MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF
LIBERTY HIGH SCHOOL
HELD ON MARCH 19, 2018

Directors attending: Jennifer Yorko, Jessica Hricovec, Robert Demko and Judy Tarr.

Directors Absent: Nicholas Manno.

Guests attending: Jason McMillin, Delores Junior, Jim Nichols, John Stack, Amy Harrington, and Arthur L. Clements III, Esq.

Ms. Hricovec called the meeting to order at 5:00 p.m. and following introductions there was no public comment. There were no changes to the Agenda. Thereafter, upon a motion duly made by Mr. Demko and seconded by Ms. Yorko, the Board of Directors unanimously passed the following resolution:

18-15 RESOLVED, that the Board of Directors accepts the Agenda for the Board Meeting on March 19, 2018, subject to any amendment by the Board of Directors during said meeting.

The Board discussed the resignation of Mr. Rockich and the election of Ms. Tarr. Thereafter, upon a motion duly made by Mr. Demko and seconded by Ms. Yorko, the Board of Directors unanimously passed the following resolutions:

18-16 RESOLVED, that the Board of Directors accepts the resignation of Richard Rockich effective January 8, 2018 and thanks him for his service.

18-17 RESOLVED, that the Board of Directors elects Judy Tarr for a term to expire September 1, 2019 or until her successor is duly qualified and elected.

Ms. Junior presented the Sponsor's Report and distributed materials for the Board to review, including a newly reformatted At-A-Glance Report. Omitted from the new version is information about federal expenditures. Ms. Junior has stated that the Sponsor expects that the Board's Treasurer will keep the Board updated on Title expenditures. It was noted that the comparison schools are now included in the At-A-Glance Report. A school in Dayton was highlighted in the Sponsor Connection Newsletter for receiving a very high Value Added Score on its Local Report Card even in the various subgroups. The Principal of that school credits her success to constantly monitoring and revising the OIP. Ms. Junior also reported that according to recently published data, the Achievement Gap between black and white students is the same today as it was in 1965 except for the South where it has improved. Also, the ODE is looking for input on any adjustments that should be made to Ohio's Plan under the Every Student Succeeds Act. The Acronym List was discussed and Ms. Junior distributed additional materials for Board Members to review. Thereafter, upon a motion duly made by Mr. Demko and seconded by Ms. Yorko, the Board of Directors unanimously passed the following resolution:

18-18 RESOLVED, that the Board of Directors accepts the Sponsor's Report as presented.

There were no changes to the minutes from the previous meeting. Thereafter, upon a motion duly made by Ms. Yorko and seconded by Mr. Demko, the Board of Directors unanimously passed the following resolution:

18-19 RESOLVED, that the Board of Directors approves the February 13, 2018 meeting minutes as presented.

Mr. Nichols presented the Financial Statements on behalf of Massa Financial. The School was paid on 71 student FTEs and had $61,000 in cash as of February 28. The School has Accounts Payable in the amount of $431,277 out of which $338,000 is payable to Cambridge. All other vendors are current. Mr. Nichols stated that the School's Budget showed a $275,000 projected loss for the year, which he thinks will be only about $209,000. The School began receiving some Title Funds and Food Service reimbursements under the School Lunch Program.

Thereafter, upon a motion duly made by Ms. Yorko and seconded by Mr. Demko, the Board of Directors unanimously passed the following resolution:

18-20 RESOLVED, that the Board of Directors accepts the Financial Statements as presented.

Mr. Stack presented the Management Company Report and the State of the School Report. The School has 101 students enrolled as of Friday and ACT, OGT, and MAP testing is coming up. The School is developing a partnership with YouthBuild and, so far, 10 students are enrolled in either the Construction or Health Care tracks. Mr. Stack discussed proposed rules being considered by ODE in relation to dropout recovery schools, which would increase the percentage of at-risk students enrolled in order to qualify as a dropout recovery and prevention school. Under the proposal, the percentage would increase from 50% to 75% but, more importantly, ODE is considering increasing the graduation metric needed to be designated "Meets Standards." Mr. Stack pointed out that increasing the required percentage of at-risk students from 50% to 75% at the same time at the metric for graduation is increased on the Local Report Card does not make sense, especially given the fact that there are many types of dropout recovery and prevention schools. Cambridge is in the process of communicating with ODE on this topic and is working with the Sponsor to send a message to policymakers. He then went on to discuss the difficulties in receiving Grant

Funds and Career Based Intervention Funds in the first year of operation. This issue will be resolved next year, which will improve the School's economics.

Mr. Stack then discussed with the Board applying to Charter School Capital for working capital and provided some information about CSC. CSC provides some working capital support to 25% of charter schools in Ohio by purchasing the School's receivables and advancing the cash. Mr. Stack then gave examples of other dropout recovery schools which had successfully used CSC while growing their enrollment. He does not see it as a viable option for K-8 schools, which operate on much lower margins.

Mr. Nichols then explained how the cash flows for schools working with CSC. In response to a question from Ms. Hricovec about how schools can exit from the line of credit, Mr. Stack responded that schools that are growing their enrollment have been able to wind out of it very quickly. He pointed out that Liberty would be stuck with its current ODE Funding from now until October, when the first FTE adjustment based on a higher 2018-2019 enrollment would be paid. Mr. Demko commented that the proposed funding from CSC is no different than "factoring" and then asked about suitable financial controls. It was pointed out that the Board President would need to approve the advances every month, which leaves control of advances in the hands of the Board. Mr. Nichols pointed out that CSC is expensive financing and could amount to $25,000 in fees. Mr. Stack pointed out that without additional working capital, the School's financial position will struggle until next October. He then discussed that Cambridge would be willing to accept a Promissory Note for the Management Fees, but not for payroll.

In response to further questions from the Board, Mr. Stack explained that some boards will approve the CSC funding, while others won't.

Ms. Hricovec asked whether the Board could conditionally approve moving forward but without being obligated. In response to a question from Mr. Demko about payroll, Mr. Stack assured him that funding from CSC would not be used exclusively to cover payroll. Mr. Demko also asked about other options for funding. Mr. Clements commented that he had not seen commercial lenders willing to loan to schools in their first or second year of operation. Mr. Demko also asked about whether the terms could be renegotiated. Thereafter, upon a motion duly made by Ms. Yorko and seconded by Mr. Demko, the Board of Directors unanimously passed the following resolution:

18-21 RESOLVED, that subject to further discussion at the next Board Meeting, the Board of Directors approves the following:

WHEREAS, the Company receives and owns and will receive and own from time to time certain receivables or payments due from the State of Ohio (the "Payor");

WHEREAS, the Company from time to time in the ordinary course of its business needs to obtain certain amounts before

it receives payments due from the Payor on certain receivables;

WHEREAS, the Company's business of operating a community school requires a consistent cash flow;

WHEREAS, the Company instructs the Payor, pursuant to the Payor's policies and procedures, as to the location and manner of payment of the Company's receivables;

RESOLVED, that the Board deems it to be in the best interests of the Company to authorize the Company to sell such receivables and payments, and all monies due or to become due and amounts received with respect thereto and all proceeds thereof (the "Receivables") to Charter School Capital, Inc. ("CSC") at a discount to face value in an amount not to exceed the lesser of (i) $400,000.00 gross receivables value and (ii) $350,000.00 of initial purchase (face value) at any one time outstanding.

RESOLVED FURTHER, that the Company is in good standing with all license, income, and franchise taxes paid and no proceeding for the dissolution or liquidation of the Company is threatened or in effect.

RESOLVED FURTHER, that the Company's sale of the Receivables is not prohibited under the Charter dated May 12, 2017 (the "Community School Contract"), by and between the Company and St. Aloysius (the "Sponsor"), and, if required, has been consented to by the Sponsor, as required by the Community School Contract.

RESOLVED FURTHER, that the Company is authorized and directed to sell the Receivables to CSC from time to time pursuant to, and to consummate the other transactions contemplated by, one or more Receivables Purchase Agreements and related Terms Letters between the Company and CSC, substantially in the form reviewed by the Board, with such changes thereto consistent with these resolutions as an Authorized Officer of the Company shall approve, and including any amendments, supplements or modifications to the foregoing consistent with these resolutions as an Authorized Officer of the Company shall approve from time to time.

RESOLVED FURTHER, that each of Jessica Hricovec, as Board President (such persons and their duly elected qualified successors, the "Authorized Officers") is authorized and directed to execute and deliver, on behalf of the Company, the Receivables Purchase Agreements, the Terms Letters, the Paying Agency Agreement, and subject to the limitations set forth herein, such other agreements and other documents and instruments as may be necessary or desirable to effectuate the sale of Receivables contemplated hereby, including, without limitation, agreements or documents as may be necessary to facilitate the sale of Receivables by CSC to an affiliate or third party to finance its purchase of the Receivables and further including, without limitation, such amendments, supplements or other modifications to any or all of the documents described in this paragraph and consistent with these resolutions as an Authorized Officer of the Company shall approve from time to time.

RESOLVED FURTHER, that the Board of the Company deems it to be in the best interests of the Company and hereby authorizes and directs any two Authorized Officers, to execute the Account Control Agreement and establish a segregated account for the deposit of payments made by the Payor.

RESOLVED FURTHER, that the Board of the Company deems it to be in the best interests of the Company to instruct the Payor, in the form provided by CSC, to make the payment of all revenues with respect to the Receivables administered and paid by the Payor in the manner described in the Account Control Agreement.

RESOLVED FURTHER, that any two Authorized Officers will execute instructions to the Payor, in the form provided by CSC, directing the payment of all revenues of the Company in the manner described in the Account Control Agreement.

RESOLVED FURTHER, that the instructions described in the immediately preceding paragraph will not be altered in any manner nor any other instructions substituted in their place without the prior written approval of any two Authorized Officers executing such instructions and without the express written consent of CSC and that the Payor is to disregard any change in disbursement instructions that are not countersigned by such two Authorized Officers and CSC.

RESOLVED FURTHER, that any two Authorized Officers will execute instructions to the Payor, in the form provided by CSC, directing the payment of all revenues of the Company in the manner described in the Account Control Agreement.

RESOLVED FURTHER, that the instructions described in the immediately preceding paragraph will not be altered in any manner nor any other instructions substituted in their place without the prior written approval of any two Authorized Officers executing such instructions and without the express written consent of CSC and that the Payor is to disregard any change in disbursement instructions that are not counter-signed by such two Authorized Officers and CSC.

Thereafter, upon a motion duly made by Ms. Yorko and seconded by Mr. Demko, the Board of Directors unanimously passed the following resolutions:

18-22 RESOLVED, that the Board of Directors accepts the Management Company Report as presented.

18-23 RESOLVED, that the Board of Directors accepts the State of School Report as presented.

The Board reviewed the proposed policies. Thereafter, upon a motion duly made by Mr. Demko and seconded by Ms. Yorko, the Board of Directors unanimously passed the following resolution:

18-24 RESOLVED, that the Board of Directors approves the following policies: Student Records Policy and Student Diabetes Care Policy and Procedures as presented.

Mr. Clements noted that the Wellness Policy and the Food Allergy Policy were on the Agenda for review by the Board and so that members of the public present at this meeting or the next regularly scheduled Board Meeting could offer comments on these policies. This opportunity for comment will serve as the public hearing that some believe may be necessary before these policies can be adopted.

There followed a discussion about the April Meeting date and Board Training will be conducted at that time.

Thereafter, the meeting was adjourned.

Jennifer Yorko, Secretary
Liberty High School