

MINUTES
of the meeting of the
BOARD OF DIRECTORS of Heritage Heights Academy
October 4, 2016

The Board of Directors of Heritage Heights Academy of Colorado held a public meeting on October 4, 2016 at 6:00 p.m. at 19697 E Smokey Hill Road, Centennial, CO 80015.

1. Call to order and roll call.

The meeting was called to order by Board Chair Jennifer Gibbons at 7:10 p.m. Present were Board Members Jennifer Gibbons, Jessica Price, Deleen Stallings, Peggy Downs, Karen Lee-Toy, and Kristen Ivory.

Also present was Principal Natalia Miller-Forrest, as well as Academica Nevada Representatives Melissa Steele, Joani Williams, and Ryan Reeves (via telephone). HHA counsel Tim Farmer was also present.

2. Public Comments and Discussion.

No member of the public requested to comment at this time.

3. Review of Edge Church Lease Options and Revisions.

Member Gibbons Moved to enter into an executive session for the purpose of receiving legal advice in regards to the facility lease, pursuant to 24-6-402(4)(b), C.R.S. Member Stallings Seconded the Motion, and the Board voted unanimously to Approve.

Member Gibbons Moved to return to an open session. Member Stallings Seconded the Motion, and the Board voted unanimously to Approve. The meeting returned to an open session.

Member Stallings asked if they would have enough money if they signed the lease, and more specifically, could a charter school survive the first year with that much debt. Member Downs echoed the concern, adding that it would prevent the school from doing a lot of what they wanted to do in the future. Member Stallings stated that they would not be able to build a new facility. Mr. Tim Farmer addressed the Board and asked how the debt was structured from Building Hope. Mr. Ryan Reeves addressed the Board and stated that it would be difficult for the school to take on that much debt and, in the upcoming meeting with the school district, that fact should be emphasized, in that they were criticizing HHA debt when they were asking for several hundred million in bond issuances in order to build their buildings and all that entails, adding that some debt was necessary. Mr. Reeves explained that the facility lease and the furniture, fixtures, and equipment lease were high as a percentage of the budget, which was a direct result of budgeting for 240 students and only enrolling 150; adding that on the upside, over the next few years, that debt could be erased and addressed if enrollment grew quickly—growth for which furniture and curriculum had already been purchased.

Mr. Reeves stated that the loan that was being offered at that time was an interest only loan resulting in minimum payments up front and, if enrollment grew at the necessary 40-80 students per year, HHA could be paying off large chunks of that loan by the end of the second year. Mr. Reeves explained that at the end of two years the entire principal would be due, so it would be necessary to refinance that

debt; however, they would pay it down significantly at that refinancing point and would still have Academica guaranteeing them, which would result in a lower interest rate. Mr. Reeves stated that this was possible with a couple of contingencies: getting into the better and available building that would allow for growth at a reasonable rate, and increasing enrollment, which would be easier with an existing school to tour and teachers in place to help with recruitment. Member Price stated that Vineyard did have a lot of space if they were able to increase enrollment. Member Gibbons stated that the High Point church was another option, to which Mr. Reeves replied that they would need at least 12-14 classroom, which High Point did not have. Member Gibbons stated that she thought they could possibly lease from High Point and then buy and lease back to the church on the weekends, which would give the school a more permanent option. Mr. Reeves stated that he would be more than happy to look at more than one option based upon what happened that night. Some discussion ensued regarding positive possibilities for the future. Member Lee-Toy asked what the interest rate on the loan was, to which Mr. Reeves replied that it was 5%, with interest only payments for the first two years. Member Lee-Toy stated that the payment would be roughly \$1050.00 per month, to which Mr. Farmer asked if the loan amount was \$250,000 or \$350,000. Mr. Reeves replied that the original amount was \$250,000; which was what was anticipated for construction; however, with the subsequent issues with The Edge and enrollment, he had requested an increase to \$350,000 and had received a verbal okay and was waiting on the documents; adding that it was based on backing from Academica, not HHA assets. Member Lee-Toy asked if that was acceptable, as it was her understanding that they could not receive any guarantees from Academica. Mr. Reeves stated that they could not borrow from Academica; however, there should not be an issue with Academica guaranteeing a loan that HHA borrows from someone else. Mr. Farmer stated that he also did not see a problem with that, although they could bring that up and the Thursday meeting.

Member Stallings asked how, from a public relations standpoint, they should deal with parents who were expecting a new building in two years. Principal Natalia Miller-Forrest addressed the Board and stated that she had already communicated to some of the parents that it could be longer, adding that they had to have a healthy wait-list in order to build. Ms. Melissa Steele addressed the Board and stated that there was a lot entailed in obtaining land in Colorado and that they could offer that to the parents as a valid reason as well. Ms. Steele asked if the CCSP grant would supplement the current budget as far as equipment goes, to which Mr. Reeves replied that the current budget called for a need to borrow \$250,000; adding that to the extent that the CCSP grant could be applied to currently budgeted for operations, that \$250,000 could be reduced. Mr. Reeves explained that Building Hope would give the entire amount of money up front; however, that could be paid back to them in large amounts if it was not needed. Member Lee-Toy asked if there was any pre-payment penalty, to which Mr. Reeves replied that he was uncertain about that. Member Lee-Toy requested to review the loan documents once they had been received, to which Mr. Reeves replied that there should be a version available that was written as a construction loan; however, with the changes in enrollment, it would instead be for operating expenses at the larger amount.

Member Lee-Toy asked the Board members if they should go ahead and sign the lease with The Edge with the changes that had been suggested regarding the bathrooms and HVAC. Member Downs stated that they could go with either options A or C; however, C would hopefully not be an option, adding that the school might still close; however, they should do everything they could to keep it afloat through negotiations. Some discussion ensued in regards to possible concessions and options. Mr. Farmer suggested being very vigilant and complying with their demands. Member Lee-Toy added that they should not incur any more late fees, to which Mr. Reeves stated that most of the late fees were on disputed items. Member Lee-Toy suggested disputing the late fees, to which Mr. Farmer stated that late fees were probably the weakest argument and that they ought to dispute more important items. Some additional discussion took place regarding the dispute of the utilities bill, with Mr. Reeves concluding that they would most likely pay the entire utility bill as a concession. Mr. Farmer noted that if the Board decided to dispute some of the items, The Edge could potentially rescind their offer. Member Stallings stated that they really did not have a choice. Principal Miller-Forrest stated that it might be a small price to pay for a reduction

in rent. Ms. Joani Williams addressed the Board and stated that if it did end in litigation, it would only be on a lease of one year rather than two. Member Lee-Toy asked if they would concede that they were in default and that The Edge had fulfilled all their obligations, to which Member Downs replied that they would have to if they wanted to keep the school open. Member Prince suggested that some flattery and some gratitude might help, to which Ms. Williams suggested silence instead.

Member Lee-Toy asked how they were going to deal with the issue of the bathroom and the HVAC, to which Member Price stated that the teacher said that she could make it work. Mr. Farmer stated that they would still have to be compliant with an ADA bathroom. Mr. Reeves stated that he understood that the stall size was the issue in the bathroom and that it would need to be increased so that a wheelchair could enter and completely turn around. Ms. Steele stated that if the HVAC was unfixable, the responsibility belonged to the church. Member Gibbons suggested signing the lease with the conditions that had been discussed and some clarifications. Some discussion ensued regarding whether the lease was a five or seven day per week lease and that there might need to be some clarification regarding use of the building on Friday nights.

Ms. Steele asked Mr. Farmer about a date of execution in terms of when they would need to start compiling information and the clarifying statements, to which Mr. Farmer stated that they should sign it the following day. Member Lee-Toy stated that they just needed some clarity of language on some of the items. Member Price asked that Mr. Farmer would let The Edge know that they would try their best with the dates. Member Lee-Toy also suggested that they not be held accountable for requests which were out of their control, such as approval from the city or the like.

Member Gibbons Moved to sign the lease with The Edge, giving Tim Farmer the authority to seek clarity or investigate items discussed, as well as execute it the following day. Member Lee-Toy Seconded the Motion, and the Board voted unanimously to Approve.

Discussion continued regarding items that they would need to gather in order to comply with the lease and prepare for the meeting at 3:00 on Thursday, October 6th.

4. Public Comments and Discussion.

No member of the public requested to comment at this time.

5. Adjournment.

Member Gibbons Moved to adjourn the meeting at 8:20 p.m. Member Stallings Seconded the Motion, and the Board unanimously approved and the meeting was adjourned.

Approved on: _____

Secretary of the Board of Directors
Heritage Heights Academy of Colorado