

MINUTES
of the meeting of the
BOARD OF DIRECTORS of SOMERSET ACADEMY OF LAS VEGAS
August 5, 2014

The Board of Directors of Somerset Academy of Las Vegas held a public meeting on August 5, 2014 at 6:00 p.m. at 7038 Sky Pointe Drive, Las Vegas, Nevada 89131.

1. Call to order, roll call.

Board Treasurer Cody Noble called the meeting to order at 6:13 p.m. Present were Board Members Will Harty, Eric Brady, Eric Elison, Amy Malone and Cody Noble. Board Members Crystal Thiriot and Scott Hammond were present via telephone.

Also present were Principal Gayle Jefferson, Principal John Barlow, Principal Dan Phillips, Principal Reggie Farmer and Academica Nevada Representatives Ryan Reeves, Bob Howell, Clayton Howell, Kristie Fleisher, Allison Salmon, Corinne Wurm and Carlos Segrera.

2. Public Comment.

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

3. Approval of the Minutes of the June 5, 2014 Meeting.

Member Elison Motioned to approve the minutes of the April 22, 2014 meeting. Member Brady seconded the Motion and the Board unanimously approved.

4. Approval of the Minutes of the June 20, 2014 Meeting.

Member Harty Motioned to approve the minutes of the June 20, 2014 meeting. Member Elison seconded the Motion and the Board unanimously approved.

12. Selection of Underwriter.

Russell Caldwell of Caldwell Company addressed the Board. Mr. Caldwell stated that he has served as a financial advisor to charter schools looking to acquire buildings through bonds for many years. Mr. Caldwell added that he has thirty years in investment banking and has finished bond financing for around one hundred and fifty schools.

Mr. Caldwell explained the responsibility and duties of the financial advisor and provided a diagram depicting the flow of a charter school bond issue. Mr. Caldwell noted that a team will be organized that will be working with the Board and the staff of the management company to get all documents needed together. Mr. Caldwell also noted that he would have a fiduciary duty to the Board and will provide advice to the Board as well.

Mr. Caldwell added that he has been working with the Board to secure the team members and had submitted a formal request for a proposal to investment bankers that will sell the bonds, at a later time.

Mr. Caldwell advised that he has reviewed the proposals received and has interviewed some companies and had three very good candidate firms. Mr. Caldwell suggested that two underwriting firms be hired, DA Davidson and RW Baird and Company. Mr. Caldwell stated that these are the two top leading charter school bankers and they both know the State laws and are familiar with charter schools. Mr. Caldwell noted that this gives the advantage of having larger distribution and more bond traders and that this will allow more mass for the bond amount being requested.

Mr. Caldwell stated that an independent real estate agent for the Board will be brought on board to appraise the buildings being purchased with the bond. Mr. Caldwell added that a business plan will be put together based on the enrollment and audit reports coming out soon. Mr. Caldwell further noted that a bonding plan will be put together showing that it makes economic sense and that the school can still run the program it set out to do.

Mr. Caldwell noted that he will apply for the schools credit rating and do a shadow rating that will tell him the indicators. Mr. Caldwell further noted that the municipal bond rates are favorable and that the school needs to take advantage of the rates to have a favorable debt structure. Mr. Caldwell noted that if we proceed with the two bankers recommended, the process will take between seventy five to ninety days.

Mr. Caldwell stated that he believes this can be done efficiently. The Board inquired about the contract between Mr. Caldwell and the Somerset Board. Mr. Caldwell stated that his standard engagement fee is twenty basis points, a fee not to exceed \$90,000.00. Mr. Caldwell noted that for a \$40 to \$50 million dollar bond issued, the fee would be in the range of \$80,000.00 to \$90,000.00. Mr. Caldwell noted that other financial advisors charge double this amount. The Board asked if a contract needs to be drawn up and Mr. Caldwell stated that a contract has been drawn up and is with the State for approval. Mr. Caldwell further noted that the Board will pay nothing until the project closes to their satisfaction. Mr. Caldwell also stated that if he is continually providing advice that the Board is not taking, he can resign as the financial advisor.

The Board asked for clarification as to why they need a financial advisor and investment bankers. Mr. Caldwell advised that after the recent mortgage crisis, investment bankers can no longer provide advisory services, leading to the need for both a financial advisor and an investment banker. The Board asked whether Academica could receive advice from the investment bankers and then pass this information along to the Board. Mr. Caldwell advised that this would not be allowed because one must be licensed to provide financial advice in banking.

Member Noble asked for clarification regarding the need for two bankers and if this is a typical arrangement and are the two firms on board with this arrangement. Mr. Caldwell stated that they have not contacted the banking firms as of yet to advise of a selection of more than one firm. Member Noble further inquired as to how the two firms would mesh together. Mr. Caldwell noted that smaller bond requests usually have one banker and that with charter school bonding, being a more unique product (only seven hundred charter schools have had bonds issued), it is to the charter schools advantage to have more than one banker in order to tap into each of their specialty areas. Mr. Caldwell noted that he has completed the process before with this type of structure. Member Noble asked if this structure has an effect on the banker's fees and Mr. Caldwell stated that it does not.

Member Elison Motioned to approve the appointment of Russell Caldwell Company as the Financial Advisor and to appoint DA Davidson and R.W. Baird as the

Investment Bankers, subject to the approval of the contracts. Member Harty seconded the Motion and the Board unanimously approved.

6. Review and Approval of Lease Agreement for the Rainbow and Wheelbarrow Peak Drive.

Mr. Ziev addressed the Board and stated that he is seeking approval of the lease for the Rainbow and Wheelbarrow Peak campus, pending some final cleanup revisions for approval by the Board's counsel, Jeff Blanck. Mr. Ziev further noted that specific numbers have been updated from the last draft lease presented to the Board and that this lease has been approved by the State.

Mr. Ziev advised that the expected budget for the project is \$10,645,000.00, which includes a large contingency. Mr. Ziev further noted that the purchase price for the property is \$12.82 million in the 37th to 48th month, or the following year for \$12.9 million and that these amounts are based on the current projected construction costs. Mr. Ziev noted that if part of the contingency amount is not used, the overall construction cost will be lower, and therefore making the purchase price less as well.

Mr. Ziev noted that as with other projects, they are working to ensure that the lease amounts are not over 20% of the schools revenue. Mr. Ziev stated that for the 1st year, the lease rate is 12% of projected revenue, the 2nd year is 14.5%, the 3rd year is 14.7%, the 4th year is 15.3% and if the property is not purchased, the worst case scenario would be 18.2%. Mr. Ziev provided additional information with regard to the lease figures and the total construction costs for other similar campuses current being completed. Mr. Ziev further noted that for the Rainbow campus, the individual selling the land has reduced the selling price due to results of some recent soils testing that was completed and will require an increase in development costs, which are reflected in these numbers.

Mr. Ziev advised that they are looking to close on the property by October 1, 2014, as this was the seller's request. The Board sought to clarify whether this land is being purchased with bond money and Mr. Ziev advised that campus is being funded by the Turner Agassi fund and will potentially be purchased with future bond money, outside of the bond money being discussed at today's meeting.

The Board sought to confirm that all entitlement and plans are approved and Mr. Ziev confirmed this and also noted that they hope to start moving dirt in November or December of 2014.

Member Elison Motioned to approve the leases agreement for the Rainbow and Wheelbarrow campus. Member Harty seconded the Motion and the Board unanimously approved.

5. Nomination and Election of Board Officers.

Mr. Reeves advised that per the Boards bylaws, all officers serve one year terms. Mr. Reeves also advised that Board Chair Crystal Thiriot has already served her allowed three years as the Chairperson. Therefore, a new Chairperson needs to be elected. Mr. Reeves noted that none of the other offices have reached three years in their given office. Mr. Reeves explained the process of electing the officers and additional discuss was had regarding officer positions.

Member Noble opened the floor for nominations for Board Chairperson. Member Hammond nominated Member Noble. Additional discussion is had, no other nominations received. **The Board unanimously elected Cody Noble to serve as the Board Chairperson.**

Member Noble opened the floor for nominations for Board Vice Chairperson. Member Harty nominated Member Hammond to remain as the Board Vice Chairperson. No other nominations received. **The Board unanimously elected Scott Hammond as the Board Vice Chairperson.**

Member Noble opened the floor for nominations for Board Treasurer. Member Noble advised that he had been serving in this position and that a new member would need to be elected. Member Harty nominated Member Brady. No other nominations were received. **The Board unanimously elected Eric Brady as the Board Treasurer.**

Member Noble opened the floor for nominations for the Board Secretary. Member Brady nominated Member Elison to remain as the Secretary. No other nominations received. **The Board unanimously elected Eric Elison as the Board Secretary.**

6. Review of School Financial Performance.

Carlso Segrera of Academica addressed the Board and advised that these financials are through June 30, 2014. Mr. Segrera advised that all SPED Part B funding has been received.

Mr. Segrera advised that the projected per pupil funding of \$6,530.00 per student has been updated since this report was generated and that it is expected to be closer to \$6,500.00 per student. Mr. Segrera also noted that it is expected that there will be an adjustment to this year's per pupil funding that should take place on August 25, 2014. Mr. Segrera noted that the decrease from \$6,406.00 to \$6,395.00 will be reflected in the financials provided at the next board meeting.

Mr. Segrera advised that for the months of May and June, 2014, Somerset has a loss of \$25,000.00, which is mainly made up of teacher retention bonuses. Mr. Segrera further advised that for the 2013/2014 school year, Somerset had a net surplus of \$964,000.00. The Board asked for clarification on the fiscal year end date and Mr. Segrera advised that June 30, 2014 is the cutoff.

Mr. Segrera noted that the year-end numbers do not include Student Generated Fund Accounts (fundraising). Mr. Segrera corrected the SPED contracted services classification as it should have said this area is over budget (not under budget as noted on the report). Mr. Segrera noted that the net surplus is about 5% of the total revenue.

The Board requested clarification on the additional \$200,000.00 in additional expenditures and if most of this was related to the purchase of curriculum and Mr. Segrera confirmed that this was the case.

Mr. Segrera explained the specifics of the NSPCSA Financial Framework Analysis Report that requests an analysis of financials. Additional discussion was had regarding cash on hand requirements and Mr. Segrera advised that currently, there are forty two days of cash on hand. Mr. Segrera advised that these numbers will be presented to the auditors in the coming weeks.

Mr. Reeves advised that the State funding numbers for the 2014/2015 school year have come in and the per pupil funding has increased by \$134.00 or 2.1%. Mr. Reeves noted that the pay for performance budgets have been sent to the Principals and that a system will be put in place and communicated to the teachers before they sign their contracts during the last two weeks of August.

7. Approval of Expenditures for Furniture, Fixtures and Equipment Purchases.

Mr. Reeves addressed the Board and referred to the breakdown of items purchased for the year. Allison Salmon of Academica reported on completions of each campus in preparation for the new school year. Ms. Salmon spoke with regard to the amount of the Zion loan, the amount spent and the balance remaining. Ms. Salmon pointed out that the main reason for any overage is the purchase of the Reading Wonders curriculum for the North Las Vegas and Stephanie campuses. The Board asked if these overages can be included in the original Zion loan amount. Ms. Salmon advised that these overages are outside the approved loan amount and that outside of the overage numbers provided, the Losee campus is also requesting the purchase of bulletin boards, totaling \$13,000.00.

Mr. Reeves addressed the board and discussed the options to cover the furniture, fixtures and equipment purchase overages. Mr. Reeves discussed the reasons for the overages and advised that the overage was only 10% of the original loan amount. Mr. Reeves discussed the reasons for the purchases of the various curriculums. Additional discussion was had with regard to the amount of time the Reading Wonders curriculum can be used and through discussion it was stated that it is believed this curriculum will be good for five to seven years.

Mr. Reeves discussed the options for the purchase overages and advised that the overages could either be taken from the school's surplus or a request could be made to Zion Bank to increase the loan amount from \$1.3 million to \$1.5 million. Mr. Reeves discussed the loan terms and the Board asked how many days cash on hand there would be if the money was taken from the surplus. Mr. Segrera advised that there would be about thirty nine days of cash on hand left.

Additional discussion was had regarding the loan terms and the interest rate percentage. It was confirmed that the interest rate is 4.9%. Additional discussion was had regarding which avenue to take to cover the overage. The Board asked if the loan amount is increased, would the interest rate increase and Mr. Reeves noted that the terms of the loan would remain the same.

The Board noted that it would probably be better to keep the cash on hand to ensure good numbers for the bond process. Member Noble asked if additional debt would affect the bond process and Mr. Reeves noted that this small amount should not affect anything and that having the cash would probably be viewed more favorably.

The Board asked if there is any sort of prepayment penalty on the loan and Mr. Reeves stated that the loan can not be prepaid, other than at the buy-out option timeframe.

Member Brady Motioned to amend the loan with Zion Bank to include the additional \$163,000.00. Member Elison seconded the Motion and the Board unanimously approved.

8. Review and Approval of Participation in Nevada Energy's Smart School Program.

Clayton Howell addressed the Board and advised that he was recently approached by Issac Moubarek of Clearesult. Mr. Howell advised that Clearesult is an approved contractor for Nevada Energy's Smart School Program (referred to as NESSP), and has approached Academica to participate in the NESSP program. Mr. Howell stated that this program entails lighting for new construction and day lighting controls, which is a rebate that the school would get for using advanced technological devices to lower energy consumption.

Mr. Howell advised that Mr. Moubarek's idea is to retrofit the North Las Vegas campuses light fixtures to LED lights (from Ballast). Mr. Howell noted that the LED lights have a five year warranty as well. Mr. Howell explained that the way the NESSP program works is that the rebate money would go to the contractor or electricians and the school would be responsible for purchasing all the lights. Mr. Howell advised that Clearesult has an agreement with One Source where we can buy one thousand lights (the number of lights needed to outfit the North Las Vegas campus) at \$13.50 per light or \$13,500.00.

Mr. Howell discussed the advantages/benefits of using LED lights and the general idea behind this program. Mr. Howell advised that pending Board approval, a test will be done by downsizing the number of lamps from three down to two and make sure the proper amount of light is sufficient. Mr. Howell stated that the return on investment for this project, after taking into consideration bulb cost and maintenance savings is one and a half years. Mr. Howell explained how these figures were calculated.

Mr. Howell advised that there will still be health codes that have to be met with the new lighting. Mr. Howell advised that Clearesult is willing to outfit one room with the LED lights at no cost to the school to ensure there is enough candlelight to meet the health codes.

Member Elison asked if LED lights lose their brightness over time like some other types of bulbs do. Isaac Moubarek addressed the Board and provided his background and offered information regarding other projects he has worked on, specifically, Touro University. Mr. Moubarek provided additional information regarding Touro University's decision to change their light bulbs to LED.

Mr. Moubarek explained the warranty and number of hours for each bulb and noted that each bulb has a five year warranty in unconditional/no questions asked. Mr. Moubarek added that if the bulb stops working within the first five years, it will be replaced.

Mr. Moubarek spoke with regard to the health codes and advised that these types of bulbs will exceed those requirements. Mr. Moubarek further clarified the Board's inquiries regarding code requirements and the difference in brightness between LED and regular bulbs. Mr. Moubarek noted that over the last few years, many schools have changed over to LED lights.

The Board asked if this works at the North Las Vegas campus, will the same be done at the other campuses. Mr. Moubarek confirmed this possibility and further noted the savings this change would bring.

Member Harty requested clarification regarding the savings projections based on the number of hours the school is being lit. Mr. Moubarek further explained how the hours are

calculated and discussion was had with regard to the number of hours classrooms are lit and number of hours the school is being used.

Member Alison Motioned to approve the retrofit of the current light bulbs at the North Las Vegas campus to LED lights, pending a favorable result from the test classroom, and ensuring that all codes are being met. Member Harty seconded the Motion and the Board unanimously approved.

11. Review of Correspondence from Jeffrey Blanck Regarding Rate Increase.

Mr. Reeves addressed the Board and discussed the current retainer agreement with Mr. Blanck. Mr. Reeves explained that Mr. Blanck's letter is only explaining that should any services be needed that are outside of those included in the retainer agreement, a fee of \$210.00 per hour would apply.

Member Noble asked if any services outside of the retainer agreement with Mr. Blanck have been used in the past and Mr. Reeves advised that no other services have been requested of Mr. Blanck. Mr. Reeves further explained what kinds of services would be outside of Mr. Blanck's retainer agreement.

Member Harty asked if Academica had researched this new hourly rate to see if it is comparable to other firms. Mr. Reeves advised that he had not requested new bids based on the new rate, however, in his experience, this is a reasonable rate.

12. Review and Approval of Somerset Academy of Las Vegas's Revised Bylaws and Conflict Policy.

Ms. Wurm addressed the Board and advised that the reason for the changes to the bylaws is because of specific items that the IRS requires to be part of the 501(c) (3) application. Ms. Wurm discussed the changes being made and the reasons for each change.

Member Noble asked if the classification of being a K-8 school needs to be changed to K-12, now that we have high school grades. Ms. Wurm noted that she will make this change.

Ms. Wurm went on to explain changes as requested by the IRS and noted that the hope is with all these changes being made now, the 501(c) (3) application will be approved faster and not returned for changes.

Ms. Wurm discussed the conflict policy and noted that this will be an attachment to the bylaws. Ms. Wurm also noted that the bylaws and the conflict policy will be provided to the Board's attorney, Jeff Blanck for approval as well.

Member Harty asked if the new conflict policy will change anything with the way things have been running and Ms. Wurm advised that Somerset Academy is already doing everything needed to address any potential conflicts and anything that needs to be disclosed regarding conflicts has already been added to the 501(c) (3) application.

Mr. Reeves advised that the draft 501(c) (3) application had been provided to bond counsel for review and they suggested some of these changes/additions as well, so that the application would be approved in the first submission and that Jeff Blanck will still approve all final documents before they are submitted.

Member Harty Motioned to approve the bylaws and conflict policy. Member Brady seconded the Motion and the Board unanimously approved.

13. Review of Enrollment Policy and Priority of Transfer Students.

Mr. Reeves addressed the Board and reminded them that this item has been on for discussion at the last two Board meetings. Mr. Reeves also noted that there is only one more meeting (outside of this one) to make a decision on how the policy should read, as the next meeting is on October 7, 2014 and open enrollment begins in January 2015. Mr. Reeves stated that having the policy ready after the October 7, 2014 meeting will provide for enough time to advise every one of the new policy regarding priority prior to the December 2014 recommitment time and January 2015 open enrollment. Mr. Reeves reminded the Board that no changes are being made to the current school year. Mr. Reeves stated that the hope is to approve changes at this meeting and finalize the written policy at the October 7, 2014 meeting.

Mr. Reeves stated that based on past minutes, the Board's preference is to give siblings a higher priority over transfer students. Mr. Reeves also noted that the issues with having large groups of students wanting to transfer should subside because Somerset Academy is no longer in its first year and has stable campuses and the transfer policy is no longer needed.

Mr. Reeves advised that as currently written, transfer students have priority over all other categories and are seated in December during the recommitment period and that these priorities listed above are all for January enrollment.

Mr. Reeves suggested that the option to request a transfer during the December recommitment time frame be removed and that the only option during this time frame would be to recommit to the campus you are currently attending. As such, any students wishing to transfer to another campus would have to re-apply for that campus during the January open enrollment time frame and would be placed on a priority list after siblings. Discussion was had regarding sibling priority and how this process works. The Board discussed the priority option and how this policy would work. Mr. Reeves reiterated that sibling priority will only come after the priority seating for Board members and teacher's children.

The Board stated that any new policy needs to be clearly communicated to everyone. Mr. Reeves noted that with the opening of the new Rainbow campus, the transfer opportunity will come up again, however, with this being a new campus, there should not be an issue of students being given a seat at that campus.

Principal Jefferson noted that removing the transfer priority will alleviate those trying to work the system of being accepted to a campus over the summer, never stepping foot on the campus and requesting a transfer to another campus. Principal Jefferson also noted that if teacher's children go back to having a higher priority over transfer students, it will also alleviate staff not fully committing to a campus because their children have yet to be seated.

Mr. Reeves advised that one change being requested immediately is moving teachers children before transfer students in order to keep teachers that are on the fence because their kids have not been seated yet.

Discussion was had regarding the timing of any changes and why transfer students priority change should wait for next school year. Additional discussion was had regarding

changing teacher's children to a priority over transfer students and the immediacy of this policy change.

Member Elison Motioned to change the enrollment policy so that teacher's children have priority over transfer students. Member Brady seconded the Motion and the Board unanimously approved.

Member Harty Motioned to eliminate Section C of the enrollment policy and that transfer students' priority will be after siblings. Member Elison seconded the Motion and the Board unanimously approved.

Further discussion was had regarding the timing of the new policy and when new wait list numbers are issued around the beginning of the second semester.

Member Brady Motioned to implement the new transfer student policy effective January 1, 2015. Member Elison seconded the Motion and the Board approved, with one opposition from Member Noble.

14. Discussion and Approval of Use of Somerset Academy Buildings for Outside Groups.

Mr. Reeves addressed the Board and advised that this topic was placed on the agenda at the request of some of the Board members to allow for the possible use of the campuses by religious groups. Mr. Reeves advised that as a public school, Somerset can rent their facilities to religious groups, however, it should be noted that if one religious group is allowed to use the facility, they are required to allow all religious groups use under the same terms, and are not allowed to exclude/discriminate against any other religious groups.

Mr. Reeves noted that renting the facilities can be a fundraising opportunity for the campuses. Discussion was had regarding the charges for renting to non-profit groups. Mr. Reeves noted that the campuses would need to be specific as to the times of day and days the campus can be rented out. Mr. Reeves reiterated that the school/campus can not discriminate against any religious group once they allow another to use the facilities, however, the use of the campus can be limited to groups that have a student enrolled in the campus.

The Board asked the Principals what their thoughts are and Principal Barlow noted that at his two previous schools they did allow religious groups to use the facility with certain parameters, however, he does not feel that the campus should be used. Principal Phillips noted that his previous school also allowed religious groups to use their facility, however, cautioned that some groups will wreck the facility. Member Malone asked the elementary schools about using their facilities for groups such as boy scouts. Principal Farmer noted that he has had discussions about it and is ok with it for non-profit groups.

Principal Jefferson noted that renting out her facility has been a nice source of fundraising this summer. Member Noble asked if there is any issue with limiting by campus and can this be tailored to keep from discriminating against any group. Member Noble also noted that using a campus for early morning seminary that also have students attending that school would be a benefit to parents, so long as it does not hamper school operations.

Principal Barlow also noted that opening the school that early would also cause the need for someone to be there to open the building in the morning. Member Noble asked if

this could be someone that works for the campus, however, volunteers their time in the morning to ensure the campus is opened.

Discussion was had regarding possible policies to put in place to accommodate non-profit and for-profit groups. Mr. Reeves stressed the need to ensure that any entity using our facilities, whether they are non-profit or for-profit be required to add the campus as an additional insured and provide proof of insurance before allowing them to use the facility. Mr. Reeves also noted that Academica is currently working on a facility use agreement.

Discussion is had with regard to religious materials being left at the schools and Mr. Reeves noted that these things would need to be removed.

Member Noble Motioned to allow non-profit entities that have school aged children to use classrooms only, free of charge before and after school on weekdays, so long as they are willing to pay any additional costs to administer the use of the campus. Member Brady seconded the Motion and the Board unanimously approved.

Member Noble asked the Principals to report on how this is working and if there are any problem areas, etc.

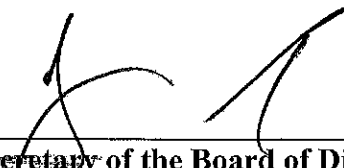
15. Public Comments and Discussion.

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

16. Adjournment.

Member Elison Motioned to adjourn the meeting at 9:01 p.m. Member Brady seconded the Motion and the Board unanimously approved. The Meeting was adjourned.

Approved on: Oct. 9, 2014.

Chairperson 

Secretary of the Board of Directors
Somerset Academy of Las Vegas