



The attached information includes estimates of prospective revenues and expenditures for the 2019-2020 school year prepared by CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY. This information was prepared by school staff strictly on an internal basis for purposes of Board of Trustees' review and use. It is not intended to be relied on in any respect or manner by third parties.

The attached information is based upon certain assumptions made by the School. SUCH FINANCIAL INFORMATION DOES NOT CONSTITUTE A "CERTIFIED FINANCIAL FORECAST" PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. No assurance can be given that the estimates or results described in the attached will be achieved, or that there has been or will be no change in underlying considerations since the date of this email or at any time hereafter. The School does not intend to update the attached information and, accordingly, there are risks inherent in using the attached information in the future as they may become altered, revised, outdated or updated.

The attached information is only for the 2019-2020 school year ending on June 30, 2020, and does not cover any other period of time while the Series 2011 Bonds may be outstanding.

No guarantee can be made that the attached information will correspond with the results actually achieved in the future because there is no assurance that the actual events will correspond with the assumptions made or other considerations taken into account by the School in providing this information. For example, the attached information makes certain assumptions as to revenue and enrollment increases during the next school year period. Inevitably, the School's actual future operations and financial condition will differ from those assumed in the attached information and actual future events and conditions will differ from those assumed by the School. Such differences may be material and adverse. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of changes in demographic trends, insufficient enrollment, changes in District or federal funding of education or otherwise) and local and general economic conditions, both those occurring generally as well as those related to the School's restructuring plans.

Holders of the bonds were provided with additional back-up financial projections. Bond market participants who wish to obtain a copy of those projections should contact Colleen Murphy, counsel for the Trustee, at cmurphy@mintz.com or 617-348-1836.

Memo

Date: February 4, 2019
To: Bondholders
From: Cesar Chavez Public Charter School
RE: Network Restructuring

On page 4, please find the school year 19-20 financial models. We have presented two scenarios:

- Network Status Quo
- Network Restructured

Network Status Quo

This model represents the network as it currently exists with estimated enrollment for FY 20 at 800.

- Parkside Middle and High School
 - High school serves grades 9-12, estimated enrollment of 352
 - Middle school, serving grade 8, (last year before closure); estimated enrollment of 50
 - Located in Ward 7, NE Washington, DC; Kenilworth neighborhood
 - Land and building are owned by Chavez Schools
- Capitol Hill High School
 - Serves grades 9-12, estimated enrollment of 165 (would be the lowest in the city for a high school)
 - Located in Ward 6, SE Washington, DC; Capitol Hill neighborhood
 - Building is leased until November 2020 at below market rate. Landlord intends to adjust rent to market starting in December 2020 (more than double current rent)
- Chavez Prep Middle School
 - Serves grades 6-9, estimated enrollment of 233 (down from a peak of 357)
 - Located in Ward 1, NW Washington, DC; Columbia Heights neighborhood
 - Building is leased through 2038 and is suitable for a school (attractive building and location)
- Bond financing continues as scheduled

Network Restructured

This model represents a restructuring of the network, with a vision of refinancing the debt in Nov. 2020.

- Bond financing serviced as scheduled
- Consolidate Capitol Hill into Parkside High School
 - Lease ends in November 2020; Chavez will work to terminate lease early (Chavez is in final stages of negotiations)
 - Transfer ~100 current students from Capitol Hill over to Parkside High School, keeping the revenue in the network
- Close Chavez Prep Middle School
 - Enrollment has declined 34% since SY 15-16 and the school is currently 3rd lowest rated middle school in the ward
 - Allows Chavez the greatest opportunity to monetize the asset in order to help meet its debt obligation
- Network cash flow improved

- In addition to the above actions, Chavez is considering options to monetize Prep asset. These options are briefly summarized below:
 - 1) **Pay out:** Chavez is exploring the possibility to assign the lease to a new tenant in exchange for a lump sum payment of approximately the present value of the leasehold improvements. These funds would be used to restructure the Chavez bond in Nov. 2020 when debt would be paid down and a lower interest rate would be sought.
 - 2) **Sub-lease:** Chavez is also analyzing whether a sublease of the building at current market rates would be possible, creating the cash flow necessary to meet the debt structure. In this instance, Chavez would also seek refinancing debt at a lower rate in November 2020.

**Cesar Chavez Public Charter School
Financial Model for SY 19-20**

	Network Status Quo	Network Restructured
Income Statement	SY 19-20	SY 19-20
enrollment	800	500
Total Revenue	18,493,097	12,009,597
Total Operating Expense	20,339,629	11,116,733
Net Operating Income	(1,846,532)	892,863
Total Interest, Depreciation	3,238,534	3,114,771
Total Expenses	23,578,163	14,231,504
Net Income	(5,085,067)	(2,221,908)
Net cash increase for year	(4,592,163)	(1,830,820)
Cash Flow		
Beginning Cash Balance	6,148,799	5,699,055
Net cash increase for year	(4,592,163)	(1,830,820)
Ending Cash Balance	1,556,636	3,868,236
Days of Cash	24	98
Debt Service Coverage Ratio	(0.76)	0.36
	*Network operating three facilities with enrollment of 800	*Network operating only 1 school at Parkside facility with enrollment of 500
	*Bond structure as exists	*Prep facility is empty but lease payments met
		*No expense related to the Capitol Hill facility