

For Immediate Release

Gates Foundation Provides \$30 Million Credit Support Agreement to Secure \$300 Million in Charter School Facility Financing

Applies Innovative Financing Model to Address the Needs and Challenges of Charter School Expansion in Houston

KIPP Houston to Use Initial \$67 Million in Financing to Expand Facilities to Meet Increasing Demand for High-Quality Public School Education

SEATTLE and HOUSTON, Nov. 11, 2009 – The Bill & Melinda Gates Foundation today announced that it will provide a \$30 million credit support agreement to help secure \$300 million in tax-exempt bond issuance to further high-quality public charter school expansion in Houston. It represents the first time a private foundation has backed charter school facility bonds at this scale.

The first financing from the aggregate \$300 million program is a \$67 million issue, which was priced on Oct. 28 and enables KIPP Houston to access the bond market at favorable terms and meet surging parent demand for its academic programs. Future bond offerings would allow other charter management organizations operating in Houston, like YES Prep Public Schools, the option of accessing financing as well.

This credit support agreement marks the foundation's first U.S. investment as part of an initiative announced earlier this year that commits a total of \$400 million in program-related investments (PRIs) over a two-year period to deepen the impact of the foundation's work through non-traditional means. These include the use of financial tools like low-interest loans, loan guarantees and equity investments that leverage the foundation's balance sheet to secure financing for select organizations and programs that fall within its core focus areas: global development; global health; and U.S. program, which includes education.

"The foundation's leadership is committed to supporting the very important work of charter school programs in the U.S. in new ways," said Allan C. Golston, President, U.S. Program at the Bill & Melinda Gates Foundation. "Leveraging the foundation's balance sheet is a low-risk way to provide big returns for these programs and spur additional investment interest."

In Texas, leaders have already created an unusually fertile environment for rapid expansion of this financing model. In May, the Texas Legislature approved a state financing program that will generate a public match for private credit enhancement commitments up to a certain level. HB 3646 creates the Open-Enrollment Charter School Facilities Credit Enhancement Program, aimed at assisting charter school operators in obtaining financing for the purchase, repair or renovation of real property. This groundbreaking new law authorizes the Commissioner of Education to allocate up to one percent of the amount of the state's Foundation School Program for purposes of charter school credit enhancement.

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While KIPP Houston is the most immediate beneficiary of the foundation's innovative financing effort, the Gates commitment coupled with the state's new credit enhancement program coming online is likely to attract additional investors in charter schools across Texas. The foundation hopes that these innovative financing programs will provide a model for other states and private non-profit organizations looking to support charter school development and sustainability.

"While charter schools have proven to be extremely effective at improving access to quality education, they face unique challenges with respect to expansion," said Vicki L. Phillips, Director of Education, College Ready at the Bill & Melinda Gates Foundation. "Innovative approaches to financing are critical to addressing the funding gaps that result as successful programs like charter schools endeavor to scale."

Since its founding in 1994, 90 percent of KIPP Houston middle school graduates have matriculated to college. In Houston alone, KIPP operates 15 schools and has quadrupled enrollment since 2004. The wait list demand, however, is almost double current capacity. Access to financing will have a near-term direct impact to help KIPP Houston grow from 4,500 to 11,500 students. Debt financing will be crucial to KIPP Houston's goal of growing to a network of 42 public schools serving 21,000 students over the next decade.

"We are incredibly grateful for the visionary support of the Bill & Melinda Gates Foundation through its credit enhancement program, which will directly benefit KIPP Houston," said Mike Feinberg, Co-founder of KIPP. "By helping to underwrite our bond issue, the foundation has paved the way for thousands more Houston children to access an excellent education and climb the mountain to and through college."

The program will also be supported by a \$3 million guaranty from Local Initiatives Support Corporation (LISC), an organization dedicated to helping community residents transform distressed neighborhoods. To take advantage of the program, KIPP and other public charter schools in Houston must match the foundation's support with dedicated resources for their particular bond issues, with LISC's guaranty contributing to the required school match. The LISC contribution is funded with support from the U.S. Department of Education's Credit Enhancement for Charter School Facilities Program.

The PRI will be managed by LISC through a \$950,000 grant from the Gates Foundation approved in August.

About The Bill & Melinda Gates Foundation

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people -- especially those with the fewest resources -- have access to the opportunities they need to succeed in school and life. Based in Seattle, Washington, the foundation is led by CEO Jeff Raikes and Co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett. Learn more at www.gatesfoundation.org

About KIPP schools

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There are currently 82 KIPP public schools in 19 states and the District of Columbia enrolling around 20,000 students. Across the KIPP network, 81 out of 82 schools are public charter schools. Over 90 percent of KIPP students are African American or Hispanic/Latino, and more than 80 percent of KIPP students are eligible for the federal free and reduced-price meals program. Students are accepted regardless of prior academic record, conduct, or socioeconomic background. To learn more - at , visit www.kipp.org.

About LISC

LISC combines corporate, government and philanthropic resources to help nonprofit community-based organizations revitalize distressed neighborhoods. Since 1980, LISC has raised more than \$9 billion to build or rehab more than 244,000 affordable homes and develop 36 million square feet of retail, community and educational space nationwide. LISC support has leveraged nearly \$28 billion in total development activity. For more information, visit www.lisc.org.

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