



**The Franklin School of Innovation
Called Board Meeting Agenda – 3/26/2018**

Our Mission:

The Franklin School of Innovation is preparing the next generation of leaders, capable of solving problems and participating effectively and ethically as local and global citizens. Through challenging academics, real-world learning, and community engagement, our students discover their potential, develop persistence, and recognize the value of others. Our graduates are ready for the future they will create.

Board Responsibilities:

We ensure The Franklin School of Innovation's compliance to its contract with the NC Department of Public Instruction, set and monitor the implementation of school policies, manage the school's annual budget and financial planning, and hire and evaluate the performance of our school's Executive Director. The Board develops and drives the School's strategic plan and provides appropriate governance.

Agenda Item	Materials	Time
<p>CALL TO ORDER The meeting shall be brought to order by the Chairman of the Board, PF at 6:04 p.m.</p> <p>ROLL CALL The Board Chairman took roll of members present: CK, MV, LH, TK, TA, BC, DP, PE, AH, Brian Moffit and Peter Best</p>		6:00 -6:04
<p>APPROVAL OF AGENDA Shall the Board approve the Agenda of discussion with Capital Bank representative and discussion of loan terms? Motion by PF. Second by CK All voted to approve agenda.</p>		6:04 – 6:06
<p>PUBLIC COMMENT This agenda item is included for the purpose of giving anyone in attendance the opportunity to comment on a non-agenda item with the Board. There will be a three-minute time limit per person. The audience is not to applaud nor demonstrate disapproval for the comments made. The Board may respond asking for clarification only. No action may be taken at this meeting on any issue raised.</p>	There was no public comment	6:06
<p>Peter Best from Capital Bank to explain terms and conditions of proposed loan.</p>	<p>Explained that Capital Banks has done business with several charter schools including Millennial Charter school in Mt Airy.</p> <p>Some information about the loan includes:</p> <p>-8 million for new education facility</p>	6:06 – 7:15

-not necessarily a final approval; appraisals etc. might result in changes

- typical of charter school holding with a reversionary clause that it would revert back to the bank

- guarantor would be the school; liens by Glass Foundation and Capital Bank

- interest rate is not committed; it is representative of what the bank expects will be the rate at the time of commitment

- after 5 or ten years (depending on our terms) the rate will be adjusted (restructuring) based on the interest rate at that time

Board interjected that perhaps wording should be added about this **not** being a balloon payment, but a restructuring

- construction phase was clarified as 18 months (interest only period-on amount of the funds that have been drawn) permanent phase was clarified as the remainder of the fixed rate period

- Collateral is the real estate (land and modulars)

Board question: What happens when we get the new building built and we want to sell the modulars? We are able to sell – just need bank approval before the sales.

Covenants are needed to make sure the performance metrics of the school are met and metrics for future performance.

Board question: What would it mean if these metrics were missed in the future?
Doesn't mean the loan will go away, there would be proactive questions to address challenges the school may be having.

Board will help draft the covenants including:

- Liquidity
- Minimum enrollment
- Debt service coverage
- Operate in compliance with our charter

	<ul style="list-style-type: none"> - Can borrow additional 100k a year without Capital Bank approval <p>Participation – Capital has been asked to get 3 million from another bank to support this loan.</p> <p>Prepayment penalties – really only comes into play if we decide to refinance before the term of the loan (5 or 7 yrs).</p> <p>Capital Bank asks that we bank with them in some way as a measure of our relationship. We are currently with BB&T. Capital Bank will help with all the transition.</p> <p>Capital Bank will be evaluating the inspections (hiring someone as a third party) via monies from the loan.</p> <p>Capital Bank would like to have a commitment from the school April 15.</p> <p>Michelle asked about the possibility of 25 yr amortization. Peter is going to check on this and see if that is possible rather than 20 yr.</p> <p>When might we be eligible for phase 2 (the gym)? We would need at least a year into the new school.</p> <p>Board question: Non-construction cost that might come up might need to pull from the loan – do we have enough for our soft costs (non construction costs)? Capital Bank will provide a spreadsheet to help us budget.</p> <p>Tia asked for an amortization schedule.</p> <p>Board question: If we get the bank a letter of intent, how long before we have full approval. Need plans and a budget and then bank orders an appraisal. 30-45 days after the appraisal has been done we can close.</p>	
<p>Discussion of conversation with Capital Bank representative.</p>	<p>The percentage rate on this loan is phenomenal. A fixed rate is preferable for as long as possible with such good interest rates.</p>	<p>6:15 – 7:55</p>

	<p>Because we are only paying principle the first year we will be able to put away money to pay more later.</p> <p>New applications coming in. Our projected growth is conservative. The following year we have projected a large jump in growth and need to make sure that we make those numbers. Our 6th grade is the most in flux.</p> <p>Projected costs for the first phase of building will be under the 8 million covered by the loan.</p> <p>Question: How will we deal with costs associated with furnishing classrooms? Future capital campaigns.</p> <p>Might be worthwhile to ask if we can lower our liquidity expectations from 900k-800k. 90 days cash on hand seems to be standard for loans.</p> <p>There are some questions about the desirability of hiring a construction manager (1.5% for the financing and then 2.5 % of gross costs of project estimate from local firm).</p> <p>Our architect will be on site daily or similar. Do we need more oversight/help to manage the project when we also have the architect and the bank's personnel checking on compliance issues.</p>	
<p>Vote to move forward with Capital Bank loan. Motion by Pat to approve moving forward with financing with Capital Bank. Seconded by BC. All voted to approve.</p>	<p>We'd like clarification on a few issues regarding project management. Unless something drastically changes, we will move forward.</p>	<p>7:55-7:58</p>
<p>ADJOURNMENT Shall the Board adjourn the meeting at 7:58 p.m.? Motion by CK. Second by TA. All voted to approve.</p>		<p>7:58</p>