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Fitch Places Two CO Charter School Ratings on Watch Positive with Criteria Change.

Fitch Ratings-New York-04 April 2018: Following the April 3rd release of Fitch Ratings' updated U.S. Public Finance Tax-Supported Rating Criteria, Fitch has placed the ratings on the following bonds issued by the Colorado Educational and Cultural Facilities Authority on Rating Watch Positive:

–Approximately $6.8 million series 2009 charter school revenue bonds issued on behalf of Crown Pointe Academy (CPA) rated 'BBB';
–Approximately $11.3 million series 2010 bonds (Pinnacle Charter School, Inc. High School Project) issued on behalf of Pinnacle Charter School rated 'BBB-'.

SECURITY

Each series of bonds is payable from annual lease payments made by the respective school, subject to annual appropriation, and secured by a first mortgage over its financed facilities. Cash-funded debt service reserve funds (DSRF) equal to transaction maximum annual debt service for each series provide additional bondholder protection. Both schools are included in the state of Colorado's charter school moral obligation program (the program), which provides a mechanism for the state to restore draws on the DSRF.

KEY RATING DRIVERS

Change in Criteria: Under the revised U.S. Public Finance Tax-Supported Rating Criteria, all moral obligation ratings will be notched down from the credit quality of the moral obligation provider. Formerly, the moral obligation enhancement was recognized based either on this top-down approach or by notching up from the underlying security rating, depending on the nature of the transaction. The ratings on the bonds issued on behalf of CPA and Pinnacle were previously notched up from the credit quality of the individual schools.

State Credit Quality: The state features a diverse and robust economy, with some concentration in natural resources, an above-average socioeconomic profile, and a modest liability position. Additionally, state financial operations are well maintained, though the state constitution's Taxpayers Bill of Rights requirements and an active voter initiative process impede flexibility.

Notching to be Evaluated: Most moral obligation debt will be rated three notches below the general credit quality of the provider, in this case the state of Colorado. Ratings can be two notches below the provider's credit quality under certain circumstances, as outlined in the criteria. Further analysis is required to make this determination for these ratings. Fitch expects to resolve the Rating Watch within the next 60 days.

RATING SENSITIVITIES

Program Evaluation: Fitch expects to evaluate the provisions of Colorado's charter school moral obligation program in light of the revised criteria the near term to determine the appropriate level of

notching from Colorado’s general credit quality for the two charter school ratings.

OTHER MORAL OBLIGATION RATINGS

Fitch rates several other moral obligation bonds whose ratings are not expected to change, so are not on Rating Watch. These are either already rated using a top down approach or are rated using a bottom-up approach that results in a rating no more than three notches below the provider’s IDR.

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