan charge-offs, all for operating loans totaling $678,500. This is 0.3% of our total loan activity. We have not had a facility related loan loss. The average amount of the charge-off is $170,000 compared to an average loan size of $980,000 (in Q1 of 2017). Our loan loss reserves of 2.9% of the portfolio provide a conservative cushion against any future losses.

All our audits, which are prepared on a consolidated basis by BDO for BH and its subsidiaries and affiliates, to date have been unqualified and confirm full compliance with reporting requirements. Our three most recent annual audits and the most recent Form 990 are attached to this application. Also attached are organizational documents.

BH has not requested a credit rating. However, in 2016, BH was awarded a loan from the USDA Community Relending Program. This program required either a) an AERIS rating of "1" or "2" or b) a thorough evaluation of the organization's credit. This thorough evaluation included a review of our internal controls; our policies and procedures for safeguarding assets, including cash management; our asset liability policy with minimum liquidity and operating reserve targets; and our risk mitigation strategies. BH passed the thorough evaluation by the federal government and was awarded a $25 million loan from the USDA Community Relending Program.

(3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management

The key to Building Hope's strong lending track record is a solid understanding of the individual marketplace, the ability to identify a high-quality school, and the flexibility to accommodate unusual situations. We underwrite each school with a robust evaluation of the school's risk factors. Our Loan Polices are attached as Appendix D and describe our underwriting process in more detail.

1. Market Risk. Each state and municipality where BH has a strong presence, namely Florida, Washington, D.C., Tennessee, Texas and North Carolina, is evaluated in-depth to understand the charter law, the current legislative environment, the strength of the authorizer, the government funding stream and any potential hazards or opportunities therein. Each loan and credit enhancement underwriting package includes a state landscape section that is updated with every transaction, and Building Hope's employees and/or contacts in each state or municipality are utilized to make sure information is updated accurately.
2. School Operator Risk. BH's Underwriting Guidelines manual examines in-depth the features that we look for in a high-quality school. Most important is governance structure, solid management and leadership at the school level as evidenced by past performance and detailed plans for current and future academic needs. Board members and/or leaders are interviewed, site visits are performed, and, when possible, authorizers are contacted to discuss the performance of a given school. When a school is still in a startup phase, identifying strong leaders and good governance practices is critical, as academic performance is not yet available. In these cases, we also look for strong sponsors, such as foundations, charter networks, or grassroots leaders who have the will and means to support a fledgling school.

3. Project Risk. In the 20 plus years since charter schools have been in existence, the one constant is the challenge of securing and affording a good facility. We evaluate the risk of both the project and the financial position of the school to service any debt. Our experience in financing over 200 school projects allows us to understand the development and/or property risks. We understand the financial risk of the school and the need for other lenders to also feel secure. While there has been a notable shift in certain markets where traditional commercial banks have stepped in to provide senior debt, there are still cases where real estate is far more expensive than commercial debt will accommodate, and markets where commercial lenders have yet to step in for even the low perceived risk of senior debt. In these cases, Building Hope's mission-based, low-cost capital is available to bridge the gaps. The America's Charter credit enhancement has been critical in this regard, especially in the high-cost D.C. real estate market. A credit enhancement, payment reserve or deeply subordinate loan from Building Hope makes the difference for a charter school who has not amassed equity capital, but who may otherwise have cash flows to accommodate the debt.

In addition to these factors, Building Hope offers technical assistance to charter schools who may need help navigating the real estate world; project affordability analyses, contacts with reputable real estate brokers, and help with overall budget projections are some ways BH provides technical assistance to charter schools and ensures that they can afford a facilities project. This thorough understanding of the school's management and financing during the feasibility phase of project planning helps evaluate the strength of the organization and its plan.

Portfolio monitoring and financial management practices include quarterly board reports on lending activity, policy exceptions for approved loans, and reports on loans deemed "Watch" in our risk management system. The risk rating system allows for Pass-1, Pass-2, Watch, Substandard, and Loss. Each loan is examined for payment timeliness and covenant reporting at least quarterly, and more often in the case of loans with a rating of Watch or lower, and the risk rating is adjusted accordingly. Each loan is subject to an Annual Review that examines its payment record, covenant reports, academic performance, status with the authorizer, and financial performance as shown in annual audited statements. The results of this review inform the risk rating of the loan and adjust the loss reserve calculations of the portfolio.

Building Hope's portfolio servicing procedures include quarterly portfolio quality reports to monitor risk and track write-off provisions and delinquency protocols. The lending team monitors quarterly/annual financials, covenant requirements, and all academic reports provided to the authorizing entity as it pertains to meeting performance-based goals and proficiency rates. Each month, the entire loan portfolio is reviewed for payment status and reporting compliance. A quarterly report to the Board of Directors includes a current Loan Receivables report along with individual risk ratings, loan loss reserves, policy exceptions, and loan modifications.

For loans that require restructuring, revised terms will be determined by the CFO and the Director of Lending, supported by cash flow projections of the Borrower, collateral evaluation, and market assessments.

On an annual basis in conjunction with preparation of the annual financial statements, the Director of Lending conducts a review of the individual loans, the loan portfolio, and the loan policies and procedures. The individual loan files are monitored to determine if the risk rating is appropriate and if the loan is meeting all covenants. During each fiscal year, Building Hope contracts with a third party to conduct an external review of our loan portfolio. These findings are shared with the board and recommendations are implemented by the Director of Lending.

(4) The applicant's expertise in education to evaluate the likelihood of success of a charter school;

Building Hope only works in the charter school sector. We do not provide financing for affordable housing or health care centers or in any other sector. As such, all of our staff have an in depth understanding of charter schools.

The senior staff has worked at Building Hope since its inception. The CEO, Joe Bruno, has been with Building Hope for 14 years. He has sat on the board of directors for many charter schools throughout Washington, D.C., Florida, and in New York. He was also on the Board of the San Miguel school system. He was on the Audit Committee of the National Alliance for Public Charter Schools and is currently on the board of the Washington D.C. charter school advocacy and member organization, FOCUS.

Similarly, Tom Porter, the VP of Real Estate and Project Director of the America's Charter Credit Enhancement program, has been with the firm since inception. He, too, sits on many charter school board in Washington D.C.

Our CFO, Paul Leleck sits on charter school boards and provides interim-CFO support to charter schools going through transitions in that role.

Our VP of Real Estate in Florida, Richard Moreno, was the CFO for Charter Schools USA. He also chaired the Florida State Commission of Charter Schools.

Our Director of Strategic Initiatives, Mark Medema, worked for the KIPP Foundation training school leaders and supporting them in the planning year, managing the real estate portfolio, and managing the school quality inspection team. He, too, has provided interim leadership for organizations in transition or needing short-term support for leaders on maternity leave. He served as an interim CEO of KIPP Denver, interim President of KIPP DC, interim Executive Director of KIPP Chicago, and the interim Executive Director of Somerset Prep in DC. He also sits on charter school boards.

Our Senior Underwriter, Seth Whetzel, was the Director of Business Development for the Seaton Foundation, a management organization for a new model of Catholic Schools. He was also a teacher.

The employees of Building Hope are focused on charter schools and education programming. Their experience allows them to review schools and have a solid understanding of the key success factors for a successful school. This has led to the impressive 0.3% loan loss ratio in a fourteen-year span. The bios of all senior staff are attached.

(5) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;

Building Hope has a board approved Conflict of Interest policy in its Employee Handbook. This is attached as Appendix E – Standards of Conducts. The Standards of Conduct apply to all decision-making and contractual arrangements within Building Hope.

For our loan transactions, we have set up a series of checks and balances at different levels of transactions. The Director of Lending and Portfolio Management is responsible for ensuring a fair approval process, free from conflicts of interest. Any approver--BH executive, Credit Committee member or other Board member--who may have an outside interest in a transaction, must recuse himself from the approval role.

Each transaction, whether a loan, credit enhancement or real estate investment, is subject to the same thorough underwriting process and a tiered approval structure. Approval requests of to

$650,000 require approval of Building Hope's President, with a subsequent report to the Board; up to $1 million requests require the approval of the Officers' Credit Committee, consisting of the President, the Chief Financial Officer, and the Director of Lending and Portfolio Management, with a report to the Board. Transactions above $1 million require the approval of the Credit Committee and the full Board of Directors. This structure allows BH to be highly responsive to loan requests while maintaining full transparency and integrity to its board and any external examiners.

D. Quality of Project Personnel

1) The qualifications, including relevant training and experience, of the project manager and other members of the grant project team, including consultants or subcontractors.

The complete bios of the entire senior management team are attached. The primary participants on the grant project team are listed below.

Tom Porter, VP, is the Project Director who has managed BH's prior credit enhancement grant for the past 13 years. He will continue to serve in that capacity under this proposal and will have general oversight responsibility, including 1) ensuring all program goals and objectives are met; 2) marketing and replicating the program; 3) identifying new sources of lending capital; and 4) overseeing the portfolio monitoring process. He is responsible for the program's overall management and evaluation, including the preparation of the annual performance reports. His successful experience with this program demonstrates an understanding of finance, education, and charter school programs.

Richard Moreno, VP, leads the Project Originators. Mr. Moreno has over 20 years of experience in loan origination, deal structuring and the capital markets and will report to the Project

Director. The Project Manager will be primarily responsible for conducting due diligence, structuring and presenting transactions for approval, and providing additional support and technical assistance pre- and post-closing as needed. Mr. Moreno's bio lists his previous experience as a CFO of a bank, and the CFO of Charter Schools USA, and the former Commissioner of the Florida State Charter School Commission.

Eva Schweitzer is the project's credit manager primarily responsible for the upfront financial analysis, as well as monitoring and servicing the loan portfolio once transactions close and fund. Specifically, she will manage a team that creates pro-forma projections, analyzes governance and academic performance, interviews charter authorizers and drafts the formal credit memos/recommendations presented to the Credit Committee. Ms. Schweitzer's bio lists her previous experience as a community lender with a focus on charter schools for NCB/Capital Impact, LISC, and City First Enterprise.

Mark Medema is the Managing Director of the Investment Note. He is responsible for preparing the prospectus, registering the Note with appropriate agencies, and managing the sales and distribution of the Note through the on-line marketplace[redacted]). He will lead he efforts to expand the possibilities of impact investing to the charter school community. Mr. Medema's bio lists his previous experience as Director with the KIPP Foundation, Managing Director of the KIPP Real Estate program, and various leadership positions with KIPP schools.

Support Staff – BH's staff consists of 23 full time employees, many of whom have been with the company for 5-10 years, who will provide back-up coverage for any of the project team's responsibilities, including four members on the Finance team who will help manage the invoicing and recording of payments, and six members on the lending team who will source transactions and provide technical assistance. This includes a recently hired person in Texas and a person relocating to support North Carolina and Tennessee. The project team outlined above has been, and will continue to be, indirectly supported by the other members of the BH staff. We do not need any additional staff to implement this program.

Governing Board - BH's eight-member Board of Directors has broad expertise that guides BH's strategic vision and mission for supporting the expansion of high quality and high potential charter schools. BH's Credit Committee approves funding requests and consists of four (4) Board members with experience in lending, real estate development, underwriting and deal structuring, and nonprofit governance. Full biographies of the board members are attached along with a description of the role of governance and of the Credit Committee.

Marianne M. Keler (Chair). Former Executive Vice President and General Counsel of Sallie Mae; Former trustee, E.L. Haynes Public Charter School.

J. Fernando Barrueta. Colliers Commercial Brokers. Trustee: Community Foundation of the National Capitol Region, Latino Student Fund.

Albert A. D'Alessandro. Former Vice President, Franklin National Bank, BB&T and Sovran Bank;

Priya Jayachandran. Director of Affordable Housing for Volunteers of America. Former Senior Policy Advisor on Multifamily Housing at U.S. Department of Housing and Urban Development; former Senior VP, Bank of America Merrill Lynch Community Development.

Patricia Lawicki. Chief Information Officer, Navient; Former SVP for Walmart Corporation.

Joe Muffler. Vice President of Real Estate Holdings, Navient;

William P. Quinby. Executive Managing Director, Studley, Inc. Expert, Commercial Real Estate.

Sheila Ryan-Macie. Chief of Staff/SVP Operations Administration, Navient.

Two of the board members work for real estate companies that provide brokerage services – Mr. Barrueta at Colliers and Mr. Quinby at Studley. From time to time, these brokerage companies identify properties for schools and are paid their typical brokerage commissions. There are no personal relationships between board members and Building Hope staff members

Advisory Board – BH maintains an Advisory Board consisting of representatives of charter schools in low income neighborhoods. It is charged with providing individual school referrals and constituent input as it relates to the design and implementation of this project and BHs other CDFI product offerings. A list of members and their professional affiliations is attached as Appendix F.

2) The staffing plan for the grant project.

This grant project is fully staffed with Tom Porter overseeing project implementation and ensuring accountability, and day to day activities carried out by the project team identified above. BH has a total of 23 full time employees, with two staff members responsible for underwriting and administering its credit enhancements and loans with support from another four employees responsible for lease and loan administration and portfolio monitoring as noted above. The lending initiatives proposed in this application are well within the current staff's bandwidth to implement. In November 2016, BH opened an office in Texas with staff dedicated to managing loan requests in that state/region. We are in the process of helping an employee in our Idaho office relocate to the North Carolina/Tennessee region. BH has ample capacity to achieve the project's proposed goals and objectives within the specified timeline.

E. Competitive Priority (15 points)

The U.S. Department of Education seeks to increase the capacity of charter schools to offer public school choice in those communities with the greatest need for school choice.

Since its inception fourteen years ago, Building Hope has been highly mission focused to support students living in underserved communities. Our charter school lending has always prioritized geographic areas with a high percentage of students living in a low socioeconomic status and/or low student achievement. Through the Credit Enhancement for Charter Schools Program, Building Hope will continue to advance this goal by prioritizing guarantees for:

1) Schools in geographic areas with a proportion of public schools identified for improvement, corrective action or restructuring under Title I of the Elementary and Secondary Education Act (ESEA), as amended by the No Child Left Behind Act (NCLB).

The four states and the District of Columbia Building Hope serves have received an ESEA Flexibility waiver from the U.S. Department of Education, and have transitioned their accountability framework to designate "Reward," "Priority" or "Focus" schools. "Priority" schools are the lowest five percent of Title I schools for both achievement and lack of progress for students and; "Focus" schools have the largest achievement gaps and demonstrate a lack of progress for several years between groups of students, such as racial and ethnic groups, students from economically disadvantaged backgrounds, students with disabilities, and English-language learners.

- **Washington, D.C.:** In 2012, D.C. designated 27 Priority schools and 15 Focus schools out of a total of 181 schools. 100% of those schools designated as Priority or Focus are Title I schools.[iii]

- **Florida:** In its 2015 ESEA Waiver Renewal representing data from 2013-2014, Florida designated 330 Focus schools and 150 Priority schools. The highest concentration of these schools is located in urban areas including Miami, Ft. Lauderdale, Orlando and Tampa.[iv]
- **North Carolina:** For 2015-2017, North Carolina has designated 141 Focus schools[v] and 136 Priority schools.[vi]
- **Tennessee:** Last reported in 2014, Tennessee has designated 81 Priority schools (100% Title I) and 131 Focus schools (79% Title I) with the largest concentration in Memphis. Fifty-six or (69%) of the state's Priority schools are located in Memphis. Nashville has 24 schools designated as either Focus or Priority.[vii]
- **Texas:** In 2016-2017, Texas designated 298 Priority schools and 598 Focus schools. These are located across the state with concentrations in urban areas including Houston (82 schools) and San Antonio (50 schools).[viii]

2) Schools in geographic areas in which a large proportion of students who perform below proficient on State academic assessments.

According to the National Assessment of Educational Progress (NAEP) The District of Columbia, Florida, North Carolina, Tennessee and Texas all perform below the U.S. average in 8th grade reading and math. While each state has adopted its own form of assessment ranging from administering PARCC in D.C. to Texas' STAAR or Florida's FSA, proficiency rates remain abysmally low. Considering the differences in state assessments, using the most recent NAEP available (2013-2014) provides the most comparable data across state lines on student proficiency. The table below demonstrates the percentage of 8th grade students scoring below Proficient on Reading and Math.

	8th Grade Reading below proficient[ix]	8th Grade Math below proficient[x]	Graduation Rate (Economically Disadvantaged)[xi]
D.C.	81%	81%	68.2%
Florida	70%	74%	70.4%
North Carolina	70%	67%	79.6%
Tennessee	67%	71%	83.5%
Texas	72%	68%	85.6%

3.) Schools in communities with large proportions of students from low-income families.

The National Center for Children in Poverty reports that, "about 15 million children in the United States – 21% of all children - live in families with incomes below the federal poverty threshold."[xii] The percent of students living in poverty in the District of Columbia, Florida, North Carolina, Tennessee and Texas exceed the national average

F. Invitation Priority.

1) The applicant proposes a grant project that demonstrates its ability to partner with new actors and/or leverage new sources of capital and untapped non-Federal programs in order to finance charter school facilities.

As part of our application, Building Hope is proposing a new financial instrument, an Investment Note, to attract capital from high net worth individuals. Community lenders have had a long history of raising capital from government agencies, foundations, and financial institutions. However, they have had much less experience with socially motivated individual high net worth investors. This is somewhat surprising because individual investors provide nearly $3 trillion of investment capital. Part of the explanation for this is that there isn't an easy to understand security for financial advisors and individuals to purchase. The Calvert Foundation has been recognized as a leader in this space with a SEC registered tradeable security with a CUSIP. A relatively new opportunity has emerged once the final guidelines of the JOBS ACT were released last year. On-line marketplaces can now sell financial products from non-profits.

BH has had a track record of success expanding the number of sources of capital to finance charter schools. The success of the previous credit enhancement applications has led to an increase in the number of partners with non-Federal funds. The national reputation of BH has attracted the following strategic partners: the [redacted]on made a [redacted]million Program Related Investment (PRI), the[redacted] made a[redacted] million grant, the [redacted] made a [redacted] million PRI, the [redacted] made a [redacted] million PRI, [redacted] made a[redacted] million PRI, and numerous lending institutions have financed charter schools supported by the Credit Enhancement program. Similarly, Building Hope has attracted the following strategic partners: the Walton Family Foundation made a [redacted] million PRI, the Sallie Mae Fund made a $28 million grant, and most recently the J.A. and Katherine Albertson Foundation committed to a [redacted]million PRI. The Albertson Foundation also invested in a study of rural education and inspired one of the foci for this application. We will continue to solicit new financial organizations to invest in charter schools. The loan pools supported by the Credit Enhancement program are ideal candidates for replication and can attract new investors to the sector. There may be a special focus on expanding the interest and support in rural education with the help of the Albertson Foundation. They are already convening a multi-state discussion on the unique facility challenges faced by rural schools and we could anticipate this discussion will attract more organizations to support this effort.

If awarded these credit enhancement funds, we are willing to amend this application, as needed, to align with any new regulations approved under the ESEA, as recently amended by the ESSA in 2016.

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[i] http://www.publiccharters.org/get-the-facts/law-database/

[ii] https://www.edreform.com/wp-content/uploads/2015/07/CharterLaws2015.pdf

[iii] https://osse.dc.gov/publication/2012-esea-school-classification-list

[iv] http://www.fldoe.org/accountability/accountability-reporting/eseaw.stml

[v] http://www.ncpublicschools.org/program-monitoring/esea/focus/

[vi] http://www.dpi.state.nc.us/program-monitoring/esea/priority/

[vii] https://www.tn.gov/education/article/2015-school-accountability

[viii] http://tea.texas.gov/Student_Testing_and_Accountability/Monitoring_and_Interventions/School_Improvement_and_Support/Priority,_Focus,_and_Reward_Schools/

[ix] https://www.nationsreportcard.gov/reading_math_2015/#?grade=4

[x] https://www.nationsreportcard.gov/reading_math_2015/#?grade=4

[xi] https://nces.ed.gov/ccd/tables/ACGR_RE_and_characteristics_2014-15.asp

[xii] http://www.nccp.org/topics/childpoverty.html