CHARTER SCHOOL FINANCE AND BANKING

PNC UNDERSTANDS CHARTER SCHOOLS

PNC's charter school team offers a combined 30+ years of experience, including a charter school founder, as well as credit specialists and seasoned finance professionals who are committed to the national charter school space. Our team's in-depth industry knowledge and diverse experience are demonstrated through unique ideas and solutions to help support your specific financing and banking needs.

CHARTER SCHOOL FINANCIAL SOLUTIONS

Commercial Banking
PNC Bank, N.A.

- Loans / Direct Purchases
- Construction / Draw Facilities
- Lines and Letters of Credit
- Treasury Management
- Workplace Banking

Investment Banking
PNC Capital Markets LLC

- Tax-Exempt / Taxable Fixed-Rate Bonds
- Refinancing / New Money / Expansion
- Private Placements
- Debt Analysis & Planning
- Customized Amortization Schedules

PNC INTEGRATED PROGRAM

PNC has a dual platform and can offer a one-stop approach for both interim bank financing and long-term, tax-exempt bonds. PNC provides customized, integrated financing solutions that meet not only your school's immediate needs but also take into account the strategic vision of the school.

Owning a facility is important to a charter school achieving its mission of offering a quality education, as well as providing for stability and growth. As a **leader in charter school financing**, PNC understands the financial variables that affect a charter school's ability to gain access to long-term fixed rates through the tax-exempt capital markets.

At PNC, we build relationships, not transactions. PNC is a major supporter of education and has demonstrated commitment in the communities we serve. With impactful programs like Grow Up Great® and PartnerUp® and our longtime alliance with DonorsChoose, PNC is committed to helping prepare students for success in school and life.

As a Main Street bank, we believe that being a part of the community is about more than our physical location. **We take pride in how we relate to and serve our clients and communities**, as these relationships are at the heart of our business model.

COORDINATED COVERAGE MODEL

- Streamline coverage, execution and decision-making regarding all Public Finance products
- Promote holistic capital structuring idea generation and flexibility throughout the financing process
- Provide value-added solutions and thought leadership across multiple products and sectors

CHARTER SCHOOL TAX-EXEMPT REVENUE BONDS

What are charter school tax-exempt bonds?

Charter school tax-exempt revenue bonds are bonds issued by a state or local government agency on behalf of a charter school to refinance existing debt, or finance the acquisition, renovation or expansion of a school. Tax-exempt bonds can be issued on a fixed-rate basis for a term of up to 40 years to finance your building costs.

Why tax-exempt bonds for charter schools?

Most states, cities, counties and school districts use tax-exempt municipal bonds as their major source of capital.

The advantages of a tax-exempt bond issue are:

- Tax-exempt rates are lower than taxable rates or traditional bank financing.
- No upfront cash or equity is required, which will allow your school to borrow up to 100% of the cost of your project.
- Long-term fixed rates for up to 40 years will provide a predictable cost of capital that benefits the school budgeting process.
- Commercial bank financing typically will require 10% to 20% equity and set your interest rate for only 5 to 10 years, introducing refinancing risk and future market risk.

Where should we begin?

You could develop a 5-year business plan that outlines projected operations once you have acquired your building. The following factors should be considered when developing your plan:

- Future projections of enrollment are based upon established waiting lists or market research conducted by the charter school.
- Per Pupil Revenues (PPRs) are directly related to school district / charter contract provisions and changes in state law funding formulas.
- Other revenues (non-PPRs) — before- and after-school care, fundraising, grants or startup funds from a school district — should be separately identified.
- The annual bond payment should not exceed 20% of the ongoing stabilized revenue stream.
- In addition to budgeting for normal operating expenses, the school will need to generate cash flow for other contingencies, including reserves, working capital, and a repair and replacement fund for the periodic replacement of capital items such as carpet, desks, heating and air-conditioning, and roof replacement.

What is involved in a charter school tax-exempt bond issue?

While more complex than typical bank financing, PNC's experience in this type of transaction can facilitate the process. Once you have identified your project — refinancing of existing debt-acquisition, renovation or construction, and its financial scope — the tax-exempt bond process typically takes 3 to 6 months. During that time, the following will take place:

- Select an underwriter and financing team.
- Receive an "inducement resolution" from a municipal entity to issue the tax-exempt bonds on your behalf.
- Apply to a rating agency to receive your credit rating, if applicable.
- Document the bond transaction.
- Conduct investor outreach.
- Price and close the bond issue.

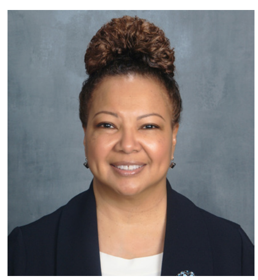
Below is a list of some preliminary documents that will need to be provided:

- Last 3 years of audited financial statements and a current budget with 5-year projections
- Current enrollment by grade as well as a current waiting list by grade
- Copy of the original charter contract and any subsequent renewals
- Land or building appraisal, Phase I environmental study, and purchase and sale agreement

PNC CAPITAL MARKETS CHARTER SCHOOL TEAM

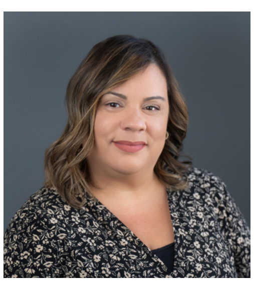
Greg McKenna

Managing Director
Pittsburgh, Pennsylvania
412-779-0066
greg.mckenna@pnc.com



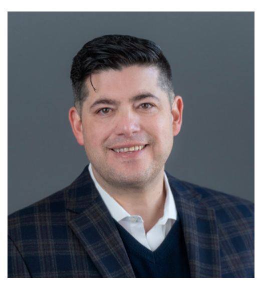
A. Monica Cutno

Director
Raleigh, North Carolina
919-788-5599
monica.cutno@pnc.com



Beatriz Peguero

Director
New York, New York
646-825-6587
beatriz.peguero@pnc.com



James Gallardo

Associate Director
Denver, Colorado
720-727-6842
james.gallardo@pnc.com

READY TO HELP

Find out how our expertise in the charter school sector can help move your organization forward. Visit **pnc.com/charterschools** or reach out to one of our team members.

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(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.

(ii) An underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with an issuer; and an underwriter has financial and other interests that differ from those of such an issuer.

(iii) Unlike a municipal advisor, an underwriter does not have a fiduciary duty to an issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of that issuer without regard to its own financial or other interests.

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(v) An underwriter will review the official statement, if any, for those securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.

(vi) The issuer may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the issuer's interests in the transaction.

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Not Insured By Any Federal Government Agency • May Lose Value

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