

ENTHEOS ACADEMY BOARD MEETING MINUTES

Special Session

March 18, 2020

Held online via Google Meet

OPENING

- I. Roll Call
 - a. Board Members Present: Jaren Gibson, Xazmin Prows, Corey Mecham, Adrienne Olsen
 - b. Board Members Excused: None
 - c. Administrators and Staff also present: Annette Barney, Sue Talmadge, Monty Hardy, Jordan Hardy
 - d. Administrators Excused: Esther Blackwell
 - e. Time: 12:15 pm
- II. Called to order by Jaren Gibson (12:15 pm)
- III. **Jaren Gibson motions to hold this special board meeting as an exceptional method of meeting due to quarantine circumstances. Xazmin Prows seconds. Pass by unanimous vote (12:17 pm)**

DISCUSSION ITEMS

- I. Results of the Bonding RFQ (12:17pm)
 - a. Jaren opens for any initial questions prior to presentations. There are none.
- II. Presentation of LYRB with Q&A by David Robertson (12:18 pm)
 - a. Introductions given by those on the video call.
 - b. David gives his background information about his experience.
 - c. Jaren Gibson asks about the aspects of having separate financing for each campus. Since the school is on one charter the financing can only be split between campuses via a custodial agreement. This does allow for segregation of assets should one school close.
 - d. Jaren opens the floor for questions. Jaren asked what the cost affect would be of separate campus issuance. 2 would be more expensive than doing one. Sue Talmadge asked for estimates. David indicated in the bid the cost of issuance for a 13 million dollar deal would be around \$33,000 total, for 2 separate bonds the price would be approximately \$25,000 for each campus.
 - e. Sue if a single issuance is viewed more favorably. David stated that separate transactions would scrutinize the campuses more and create dissimilar prices for each campuses bond sale. Sue followed up if a custodial agreement is viewed more favorably. David has not seen a time that was viewed negatively by investors. There is a slight increase in legal expenses, but no negative pushback.
 - f. Jaren asked David to share his process for selecting an underwriter. David says he released an RFP for underwriter and then looks at experience, bond pricing, creative ideas to sell the bonds that would benefit the school. Fees are important, but the ability of the underwriter to quickly sell the bonds is a preferred skill. He is not tied to one underwriter and has used different ones over her experience with schools.
 - g. Xazmin Prows asked that given the crazy markets currently, how does he feel about taking action now. David agrees the market is unpredictable at the moment, but his philosophy is to have all the necessary work done so that the school can bond when the market conditions are favorable.

- h. Sue Talmadge asked if he would suggest going with Moody's for the free initial rating. David agreed with that action. He would recommend that if the finances prove to be most beneficial by going with Moodys.
 - i. Jaren Gibson asked if David has worked with a school having just come out of turnaround. David is currently working with Utah Military Academy that just came off turnaround as well and this experience will help him serve Entheos.
- III. Presentation from Verapath Global with Q&A by Clint Beisinger (12:45 pm)
- a. Jaren Gibson asks Clint to share any new thoughts or information he has since the last meeting with him. Clint said he'd done some calling in prep for this meeting. With the market changes there is some lock up in the bond market, but that will adjust in time and things will settle down. He reached out to Moodys analyst and they are attempting to do business as usual, though on onsite visits are currently on hold. Moodys still had 12 deals that had been priced this week for bonds, so there will be pent up demand when the market adjusts, but there are still a few months before all the preliminary work would be completed.
 - b. Sue Talmadge asked how Clint makes decisions about underwriters. Clint stated there are 4-5 underwriters that are in the charter school space. He presented the last two credit enhanced deals from within UT. Demonstrating a varying coupon rate. Clint stated his goal is to get an underwriter that will focus on a lower coupon rate to ensure the quick sale of all the bonds. This ultimately keeps the costs down for the school. He will be reaching out to 8 or 9 underwriters to find the best distribution and capacity for better coupon flexibility.
 - c. Sue asked how Veripath determines their fees. Clint estimates a 4-7 month time frame for the work. He anticipates that there may be a split out cost and has integrated that into his projections.
 - d. Jaren asked Clint that with his higher bid what does he feel he brings that validates that increase. Clint feels he can tell the school's story well as he has worked with it before. He knows the initial bonding process and is looking to boost the school into the investment category and wants that done right as it can be the largest cost saving factor for a school.
- IV. Open Discussion about bonding options (1:20 pm)
- a. Jaren asked for the board members general feelings. Xazmin initially felt that Clint's expertise would be beneficial, but having heard David she feels either will be qualified. Clint did stand out as more willing to look at a broad set of underwriters. Corey Mecham feels the \$11,000 difference over a 13 million dollar deal is not large enough, given the potential savings in distribution and bond life that Clint has projected.
 - b. Corey leaves meeting
 - c. Xazmin inquired of a previous client of David's, Kim Coleman of Monticello. She gave him a positive endorsement. Xazmin also said she feels that separating the two schools is a negative idea since saving Magna was of such importance to the board and separate financing could hurt Magna.
 - d. Sue asked for Monty Hardy to please give his opinions. Monty says he has worked with both firms over 13 different charter schools. Each has strengths and weaknesses. You are getting a good advisor either way and will be happy. Clint is good with unusual circumstances as he gets the data and goes through it well.

ACTION ITEMS

I. MOTION

- a. **Adriane Olsen motions to approve the engagement with Veripath as our bonding financial advisor. Xazmin Prows seconds: No further discussion. Pass by unanimous vote. (1:31 pm)**

II. **MOTION**

- a. Xazmin Prows motions to dismiss the action item regarding a letter of engagement for a bond rating from todays agenda. Adriane Olsen seconds. Passed by unanimous vote.

ADJOURN

- I. Time: 1:36 pm
- II. Motion: disconnected from video call.