

APPLICATION FOR CHARTER SCHOOL BOND FINANCING

State of Nevada
Nevada State Department of Business and Industry
Office of the Director
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STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
APPLICATION FOR CHARTER SCHOOL BOND FINANCING

Date of application: _____

Name of applicant (“Applicant”): _____

Mailing address of Applicant: _____

_____ (county)

(_____) _____ (telephone)

(_____) _____ (facsimile)

_____ (e-mail)

Name and title of person with authority
to sign for (bind) the Applicant: _____

Contact person: _____

Mailing address of contact person
(if different from Applicant): _____

_____ (county)

(_____) _____ (telephone)

(_____) _____ (facsimile)

_____ (e-mail)

Amount of financing requested: \$ _____

The Applicant will be required to pay to the Director's Office a non-refundable application fee based on the principal amount of Bonds requested to be issued. There will be a fee of \$500 for a request of Bonds to be issued in the amount less than \$5,000,000 and a fee of \$1,000 for a request of Bonds to be issued in the principal amount of \$5,000,000 or more. Acceptance of the application shall be evidenced by an inducement certificate. If the application is accepted by the Director's Office, the Applicant agrees to pay the Director's Office a deposit in the amount of \$50,000. Payment of the deposit is due upon receipt of the certificate of inducement by the Director's Office.

The applicant agrees to pay all costs involved in the issuance of the bonds ("Bonds"), including and not limited to the direct and indirect administrative costs incurred by the Director's Office, its employees and agents incurred in processing the application and financing the Charter School project (the "Project"). In this connection, the Director's Office expressly notes that bond counsel and the financial advisor must complete a preliminary review of the ability of the Applicant to comply with all legal requirements pertaining to the Project, including the availability of sufficient financial resources to place the Project in operation and to continue its operation, the actual need for the Project and the compatibility of the Project with existing facilities in the area adjacent to its location. In addition to paying the administrative costs and other costs as noted above, the Applicant agrees to pay Bond and other printing costs, publication costs and costs incurred, if appropriate, in order to obtain ratings for the Bonds. In the event that the Bonds are not issued for any reason, the Applicant agrees to assume the Director's Office's obligation for payment of all such costs, including fees and disbursements of advisors and counsel. Whether or not the Bonds are issued, the deposit received on behalf of the Director's Office will be used to reimburse the Director's Office for the costs of the Project incurred by the Director's Office in processing the application and financing the Project, including, without limitation, any costs for financial, legal and banking services engaged by the Director's Office for the Project.

The Applicant agrees to provide any studies, reports or other documents necessary to be prepared for the Director's Office to comply with (i) the National Environmental Protection Act and any other applicable environmental law and (ii) any other local, state or federal law.

The Applicant agrees to provide the Director's Office with any additional information or studies which the Director's Office determines to be necessary to enable the Director's Office to reach a final determination on the Project and to pay any costs in connection therewith.

The Applicant understands that the financing being applied for does not exempt it from any requirements of the Director's Office or the State of Nevada, or any department, agency or political subdivision thereof, that would apply in the absence of the proposed financing, and compliance with such requirements is an express precondition to the financing by the Director's Office. The Applicant acknowledges that as to any construction portion of the Project, applicant must comply with Nevada's prevailing wage law, if applicable. Also, Applicant is to ensure that all legal requirements along with local & state approvals are met and received prior to requesting approval from Board of Finance.

PROCESS FOR APPLICATION AND BONDING

1. Initial Review. Upon receiving the application and fee the Department will contact the school and review the application for completeness.
2. Meeting with the Department for Inducement. The school and its representatives will be given a date for a formal meeting with the Department at which time the Inducement Resolution will be considered for action. The school, as Applicant, will be permitted to give a brief overview of the Project, permitted to ask and answer questions and then the Department will act on the Resolution. At this meeting the Department's Financial Advisor and Legal Counsel will provide a brief summary of the application and state on the record if the bond borrowing is permitted under the terms of the statute (NRS 386.612 to 649). Adoption of an inducement resolution by the Department does not guarantee the Department and the State Board of Finance will grant final approval to the project. The inducement merely permits the applicant to proceed with bond documents that will be reviewed and move the financing toward approval before the Director's Office and the State Board of Finance.
3. Financing Agreement. Upon adoption of the inducement resolution, the applicant and the Department will enter into a standard "financing agreement" describing the responsibilities of the parties and the fee structure of the Department.
4. TEFRA. A TEFRA hearing required by federal law will be noticed and held for all schools with 501(c)(3) status. The school/applicant does not need to attend this hearing but is welcome to do so.
5. Bond Documents. The Bond documents will be drafted and circulated. Comments will be provided by the Department's Financial Advisor and Legal Counsel to make sure various sections of the Department's duties are covered in the Indenture, the Mortgage, the Lease (if applicable), the Continuing Disclosure Agreement and other applicable Bond documents.
6. Final Review and Approval. The Department will make findings required by statute and will send the findings to the State Board of Finance for its consideration. Upon approval by the State Board of Finance, the Director's Office may adopt a Financing Resolution setting forth the final terms of the Bonds. The Bond sale or placement is normally scheduled after final approval by the Director's Office.
7. Document Signatures/Execution. With the financing resolution adopted the parties will execute the documents to permit the closing of the transaction and funding of the Project.

8. Continuing Disclosure. The Bond documents commit the charter school to periodic filing of financial and program data with the Bond Trustee and nationally required agencies such as the Municipal Securities Rulemaking Board. A list of the required periodic filings is fully identified in the Bond Documents.
9. Tax Compliance. The Bond documents will commit the Charter School to compliance with Federal tax laws post issuance of the Bonds.

GUIDELINES FOR FINANCING CHARTER SCHOOL BONDS

The Department of Business and Industry is authorized to issue bonds for charter schools meeting the requirements of the Charter School Financing Law found in NRS 386.612 to 649. Applicants should become familiar with the complete statute and it will guide them in considering bond financing of Projects to include land, buildings, and other improvements.

General Guidelines

The charter school as Applicant in the bond program must provide a completed application to the Department of Business and Industry. At that point the Department makes finding in the following areas:

- the project is eligible under the statute
- the school is not in default with its sponsor
- the school has received for 3 years prior to the financing one of the two highest rating of performance pursuant to the statewide system of accountability for public schools
- the bonds will contain an Indenture and other legal documents safeguarding the use of the bond proceeds and restricting investments of bond money into safe investment vehicles
- the school will provide continuing disclosure of its activities so the Department can comply with the bonding law, and
- local approvals of the project are obtained.

Financing Guidelines

The Department's charter school bonding program recognizes charter schools vary in credit quality and that most are rated on a stand-alone basis in the lower rating categories of the national rating organizations. The Guidelines have created paths for both rated and non-rated bonds to be offered.

Charter school bonds that will receive a rating in one of the four highest rating categories of a national rating agency can be sold into the general market without purchaser restrictions. Those bonds must be rated as AAA, AA, A or BBB by a rating agency. Within each rating category, there is a plus or minus so the minimum threshold for using this bonding approach is a bond rated BBB- at the time of issuance.

Should the bonds NOT be rated at BBB- or higher, a school meeting other requires of the bonding law can participate with bonds rated below BBB- or with non-rated bonds (bonds in which a rating was not assigned). These bonds of lower credit quality must be sold to

sophisticated investors called “qualified institutional buyers” and the bonds must be in minimum denominations of \$100,000.

Should the charter school not receive a rating of BBB- or higher or sell the Bonds to “qualified institutional buyers” in \$100,000 denominations, it must submit a 5 year operating history to the Department.

The charter school may be able to obtain a credit enhancement such as a rated guarantee or a letter of credit. In this case, the rating requirement can be satisfied by the rated enhancement so those Bonds can be sold without purchaser restriction or denomination restrictions.

Once the rating path is known by the charter school in consultation with its own team of advisors and bankers, the school will know how to organize its underlying bond documents to work through the Department’s bonding process.

These requirements are not all-inclusive; please review the following statues and regulations for other conditions and before applying.

- NRS 386.612 to 386.649, inclusive – Charter School Financing Law and adopted regulations

SECTION I. THE APPLICANT

A. Type of business (check one)

- () Individual proprietorship
- () Partnership
- () For Profit Corporation
- () Non-profit Corporation
- () Municipality
- () Other (explain) _____

1. If Applicant is a corporation, list:

a. State of incorporation: _____

b. Officers and directors:

 President: _____

 Vice President: _____

 Secretary: _____

 Treasurer: _____

 Directors: _____

2. Identify the following information about the Applicant.

1. Tax identification number: _____

2. NAICS Code of Applicant's
Charter School to be
financed with
Nevada bond proceeds: _____

3. Applicant's Legal Counsel: _____

() _____ (telephone)
() _____ (facsimile)
_____ (e-mail)

4. Applicant's Accountant: _____

() _____ (telephone)
() _____ (facsimile)
_____ (e-mail)

5. Attach applicant's financial statement for the most recent five years available. Include balance sheets and income statements, as well as pro formas, for the next three years reflecting debt service on the loans request.

Check if financial statements are: Audited: _____
Reviewed: _____
Compiled: _____

6. If audited financial statements are not available, describe any litigation, recent bankruptcy and/or other occurrence that might affect the credit worthiness of the Applicant:

7. a. Applicants Principal Bankers:

Name: _____

Address: _____

_____ () _____ (telephone)

_____ () _____ (facsimile)

_____ (e-mail)

Name: _____

Address: _____

_____ () _____ (telephone)

_____ () _____ (facsimile)

_____ (e-mail)

Name: _____

Address: _____

_____ () _____ (telephone)

_____ () _____ (facsimile)

_____ (e-mail)

b. Indicate whether any banks have been contacted concerning the issuance of a letter of credit for, or a private placement of, the Bonds, and if contacted, the status of such contact.

8. Provide the date the Applicant's existing business was established and a brief history of the events leading to current operations.

9. Provide enrollment, wait lists, budget, audit, charter contract, articles and by-laws.

10. Does the Applicant have any other facilities in Nevada?

Yes **No** If yes, please identify. _____

11. Has the Applicant's equity, securities, or short- or long-term debt been rated by Moody's or S&P?

Yes **No** If yes, identify, with rating. _____

12. Does the Applicant or any affiliate have any tax-exempt financing currently outstanding?

Yes **No** If yes, please describe. _____

SECTION II. THE PROJECT

A. Provide a brief description of the Project and the nature of the Charter School operations to be conducted at the Project site.

B. Check as applicable regarding the Project facilities:

- 1. Construction of new facilities? **Yes** **No**
 - a. Relocation of existing facilities? **Yes** **No**
If so, from where? _____
 - b. New facility for Applicant? **Yes** **No**
- 2. Expansion of existing facilities **Yes** **No**

C. Provide the street address of the Project and legal description of the site, including identification of whether it is located within the city limits of an incorporated city or it is within a particular county outside the city limits of an incorporated city.

D. Site Information

- 1. Identify the acreage/square footage of the Project site: _____
- 2. Has the site received the required zoning classification? **Yes** **No**

3. Describe existing facilities in the area adjacent to the Project site. If a photograph or a map is available, please attach.

4. Describe how you intend to use all of the land at the site (i.e., building, parking, outside storage, etc.) and identify in acreage or square footage the amount of such use.

<u>Type of Use</u>	<u>Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

E. Building Information

1. Building size and renovation costs.

- a. Ground floor square footage: _____
- b. Other square footage (specify): _____
- c. Total square footage: _____
- d. Type of construction (metal, masonry, etc.) _____
- e. If a renovation of an existing structure is involved? _____

() **Yes** () **No** If yes, document improvements to existing facility, including all renovations. Include cost estimates for each major area (plumbing, electrical, etc.).

2. Identify how much space (by square footage and percentage) within the Project building(s) will be used for the following purposes:

	<u>Purpose</u>	<u>Sq. Ft.</u>	<u>%</u>
a.	Classrooms:	_____	_____
b.	Office space:	_____	_____
c.	Laboratories:	_____	_____
d.	Garage:	_____	_____
e.	Cafeteria / lounges:	_____	_____
f.	General support (restrooms, stairs, HVAC, etc.):	_____	_____
g.	Other (specify): _____	_____	_____
	TOTAL (should equal E.1.c):	_____	_____

3. Will any office space be used other than for management of this facility?

Yes **No** If yes, give particulars: _____

F. Ownership.

1. Is the Project site presently owned by Applicant?

Yes **No** If yes, indicate (a) date of and reason for purchase, and (b) current use. If no, (a) identify the present legal owner of Project site and (b) provide a summary of the terms of the purchase agreement or lease agreement.

(a) _____

(b) _____

2. Is or was there a relationship, legally or by virtue of common control, between either the Applicant or the occupant of the Project and the seller or lessor of the Project site?

Yes **No** If yes, explain: _____

3. Has construction of the Project started?

Yes **No** If no, when do you plan to start? _____

G. Give the estimated useful life of each building and each piece of major equipment or category of machinery or equipment to be financed with Bond proceeds.

<u>Description</u>	<u>Useful Life</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

H. State the total costs associated with the acquisition of the site and construction of the Project, including any utility, machinery and equipment purchases.

<u>Item</u>	<u>Amount to be paid from Bond proceeds</u>	<u>Amount to be paid from other sources (including equity)</u>
Acquisition of land	\$ _____	\$ _____
Acquisition of existing building(s)	_____	_____
Rehabilitation of existing building(s)	_____	_____
Site preparation	_____	_____
Construction of new building(s) or expansion	_____	_____
Utilities connections	_____	_____
New and used equipment:		
a. New equipment acquisition	_____	_____
b. Used equipment acquisition	_____	_____
c. Installation (new and used)	_____	_____
Engineering/architecture	_____	_____
Legal, permits, etc.	_____	_____
Bond issuance expenses (including underwriters' discount)	_____	_____
Letter of credit/ Bond insurance fee	_____	_____
Interest during construction, From _____ to _____	_____	_____
Working capital	_____	_____
Inventory ³	_____	_____
Moving costs ³	_____	_____
Other (explain) _____	_____	_____
TOTAL:	_____	_____

I. Credit Enhancement

1. Is repayment of the Bonds to be guaranteed by a person or an entity other than the Applicant?

() **Yes** () **No** If yes, please list the name and address of the Guarantor(s), and their relationship to the Applicant. _____

2. Is repayment of the Bonds to be personally guaranteed by any owner(s) of the Project or the business to be operated at the Project site?

Yes **No** If yes, list the name and address of the Guarantor(s) and the guarantor(s) net worth (excluding any interest in the Applicant).

3. Is additional collateral (besides the new facility and new equipment) available to secure this Bond issue?

Yes **No** If yes, give the following values:

<u>Item</u>	<u>Market Value</u>	<u>Equity</u>
a. Building (current location):	\$ _____	\$ _____
b. Equipment (current location)	\$ _____	\$ _____
c. Accts. Rec. (current location):	\$ _____	\$ _____
d. Inventory (current location):	\$ _____	\$ _____

J. Status of Other Governmental Approvals.

1. What is the status of approval of the Project by governing political subdivisions? Please list local and State jurisdictions involved with the approval status?

2. Provide a Statement of No Default under Charter Contract granted by the Charter School's sponsor, as determined by the sponsor.

3. Has contact been made with City: **Yes** **No**
County: **Yes** **No**

to begin application to receive approvals? If yes, list permits obtained.

Identify the following participants in this Bond issue, if available:

1. Underwriter/placement agent: _____

 () _____ (telephone)
 () _____ (facsimile)
_____ (e-mail)

2. Your financial advisor: _____

 () _____ (telephone)
 () _____ (facsimile)
_____ (e-mail)

3. Letter of credit bank or other credit enhancer: _____

 () _____ (telephone)
 () _____ (facsimile)
_____ (e-mail)

A. Does any Project user currently lease the Project site?
 Yes **No** If yes, provide particulars and attach copy of lease.

B. Have expenditures for any of the costs set forth above in Section II.H. of this application already been paid or incurred?

Yes **No** If yes, give particulars: _____

C. Will Bond proceeds be used to finance any purchase of real or personal property from, or to pay for services rendered by, any Project user?

Yes **No** If yes, give particulars: _____

D. Will any person or company not identified as a Project user manage any part of the Project under a long-term (more than 1-year)?

Yes **No** If yes, particulars: _____

E. Has there been sold, or is there expected to be sold, within three months before or after the expected date of sale of this Bond issue, any other tax-exempt financing (of any kind, in any jurisdiction) which has or will benefit any Project user?

Yes **No** If yes, particulars: _____

F. Will payment of principal or interest on the Bonds be paid or guaranteed, directly or indirectly (such as through a lease of the Project or by a long-term contract for the sale of goods) by the federal government or any agency or instrumentality thereof?

() **Yes** () **No** If yes, particulars: _____

G. Attach to this application the following:

1. Completed State of Nevada environmental review:
2. Organizational Chart
3. Enrollment & Waitlist
4. Five years of financial statements and pro forma projections for three years of operation of the Project (including debt service on the proposed bonds) following this financing, per section I.D.5;
5. Budget & Audits for the last two years.
6. Educational Performance Report for the last three years.
7. Photograph or map of facilities adjacent to Project site, per section II.D.3;
8. Copy of the lease of the Project site, if applicable, per section III.A.;
9. Drawings showing allocation of use, if applicable, per section III.E.1;
10. Evidence of 501 (c) (3) status if applicable;
11. Evidence the charter school has received, within the immediately preceding 3 consecutive years prior to the financing, one of the two highest rating of performance pursuant to the statewide system of accountability for public schools; and
12. Any supplemental material you wish to submit.

CERTIFICATION BY APPLICANT

Applicant hereby certifies that all information contained above and in exhibits and supplements attached hereto are true to his/her best knowledge and belief and are submitted for the purpose of obtaining financial assistance from the State of Nevada, Department of Business and Industry.

Applicant:

(print name of Applicant)

By: _____

Name and Title: _____

Telephone Number: _____

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