



SECOND PARTY OPINION

SOCIAL BONDS

SUMMARY

Kestrel Verifiers is of the opinion that the National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds) conform with the four pillars of the Social Bond Principles 2020 (SBPs) as follows:

Use of Proceeds

Equitable School Revolving Fund (ESRF) intends to use the bond proceeds to offer low-cost, long-term, fixed-rate loans to high-performing public charter schools in predominantly low-income communities.

Process for Project Evaluation and Selection

Borrowers are selected for loans from the Equitable School Revolving Fund (ESRF) based on comprehensive and rigorous screening criteria. Loan recipients must be 501(c)(3) charter schools in good standing and have demonstrated track records of academic and operational success. Charter schools receiving ESRF loans must meet criteria that include addressing the needs of low-income students. Kestrel Verifiers evaluated the 2020 cohort of ESRF loans for conformance with the Social Bond Principles in the project categories of Access to Essential Services and Socioeconomic Advancement and Empowerment.

Management of Proceeds

Bond proceeds shall be allocated to loans through ESRF. Proceeds may be invested in short-term debt securities to increase funds available for lending to eligible schools.

Reporting

ESRF commits to posting continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) annually through the Electronic Municipal Market Access (EMMA) system. Annual reports and notices posted to EMMA provide metrics of positive social outcomes including school performance measurements, student enrollment and student body demographics.



OBLIGOR

Equitable School Revolving Fund

OPINION ON

National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds)

SOCIAL CATEGORY

Access to Essential Services
Socioeconomic Advancement and Empowerment

TARGET POPULATIONS

Living below the poverty line
Undereducated
Underserved
Vulnerable Youth

EVALUATION DATE

July 6, 2020

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SECOND PARTY OPINION

Par:	\$147,000,000*
Issuers:	Arizona Industrial Development Authority California Infrastructure and Economic Development Bank
Obligor:	Equitable School Revolving Fund
Issue Description:	National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds)
Project:	Equitable School Revolving Fund (ESRF)
Social Category:	Access to Essential Services Socioeconomic Advancement and Empowerment
Target Populations:	1.) <i>Living below the poverty line</i> 2.) <i>Undereducated</i> 3.) <i>Underserved</i> 4.) <i>Vulnerable Youth</i>
Evaluation Date:	July 6, 2020

SOCIAL BONDS SECOND PARTY OPINION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of this bond to evaluate conformance with the Social Bond Principles (June 2020) established by the International Capital Market Association.

This Second Party Opinion reflects our independent, external review of the uses and allocation of proceeds, and oversight and conformance of the bonds with the Social Bond Principles. Arizona Industrial Development Authority and California Infrastructure and Economic Development Bank, conduit issuers, will issue the 2020A and 2020B bonds, respectively, for Equitable School Revolving Fund. Loans made through the ESRF expand access to quality education for students from low-income families and undereducated communities. Access to education helps to disrupt cycles of poverty, and school facilities create spaces for student learning and empowerment. It is the opinion of Kestrel Verifiers that these bonds are in complete alignment with the Social Bond Principles in the eligible project category of Access to Essential Services and qualify for social bonds designation.

ABOUT THE OBLIGOR

Equitable Facilities Fund (EFF) is a 501(c)(3) social impact fund that believes all children deserve a quality education. The Fund's mission is to empower high-performing public charter schools with low-cost, long-term financing by innovatively combining mission-related investments and capital markets. Modeled after revolving loan funds used by states and municipalities to maximize grants and other flexible capital sources, EFF created the Equitable School Revolving Fund (ESRF) to hold school loans in a Trust and issue bonds.

*subject to change

Public charter schools are publicly funded schools that operate under a contract with a state, district, or other entity that is referred to as an “authorizer.” This contract, called a “charter,” designates operational standards and describes specific goals. Most charter schools are managed by nonprofit organizations and have been particularly effective in supporting strong education and life outcomes for students in low-income communities. Unlike traditional public school districts, charter schools often do not have access to affordable financing options for facilities.

EFF offers low-cost, long-term financing to exceptional public charter schools. The Fund originates direct loans that typically save schools millions of dollars on their debt service expenses. Through ESRF, bonds are issued to recapitalize the fund and provide additional loans. In 2019, ESRF had a successful \$111 million bond offering secured by a first cohort of loans that represents 41 schools, 7 states and 20,518 students. This issue in 2020 will be the second of three offerings for EFF’s “Fund 1,” which will support approximately \$625 million of high-impact loans to schools serving over 60,000 students. The combined expertise of the EFF team in education and finance is unique and helps to ensure that EFF invests in and provides ongoing support to schools that have a long-term positive impact in low-income communities.

THE BOND-FINANCED PROJECT

EFF’s mission is anchored by the belief that all students deserve access to a great education. Education is extremely important for social and economic development of communities. Lack of access to quality education is a major barrier to achieving greater equality and is one of the most certain ways of transmitting poverty from generation to generation. Greater access to education enables people to be more productive, can improve health and quality of life, and contribute to a country’s overall economic growth. However, a major challenge for education, is not just providing access, but also ensuring progress. This is where EFF’s charter school lending program and criteria drive positive social impact by combating these inequities and helping to shape a better future for students from low-income families and other target populations.

EFF seeks to improve the quality of education offered to children across the US by affordably financing long-term facilities for schools. Schools can then redirect more resources to teaching, learning, and other core programming. To meet this mission, EFF prioritizes support for schools that serve students for whom economic hardship poses a barrier to educational opportunity.

Bond proceeds will be used to offer loans through ESRF to support public charter schools using an established loan underwriting and approval process. Borrowers are selected based on rigorous screening criteria described below in the Process for Project Evaluation and Selection section. Screening criteria that prioritize underserved students and demand academic outcomes and accountability result in loans with strong positive social impacts.

Social benefits of the Equitable School Revolving Fund include:

1. Support of high caliber schools in underserved and vulnerable communities.

EFF prioritizes investing in well established, high achieving schools. 100% of schools demonstrate higher Math and English Language Arts (ELA) proficiency or growth rates compared to their host school districts, and over 60% of students in EFF’s current school portfolio qualify as low-income.

2. Increased access to low-cost capital and affordable facilities, allowing schools to direct more resources for education of students.

Charter schools face unique barriers to accessing capital for facilities. Typically, charter schools receive funding on a per-pupil basis from the state and/or district where they operate. On average, charter schools receive 30% less funding per pupil per year than conventional public schools. Additionally, these schools often lack the financial credit to access affordable financing and, thus, resort to high-cost, short-term, and/or variable-rate loans to support their facility needs. The long-term, low interest, fixed-rate loans provided by the ESRF allow schools to direct more resources to increasing student achievement in the classroom.

3. Prioritizing loans for schools that address target populations.

Schools receiving ESRF loans serve a wide range of communities including populations living below the poverty line, under-educated and underserved communities, and vulnerable youth. Table 1 lists the percent of students that qualify for free and reduced-price lunches (FRL) or related metrics indicative of low-income status. Schools with at least 50% of students qualifying for FRL are considered “mid-high poverty” schools and those with more than 75% are “high poverty” schools” (National Center for Education Statistics).

Most ESRF borrower schools are in districts where a disproportionately high number of individuals have not completed high school. In 2017, 10.4% of the U.S. population older than age 25 had not completed high school (U.S. Census). In many of the school districts where ESRF borrower schools are located, this number can be double or sometimes more than quadruple the national average (National Center for Education Statistics).



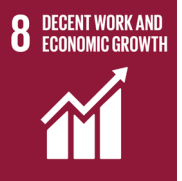
All charter schools receiving loans from ESRF are nonprofits. Table 1 lists borrowers with loans that will be pledged to ESRF’s Series 2020 Bonds. There will likely be additional loans pledged to the Bonds that have yet to be identified. Through these 24 loans, EFF will have originated over \$325 million to 70 schools serving more than 35,000 students across 9 states. 62% of students enrolled in schools receiving these loans live in low income households and 67% are Black or Hispanic (weighted by project size).

ALIGNMENT WITH THE UN SDGS



By identifying high-performing charter schools and saving them valuable financial resources through the ESRF funding model, the 2020 Bonds are helping to achieve multiple goals of the United Nation’s Sustainable Development Goals (UN SDGs). A comprehensive list of targets and background on UNSDGs 1, 4 and 8 are available on the United Nation’s website:

<https://www.un.org/sustainabledevelopment/>

SDG	SBP Project Categories	Example Indicators*
	<ul style="list-style-type: none"> • Access to Essential Services (Target 1.4) • Socioeconomic Advancement and Empowerment (Targets 1.2, 1.3, 1.4) 	<ul style="list-style-type: none"> • Number of students enrolled in ESRF borrower schools • Number of people benefitting from improved local school facilities • Student body demographics • Number of enrolled students that would otherwise attend a local lower-performing public school
	<ul style="list-style-type: none"> • Access to Essential Services (Targets 4.1, 4.4, 4.5, 4.6, 4a) • Socioeconomic Advancement and Empowerment (Targets 4.4, 4.5) 	<ul style="list-style-type: none"> • Number of students enrolled • Number of students attaining standard for education level • Employment rates of graduating students • Education facilities for inclusive and effective learning environments • School performance metrics
	<ul style="list-style-type: none"> • Access to Essential Services (Targets 8.3, 8.6, 8.10) • Socioeconomic Advancement and Empowerment (Targets 8.3, 8.5, 8.6) 	<ul style="list-style-type: none"> • Employment rates of graduating students • Number of students moving upward in income quartiles later in life • Amount of low-interest financing made available to high-performing schools

Several example indicators included above are from the ICMA’s reference, Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals.

The 2020 Bonds primarily support the Quality Education goal of the SDGs but also support achievements in the No Poverty and Decent Work and Economic Growth goals. Charter schools offer free education to all children and admit students using a lottery system. All schools selected for ESRF loans are nonprofit charters. These schools improve access to high quality education in educationally underserved areas. Charter schools may offer alternatives to low performing public schools or may even be the only local school in a community where public schools have been shut down or merged. Schools selected to receive ESRF loans must have demonstrated high achievements in Math, English Language Arts, and other standard student outcomes relative to their respective districts.

Many schools in ESRF’s cohorts serve minority and vulnerable communities. On average, 62% of students enrolled in ESRF borrower schools are considered to be low-income. Students enrolled in the loan recipient schools represent minority populations (35% Hispanic, 32% black). (Metrics are based on 2020 pledged loans listed in Table 1 at the time of Kestrel’s review).

Table 1: ESRF loans pledged to the 2020 bonds. Two additional loans will be pledged but have yet to be named. English Language Arts = ELA; FRL = Free and Reduced-price Lunch (an indicator of a school's low-income population).

Borrower	Location	Loan Amount	Students	% FRL / Low Income	ELA / Math Proficiency Relative to District**	Expected Use of Proceeds
The Soulsville Charter School	Memphis, TN	\$10,330,106	669	92%	103% / 99%	Refinancing
Village Tech	Duncanville, TX	\$8,385,000	1,224	41%	112% / 102%	Construction
Arizona School for the Arts	Phoenix, AZ	\$10,620,000	844	12%	368% / 308%	Refinancing
Choices in Learning	Winter Springs, FL	\$9,199,407	687	21%	139% / 148%	Advance Refunding
KIPP Northern California	Bay Area, CA	\$16,000,000	989	77%	158% / 178%	Refinancing
Arlington Classics Academy	Arlington, TX	\$15,635,234	1,561	20%	174% / 130%	Advance Refunding
Blackstone Valley Prep	Cumberland, RI	\$16,000,000	2,095	62%	158% / 197%	Acquisition
KIPP Nashville	Nashville, TN	\$10,500,000	2,337	73%	109% / 184%	Refinancing
Rocketship United Academy	Nashville, TN	\$7,282,964	544	85%	121% / 114%	Acquisition
James Irwin Charter Schools	Colorado Springs, CO	\$24,580,313	2,090	37%	123% / 173%	Refinancing
Itineris Early College High School	West Jordan, UT	\$7,965,982	414	27%	144% / 203%	Refinancing
Alliance College Ready Public Schools	Los Angeles, CA	\$26,916,709	8,151	95%	120% / 144%	Refinancing
Caliber: Changemakers Academy	Richmond, CA	\$14,219,046	754	71%	146% / 193%	Refinance & Renovation
KIPP NJ: Team	Newark, NJ	\$21,500,000	4,754	88%	130% / 106%	Acquisition & Renovation
Renaissance Arts Academy	Los Angeles, CA	\$16,121,412	540	65%	169% / 138%	Refinancing
NYOS	Austin, TX	\$25,295,892	1,063	30%	124% / 111%	Construction
Scuola Vita Nuova	Kansas City, MO	\$8,885,903	279	95%	185% / 340%	Refinance & Construction
KIPP Nashville (2 nd deal)	Nashville, TN	\$16,991,883	see above	73%	109% / 184%	Refinance & Construction
Arizona School for the Arts (2 nd deal)	Phoenix, AZ	\$8,536,764	see above	12%	368% / 308%	Advance Refunding
Brookside Academy	Kansas City, MO	\$5,655,705	705	100%	186% / 227%	Refinance & Acquisition
Sarasota School of Arts and Sciences	Sarasota, FL	\$8,935,316	752	40%	118% / 106%	Refinancing
Dayspring Academy for Education and the Arts*	Port Richey, FL	\$10,682,688	911	51%	172% / 195%	Refinance & Construction
Public Preparatory Charter School Academies (Boys Prep)*	Bronx, NY	\$6,200,000	643	92%	200% / 299%	Refinancing
IDEA Baton Rouge*	Baton Rouge, LA	\$16,300,000	861	100%	77% / 63%***	Acquisition
Total/Average		\$322,740,325	32,867	61%	159% / 177%	

*Loans have not closed at the time of Kestrel review. Loan closure is not guaranteed.

**Based on highest grade tested and SAT/ACT when necessary, i.e., insufficient test data.

***While IDEA Baton Rouge proficiency rates lag the host district's, students typically enter the school far behind academically and demonstrate very strong academic progress while at IDEA.

ALIGNMENT WITH SOCIAL BOND PRINCIPLES


Social Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Social Projects and which are aligned with the four core components of the Social Bond Principles (International Capital Market Association definition).

Use of Proceeds

The 2020 Bonds will be used to finance loans to high-performing public charter schools exclusively. The projects are eligible social projects as defined by the Social Bond Principles in the project category of Access to Essential Services targeting undereducated and vulnerable youth that are living below the poverty line.

More than 35,000 students are expected to be positively affected by the loans that EFF has offered to high achieving schools. Low interest loans offered through the ESRF will improve access to essential services by supporting public charter schools that have a significant positive impact on academic and life outcomes for low-income students. Based on the loans shown in Table 1, the expected savings from ESRF loans compared to typical financing routes for charter schools is approximately \$1 to \$9 million. These savings represent additional financial resources that can be directed to meet the educational needs of underserved students and communities.

The project conforms with the Social Bond Principles:

BOND LABEL	ELIGIBILITY CRITERIA
	Access to Essential Services – Education Socioeconomic Advancement and Empowerment

Process for Project Evaluation and Selection

EFF's Board of Directors and evaluation team include finance experts and charter school veterans who are qualified to evaluate all aspects of charter school. Borrowers are selected based on comprehensive and rigorous screening criteria. Loan recipients must be 501(c)(3) public charter schools in good standing and have demonstrated track records of academic and operational success. To select borrowers, EFF thoroughly analyzes enrollment, academic performance, leadership, governance, and teacher quality.

Target Population in Underwriting Criteria

Selection criteria require that each loan cohort must have at least 60% of students qualify for FRL or meet a similar low-income metric (weighted by project size). Benchmarks are used to confirm that schools are providing strong educational options for students as demonstrated by academic performance and/or growth compared to surrounding schools. The criteria specifically target students living below the poverty line, undereducated, underserved, and vulnerable youth.

Management of Proceeds

EFF is the direct lender in all transactions and funding activities in the charter school program. Proceeds from the 2020 bonds will only be allocated toward loans to public charter schools that have been vetted through the underwriting process. EFF may temporarily invest bond proceeds in short-term debt securities to increase funds available for lending to eligible schools.

Reporting

The issuer has committed to reporting on a range of metrics related to both management of proceeds and social impacts. EFF will submit continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) through the Arizona Industrial Development Authority and the California Infrastructure and Economic Development Bank for as long as the 2020 Bonds are outstanding. EFF will also provide reports in the event of material developments. This reporting will be done annually on the Electronic Municipal Market Access (EMMA) system operated by the MSRB. Annual Reports posted to EMMA provide updated information about each borrower. Metrics in these reports include student enrollment, waitlists, and school performance measures such as math and ELA proficiencies.

In addition to annual reports, voluntary filing occurs for each new loan acquisition event. These notices provide detail about each obligor such as the charter contract, management and governance of the school, enrollment, academic performance, and the intended use of proceeds. Profiles of each charter school and the savings resulting from the low-interest loan offered by EFF are available on EFF's website (eqfund.org).

CONCLUSION

School loans offered through ESRF offer far-reaching social benefits. The program aligns with the four components of the Social Bond Principles and contributes to targets of UN SDG 1, 4, and 8. By offering low-cost loans to high-performing schools in underserved and vulnerable communities, EFF improves access to high-quality education and encourages opportunities for socioeconomic empowerment and advancement.

ABOUT KESTREL VERIFIERS

For 20 years Kestrel has been a trusted name in environmental finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based Woman-Owned Small Business and a certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This opinion aims to explain how and why the discussed financing meets the ICMA Social Bond Principles based on the information which was available to us during the time of this engagement (July 2020) only. By providing this opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Social Bonds. It was beyond Kestrel Verifiers' scope of work to review issues relating to regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. The opinion delivered by Kestrel Verifiers does not address financial performance of the Social Bonds or the effectiveness of allocation of its proceeds. This opinion does not make any assessment of the creditworthiness of the Issuer, or its ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.



SOCIAL BOND REVIEW SUMMARY FORM

SECTION 1. BASIC INFORMATION

Obligor name: Equitable School Revolving Fund
Bond Name: National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds)
Completion date of this form: July 15, 2020
Publication date of review publication: Week of July 20, 2020

SECTION 2. REVIEW OVERVIEW

Scope of Review

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Management of Proceeds |
| <input checked="" type="checkbox"/> Process for Project Evaluation and Selection | <input checked="" type="checkbox"/> Reporting |

Role(s) of Independent External Review Provider

- Second Party Opinion

Executive Summary of Review

Kestrel Verifiers is of the opinion that the National Charter School Revolving Loan Fund Revenue Bonds, Series 2020A and 2020B (Social Bonds) issued by conduit issuers for the Equitable School Revolving Fund, conform with the four pillars of the Social Bond Principles (2020). The loans made through the ESRF expand access to quality education for students from low-income families and under-educated communities.

SECTION 3. DETAILED REVIEW

1. Use of Proceeds

Overall comment on section:

The 2020 Bonds will be used to finance the Equitable School Revolving Fund (ESRF) exclusively. The ESRF has not been nominated for other social bonds.

Use of proceeds categories as per SBP:

- Access to essential services
 Socioeconomic advancement and empowerment

2. Process for Project Evaluation and Selection

Borrowers are selected for loans from the Equitable School Revolving Fund (ESRF) based on comprehensive and rigorous screening criteria. Charter schools receiving ESRF loans are among the highest rated in the U.S. and meet criteria ensuring they address low-income student needs.

Evaluation and selection

- Credentials on the issuer's social objectives
- Documented process to determine that projects fit within defined categories
- Defined and transparent criteria for projects eligible for Social Bond proceeds

Information on Responsibilities and Accountability

- In-house assessment

3. Management of Proceeds

Bond proceeds shall be allocated to loans through ESRF. Proceeds may be invested in short-term debt securities to increase funds available for lending to eligible schools.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds

Additional disclosure:

- Allocations to both existing and future investments
- Allocation to individual disbursements

4. Reporting

ESRF commits to posting continuing disclosures to the Municipal Securities Rulemaking Board (MSRB) done annually on the Electronic Municipal Market Access (EMMA) system. Annual reports and notices posted to EMMA provide metrics of positive social outcomes including school performance measurements, student enrollment and student body demographics.

Use of proceeds reporting: *Project-by-project on an annual basis*

Information reported:

- Allocated amounts
- Other (please specify):
Notices of new loan acquisition

Impact reporting: *Project-by-project on an annual basis*

Information reported (expected or ex-post):

- Number of beneficiaries
- Target population
- Other ESG indicators (please specify): Tracked and reported metrics include but are not limited to school performance indicators, student demographics, and changes in enrollment.

Means of Disclosure

- Information published in financial report
- Information published in ad hoc documents
- Other (please specify): Annual reports and notices of new loan acquisitions posted to EMMA

Useful Links

www.kestrelverifiers.com

<https://eqfund.org/>

<https://eqfund.org/whatwedo/partners/>

<https://www.esrfinvestors.org/equitable-school-revolving-fund-investors-ny/i3548>

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**About Kestrel Verifiers**

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