

Independence Charter School-CC

Minutes from Special BOT Meeting of Wednesday, November 28, 2018

Location: 1600 Lombard St., Philadelphia, PA

Time: 12:30 PM

Next meeting: Wednesday, December 12, 2015

Board Attendees:

Sharon Berney	phone	Timothy Spreitzer	phone
Camilo Dominguez	phone	Jo Tionson Perez	phone
Jamila Dugan	absent	Mehreen Zaman	phone
Maureen Eagen	phone		
Rachel Hudson	absent	<i>Ex-officio</i>	
Jamill Jones	absent	Tanya Ruley-Mayo	phone
Allison Kelsey	phone	<i>Also Attending</i>	
Michele Lamm	absent	Patricia Cirone (staff)	phone
Harry Moseley	phone	Gary White (parent)	
Gina Mosley	absent	Jason Appelt (BB&T)	
Krista Pfeiffer	absent		
Rachel Salis	phone		
Silverman			
Eleanor Sharpe	absent		
Virgil Sheppard	phone		

Who	What
Eagen	After some technical difficulties with the conference line, Maureen called the meeting to order at 12:43 pm.
Eagen	<p>Maureen asked if there were any public comment.</p> <p>Gary White a parent of students in second grade and kindergarten made the following comment:</p> <p>He thanked the Board and Committee for their hard work on the project thus far. He stated that he does not stand in opposition to the project in totality and recognizes that the construction project is necessary for the growth and development of ICS. What brings Mr. White today is his belief in the importance of traditions. However, he noticed in the 3-D rendering of the project that there is a stark contrast between the new student entranceway and the mural on wall outside the current gymnasium/multi-purpose room. Mr. White went on to say that he hopes the Board is considering some sort of tribute to the current student entrance. He feels that there is a transformation from kid to ICS scholar when they enter those gates and it would be a travesty not to have a tribute to that tradition. He is not suggesting that the gates be kept, but something in the entranceway that reminds the students of what happens when they walk through the door.</p> <p>Maureen thanked Mr. White for his comment and informed him that Board policy states that the Board does not respond to comments during the meeting, but if follow-up is needed, it will be done later by either a board member or staff member.</p> <p>Maureen then commented that the purpose of this meeting is to vote on the financing of the project. She went onto say that there is another Town Hall meeting for the</p>

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	<p>community scheduled for December 6 and there is also a parent committee that he could join. Maureen then stated that not of all the plans are finalized and there is discussion around replicating the current mural in the new gymnasium. Mr. White stated that he does not expect any action at this moment, but thought it was important to bring this to the Board's attention. Maureen invited Mr. White to send her an email outlining his concerns and she would share it with the architects.</p>
Moseley	<p>Harry explained that Jason Appelt of BB&T would review the Proposal for the Terms of the financing that he emailed to everyone for the construction project. Below is a recap of the terms. <i>The Term Sheet, in its entirety, is on file in CEO's office.</i></p> <p>Jason reported the following:</p> <ul style="list-style-type: none"> • Sunflower Bank will loan ICS through Words of Opportunity Foundation \$23,000,000. • The loan will refund the school's outstanding Series 2017 bonds, fund construction of the improvements the school's facility and pay for costs of issuance. • The security for the loan is a mortgage and revenue pledge, which is the same as the existing debt. • The additional debt test is basically the same additional debt test on the current debt. As long as ICS can project sufficient debt service coverage, additional debt can be issued on this property. If ICS wants to go in to additional debt on a separate property, ICS would have to ask the Bank for permission. • The Covenant – 1.1x coverage test, which is same as the current debt and 150 days of cash on hand test, which is higher than what is required on the current debt. The increase is due to higher debt. However, 150 days of cash on hand is significantly lower than the actual amount of cash currently on hand. The trade-off for that is that the current bond issue has a debt service reserve fund and any charter school bonds sold to investors in the public market, will always carry a debt service reserve fund which is an added cost to the transaction. • Recording requirements are the same except we won't have to do any Standard & Poor's questionnaires and there are no public reporting requirements. • Redemption – The loan is callable in 5 years at par. The interest rate is 4.55% for 10 years. The loan will amortize over 30 years, but will be due in 10 years. At this time, we would refinance. • For comparison purposes, if ICS were to go out to the public bond market, the current rates are at a 5% to 5.75% range plus there would have to be a reserve fund which equates to about 40 basis points of added cost. The 4.55% rate is quite a savings over of what the bond market is offering. • With this financing, the debt service is only going up a couple hundred thousand dollars a month even though the debt is being increased by \$8,000,000. • To provide this financing, a Primary Treasury Relationship will be established between ICS and the Bank. The Bank would like ICS to move \$6,000,000. <p>Jo Perez asked what happens to the \$23,000,000 loan if the construction portion of the</p>

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	<p>funds are not fully used. Harry responded that if the construction project comes in under budget, the funds would be used to pay down debt.</p> <p>Maureen Eagen stated that the term sheet is asking that \$3,000,000 in cash to be moved to the Bank 90 days after closing and asked if it would make more sense for ICS to move all our money instead of having two accounts open. Jason responded that the bank wants a majority of the money, which is \$3,000,000. Of course, the Bank would like to have the full relationship, but it is up to the Board to decide. Maureen then asked Harry if moving all of the money was discussed with Santilli & Thomson (S&T). Harry stated that he had and it isn't an issue for S&T to do so.</p> <p>Sharon Berney asked if we moved more would we have more leverage on any of the other terms, could we get a better interest rate or is it better to stay more diversified and not move over all the money. Harry responded that we may be able to negotiate some of the terms, but he would be shocked if the Bank moved from the current deal document and it may raise concerns as to why we are now considering changes. Finance will talk about whether or not to move \$6,000,000 or \$3,000,000.</p> <p>Maureen then asked what 50 Bps is under the loan fee. Jason explained that a Basis point is ½ of 1%.</p> <p>Mehreen Zaman asked if this is the Term Sheet that Finance Committee wants approved. Harry stated that this is acceptable to finance, but they aren't making any recommendations. However, his position is the Board should approve and Maureen commented that Harry and Jason have been working long and hard on this and it has been in the works for several months.</p> <p>Maureen asked if the Bond Counsel "Under Documentation," is the school's attorney. Harry stated that there is separate Bond Counsel. However, school counsel has full knowledge of the terms. Maureen then asked if the language under the Assignment Section is standard language since it reads that "The Bank currently intends to Participate up to \$8,000,000 to another qualified institutional buyer. Jason responded that yes, they are going to bring another bank in, but it will not change any of the terms. The only caveat is if that bank requires an appraisal, ICS will split the cost of the appraisal with Sunflower Bank.</p> <p>Harry stated that the goal is to get this done by the end of the year.</p> <p>Maureen asked who is signing off on the proposal. Harry said either the Board Chair, the CEO or he will sign off.</p> <p>Sharon Berney asked is there any other items that we would need a loan for that this might preclude us from obtaining. Jason responded that ICS would be able get a working Capital Line of Credit, however, any long-term loan, ICS would have to pass the additional debt test. Sharon then asked since this money is for a specific purpose it should not affect any need for us to allocate more money for teachers or admin – is that accurate? Harry responded that we have an asset worth \$23,000,000 with a \$15,000,000 loan against it. We are borrowing against the asset to improve the asset.</p>

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	<p>There are some additional cost year-to-year so our debt financing is going to go up a little over \$100,000. We could use that \$100,000 for other things such as salaries, but we are choosing to finance additional debt.</p> <p>Maureen stated that while working on this project with S&T on budget projections for the next five years, 3% salary increases were included in the projections. Harry then commented that unless the majority of the Board feels like they do not have enough information and are not comfortable voting at this time, he thinks each Board member should just vote their position and if it passes, it passes and if it doesn't, it doesn't. He continued to say that we are at point where we cannot pause. We either have to go forward or stop.</p> <p>Maureen read the resolution.</p> <p>Resolution Be it Resolved, that the Board of Trustees of Independence Charter School hereby approves the Sunflower Bank, NA term sheet as presented to the Board of Trustees (the "Term Sheet"), pursuant to which Independence Charter School shall borrow \$23 million from Sunflower Bank (the "Transaction"). In addition, be it resolved that the authorized officers of Independence Charter School are hereby authorized and empowered, in the name and on behalf of Independence Charter School, to execute and deliver the Term Sheet and all instruments, agreements and consents as such authorized officer may deem necessary, advisable or appropriate in connection with the Transaction.</p> <p>Motion to Approve: Harry Moseley 2nd: Timothy Spreitzer Action: Passed by roll call: T. Spreitzer, Yes, M. Eagen, Yes, G. Mosley, Yes, H. Moseley, Yes, J. Perez, Y, S. Berney, Y, M. Zaman, Y, A. Kelsey, Y, R. Salis-Silverman, Y, V. Sheppard, Y.</p>
Eagen	<p>Adjournment Motion to Adjourn: Sharon Berney 2nd: Harry Moseley Action: Passed unanimously (voice vote) Maureen adjourned the meeting at 1:22 pm</p>

Respectfully submitted by: Patricia Cirone