



Charter Day School, Inc., Board of Trustees

Minutes of the Board Meeting

1:30 PM; Tuesday, November 10, 2020, Charter Day School, Leland, NC

<p>Attendance</p>	<p>Trustees: Bob Spencer, Chair (Zoom) Colleen Combs (Zoom) Melissa Gott (phone) Chad Adams (Zoom) Ted Bodenschatz (Zoom) Absent: Suzanne West</p> <p>Others: John MacMaster, Attorney for CDS, Inc. (Zoom) Wells Hall, Attorney for CDS, Inc. (Zoom) David Shin, Assistant VP, Zeigler Investment Banking (Zoom) Mark Dudeck, Treasurer, CDS, Inc. (Zoom) Baker Mitchell, Secretary, CDS, Inc. (Zoom) Jesse Smith, Director of Quality Control, RBA (Zoom)</p>
<p>Call to Order</p>	<p>Bob called the special meeting to order at 1:42 pm with a quorum of 5 Trustees present. Mark Dudeck had given email notice for this special meeting to each board member, including those present, not less than 24 hours before the meeting was being convened. Also, Office Manager, Kelly Darazsdi, posted public notices in the foyer and emailed the schools to post meeting notices on Friday, November 6.</p>
<p>Agenda Modification</p>	<p>N/A</p>
<p>RBA Reports</p> <p>2019-2020 Audit</p> <p>CDS Campus Lease Renewal</p>	<p>Mark confirmed that the final financial and compliance audit from Petway Mills and Pearson, PA (PM&P) conformed to the draft that was distributed to the board last week. He summarized the fiscal year end surplus numbers both for the consolidated corporation and individually for each of the schools. PM&P gave a clean opinion with no findings. Ted moved with Chad's second to approve the audit. After discussion, the motion passed, with Melissa abstaining.</p> <p>Mark noted that the 10-year lease for the Leland campus would be up in 2021, and he recommended that the lease be renewed in the event that the bond transaction did not occur. The lease was emailed to the members for their review prior to the regular meeting on November 19th, at which time it may be renewed. Melissa inquired whether it was timely and necessary to take up the lease renewal inasmuch as the planned purchase of the Whiteville and Leland Facilities in connection with the planned tax-exempt bond financing would obviate the reason for any such extension. The topic of</p>

	<p>lease extensions was then tabled.</p>
<p>Proposed Structure and Financing</p>	<p>John and Wells were next introduced again to the board. Baker Mitchell stated that they had been invited to the meeting for the purpose of advising the board further on the structure of the proposed structure of the proposed bond financing. Baker also introduced David Shin, from BC Ziegler & Co, the investment bank that is prepared to sell the bonds to the public the proceeds of which will pay for the financing. The financing will allow CDS to buy the Whiteville and Leland facilities, refinance the South Brunswick facilities, construct 3 middle school buildings and an auditorium/gym at South Brunswick, a middle school EC building and auditorium/gym at Leland, and a new office/computer lab building at Whiteville, all with the necessary roads and other site infrastructure (the “Series 2020 Project”). Part of the structure for this financing entails the formation and authorization by the board on behalf CDS of three limited liability companies. CDS will be the sole member and control each of these LLCs, which will acquire or take title to the Brunswick Charter School as well as the Whiteville and Leland Facilities and then lease them back to CDS. Wells and John are also there to discuss the proposed terms of purchase of the Whiteville and Leland facilities and an appraisal the Board had commissioned to assist in determining arms’-length fair market value purchase prices.</p> <p>John discussed steps involved in the financing, which is primarily to utilize tax-exempt bonds (the “Series 2020 Bonds”). He distributed a chart of the financing structure, a copy of which is attached to these minutes and to be made part of the records. John explained that the Public Finance Authority (“PFA”) will issue the tax-exempt bonds, together with a smaller series of bonds the interest on which will be taxable, and lend the proceeds to the 3 LLCs under a Loan Agreement. The LLCs will, in turn, lease the financed facilities (back) to CDS under 3 Lease Agreements. Security for the PFA is provided under a Master Trust Indenture pursuant to which the revenues and assets of the 3 LLCs will be pledged to secure repayment of the PFA’s bond. He noted that the Master Trust Indenture contained the primary representations and covenants that would bind CDS and the three LLCs. He then proceeded to describe the master trust indenture provisions in greater detail, including the financial covenants that would govern the LLCs as well as CDS. He also noted that the Ziegler will sell the bonds to the public by using a Limited Offering Memorandum (LOM). The LOM will contain information about CDS and its historic operations as well as certain related information. The accuracy and completeness of this information is to be confirmed by the board.</p> <p>Wells presented the independent appraisal by Marshall & Stevens that had commissioned on behalf of CDS, Inc. showing the value of the combined Whiteville and Leland facilities to be \$20,550,000.</p> <p>Colleen asked how the current cost to CDS from lease payments on the Whiteville and Leland facilities as well as debt service payments on the First Bank loans that financed the acquisition and improvement of the South Brunswick facilities would compare to the new lease payments under the proposed structure to finance the Series 2020 Project. Mark stated that currently CDS pays approximately \$2.3 million annually in lease and debt service payments and the lease payments are subject to annually to COLA increases. The projected debt service on the Series 2020 Bonds, which would (indirectly) be paid by CDS under this new structure, should be less than its current payments, based on projected interest rates, and CDS would benefit by becoming the owner of the Whiteville and Leland facilities, pay for needed capital improvements, and no longer be subject to the COLA increases under the current leases. David Chin of Ziegler was asked to confirm what the new interest rates would be. He stated that conditions currently look favorable, but no assurance could be made until the Series 2020 Bonds are actually priced. In any case, CDS would know the rates available at that time and could make the final decision whether to proceed then or await more</p>

	favorable conditions.
A Resolution to Create Three LLCs to own the campuses	<p>John next covered the first resolution for the board’s approval by which the three LLCs, which had already been formed, the appointment of managers to act in their behalf, and their authorization by the board, on behalf of CDS. These companies would receive the bond proceeds to buy or refinance the three existing facilities and construct the new additional facilities. The resolution sets a cap for the purchase price of the Whiteville and Leland facilities at \$17,910,000 and authorizes the purchases thereof. It was noted that that amount is materially less than the Marshall & Stevens appraised value of \$20,550,000 by \$2,640,000. The companies would then lease the facilities to CDS, Inc. for each of the three charter schools and use the lease proceeds to pay the bond debt service. The first resolution also approves an amendment to the CDS, Inc. Management Agreement for each school that is needed to conform to certain regulatory requirements for tax-exempt financing. In brief, this change limits the term of the Management Agreement, recognizes CDS new ownership of the school campuses and its control over budgets. The first resolution also elects and appoints Bob Spencer and Mark Dudeck as Managers of the Companies subject to change by the board at any time.</p> <p>The board discussed and received clarification that if the bond transaction did not occur then this resolution would have no effect. It was also reviewed that the appraisal was done on behalf of CDS, Inc. through their attorneys, Wells and John. Mark also confirmed that estimates of the bond debt service provided by the underwriter Ziegler would be very close to the current lease fees for Whiteville and Leland together with the South Brunswick mortgage payments. This estimate by Ziegler is subject to rate conditions at the time of the pricing in later November and if unfavorable could result in not going forward. The final Purchase Sale Agreements (PSA) terms have been agreed upon but are awaiting the legal descriptions from the surveyor before they can be finalized.</p> <p>Melissa moved to approve the first resolution and Chad seconded the motion. There being no further discussion, Bob asked for a roll call vote. Ted voted yes; Colleen voted yes; Chad voted yes; Bob voted yes; and Melissa voted yes. The motion to approve the formation of the three LLCs was approved.</p>
A Resolution to Request Issuance of up to \$42,000,000 of Educational Facilities Revenue Bonds	<p>John described the process whereby Series 2020 Bonds would be sold in order to finance the Series 2020 Project. Several board members noted the importance of the locations of the campuses of the three schools to its mission. While it might theoretically be possible to consider altogether different locations for charter school operations, doing so would be at the expense of public recognition of its ongoing operations. Also, given the configuration of its facilities which are geared for primary and secondary education purposes, identifying suitable alternate sites was not feasible. Finally, John urged the board again to carefully review the PLOM and Appendix A to the PLOM.</p> <p>Bob moved to adopt the resolution authorizing the issuance of the Series 2020 Bonds and such documents as may be necessary. Melissa seconded the motion, and a roll call vote was held. Chad voted yes; Colleen voted yes; Ted voted yes; Bob voted yes; and Melissa voted yes. The motion to seek issuance the bonds was approved. The form of resolutions so approved were agreed to be made part of these minutes and the CDS records.</p>
Old Business	N/A
Ratification of Actions Taken	Colleen moved, seconded by Chad to ratify all actions taken and disclosed to the Board since the last regular meeting and then to adjourn the meeting. The motion was unanimously approved and the meeting adjourned at 4:12 pm..