July 30, 2020

Our History: Equitable Facilities Fund (EFF) is a nonprofit social impact fund founded in 2017 to help proven, high-performing, high-impact public charter schools maximize their resources for students. EFF's purpose is to 1) make it easier and less expensive for charter schools to put down roots in permanent facilities, and 2) create a pooled, transparent, enhanced credit structure for high-grade investors to access charter schools. We believe all quality public schools deserve access to capital at long-term, low-yield, high-credit, transparent, and Equitable terms. EFF created Equitable School Revolving Fund (ESRF) to hold school loans in a Trust.

Credit Structure: ESRF's revolving loan program was modeled after clean water state revolving funds that receive sizable federal grants, pool these grants with hundreds of loans, and issue high-grade tax-exempt bonds to revolve the fund. In 2018, ESRF received an initial $200 million philanthropic grant. Like federal grants for state revolving funds, this initial philanthropic grant fuels ESRF's 'A' rated revolving loan fund credit structure and access to low-cost capital via the tax-exempt bond market.

Loan Product: ESRF borrows at high-grade, tax-exempt rates by providing access, pooling, transparency, and credit security to bond investors. The resulting savings transfer to our partner schools through long-term, low-cost, fixed-rate school facilities loans. Eventually, like state revolving funds, ESRF aims to provide all proven, high-quality charter schools access to a pooled, liquid, high-grade market.

The Schools: All of our partner charter schools are non-profits, have at least three years of operating experience, and have established strong academic and enrollment track records. Since October 2018, ESRF has committed over $300 million to charter schools nationwide.

After a successful initial bond offering in 2019, ESRF is poised to recapitalize for a second time in August 2020 via the tax-exempt bond market with an 'A' rating. Below is a summary of the Revolving Fund and its credit structure:

<u>The Bond Issuance</u>

Equitable SRF (ESRF) originates and holds proven, high-performing public charter school loans and offers investors an overcollateralized, reserve-funded revolving fund structure to enhance that loan portfolio. ESRF is designed to withstand ~26% loan default (assuming 0% recovery). Note that historic charter sector-wide default rate is ~4%.

Successes to Date

- 'A Stable' rating from S&P for Series 2019 and Series 2020 Bonds.

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    - *Note:* S&P's financial analysis supports a "very strong financial risk profile" at the AA level, but the rating was notched down to 'A' given ESRF's "enterprise" is non-governmental. *You can view the S&P Ratings Report here.*
- Assembled a team of the nation's foremost charter school, lending, and credit experts.
- Received a $200 million non-recourse initial capitalization grant with the potential for additional philanthropic grants.
- Committed over $360 million loans across 12 states, over 50% of which earned BBB category ratings from S&P and are amongst the highest-rated charter schools nationwide.
- At least 23 of the 26 loans (~$333 million or over 90% of par) hold a BB or higher underlying rating from S&P.
- Earned a "Social Bonds" designation from Kestrel Verifiers. *You can read Kestrel's report here.*

Highlights of our Credit Structure

Similar to state revolving funds, ALL cumulative school loans plus all reserves secure ALL of the bonds. ~$257 million cumulative Bonds, including ~$145 million Series 2020AB, will be secured by ~$367 million in loans plus a ~$18 million reserve. This structure gives investors scalable, "A"-rated, high-default-tolerance access to quality charter school paper. The following are some concepts and numbers that illustrate the credit strength of ESRF:

I. Over-Collateral and Over-Reserve Credit Structure

- ALL school loans are pledged to all bonds.
    - This means nearly $3 in charter school loans pledged for every $2 in bonds.
    - We can do this because of our $200 million in philanthropic equity.
    - For the 2019AB and 2020AB bonds, ~$367 million in loans is pledged to ~$257 million in bonds.
- In addition to an over-collateralized cash flow, ~$18 million is held in a pledged DSRF..

II. Default Tolerance

- Like a Bond Bank or SRF, bondholders get paid first.
- ESRF over-collateralized structure facilitates a ***~26% loan default tolerance (assuming 0% recovery).*** Considerably higher default tolerance assuming some recoveries.
- Historically, **less than 4% of charter school bonds sector-wide have defaulted**. ESRF only lends to schools with *very* strong historical operating performance, typically the top quartile of schools.

III. ESRF's Underlying Loans

- Our initial loan portfolio includes some of the nation's most well-known, long-standing schools including KIPPs, Alliance, and Rocketship.
- Underlying loan security is similar to charter school bonds with similar covenants/disclosure including coverage, days cash on hand, and standard ABTs.
- Our average loan diligence timeframe is 6-9 months, including loan committees and tax diligence.
- Over 50% of the loan portfolio is rated investment grade (by par).
- ESRF's periodic disclosure will detail the borrower names and key credit highlights. Our portfolio management team will handle all surveillance, disclosure, and remediation efforts.
- The Fund is planning annual "school cohort trainings" to share best practices for charter finance, academics, and operations to maintain and improve the quality of the portfolio.

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SUMMARY STATISTICS: EXPECTED ESRF LOAN PORTFOLIO	
Total Pledged Loans[1,2]	$367,244,795
Total Series 2019 and Series 2020 Bonds Outstanding [1]	$257,505,000
Number of Loans	26
Number of School Obligors (Two repeat borrowers)	24
# of School Campuses Associated with Pledged Revenue[1]	74
Number of States[1]	12
% of Loan "BBB-" or Higher (by $ amount outstanding)[1]	52.9%
Number of Students Enrolled (SY19-20)[1]	35,095
Obligor Total Revenue (FY2019)[1]	$481,233,079

[1] Preliminary, subject to change

[2] Includes additional $80,889,964 of loans approved and expected to close within 120 days of bond closing

IV. Future Scale & Liquidity - ESRF Will Issue Additional Loans & Bonds.

- Bond #1: Series 2019AB: $111M in Summer 2020.
- Bond #2: Series 2020AB: ~$145M collateralized by ~$367 million loans.
- Bond #3: ~$172 million in Summer 2021.
- "Fund 1" will ultimately consist of >$400M in bonds secured by >$600M in loans.

V. Key Covenants

- ABT of 1.15x DSC and 1.20x Asset to Debt ratio. This means ESRF needs to pledge more loans and/or more equity to issue more bonds.
- DSRF held by Master Trustee for the benefit of all Bonds.

VI. Timeline

- July 30: Investor Roadshow @ 3pm ET
- August 12: Bond Pricing

VII. Key Links and Documents

Borrower Website:	www.eqfund.org
Investor Relations Website:	www.esrfinvestors.org
Preliminary Official Statement:	View Here
S&P Ratings Report:	View Here
Loan Portfolio:	View Here
Obligor Summaries:	View Here

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ESRF PORTFOLIO - TOP 10 OBLIGORS (CLOSED LOANS)					
	OBLIGOR NAME	**LOCATION**	**OUTSTANDING EFF LOAN (7/31/2020)**	**% OF EFF PORTFOLIO**	**S&P RATING**
1	KIPP Nashville	Nashville	$27,290,004	9.5%	BBB-
2	Alliance for College-Ready Public Schools	Los Angeles, CA	$26,625,831	9.3%	BBB
3	NYOS	Austin, TX	$25,295,892	8.8%	BB
4	James Irwin Charter Schools	Colorado Springs, CO	$24,218,573	8.5%	BBB
5	TEAM: KIPP NJ[1]	Newark, NJ	$21,500,000	7.5%	BBB
6	Arizona School for the Arts	Phoenix, AZ	$18,913,342	6.6%	BB+
7	Renaissance Arts Academy	Los Angeles, CA	$16,082,807	5.6%	BBB-
8	Blackstone Valley Prep	Providence, RI Region	$15,693,407	5.5%	BB+
9	KIPP Northern California	Bay Area, CA	$15,647,848	5.5%	BBB
10	Arlington Classics Academy	Arlington, TX	$14,985,432	5.2%	BBB-

[1] Includes drawdown of second portion of TEAM - KIPP NJ loan on 9/15/20.

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