PUBLIC CHARTER SCHOOL CREDIT ENHANCEMENT COMMITTEE

Please find below the notes from the Public Charter School Credit Enhancement Committee ("Committee") Meeting held on January 17, 2019:

Call To Order:
   1. By Michael Musante at 12:30 pm

Committee Members Present:
   1. Michael Musante
   2. James Henderson (appearing via phone)
   3. Mark Medema

Note: Frank Williams was not present. Quorum was present.

Staff Members Present:
   1. Elisabeth Morse, Interim Assistant Superintendent, Division of Systems and Supports, K-12 (via phone)
   2. Ronda Kardash, Director, Office of Public Charter School Financing and Support ("OPCSFS")
   3. Debra Roane, Financial Program Specialist, OPCSFS
   4. Nagesh V. Tammara, Assistant General Counsel, Office of the General Counsel

Guests (Public Meeting Attendees Only):
   1. Kristen Scotchmer, Founder and Executive Director, Mundo Verde Bilingual PCS

Approval of January 17, 2019 Committee Meeting Agenda:
   1. Michael Musante requested a motion to approve the meeting agenda.
   2. Mark Medema made a motion to approve the meeting agenda.
   3. James Henderson seconded the motion to approve the meeting agenda.
   4. All said Aye.
   5. Agenda approved by majority vote.

Approval of December 20, 2018 Committee Meeting Minutes
   1. Michael Musante requested a motion to approve the meeting minutes.
   2. Mark Medema made a motion to approve the meeting minutes.
   3. James Henderson seconded the motion to approve the meeting minutes.
   4. All said Aye.
   5. Agenda approved by majority vote.
Transactions Disclosure Checklist (Conflict of Interest Policy):

As set forth in Attachment C (Transaction Disclosure Checklist) of the *Office of Public Charter School Financing and Support - Conflict of Interest Policy (Policy)*, Michael Musante inquired of the Committee membership the following as it relates to the transactions presented (*i.e. Application for a $1,985,948 Direct Loan by Mundo Verde Bilingual Public Charter School* to the Committee for approval):

*Do you or a person closely affiliated (as defined by the Policy) to you have any of the following relationships with any of the financially interested entities involved in this transaction? The respective questions and responses are captured in the table below with the noted exceptions.*

<table>
<thead>
<tr>
<th>Financially Interested Entities (FIEs)</th>
<th>The public charter school(s) seeking financing from the Committee</th>
<th>Any other financially interested entity involved in the transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td>Prior (past 5 years)</td>
<td>Prior (past 5 years)</td>
</tr>
<tr>
<td><strong>Serve as a board member, officer, or employee?</strong></td>
<td>N (Musante)</td>
<td>N (Musante)</td>
</tr>
<tr>
<td></td>
<td>N (Medema)</td>
<td>N (Medema)</td>
</tr>
<tr>
<td></td>
<td>N (Henderson)</td>
<td>N (Henderson)</td>
</tr>
<tr>
<td><strong>Receive compensation for serving as a board member?</strong></td>
<td>N (Musante)</td>
<td>N (Musante)</td>
</tr>
<tr>
<td></td>
<td>N (Medema)</td>
<td>N (Medema)</td>
</tr>
<tr>
<td></td>
<td>N (Henderson)</td>
<td>N (Henderson)</td>
</tr>
<tr>
<td><strong>Receive compensation for a position (officer or employee)?</strong></td>
<td>N (Musante)</td>
<td>N (Musante)</td>
</tr>
<tr>
<td></td>
<td>N (Medema)</td>
<td>N (Medema)</td>
</tr>
<tr>
<td></td>
<td>Y (Henderson)</td>
<td>Y (Henderson)</td>
</tr>
<tr>
<td><strong>Any contractual relationship (individual or through an employment or subcontractual relationship)?</strong></td>
<td>N (Musante)</td>
<td>N (Musante)</td>
</tr>
<tr>
<td></td>
<td>N (Medema)</td>
<td>N (Medema)</td>
</tr>
<tr>
<td></td>
<td>Y (Henderson)</td>
<td>Y (Henderson)</td>
</tr>
<tr>
<td><strong>Perform consulting or other services?</strong></td>
<td>N (Musante)</td>
<td>N (Musante)</td>
</tr>
<tr>
<td></td>
<td>N (Medema)</td>
<td>N (Medema)</td>
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<tr>
<td></td>
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<td>N (Henderson)</td>
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<td>--------------------------------------</td>
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<tr>
<td></td>
<td>Current</td>
<td>Prior (past 5 years)</td>
</tr>
<tr>
<td>Parent of a child attending?</td>
<td>N (Musante)</td>
<td>N (Medema)</td>
</tr>
<tr>
<td>Volunteer(ed) at or with?</td>
<td>N (Musante)</td>
<td>N (Medema)</td>
</tr>
<tr>
<td>Any other information to disclose?</td>
<td>N (Musante)</td>
<td>N (Medema)</td>
</tr>
</tbody>
</table>

**Note:** Committee member – James Henderson – indicated that his employer – EdOps – provides financial services for Mundo Verde Bilingual PCS. In light of this disclosure, Mr. Henderson will abstain from voting on any transaction involving these entities.
TRANSACTION:

1. **Mundo Verde Bilingual Public Charter School – Application for Direct Loan Extension/Refinancing**

I. **Presentation of Transaction**

Debra discussed the transaction as presented in the credit memo as follows:

a. Mundo Verde is seeking a new five-year term on an existing direct loan, which currently has an outstanding balance of $1,985,948 (as of January 17, 2019), for its existing campus located at 30 P. Street NW, Washington, DC.

b. The loan matured on January 15, 2019, however, at its December 2018 Committee meeting the maturity was extended to March 15, 2019 to allow time to underwrite this request.

c. The term of the loan would be five-years with an interest rate of 3.75 percent and repayment based on a 25-year amortization with a balloon payment.

d. In reviewing the underwriting, it does not appear that OPCSFS repayment is included in the financial projections and cash-flow statements. Therefore, updated projections are necessary.

e. There is currently a senior loan provided by United Bank with an approximate outstanding balance of $9.5 million with an interest rate of 4%, which will be re-set in 2020.

f. Other financial covenants in this refinancing will include a 1.20x debt service coverage ratio and a 30 days cash-on-hand requirement.

g. Additionally, at the time the original loan closed (2014), OPCSFS also provided a $1 million unfunded credit enhancement in the form of a guaranty to support United Bank's then-$11.5 million loan. The credit enhancement has matured and burned-off as of January 15, 2019 given that the loan-to-value went from 80% to now 63%.

h. Mundo Verde has a strong waitlist, is a strong Tier 1 school and there does not appear to be any negative factors relative to providing this new term.

i. As far as its second campus is concerned, which is slated to open for school year 2019-2020, the Turner-Agassi group is involved in developing the intended site and there are two (2) central issues being worked on by Mundo Verde PCS:

   i. Mundo Verde is seeking permission from the landlord (i.e Turner Agassi) in order to permit OSSE to provide a direct loan, given that the current agreement between the school and the organization provide that the organization would provide the necessary financing (albeit at a higher interest rate). The financing to be provided by Turner-Agassi is built into the eventual purchase price, thereby requiring a renegotiation of the terms contained in the lease.

   ii. Mundo Verde is seeking an enrollment cap increase from DCPCSB and we need the potential enrollment numbers for its second campus to underwrite a new direct loan. The discussion of the enrollment cap increase is slated for February 23, 2019 with a formal vote on March 18,
2019. The enrollment projections in the current financial analysis is higher than the current charter max, thus Mundo Verde is seeking the appropriate increase.

II. Discussion

a. Mark Medema inquired as to whether there was flexibility with the lease rate with Turner-Agassi if the enrollment cap increase is not approved.
   i. Kristen Scotchmer responded by indicating that the enrollment cap increase is going through the public process currently with DCPCSB and that discussions with Turner-Agassi have been super transparent given that the original agreement had a lower rate. Kristen Scotchmer indicated that she is cautiously optimistic on both fronts.
   ii. Kristen Scotchmer further that United Bank formally signed off on the new lease with Turner-Agassi and is also discussing a refinancing with United Bank for 2020 given that the interest rate reset would not be favorable to Mundo Verde.
   iii. Kristen Scotchmer also noted that it was her intentions to consolidate the debt following the completion and opening of the new school.

b. Mark Medema further inquired as to what was the exit strategy for the debt
   i. Kristen Scotchmer responded by stating that at the point of purchasing the 2nd building, they would seek to consolidate and repay the OSSE debt.

c. Michael Musante inquired as to what was happening with DCPCSB relative to the charter enrollment increase.
   i. Kristen Scotchmer responded by noting that she has been in conversations with DCPCSB since December 2018 as their original charter enrollment maximum was lower than expected. DCPCSB has scheduled this topic for discussion at its February 2019 meeting and for a vote at its March 2019 meeting; Kristen Scotchmer further noted that whether Mundo Verde hits the targets/projections is mostly based around 1st grade enrollment.

d. Michael Musante further noted that there is demand for bilingual programs in the District and asked whether there was any harm in waiting to decide this matter until the other components (i.e. Turner-Agassi lease and enrollment cap increase) are decided and the Committee can correspondingly further extend the maturity date another 90 days from the previous extension granted.
   i. Kristen Scotchmer responded saying that there was harm in waiting at this juncture.

e. Mark Medema requested an updated and balanced proforma around the enrollment and financial projections.

f. Mark Medema also noted that time is of the essence relative to the Turner-Agassi lease given that the $1.5 million Turner-Agassi agreed to offer in building improvements will tentatively begin in March 2019.

g. James Henderson abstained from discussing and voting on this transaction as
EdOps is a service-provider to Mundo Verde.

III. **Transaction Approval (as Modified)**
   a. Michael Musante requested a motion to approve the transaction as modified to further extend the maturity date of the existing loan to July 15, 2019.
   b. Mark Medema made a motion to approve the transaction as modified.
   c. Michael Musante seconded the motion as amended.
   d. All said Aye*

   *As noted above, James Henderson abstained from voting on this transaction

2. **Other Business**

   a. The 2019 interest rate reset to 3.75 percent was announced in OSSE’s LEA Look Forward and Debra has received some interest from Academy of Hope and LAMB.

3. **Adjournment:**

   a. Michael Musante inquired as to whether there was any further business, and hearing none, requested a motion to adjourn the Committee meeting.
   b. Mark Medema made a motion to adjourn.
   c. James Henderson seconded the motion.
   d. All said Aye.
   e. The meeting adjourned at approximately 12:54 pm.