PUBLIC CHARTER SCHOOL CREDIT ENHANCEMENT COMMITTEE

Please find below the notes from the Public Charter School Credit Enhancement Committee ("Committee") Meeting held on May 16, 2019:

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

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

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

Staff Members Present:
1. Ronda Lasko, Director, Office of Public Charter School Financing and Support ("OPCSFS")
2. Debra Roane, Financial Program Specialist, OPCSFS
3. Shana Young, Chief of Staff
4. Sharon Gaskins, Interim Assistant Superintendent of Systems and Supports, K-12
5. Nagesh V. Tammara, Assistant General Counsel, Office of the General Counsel
6. Renee Lee, Legal Administrative Specialist, Office of the General Counsel

Guests (Public Meeting Attendees Only):
1. Ana Harvey, President, Charter School Incubator Initiative d/b/a Building Pathways
2. Ryan Campbell, Comptroller, Charter School Incubator Initiative d/b/a Building Pathways
3. Robin Odlin, President, Building Hope Finance (appearing via telephone)

Approval of May 16, 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 unanimous vote.

**Approval of January 17, 2019 Committee Meeting Minutes**

1. Michael Musante inquired as to whether there were any changes to the public meeting minutes dated January 17, 2019, and hearing none, requested a motion to approve said meeting minutes.
2. Mark Medema made a motion to approve the meeting agenda.
3. James Henderson seconded the motion.
4. All said Aye.
5. Meeting minutes approved by unanimous vote.

[THIS SPACE INTENTIONALLY LEFT BLANK]
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. St. Paul on Fourth St. Inc. and Charter School Incubator Initiative d/b/a Building Pathways - Birney School Building Site) 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>N = NO</th>
<th>Y = YES</th>
<th>M = Maybe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Financially Interested Entities (FIEs)</td>
<td>The public charter school(s) seeking financing from the Committee</td>
</tr>
<tr>
<td></td>
<td>Current</td>
<td>Prior (past 5 years)</td>
</tr>
<tr>
<td><strong>Serve as a board member, officer, or employee?</strong></td>
<td>N – Musante, Medema, Henderson</td>
<td>N – Musante, Medema, Henderson</td>
</tr>
<tr>
<td><strong>Any contractual relationship (individual or through an employment or subcontractual relationship)?</strong></td>
<td>N – Musante, Medema, Henderson</td>
<td>N – Musante, Medema, Henderson***</td>
</tr>
<tr>
<td><strong>Perform consulting or other services?</strong></td>
<td>N – Musante, Medema, Henderson</td>
<td>N – Musante, Medema, Henderson</td>
</tr>
<tr>
<td><strong>Own shares of stock, stock options, partnership interest, or other ownership interest?</strong></td>
<td>N – Musante, Medema, Henderson</td>
<td>N – Musante, Medema, Henderson</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Registered as a lobbyist on behalf of the interests?</strong></td>
<td>N – Musante, Medema, Henderson</td>
<td>N – Musante, Medema, Henderson</td>
</tr>
</tbody>
</table>

### Financially Interested Entities (FIEs)

<table>
<thead>
<tr>
<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><strong>Volunteer(ed) at or with?</strong></td>
<td>N – Musante, Medema, Henderson</td>
</tr>
<tr>
<td><strong>Any other information to disclose?</strong></td>
<td>N – Musante, Medema, Henderson</td>
</tr>
</tbody>
</table>

From 2010 through 2017, Mark Medema worked for Building Hope but not the Charter School Incubator Initiative. His “boss” Joe Bruno, is a board member of the Incubator Initiative. 

***James Henderson verbally placed on the record that he was previously employed in a capacity whereby his employer had a financial interest in one of the entities being considered, but he no longer works there and there is no actual conflict of interest.***
TRANSACTION:

St. Paul on Fourth Street, Inc. – Extension of Maturity Date for $2.0 million Direct Loan

I. Presentation of Transaction and Request for Extension

a. St. Paul on Fourth Street, Inc. (St. Paul), incorporated by Building Hope, initially requested a three (3) year extension on its existing $2 million direct loan that matures on June 30, 2019. The revised plan has not been fully vetted by OPCSFS and will be further underwritten in an amended credit memo for the Committee’s consideration.

b. Additionally, St. Paul initially requested the PCS Credit Enhancement Committee approve an additional $2,350,000 of new senior debt to fund Phase Four construction scheduled for the summer of 2019.

c. The senior lender (The Reinvestment Fund) and Building Hope will also extend their existing loans until June 30, 2022. The terms and conditions of all the loans will remain unchanged. This extension will allow CSII and St. Paul on Fourth Street, Inc., time to build out the fourth phase, restructure the leases with both schools (Lee Montessori PCS and Washington Leadership Academy), and allow both schools to grow to their full enrollment capacity.

II. Discussion

a. Robin Odlin inquired as to what would be needed to take-out the lenders. A number of financial models for a potential take-out of the outstanding debt

   • Tax-exempt bonds – potential with PNC and in discussion with PNC on how that might work.

   • The models serve as a guide for all parties as well as for the Committee in considering an extension or other option.

   • The current revised model contemplates tenants increasing rents slightly over the next 5 years and an extended lease term to 35 years for a potential bond transaction and agreeing to certain cost of living bumps after the first 5 years and the model has been shared with the lenders as a discussion point.

   • PNC could potentially accomplish a take-out transaction via bonding financing within 120 days (5 months).

   • Building Hope Finance at this juncture will recommend a 6 month extension to its credit committee to see if a take-out transaction would be a viable option via bond financing and enable the Borrower to undertake a take-out transaction.

   • Early discussions with the lender group surrounded rent increases which would result in a small subordinate loan to be paid over a longer period of time – 10 years or longer. However, OSSE has statutory limitations to 5 years on its transactions.

b. Debra Roane –

   • Has not looked at the models in their totality as of yet, but one of the concerns is the status of the 2017/2018 audited financials remain still
pending; they have not been released so that they did not have a going-concern finding, and the CSII is attempting to avoid such concern/finding from being in the audit, and that is why audit is held from being released.

- What is overall impact to CSII?
- Ana Harvey – moving ahead with working through the fiscal situation and attempting to resolve the outstanding debt issues, and recently the CSII had some success removing Shaed off its books
- Ryan Campbell -bond financing would be advantageous for the CSII and would have less of a deficit at St. Paul; Reviewing options for St. Paul and an extension to figure out next steps on a long-term solution and implement the plans; CSII is under an obligation to provide classroom space for both Washington Leadership Academy (100 students) and Lee Montessori (25 students); reviewing many options and need 6 months to finalize a plan forward.

c. Mark Medema – will this require all existing lenders to approve a 6 month extension?
   - Robin – Yes all lenders have to agree to extend at least for 6 months; senior lender has indicated that a 6 month extension is what they are currently considering.
   - Debra – indicated that OSSE/OPCSFS could place a condition on the 6 month extension that it close simultaneously with the other lenders so that the extension is co-terminus across all lenders.
   - Nagesh – hesitant to place conditions on the 6 month extension given that OSSE is the first to be considering any such extension and there is no clarity on what conditions, if any, other lenders may place on their potential extension of the maturity date.
   - Robin – in terms of closing on an extension, hoping for early June 2019 and the actual extension would occur in late June 2019
   - Debra – this gives us another option to table this and come back in June 2019

d. Michael Musante feels comfortable approving a 6 month extension in reviewing this matter on a macro level from a CSII perspective.
   - Mark – hold off until June to get further information
   - Debra- CSII has not met with the schools as of yet and therefore maybe we will have some more information from the school perspective

e. Ana plans to meet with schools on Monday to review model and make sure cash-flow works and schools can afford to pay more and is still reviewing the models.
   - 5% over per pupil funding has been agreed-in-principle by the respective schools)
   - TRF on board to provide the extension and potentially the funds to build out the space
   - In response, Michael indicated that perhaps tabling this matter until after we get further insight from the schools.
III. Transaction – Motion to Table
   a. Michael Musante requested a motion to table this matter until the June 2019 Committee public meeting with the option to call a special meeting in early June 2019 if necessary.
   b. Mark Medema made a motion to table this matter as presented.
   c. Michael Musante seconded the motion as amended.
   d. All said Aye.
   e. The motion was approved and this matter was tabled until July 2019 with the caveat that the Committee may decide to hold a special meeting if necessary.

Charter School Incubator Initiative d/b/a Building Pathways – Birney School Building Site (fmr. Excel Academy PCS)

Charter School Incubator Initiative requests the Public Charter School Credit Enhancement Committee approve a $1,637,494 funded credit enhancement for the Birney School incubator site that previously housed Excel Academy PCS and currently houses Excel Academy DCPS. This credit enhancement would replace an existing $1,637,494 funded Federal Charter School Program Credit Enhancement Grant that is currently securing a $6,752,874.70 Bank of America loan.

Transaction – Motion to Table
   a. Michael Musante requested a motion to table this matter until the June 2019 Committee public meeting.
   b. Mark Medema made a motion to table the transaction as presented.
   c. Michael Musante seconded the motion as amended.
   d. All said Aye*
   e. The motion was approved and this matter was tabled until July 2019.

This matter was tabled pending further clarity from U.S. Department of Education as well as clarity from Bank of America on the necessity and amount of the credit enhancement given that we have a June 30, 2019 deadline.

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. Michael Musante seconded the motion.
   d. All said Aye.
   e. The meeting adjourned at approximately 1:00 pm.