

# PEPIN ACADEMIES



## BOARD OF DIRECTORS MEETING

Pepin Distributing Company  
4121 N. 50<sup>th</sup> Street  
Tampa, FL 33610

**MARCH 16, 2015**

**MINUTES**

**CALL TO ORDER: 5:42 P.M.**

**Board Members In Attendance:**

Jeff Skowronek  
Scott Strepina  
Brigitte Shaw  
Joe Williams  
Laurel Lee Moore  
Sandra Setin  
Shelley Sharp  
Stacy Hahn  
Kelsey Lehtomaa  
Brandon Selph

**Discussion:**

**1.) Public Comment:**

- N/A

**Discussion & Action:**

**2.) Riverview Expansion**

- President opens floor to discussion
- Dr. Butz explains that handouts include projections for next 5 years. Three scenarios Lease, Bond 5.5%, Bond 6.5%

- Confident bonds can be received to cover entire cost of Riverview project
- Explains options
- Recommends approval of Riverview Expansion project
- Charles Burke goes over different options in greater detail, including placing all Hillsborough debt into the bond financing.
- Explains different interest rate and term length scenarios
- Dr. Butz – attempted to be as conservative in estimates as possible
- Charles Burke – projections include modest increases to revenue and expenses. Students typically generate 14k per student. Projections include 13.8k per student
- Dr. Butz introduces Randy Stearns
- Jeff welcomes Randy
- Randy explains bond financing
- Explains due diligence requirements for bond financing and how it related to current financing
- President asks for clarification on current bond financing for Tampa campus
- Discussion commences rapidly, includes rates length of debt service and other options
- Dr. Butz asks board to focus on feasibility of project overall. Explains the each different scenario excluding long-term lease, will keep Pepin profitable. The details of each bond, length, interest rate, inclusion of Tampa debt can be dealt with at a later time when numbers are more firm and there are more facts to discuss.
- Scott asks how Pepin would get financed for bond
- Randy explains process, it is a true securities document and has a maturity term and interest rate. Uses other charter schools and nonprofits as examples of organizations that have used bond financing and how it was approved. There is a closing and mortgage on the property. Can be a fast process, 90 days or less.
- Burke explains we have two underwriters that he and Craig have met with Aegis and
- Randy explains benefits of rating the bonds through standard and poor; Moody's. Can reduce interest rate
- Dr. Butz states that should the board move forward with the project, an underwriter would make a presentation to the board explaining and answering any questions they might have.
- Crisha asks how this bond financing would affect the future possible financing on the Tampa campus for repairs or for the purchase of more land.
- Randy explains pros and cons of how bonds might affect future raising of capital. The trust indenture will most likely affect future borrowing for both the Riverview and Tampa campuses.
- Joe and Jeff discuss clarification on timeframes for approvals

- Randy explains why it may be better to roll all debt into one bond, lower annual debt service, build cash cushion for capital expenses, banks might feel better about approving the debt with more collateral.
- Laurel recommends moving forward from bond discussion to lease-purchase discussion
- Brandon goes over lease-purchase agreement, seeks clarification of different points that need clarified. Additional rent is blank, is unsure how much total rent will be,
- Randy points out the purchase provision is not included. The exit from the lease, if we purchase is not included in agreement
- Laurel asks what happens if Hung defaults on his loan or fails to construct the building.
- Dr. Butz explains the board and Pepin staff can work with Hung to flesh out the details of the lease-purchase agreement, but Hung wants to ensure the board has the intention to move forward with project prior to purchasing the land and seeking permits.
- Discussion of board about lease and how to move forward without binding Pepin to a lease that does not include the option to purchase the land. Board reiterates the necessity to have an option to buy the property included in the lease and total rent for the months that the lease is in effect.
- Dr. Butz attempts to nutshell the entire discussion and explains what Hung needs from the board to move forward with the project.
- A commitment from the board that Pepin will move forward with the project and the details of the lease and purchase agreement can be finalized at a later date.
- Randy explains the risk on both sides, Hung and Pepin's

Brandon Selph makes motion for Board to move forward with obtaining bond financing for Riverview Expansion project

2<sup>nd</sup> - Scott Strepina

All in Favor, No Opposed

Brandon Selph makes motion for Ad hoc committee to develop a lease purchase agreement that is mutually beneficial for both parties

2<sup>nd</sup> – Laurel Lee Moore

All in Favor, No Opposed

Ad hoc committee: Jeff Skowronek, Brandon Selph, Randy Stearn, John Deleverne and possibly Joe Williams

<b>Discussion</b>	<b>12.) Other Business</b> <ul style="list-style-type: none"><li>• N/A</li></ul>
	<b>ADJOURNMENT: 6:55 p.m.</b>
	<b>The Next Meeting of Pepin Academies Governing Board will be at 5:30 p.m. on</b>  <b>April 27, 2015</b> <b><u>Pepin Distributing Company:</u></b> 4121 N. 50 <sup>th</sup> Street, Tampa, Florida 33610