

Orange County Educational Arts Academy
A California Public Charter School

**BOARD OF DIRECTORS
MEETING AGENDA**

Special Meeting

May 5, 2021

6:00 p.m. – Open Session

Teleconference

Zoom Meeting: <https://bit.ly/33DU6Mz>

Meeting ID: 998 0701 0685

Password: oceaaboard

Reference Materials: <https://bit.ly/2QaHI2Y>

MINUTES

I. Call to Order

A. Roll Call

Board Members

Dr. Alfonso Bustamante

Valerie Sullivan

Scott Overpeck, Chair

Ben Stanphill, Secretary

Boris Molina

Carmen Aparicio

Jessica Reyes

Staff/Other

Kristin Collins, School Director

Janine McFarlin, Treasurer

Mike Limon, President/Executive Director

Present

Absent

X

X

X

X

X

X

X

X

X

X

B. Approval of Agenda

II. Public Comment

Opportunity for members of the public to address the Board on agenda items and/or on non-agenda items during regular meetings only

III. Approve \$750,000 Line of Credit in Anticipation of State Budget Deferrals

Action: Approve resolution with Lumen Capital as attached pending legal review with Mike Limon, and Janine McFarlin as authorizers not to exceed \$750,000.	Motion: BS Second: CA Vote: JR, CA, BS, VS, SO for 0 against
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IV. Items for Future Meetings

The next regularly scheduled meeting is on May 12, 2021.

V. Adjournment

The meeting was adjourned at 7:07 PM.



- Refinance and LOC Consultants for 2020-21 State Budget Deferrals -
May 5, 2021

Staff's Due Diligence

- Staff researched 16 companies since July 2020
- **Explored**
 - Traditional Banks
 - Charter school specific organizations
 - Non-profit lenders
 - Private
 - Independent advisory firms (bonds/ securities etc)
- **Considerations:**
 - Up front costs
 - Interest rates
 - Length to secure funding
 - Limitations with current liabilities (ie Raza)
 - Companies reputation with school-specific funding



Overview on groups explored

#	Company
1	Truist Securities
2	AmerCD
3	Banc of CA
4	Bank of the West
5	Charter Asset Management (CAM)
6	Charter School Capital
7	RAZA Development Fund
8	CSFA (TRANS)
9	Non Profit Finance Fund
10	Equitable Facilities Fund
11	Biz2credit.com
12	Financing Solutions
13	Kabbage
14	Walton Family Foundation
15	Campanile Group, Inc.
16	Lumen



Q&A





"At CSMC We Rise by Lifting Others"

FY 2020-21

Spring Cash Discussion

Prepared for: Orange County Educational Arts Academy



Prepared by School's CSMC SBM -Kristin Nowak

Spring Cash Discussion



- Cash position at 4.23.2021 = \$888,500
- Budgeted May activities use \$617,324
- Estimated May 31st cash position = \$271,176
- Budgeted June activities use \$551,655
- Estimated June 30th cash position = (\$280,479)

- ***Estimated mid-June to exhaust cash balance
- ***Unclear the timing of when we may receive the 50% of AB86 revenues (total = \$650,000, 50% anticipated to be received in May, or \$325,000)



Spring Cash Discussion (cont'd)



Estimated Cash Balances at 4/23/2021		\$ 888,500.82							
Estimated May Cash Affecting Transactions									
	May Budgeted Expenses/4 weeks	\$ (105,581.00)							
	5/10/2021 Payroll	\$ (25,000.00)							
	May Budgeted Expenses/4 weeks	\$ (105,581.00)							
	5/15/2021 STRS	\$ (60,000.00)							
	May Budgeted Expenses/4 weeks	\$ (105,581.00)							
	5/20/2021 PERS	\$ (25,000.00)							
	5/20/2021 ILPT	\$ 130,000.00							
	May Budgeted Expenses/4 weeks	\$ (105,581.00)							
	5/26/2021 Payroll	\$ (275,000.00)							
	5/30/2021 LCFF	\$ 60,000.00							
	Estimated Cash Balance End of May	\$ 271,176.82							
Estimated June Cash Affecting Transactions									
	June Budgeted Expenses/4 weeks								
	6/10/2021 Payroll	\$ (25,000.00)							
	June Budgeted Expenses/4 weeks	\$ (105,414.00)							
	6/15/2021 STRS	\$ (60,000.00)							
	June Budgeted Expenses/4 weeks	\$ (105,414.00)							Expect to go negative about halfway through June.
	6/20/2021 PERS	\$ (25,000.00)							
	6/20/2021 ILPT	\$ 130,000.00							
	June Budgeted Expenses/4 weeks	\$ (105,414.00)							
	6/26/2021 Payroll	\$ (150,000.00)							
	5/30/2021 LCFF	\$ (105,414.00)							
	Estimated Cash Balance End of June	\$ (280,479.18)							
									Assuming no other revenue is received outside of LCFF/ILPT
									\$20k available per section 5.02 excess funds in LLC Revenue Fund



Spring Cash Discussion



Financing Options:

Raza

- Cost to initiate Raza LOC= \$5,000 fixed fee + 1% origination fee (\$8,000)= \$13,000
- Access to \$800,000 for 1-2 fiscal years

Lumen

- Cost to pull forward deferred LCFF payments = \$ 20,511
- Access to \$750,000 on June 1st

Combined Totals	Total gross		\$ 750,000
	less discount cost @ 5.45% annualized rate		\$ 16,761
	less Platform fee @ 0.50% on contract of	\$ 750,000	\$ 3,750
	Total Costs		\$ 20,511
	Net to School		\$ 729,489
	Combined all-in Discount Rate		2.73%



CSMC Charter School Support Team



Executive VP of Client Services
Tom Nichols



tnichols@csmci.com



Regional SBM Director
Scott Warner



swarner@csmci.com



School Business Manager
Kristin Nowak



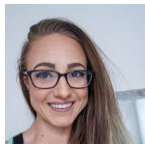
knowak@csmci.com



Regional AM Director
Mai Luong



mluong@csmci.com



Account Manager
Kayla Tocco



ktocco@csmci.com



Associate AM
Evelyn Jardimiano



ejardiniano@csmci.com



Summary of Potential Terms

- Confidential and Proprietary.
- Not for distribution - to be used for the sole purpose of evaluating the proposed transaction for OCEAA.
- Lumen Capital, LLC is not an agent of OCEAA and has no fiduciary obligation or responsibility to OCEAA.

This Summary of Potential Terms shall be non-binding and subject to credit underwriting.

LumenFinancing	LumenFinancing is an online platform that provides ready access to funding requests.
After approval, the process to get funding?	An authorized school representative will log-in to the platform and with a few clicks-of-a-mouse, will select which state payments to sell. The platform will confirm the amount being funded and the cost of funds. Funds will typically be delivered to the school's operating account within 1-2 days of a request.
Transaction: Receivable Sale	The School is selling its state payments at a low annual discount rate. See proposed pricing below.
Flexibility	Get funds as needed – Redeem at your discretion
Servicer	Lumen Capital is the servicer for the transaction.
Financing Cost & Contract Amount	An estimated <i>Funding Plan</i> based on your information is in Schedule A. Pricing is based on an annual effective rate of 5.45% (e.g. a six month receivable would cost 2.725%) and a <i>Platform Fee</i> of 0.50%. The annual effective rate is subject to credit review and the market cost of California credit at the time of transaction. Contract amount = \$750,000.
Credit Review	Upon acceptance of the proposed terms, the School will provide certain documents and information to confirm the credit status of the School.
Terms of Use	Funding is subject to the terms and conditions of the Lumen Capital Platform Agreement.
Confidentiality	The terms and existence of this Summary of Potential Terms disclosed to OCEAA in connection with the transactions described herein ("Information") are strictly confidential regardless of whether OCEAA decides to proceed with the transactions described herein. Unless required by law, OCEAA will not disclose or use any Information from Lumen Capital, LLC except in connection with evaluating and completing the transactions described herein. <u>Receipt of this document indicates acceptance of this Confidentiality provision.</u>

This Summary of Potential Terms is not a legally binding obligation of the parties, except with respect to the Confidentiality provision, which shall be binding between the parties hereto.

OCEAA (Please sign and return to indicate acceptance of terms.)

Name/Title _____

Name/Title John Helgeson, CEO

Signature _____

Signature _____

Date _____

Date _____

Schedule A - Estimated Funding Plan

		OCEAA	Totals
	February 2020-21 LCFF Deferred	\$ 96,675	\$ 96,675
Transaction Date	Total gross	\$ 96,675	\$ 96,675
5/10/21	less discount cost @ 5.45% annualized rate	\$ 3,161	\$ 3,161
	Net to School	\$ 93,514	\$ 93,514
	Discount Rate		3.27%
	March 2020-21 LCFF Deferred	\$ 149,547	\$ 149,547
Transaction Date	Total gross	\$ 149,547	\$ 149,547
5/10/21	less discount cost @ 5.45% annualized rate	\$ 4,220	\$ 4,220
	Net to School	\$ 145,327	\$ 145,327
	Discount Rate		2.82%
	April 2020-21 LCFF Deferred	\$ 151,431	\$ 151,431
Transaction Date	Total gross	\$ 151,431	\$ 151,431
5/10/21	less discount cost @ 5.45% annualized rate	\$ 3,573	\$ 3,573
	Net to School	\$ 147,858	\$ 147,858
	Discount Rate		2.36%
	May 2020-21 LCFF Deferred	\$ 152,065	\$ 152,065
Transaction Date	Total gross	\$ 152,065	\$ 152,065
5/10/21	less discount cost @ 5.45% annualized rate	\$ 2,906	\$ 2,906
	Net to School	\$ 149,159	\$ 149,159
	Discount Rate		1.91%
	June 2020-21 LCFF Deferred	\$ 200,282	\$ 200,282
Transaction Date	Total gross	\$ 200,282	\$ 200,282
5/10/21	less discount cost @ 5.45% annualized rate	\$ 2,901	\$ 2,901
	Net to School	\$ 197,381	\$ 197,381
	Discount Rate		1.45%
Combined Totals	Total gross		\$ 750,000
	less discount cost @ 5.45% annualized rate		\$ 16,761
	less Platform fee @ 0.50% on contract of	\$ 750,000	\$ 3,750
	Total Costs		\$ 20,511
	Net to School		\$ 729,489
	Combined all-in Discount Rate		2.73%

This Funding Plan is not a promise or guarantee to fund. Funding is subject to credit review at the sole discretion of Lumen Capital, LLC.

CERTIFIED CORPORATE RESOLUTION AND CERTIFICATE

The undersigned, **[A]**, does hereby certify on behalf of **[B]**, a California **[C]** (the "Corporation"), to Lumen Capital LLC , a Delaware limited liability company ("Lumen"), that:

1. He/she is the duly elected, qualified and acting Secretary or other officer set forth beneath his/her signature below of the Corporation, and as such Secretary or officer he/she has knowledge of the matters contained herein;
2. The resolutions set forth in Exhibit A hereto were duly adopted by the Board of Directors of the Corporation in a duly and properly called and attended meeting of the directors on _____, 202__**[D]**, in accordance with applicable law, the organizational and governing documents of the Corporation and each applicable school charter;
 No resolutions of the shareholders or members of the Corporation are required to authorize the matters described in the resolutions referred to above or, if resolutions are required, the resolutions set forth in Exhibit B hereto were duly adopted by such shareholders or members in a duly and properly called and attended meeting of such shareholders or members on _____, 202__**[E]**, in accordance with applicable law, the organizational and governing documents of the Corporation and each applicable school charter; and
 The foregoing referenced resolutions in this item (2) have not been rescinded, revoked, superseded or modified in any manner and are in full force and effect on the date set forth below;
3. True, correct and complete copies of all governing and organizational documents of the Corporation, including without limitation any articles of incorporation or formation, bylaws, rules and regulations or operating agreement for the Corporation and the charter for each school forming a part of the Corporation have been delivered to Lumen, and there have not been any amendments or other changes thereto not reflected in the documents so delivered;
4. The execution, delivery and performance by the Corporation of the documents referred to in or contemplated by any of the resolutions referred to in item (2) above do not contravene or conflict with applicable law, the governing or organizational documents of the Corporation or any school charter; and
5. The following individuals are Authorized Representatives identified in or designated by an identified Authorized Representative pursuant to the resolutions referred to in item (2) above, hold the positions set forth opposite their names below and the signatures set forth opposite their names are the true and correct specimen signatures of such individuals:

<u>Name of Authorized Representative</u>	<u>Title</u>	<u>Specimen Signature</u>
[F]	[F]	[F]
[F]	[F]	[F]
[F]	[F]	[F]

IN WITNESS WHEREOF, this Certificate is executed and dated this ___ day of _____, 202__**[G]**

_____ **[H]**
 Signature

_____ **[I]**
 Print Name

_____ **[J]**
 Print Title

EXHIBIT A
EXTRACT OF RESOLUTIONS
OF THE BOARD OF DIRECTORS OF [K] (the “Corporation”)

WHEREAS, the Board of Directors of the Corporation has determined that it would be desirable for the Corporation and any schools forming a part of the Corporation (each, a “School”) to engage in certain transfers, sales and assignments of certain receivables, rights or entitlements to payments (including without limitation of payments to be made by the State of California or any other governmental authority, agency or instrumentality), to secure funds for working capital and other purposes; and

WHEREAS, Lumen Capital LLC, a Delaware limited liability company (“Lumen”), is engaged in developing solutions to secure funds for working capital and other purposes in the education sector; and the Board of Directors has determined that it is in the best interests of the Corporation and any Schools to work with Lumen to investigate and pursue to such solutions;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

RESOLVED, that the terms and provisions of the Platform Agreement between the Corporation and Lumen, which, among other things, provides for the Corporation to from time to time transfer, sell and assign receivables, rights or entitlements to payments or portions thereof that will be paid to the Corporation or any Schools or are or will be apportioned thereto (including payments to be made by the State of California or any other governmental authority, agency or instrumentality) (all such items, whether or not transferred, sold or assigned, the “Receivables”), and certain related rights, in the substantially the form presented to the Board of Directors, together with such changes thereto as any officer or employee shall approve, the execution and delivery of such agreement on behalf of the Corporation to be conclusive evidence of approval thereof, are hereby approved by the Board of Directors (the “Platform Agreement”);

FURTHER RESOLVED, that the terms and provisions of the Irrevocable Instructions and Notice of Assignment, which, among other things, directs and instructs the payment of all amounts payable with respect to any Receivables, including without limitation any Local Control Funding Formula, Education Protection Amount and In Lieu of Property Tax Payments, to an account designated therein, in the substantially the form presented to the Board of Directors, as revised from time to time, together with such changes thereto as any officer or employee shall approve, the execution and delivery of the such document on behalf of the Corporation to be conclusive evidence of approval thereof, are hereby approved by the Board of Directors (the “Instructions”);

FURTHER RESOLVED, the officers and employees of the Corporation and any Schools are hereby authorized, empowered and directed to negotiate the terms of the Platform Agreement, the Instructions and any and all other agreements, documents, instruments, certificates and other writings contemplated, required or requested by or in connection with the Platform Agreement or the transactions contemplated thereby (including without limitation any and all bills of sale, assignments, payor instructions, notices of purchase and/or assignments, authorizations, notifications, confirmations or consents, additional instructions or other writings that may be required or requested to effect the payment of any Receivables as required by the Platform Agreement or any Instructions) (the Platform Agreement, the Instructions and all of the foregoing, collectively, the “Transaction Documents”);

FURTHER RESOLVED, that the Corporation hereby authorizes Lumen to take all such actions on behalf or with respect to the Corporation and any Schools as may be necessary or desirable, as determined by Lumen, to enable the Corporation and any Schools to participate in transactions contemplated by the Platform Agreement, including without limitation identifying, calculating, confirming and approving any Receivables, preparing and submitting invoices with respect thereto under the Platform Agreement,

establishing directions, arrangements and accounts, and arranging for the movement of funds relating to Receivables and any transfers, sales and assignments thereof, and the payment of fees, costs, expenses out of such funds;

FURTHER RESOLVED, that the Corporation and any Schools are hereby authorized and empowered to transfer, sell and assign any Receivables or any portions thereof, as contemplated by the Platform Agreement;

FURTHER RESOLVED, that the Corporation, for itself and for any Schools, is hereby authorized, empowered and directed to (i) grant a security interest or lien in, and to pledge, assign or otherwise hypothecate, all or substantially all of the property and assets of the Corporation and any Schools, including without limitation any Receivables, as security for any and all obligations of the Corporation or any Schools, as provided in or as contemplated by the Platform Agreement or any of the other Transaction Documents, with such exceptions thereto as may be negotiated, and (ii) authorize the filing of, and if necessary, desired or requested to execute, deliver and file, any Uniform Commercial Code financing statements and other filings, recordings or registrations that may be necessary, desirable or requested to perfect and protect any grant, pledge, assignment or other hypothecation under or in connection with the Platform Agreement or any of the other Transaction Documents or perfect and protect any transfer, sale or assignment of any Receivables, or any portion thereof, under or in connection therewith;

FURTHER RESOLVED, that each [_____, _____ and _____] of the Corporation and each officer or other individual designated by the [_____, _____ and _____] of the Corporation and each officer or other individual designated by any of the foregoing (each such identified and designated officer or individual, an "Authorized Representative") is hereby authorized, empowered and directed to execute and deliver the Platform Agreement, the Instructions and each other Transaction Document and effect any transactions contemplated or permitted thereby; **[L]**

FURTHER RESOLVED, that each officer, employee and agent of the Corporation or of any School is hereby authorized, empowered and directed to perform and cause the performance of the Platform Agreement and each of the other Transaction Documents; and

FURTHER RESOLVED, that each Authorized Representative is authorized, empowered and directed to execute and deliver to Lumen from time to time a Certificate of Authorized Users or Certificate of Authorized Users – Changes (each, a "Certificate"), which identifies, as authorized users, the individuals authorized to access the platform described in the Platform Agreement and effect the transactions contemplated thereby, including without limitation any transfers, sales and assignments of any Receivables or portions thereof, and any related rights, and/or makes any deletions or additions thereto, and requests the issuance (or revocation) of any username and password credentials.

General Matters

FURTHER RESOLVED, that each officer and employee of the Corporation or of any School is hereby authorized and directed to take any and all actions, execute and deliver any and all agreements, documents, instruments, certificates and other writings and incur and pay any and all fees, costs and expenses as such officer or employee determines to be necessary or desirable to carry out the purposes and intent of, and to consummate the transactions contemplated by, the foregoing resolutions; and

FURTHER RESOLVED, that all lawful actions previously taken by any director, officer or employee of the Corporation or of any School contemplated by or in furtherance of any of the foregoing resolutions are hereby approved, adopted and ratified in all respects as the acts and deeds of the Corporation and of each School.