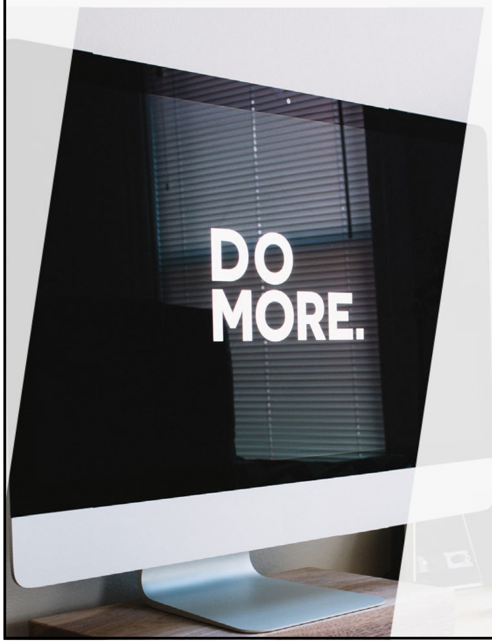

STRIDE BUILDING COMPANY OVERVIEW

berganKDV

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AGENDA

- Introductions
- Brief Overview
- Flow of Funds Summary
- Bond Covenant Compliance

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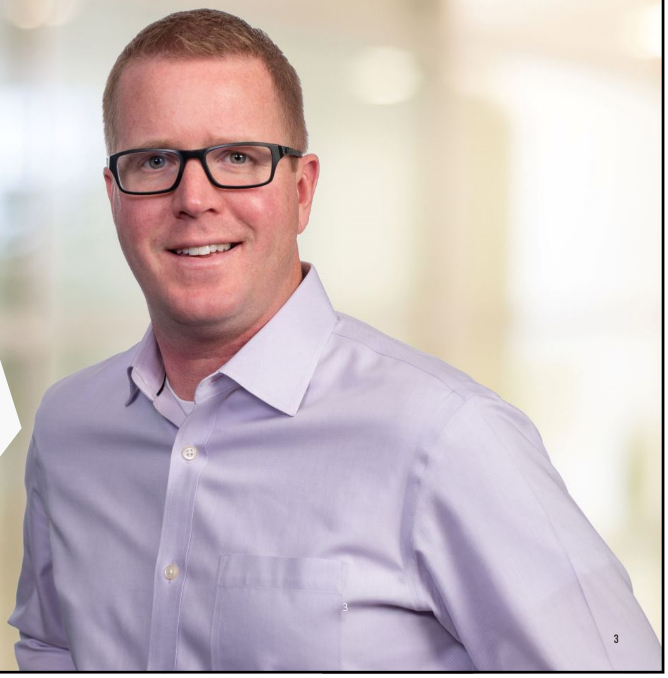
INTRODUCTIONS

NICK TAINTOR, CPA
DIRECTOR OF SCHOOL SERVICES
CHARTER SCHOOL OUTSOURCED SERVICES
NICK.TAINTOR@BERGANKDV.COM



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BRIEF OVERVIEW

State Statutes related to Facilities and Lease Aid – 124E.13 – Facilities; 124E.22 – Building Lease Aid

- Charter Schools cannot own their facilities. They can lease from a private landlord or an Affiliated Building Company.

The Stride building company was established, and tax-exempt bonds are outstanding on the facility. A municipality in MN functions as the Issuer (City of St. Cloud) and municipal bond investors invest in the bonds owned by the building company.

Stride Academy pays lease cost to Stride Building Company to pay down the bonds. These payments are structured around the Debt Service Schedule that the Bonds are to be paid down. Stride's bonds are 30-year bonds payable through 2046.

Lease Costs paid to the Building Company are covered by Lease Aid (90% of lease cost).

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BRIEF OVERVIEW

Annual Fees associated with this bonds outstanding include the following –

- Trustee Fees (UMB Bank) – a trustee is required to help make sure the loan agreement and indenture are being followed.
- Dissemination Agent Fees (UMB Bank) – this agent is required to make sure covenants and compliance with the bonds are being met. They disseminate the covenants, notices, and compliance items to the bondholders (through what is called EMMA).
- Ordinary expenses are covered – Accounting, Tax, and Audit

Oversight –

- Proper oversight of the bonds is crucial. The level of oversight on the bonds include the Trustee, Dissemination Agent, and BerganKDV (Stride also has a bi-monthly call during the forbearance). These parties are responsible for following the Loan agreement, Indenture and other documents related to covenants and compliance.
- It is recommended that the School Board and School Leadership ensure they are meeting the covenants related to Debt Service Coverage and Days' Cash on Hand by monitoring this on a regular basis. Discussion on these two covenants are in slides 8 & 9.

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FLOW OF FUNDS SUMMARY

Account Control Agreement ("ACA")	Stride Academy will have all revenues deposited into the ACA account. The Trustee has the ability to access this controlled account and make the necessary withdrawals for bond related purposes
Revenue Fund	The funds pulled from the ACA will be deposited into the Revenue Fund ready for disbursement to the following Trustee held funds
Bond Fund	Trustee will deposit a sufficient amount to cover monthly principal and interest payments *(1/6 of semi-annual interest and 1/12 of annual principal)*
Reserve Fund *("Debt Service Reserve Fund")*	Trustee will replenish any deficiency that is determined as a result of a withdrawal. If a significant withdrawal is made, the Reserve Fund will be funded over six equal monthly payments.
Capital Improvements Fund	Trustee will deposit monthly installments to the Capital Improvements Fund that have been determined by a five-year assessment plan for the School
Expense Fund	Trustee will make the necessary payments of any expenses that are required to be paid by the Company and any amounts that are due to the Issuer
Rebate Fund	Trustee will deposit into the Rebate Fund any amounts that have been determined by a Rebate Analyst
Surplus	If any funds are remaining in the Revenue Fund, the Trustee will wire these amounts back to the Company

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BOND COVENANT COMPLIANCE

Annual

- Audited Financial Report – due 150 days after year-end
- Form of Certificate For Annual Filing – Days' Cash on Hand and Debt Service Coverage – due 150 days after year-end
- Adopted Annual Budget – due 6/30
- MDE applications – due 6/30
- Building Lease Aid Application – due 6/30
- Annual Conference Call with investors – by August 15th

Quarterly

- Interim Financial Statements – due 45 days after each quarter end

Other

- Any Communication with MDE or other Governmental Units – due 30 days of its receipt or completion

BOND COVENANT COMPLIANCE

Days' Cash on Hand

- Maintain unrestricted Cash on Hand in its operation fund such that on each testing date the amount on deposit in such fund shall be equal to or greater than sixty (60) Days Cash on Hand, commencing with the Fiscal Year ending June 30, 2017, and at the end of each Fiscal Year thereafter.

Debt Service Coverage Ratio

- Maintain income available for debt service (debt service coverage) of at least 120% of the principal and interest due. If the debt service coverage is less than 110%, the School may need to retain an independent consultant to review. If the debt service coverage is less than 100%, the Trustee can declare an Event of Default.

BOND COVENANT COMPLIANCE

Days' Cash on Hand

- What does this mean for the School – Days' Cash on Hand (DCOH) is a measurement used to calculate the School's reserves (cumulative fund balance). The more reserves on hand, the higher the DCOH. It is important to build and maintain the DOCH of at least 60 days' to meet the covenant.

Debt Service Coverage Ratio

- What does this mean for the School – Debt Service Coverage (DSC) is a measurement used to calculate the School's annual performance. Did the school earn enough in that year to cover their debt service. Basically, the School will need to budget for surpluses each year to maintain a 120% (1.20x) coverage.

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We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can…

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