MEMORANDUM

DATE: Wednesday, July 23, 2025

TO: Marlo Oaks, State Treasurer and Utah Charter School Finance Authority Board

FROM: Japheth McGee, Vice President of Zions Public Finance and Johnathan Ward, Senior Vice President

RE: Advantage Arts Academy Application to the Utah Charter School Finance Authority

Conflicts of Interest

In general, Zions Bancorporation, National Association is made up of many departments and provides various services. Some of those services and departments can be involved on the same transaction. Zions Public Finance Inc. and Zions Corporate Trust are affiliated entities operating under Zions Bancorporation and we all benefit from a strong stock price derived from strong performance by the company and its component members and affiliates across the country. Zions Public Finance does not receive financial or other benefits in association with transactions performed by Zions Corporate Trust who may act as Trustee on charter school transactions. Likewise, Zions Public Finance operates separately from commercial loan divisions of the Bancorporation who may have provided private financing to developers or charter schools to construct the school initially. Zions Public Finance is not aware of the circumstances where this occurs unless told when a charter school applies. Zions Public Finance does not receive financial or other benefits that could result from actions taken by the Charter School Finance Authority outside of the agreed upon fees for services rendered to the Authority.

Zions' entities engaged with the School:

Zions Public Finance:	**Yes. (Advisor to the Authority)**
Zions Corporate Trust:	**No**
Zions Commercial Involvement:	**No**

Executive Summary

Borrower:	Advantage Arts Academy
Management Company:	Business Manager: Academica West
Municipal Advisor:	LRB Public Finance: David Robertson
Borrower's Counsel:	Farnsworth Johnson: Brandon Johnson
Underwriter:	Raymond James: Wes Olson
Bond Counsel:	Gilmore and Bell: Jacob Carlton
Issuer's Counsel:	Orrick, Herrington, Sutcliffe: Eugene Clark-Herrera
Trustee:	US Bank: Laurel Bailey
Par Amount:	$13,6940,000 in tax-exempt bonds.

Enhancement Requested:	No
Purpose:	Buyout the School's initial construction financing (balloon payment in October) and pay costs of issuance.
Structure:	Bonds will be repaid over a 5-yr term with interest only payments in 2026 and 2027. Principal repayment begins in 2028 and 2029 before a balloon payment in 2030. Principal and interest will amortize based off a hypothetical 25-year term. The bonds will be callable in years 1-2 at 103% of par, years 3-4 at 102%, and in year 5 at 101%. A senior-subordinate structure is in use here to allow the School to take advantage of a blended rate that would beat longer-term rates the School could expect in the market.
Term:	Final maturity in 2030.
Rating:	Non-rated
Costs of Issuance Estimate:	$283,850
Underwriter Fee Estimate:	$8.00/bond (estimated $111,520)
Litigation:	None of which we are aware.
Summary:	The School has a short history of operations that while initially rocky, the School believes they are in a better place going forward. The School's current developer financing comes due in October so longer-term financing is needed. The bonds carry some risk that in five years the School will have to refinance at higher rates, The School is building in a couple years of interest only payments so that it can build cash balances but it does not rely on growth assumptions to meet debt service going forward.

Purpose

The purpose of this memo is to document the adherence of Advantage Arts Academy (the "School") to the application requirements of the Utah Charter School Finance Authority (the "Authority") conduit issuance program and provide credit analysis of the School for review. The analysis contained herein is based on the School's application to the Authority and inquiry for clarification of the Municipal Advisor to the Authority.

Introduction

The School is a non-profit, 501c3 designated, public K-6 charter school with one campus located in Herriman. The School began operations in 2020 during the height of the pandemic. It has a unique arts-based mission and integrates the arts into each are of its curriculum.

The School lists the following mission.

MISSION

The mission of Advantage Arts Academy (AAA), in alignment with the Beverley Taylor Sorenson Arts Learning Program, is to effectively increase our students' performance in every subject, as well as improve students' core academic capacity, emotional well-being, arts awareness, and social skills.

Enrollment/Student Demand

October 2024 LEA enrollment was 354 students. Average daily membership was above 97%. While reenrollment rates were below statewide averages they have improved each of the past three years. The School does not have a waitlist.

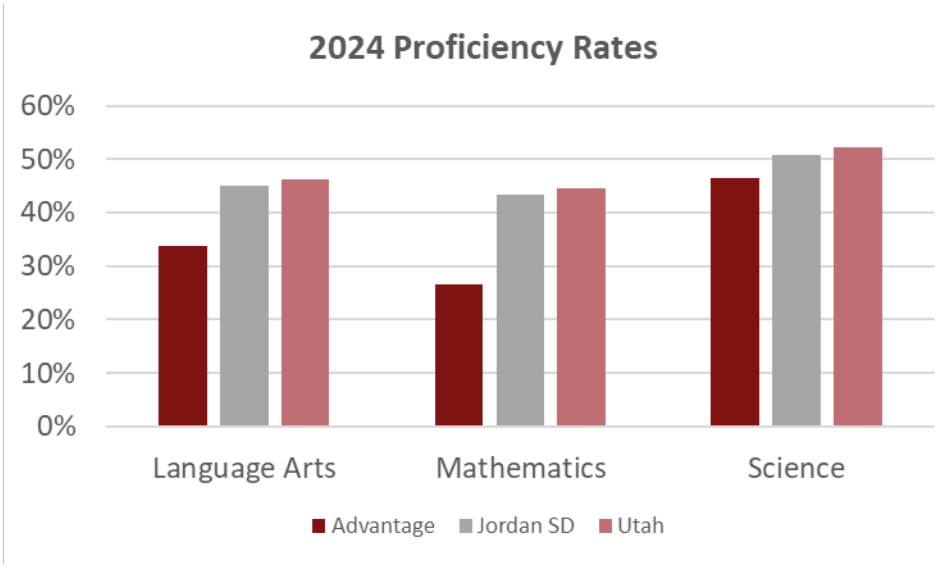
	ADM
2024	99%
2023	97%
2022	101%

	Re-enrollment Rates		
	'21-'22	'22-'23	'23-'24
Advantage	69%	76%	80%
Utah	82%	83%	83%

Advantage Arts Academy Utah LEA Enrollment

	Historic					Projected				
Grade	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
K	70	65	63	51	64	66	66	66	66	66
1	54	59	59	51	63	64	66	66	66	66
2	57	58	46	52	48	63	64	66	66	66
3	49	57	48	48	54	48	63	64	66	66
4	45	43	50	43	50	54	48	63	64	66
5	32	40	33	51	43	50	54	48	63	64
6	20	27	33	27	32	43	50	54	48	63
Totals	327	349	332	323	354	388	411	427	439	457

Academic Performance



Management

1. The School currently has a four-member board. The board members have backgrounds in: lobbying small business ownership, education, and finance.
2. The School employs Kelly Simonsen as Principal. Ms. Simonsen has a Bachelor's in Elementary Education from Brigham Young University and a Master's in Education Leadership from Western Governor's University. She has been with the School since it opened in 2020.

3. The School employs Academica West for business services.
4. The School has not adopted fiscal policies and procedures but will be adopting those policies at an upcoming board meeting.

Plan of Finance

The School intends to sell $13,940,000 of non-rated bonds via negotiated underwriting with Raymond James acting as the underwriter. Roughly $11 million in bonds will be directly placed with a bank at a rate of 5% while the remainder of the financing will be in the form of subordinate bonds placed with the CLI Capital. The School initially pursued options in the public markets. Rates were higher and it was determined that a shorter-term financing could allow the School time to improve its financial standing before returning to the public markets for longer-term financing.

The School is NOT seeking credit enhancement through the Utah Charter School Credit Enhancement Program. The bonds will be tax-exempt bonds for the purpose of purchasing the School out from a developer financing that becomes due, in whole, in October of this year. The financing will also pay costs of issuance. The bonds will carry a fixed rate of interest. The School will initially begin to repay interest only before payments of principal and interest in 2028 and 2029 (based off a 25-year amortization) before a balloon payment in 2030. The bonds are secured by an assignment and secured interest in the revenues of the School and trust accounts and a security interest and pledge of the deed of trust in the land and buildings located at:

- 6171 W 11800 S, Herriman, Utah 84096

An appraisal was performed by Rigby and Company. The school building has an "as is" value as of May 27, 2025 of $13,800,000.

Ratings

No rating is anticipated.

Financial Performance

Summary:
The School is a relatively new School that has had mixed success in its first years financially. It has met coverage metrics in some years but not in others. Failure to consistently meet coverage metrics has kept the School at relatively low cash balances. It met some of the benchmarks set by the Authority but missed others in the last audited financial year. The School's pro-forma assumes expanded enrollment to achieve stronger levels. However, if the School can continue to achieve the level of enrollment it saw in FY 2025, and maintain similar operating margins, it should be able to meet its ongoing obligations.

1. The School has had some issues with budgeting. Initial startup difficulty was attributed to the loss of the original director in the first year of operations. Last year was the School's best performance budgetarily over its history.

	Actual Variation from Budget				
	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Revenue	-2.4%	0.6%	6.1%	2.7%	6.3%
Expenditures	-6.9%	9.9%	0.6%	7.8%	-0.5%

2. Cash Position

Benchmark	Measure at end of FY 2024
At least 30 days	53

The School's days cash on hand is on the lower end of Moody's Ba3 rating range. The School's financing is structured to be interest only payments for FY 2026 and FY 2027. This should give the School some breathing room and allow it to build its cash balances.

Days Cash on Hand			
'20-'21	'21-'22	'22-'23	'23-'24
83	48	60	53

3. Fund Balance

Benchmark	Measure at end of FY 2024
At least 15% of following year expenses	7%

The School's fund balance decreased in FY 2024. However, given that the School had stronger operations last year. It would be expected that its fund balance would have increased. If the School's fund balance increased by its total net revenues from FY 2025, the School's fund balance as a percent of next year's expenses would be 16%. It is likely just under that.

	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	145,570	188,329	373,194	191,254
Following Year Operating Expenses	2,528,023	2,409,010	2,873,608	2,864,008
Fund Balance % of Future Expenses	6%	8%	13%	7%

	'25-'26	'26-'27	'27-'28	'28-'29
Fund Balance	582,645	1,120,725	1,585,513	2,029,060
Following Year Operating Expenses	3,069,293	3,241,372	3,418,613	3,521,172
Fund Balance % of Future Expenses	19%	35%	46%	58%

4. Debt Coverage Ratio

Benchmark	Measure at end of FY 2025 (unaudited)
At least 115%	133%

In FY 2025, the School was able to achieve an acceptable coverage ratio after falling below 1x in FY 2024. The School's interest only payments for two years show a rosy picture of coverage in FY 2026 and FY 2027. Coverage in FY 2028 is more accurate to where the School will be long term. The School will not have long at those coverage levels though as a balloon payment will require the School to issue longer-term debt. The School is relying on its ability to refinance at that time. It could bring additional pressure to the School if long-term rates continue to increase as has been the case recently. Current market expectations are that rates should decline between now and 2030.

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	931,638	1,057,649	1,205,318	952,005	1,247,844
Annual Debt Service	775,649	1,031,766	980,409	974,076	939,240
Debt Coverage Ratio	120%	103%	123%	98%	133%

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	1,463,122	1,581,091	1,606,467	1,579,896	1,698,990
Annual Debt Service	686,263	863,650	986,750	988,500	12,964,250
Debt Coverage Ratio	213%	183%	163%	160%	13%

5. Debt Burden Ratio

Benchmark	Measure at end of FY 2025 (unaudited)
Less than 23%	25.1%

The School's fund balance ratio of 13.6% as of FY 2024 puts the School in the debt burden range of less than 23%. By buying out the developer financing on this property, the School should be able to fix its debt costs just below the benchmark for this metric. A high debt burden has put a strain on the School but if funding increases continue the School should be able to improve on this metric over the next several years.

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Maximum Annual Debt Service	1,031,766	1,031,766	1,031,766	1,031,766	1,031,766
Unrestricted Operating Revenues	2,946,041	3,297,023	3,598,546	3,687,632	4,111,852
Debt Burden Ratio	35.0%	31.3%	28.7%	28.0%	25.1%

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Maximum Annual Debt Service	988,500	988,500	988,500	988,500	988,500
Unrestricted Operating Revenues	4,365,349	4,650,384	4,847,839	4,998,509	5,220,162
Debt Burden Ratio	22.6%	21.3%	20.4%	19.8%	18.9%

6. Operating Margin

Benchmark	Measure at end of FY 2025 (unaudited)
At least 9%	30.3%

The fund balance ratio of 13.6% (FY 24) places the School in the operating margin benchmark range of at least 9%. The School met this benchmark each of the past five years. Margins have needed to be strong in order to meet the large debt obligation the School has for its building. Over time this should moderate and allow the School to put more money back into classrooms.

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	931,638	1,057,649	1,205,318	952,005	1,247,844
Revenues	2,946,041	3,297,023	3,598,546	3,687,632	4,111,852
Operating Margin	31.6%	32.1%	33.5%	25.8%	30.3%

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	1,463,122	1,581,091	1,606,467	1,579,896	1,698,990
Revenues	4,365,349	4,650,384	4,847,839	4,998,509	5,220,162
Operating Margin	33.5%	34.0%	33.1%	31.6%	32.5%

7. Current Ratio

Benchmark	Measure at end of FY 2024
At least 150%	112%

The current ratio is defined as current unrestricted assets divided by current liabilities (including current year debt service).

	'20-'21	'21-'22	'22-'23	'23-'24
Current Assets	520,689	456,569	588,889	456,823
Current Liabilities	695,396	462,546	384,093	408,062
Current Ratio	75%	99%	153%	112%

Bond Documents

Legal bond documents are being reviewed by Orrick, Herrington, & Sutcliffe in its capacity as Issuer's Special Counsel to the Authority, and all requirements are being incorporated. In addition, Gilmore & Bell as Bond Counsel, will confirm that each of the required legal provisions will be present if not already in the bond documents.

Continuing Disclosure

The School has not been subject to a continuing disclosure obligation and will be under a limited obligation for the new financing.

Conclusion

The School has had weak operations in its first five years. Its developer financing will come due later this year and will need to be refinanced. The new structure should keep the School's overall debt service roughly at the level it has been. The financing is a short term financing that will need to be refunded again within the next five years. Enrollment in FY 2025 was sufficient for the School to achieve acceptable financial ratios in most categories thought leverage remains high. Interest only payments in the first two years should allow the School to build cash balances.

Salt Lake City, Utah

July 23, 2025

The governing board of the Utah Charter School Finance Authority met in a special meeting, which meeting was held at the office of the State Treasurer in Salt Lake City, Utah and by teleconference, on Wednesday, July 23, 2025, at the hour of 10:00 a.m., with the following members being present:

Marlo M. Oaks	Chair
Sophia DiCaro	Vice Chair
Scott Jones	Secretary

Also present:

Perri Babalis	Counsel
Aaron Waite	Counsel

Absent:

After the meeting had been duly called to order, the Secretary presented to the governing board a Certificate of Compliance with Open Meeting Law with respect to this July 23, 2025 meeting, a copy of which is attached hereto as <u>Exhibit A</u>.

After the conduct of business not related to the matters contained in this excerpt of minutes, the following resolution was then introduced in writing, was fully discussed, and pursuant to motion duly made by ________________, was adopted by the following vote:

AYE:

NAY:

The resolution was then signed by the Chair and recorded by the Secretary in the official records of the Authority. The resolution is as follows:

RESOLUTION NO. 2025-[__]

A RESOLUTION PROVIDING FOR THE FINANCING AND/OR REFINANCING BY THE UTAH CHARTER SCHOOL FINANCE AUTHORITY (THE "AUTHORITY") OF THE COSTS OF THE ACQUISITION OF CERTAIN EXISTING CHARTER SCHOOL FACILITIES LOCATED IN HERRIMAN, SALT LAKE COUNTY, UTAH IN ORDER THAT ADVANTAGE ARTS ACADEMY (THE "BORROWER") MAY BE PROVIDED WITH FACILITIES TO PROVIDE EDUCATION SERVICES; AUTHORIZING AND PROVIDING FOR THE ISSUANCE BY THE AUTHORITY OF ITS CHARTER SCHOOL REVENUE BONDS (ADVANTAGE ARTS ACADEMY PROJECT) SERIES 2025 IN ONE OR MORE SENIOR OR SUBORDINATE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $19,000,000 WHICH WILL BE PAYABLE BY THE AUTHORITY SOLELY FROM THE REVENUES PLEDGED THEREFOR UNDER THE TRUST INDENTURE; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF A TRUST INDENTURE, A BOND PURCHASE AGREEMENT, A LOAN AGREEMENT AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; SCHEDULING A PUBLIC HEARING; PROVIDING FOR THE PUBLICATION OF A NOTICE OF PUBLIC HEARING AND OF BONDS TO BE ISSUED; PROVIDING FOR A CONTEST PERIOD; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY FOR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, pursuant to Title 53G, Chapter 5, Part 6, Utah Code Annotated 1953, as amended and the Utah Industrial Facilities and Development Act, Title 11, Chapter 17, Utah Code Annotated 1953, as amended (together, the "Act"), the Authority is authorized to issue revenue bonds to finance and/or refinance the acquisition, construction or rehabilitation of buildings, structures, property and equipment owned, or to be acquired by, a charter school for any of its educational purposes; and

WHEREAS, the Act provides that the Authority may issue revenue bonds for the purpose of using substantially all of the proceeds thereof to pay or to reimburse a user for the costs of the acquisition, construction, rehabilitation and equipping of the facilities of a project and that title to or in such facilities may at all times remain in the user, and in such case the bonds of the Authority may be secured by a pledge of one or more notes, debentures, bonds or other secured or unsecured debt obligations of the user; and

WHEREAS, there has been presented to the governing board of the Authority (the "Board") a financing application from the Borrower, asking the Board to issue its charter school revenue bonds to (i) refund certain prior obligations which were used for the purpose of financing the acquisition by the Borrower of charter school facilities and the related site located at 6171 West 11800 South, Herriman, Utah (the "Series 2025

Facilities”), (ii) fund a debt service reserve fund, if any, for the Bonds (as hereinafter defined), and (iii) pay certain issuance expenses (collectively, the “Series 2025 Project”); and

WHEREAS, the Series 2025 Project will be of the character and will accomplish the purposes provided by the Act, and the Authority is willing to issue its charter school revenue bonds to finance and/or refinance the Series 2025 Project upon terms which will be sufficient to pay a portion of the costs of the Series 2025 Project as evidenced by such bonds, all as set forth in the details and provisions of the loan agreement (the “Loan Agreement”) between the Authority and the Borrower in substantially the form presented at this meeting; and

WHEREAS, pursuant to the provisions of the Loan Agreement, the Borrower will promise to pay amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds (as defined below), all in accordance with the requirements of the Act; and

WHEREAS, pursuant to the provisions of the Act, the Authority proposes to enter into (i) the Loan Agreement with the Borrower in connection with the financing and/or refinancing of the Series 2025 Project, and (ii) a trust indenture (the “Indenture”), in substantially the form presented at this meeting, with U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), pursuant to which the Authority will issue in one or more senior or subordinate tax-exempt or taxable series, its Charter School Revenue Bonds (Advantage Arts Academy Project) Series 2025 in the aggregate principal amount not to exceed $19,000,000 (the “Bonds”); and

WHEREAS, the Board deems it necessary and advisable to authorize the issuance and sale of the Bonds, and to authorize the execution and delivery of the Loan Agreement, the Indenture and a bond purchase agreement (the “Bond Purchase Agreement”) among the Authority, the Borrower and Raymond James & Associates, Inc. on behalf of itself and/or any other underwriters named therein (the “Underwriter”), each in substantially the form presented at this meeting, and other related documents required for the sale of the Bonds; and

WHEREAS, the Act provides for the publication of a notice of bonds to be issued and the Authority desires to authorize the publication of such a notice in compliance with the Act and to authorize the publication of a notice of public hearing to be held by, or on behalf of, the Authority with respect to the issuance of the Bonds and the financing and/or refinancing of the Series 2025 Project; and

WHEREAS, the Act and the documents to be signed by the Authority provide that the Bonds shall not constitute nor give rise to a pecuniary liability of the Authority, or constitute a debt, moral obligation, liability or loan of credit or a pledge of the full faith and credit or taxing power of the State of Utah or of any political subdivision thereof, and that the Bonds will be payable from and secured by the revenues arising from the pledge and assignment under the Indenture and the Loan Agreement to the Trustee and other collateral provided by the Borrower, including a mortgage on the Series 2025 Facilities; and

WHEREAS, the Board desires to grant to the Chair, Vice Chair and/or Secretary of the Board the authority to approve the interest rates, principal amounts, terms, maturities, redemption features, and purchase price at which the Bonds shall be sold and any changes with respect thereto from those terms which were before the Board at the time of adoption of this resolution (the "Resolution"); provided such terms do not exceed the parameters set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the governing board of the Utah Charter School Finance Authority as follows:

Section 1. All terms defined in the recitals hereto shall have the same meaning when used herein.

Section 2. The Authority is authorized to issue the Bonds for the purpose of lending the proceeds thereof to the Borrower to finance and/or refinance the costs of the Series 2025 Project, all pursuant to the provisions of the Act. All actions heretofore taken by the Authority directed toward the issuance of the Bonds are hereby ratified, approved and confirmed.

Section 3. The Authority is authorized and directed to issue the Bonds as fully registered bonds, in an aggregate principal amount not to exceed $19,000,000. The Bonds shall mature on or prior to December 31, 2061 and shall bear interest at interest rates not exceeding a weighted average rate of eleven percent (11.00)% per annum and as provided in the Indenture and shall be sold at not less than ninety seven percent (97%) of the principal amount thereof (exclusive of underwriter's discount). The Bonds shall be payable on the dates and shall be subject to redemption prior to maturity, all as set forth in the Indenture. The Chair, Vice Chair and/or Secretary shall approve the form, terms and provisions of the Bonds (including, but not limited to, the final interest rate or rates, price, principal amount, maturity or maturities and redemption features) within the parameters set forth herein, such officer's execution of the Indenture and the Bond Purchase Agreement to constitute conclusive evidence of such approval. The form, terms and provisions of the Bonds, and the provisions for the execution, authentication, payment, registration, transfer, exchange, redemption, and number of the Bonds, shall be as set forth in the Indenture. The Chair, Vice Chair and/or Secretary are hereby authorized and directed to execute the Bonds and to deliver the Bonds to the Trustee for authentication. The signatures of the Chair, Vice Chair and/or Secretary on the Bonds may be by facsimile or manual execution.

Section 4. The Bonds are to be issued in accordance with, and pursuant to, and the Chair, Vice Chair and/or Secretary are authorized and directed to execute and deliver, the Indenture, the Loan Agreement and the Bond Purchase Agreement, in substantially the same forms presented to the Board at the meeting at which this Resolution was adopted. The Indenture provides for the issuance of the Bonds solely for the purpose of financing and/or refinancing the costs of the acquisition, construction and/or equipping of the Series

2025 Facilities, funding a debt service reserve fund for the Bonds, funding a capitalized interest account, if any, and paying expenses incidental thereto. The Bonds shall be special obligations of the Authority payable solely from the trust estate. The Bonds and the interest thereon will not be a general obligation debt of the Authority, the State of Utah or of any political subdivision thereof, and neither the Authority, the State of Utah nor any political subdivision will be liable thereon. The issuance of the Bonds shall not directly, indirectly or contingently, obligate the Authority, the State of Utah or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment.

Section 5. The Series 2025 Facilities will constitute school facilities to be used in the Borrower's nonprofit business consisting of the buildings and equipment and related property and improvements, including any modification thereof, substitutions therefor and amendments thereto.

Section 6. The Indenture and Loan Agreement, in substantially the forms presented to the Board at this meeting, with such changes as are authorized by Section 8 hereof, are hereby approved in all respects, and the Chair, Vice Chair and/or Secretary are hereby authorized to execute each of the same on behalf of the Authority, and to affix the seal, if any, of the Authority thereto, and the acts of the Chair, Vice Chair and/or Secretary in so doing are and shall be the acts and deeds of the Authority. The Chair, Vice Chair and/or Secretary, and all other proper officers and employees of the Authority, are hereby authorized and directed to take all steps on behalf of the Authority to perform and discharge the obligations of the Authority under each of said instruments.

Section 7. The sale of the Bonds to the Underwriter in accordance with the Bond Purchase Agreement is hereby authorized, approved and confirmed. The Chair, Vice Chair and/or Secretary are hereby authorized to execute and deliver the Bond Purchase Agreement all for and on behalf of the Authority.

Section 8. The Chair, Vice Chair and/or Secretary are hereby authorized to make, either prior or subsequent to the execution thereof, any alterations, changes or additions in the Indenture, the Loan Agreement, the Bond Purchase Agreement and the Bonds herein authorized which may be necessary (i) to correct any errors or omissions therein, (ii) to remove ambiguities therefrom, or (iii) to conform the same (A) to the agreement of the Borrower and the Underwriter or any prospective purchaser of the Bonds relating to the terms thereof, (B) to the provisions of this Resolution, (C) to any other resolution adopted by the Authority, or (D) to the provisions of the laws of the State of Utah or the United States, as long as the rights of the Authority are not materially adversely effected thereby, and the execution by the Chair, Vice Chair and/or Secretary of any of the foregoing documents being conclusive proof of the approval of such provisions and the absence of a material adverse effect.

Section 9. It is hereby declared that all parts of this Resolution are severable and that if any section, paragraph, clause or provision of this Resolution shall, for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of any such section, paragraph, clause or provision shall not affect the remaining provisions of this Resolution.

Section 10. The Chair, Vice Chair and/or Secretary of the Authority are hereby authorized to execute all documents and take such action as they may deem necessary or advisable in order to carry out and perform the purpose of this Resolution, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability. All actions heretofore taken by the Authority, its officers and employees, with respect to the issuance and sale of the Bonds are hereby ratified, approved and confirmed.

Section 11. In accordance with the provisions of the Act and in order to comply with Section 147(f) of the Internal Revenue Code of 1986, as amended, the Board or its designee, is hereby authorized to cause a "Notice of Public Hearing and of Bonds to be Issued" (a) to publish one time in a newspaper qualified to carry legal notices and having general circulation within Salt Lake County, Utah and (b) to be posted as a Class A notice under Section 63G-30-102 (i) on the Utah Public Notice Website created under Section 63A-16-601, Utah Code Annotated 1953, as amended, (ii) on the Authority's official website, and (iii) in a public location within the Authority that is reasonably likely to be seen by residents of the Authority, at least seven (7) days prior to the hearing date set forth in said notice, and the Board or its designee will be present on such date to receive public comment on the proposed issuance of Bonds. The Authority shall also cause a copy of this Resolution, the Indenture and the Loan Agreement relating to the Bonds to be kept on file in the Authority's principal offices for public examination during the regular business hours of the Authority until at least thirty (30) days from and after the date of publication thereof. The "Notice of Public Hearing and of Bonds to be Issued" shall be in substantially the following form:

NOTICE OF PUBLIC HEARING AND OF BONDS TO BE ISSUED

NOTICE IS HEREBY GIVEN that on July 23, 2025 the Utah Charter School Finance Authority (the "Authority") adopted a resolution (the "Resolution") declaring its intent to issue charter school revenue bonds in an amount not to exceed $19,000,000 (the "Bonds") and to mature on or prior to December 31, 2061, pursuant to Title 53G, Chapter 5, Part 6, Utah Code Annotated 1953, as amended and the Utah Industrial Facilities and Development Act, Title 11, Chapter 17, Utah Code Annotated 1953, as amended (collectively, the "Act"). The Authority or its designee shall hold a public hearing on Wednesday, August 13, 2025, at the hour of 11:00 a.m. to receive input from the public with respect to the issuance of the Bonds and the financing and/or refinancing of the Facilities (as defined below), which public hearing shall be held at the offices of the Authority, Utah State Treasurer, C180 State Capitol Complex (Room 180 in the State Capitol), Salt Lake City, Utah. Public access to the public hearing shall be both in person and by remote access. Members of the public may join the teleconference by dialing the following toll free number and entering the following passcode: (877) 230-5394 (Passcode: 2582727#).

The Authority proposes to loan the proceeds of the Bonds to Advantage Arts Academy, a Utah nonprofit corporation (the "Borrower") pursuant to the terms of a loan agreement (the "Loan Agreement") for the purpose of (i) refunding certain prior obligations used for the purpose of financing the acquisition by the Borrower of charter school facilities and the related site located at 6171 West 11800 South, Herriman, Utah (the "Facilities"), (ii) funding a debt service reserve fund for the Bonds, and (iii) paying certain issuance expenses (collectively, the "Series 2025 Project").

The Bonds shall be special obligations of the Authority payable solely from amounts provided by the Borrower, including monies and securities held from time to time under a trust indenture (the "Indenture"). The Bonds and the interest thereon will not be a general obligation debt of the Authority, the State of Utah or any political subdivision thereof, and neither the Authority, the State of Utah nor any political subdivision thereof will be liable thereon. The issuance of the Bonds shall not directly, indirectly or contingently, obligate the Authority, the State of Utah or any agency, instrumentality or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment.

The Bonds shall be issued pursuant to the Resolution and the Indenture; provided that the principal amount, interest rate or rates, maturity and discount, if any, will not exceed the respective maximums described in the Resolution. Copies of the Resolution, the Indenture and the Loan Agreement are on file in the offices of the Authority, Utah State Treasurer, C180 State Capitol Complex (Room 180 in the State Capitol), Salt Lake City, Utah, where they may be examined Monday through Friday (except on legal holidays) from 8:00 a.m. to 5:00 p.m. for a period of at least thirty (30) days from and after the date of publication of this notice.

All members of the public are invited to attend and participate in the public hearing as described above. Written comments may be submitted to the Authority, Utah State

Treasurer, C180 State Capitol Complex (Room 180 in the State Capitol), P.O. Box 142315, Salt Lake City, Utah 84114-2315; attention Chief Deputy State Treasurer. Written comments should be mailed in sufficient time to be received before the August 13, 2025, public hearing. Additional information can be obtained from the Authority at its office shown above or by calling (801) 538-1042. Subsequent to the public hearing, the Governor of the State of Utah will consider approving the issuance of the Bonds.

NOTICE IS FURTHER GIVEN that a period of thirty (30) days after the date of publication of this notice is provided by law during which any person in interest shall have the right to contest the legality of the Resolution, the Indenture, the Loan Agreement or the Bonds, or any provision made for the security and payment of the Bonds, and that after such time, no one shall have any cause of action to contest the regularity, formality or legality thereof for any cause whatsoever.

DATED the ___ day of August, 2025.

By: /s/ Scott Jones, Secretary

Section 13. All resolutions, orders and regulations or parts thereof heretofore adopted or passed which are in conflict herewith are, to the extent of such conflict, hereby repealed. This repealer shall not be construed so as to revive any resolution, order, regulation or part thereof heretofore repealed.

Section 14. After any of the Bonds are issued, this Resolution shall be and remain irrepealable until the Bonds and the interest thereon shall have been fully paid, cancelled and discharged.

Section 15. This Resolution shall take effect immediately upon its approval and adoption.

PASSED AND APPROVED BY THE UTAH CHARTER SCHOOL FINANCE AUTHORITY THIS 23rd DAY OF JULY, 2025.

Chair

ATTEST:

Secretary

(Here follows business not pertinent to the above.)

Pursuant to motion duly made, the Board adjourned.

____

Chair

ATTEST:

____

Secretary

I, Scott Jones, the duly appointed and qualified Secretary of the Utah Charter School Finance Authority (the "Authority"), do hereby certify according to the records of the Board of the Authority in my official possession, that the foregoing constitutes a true and correct excerpt of the minutes of the meeting of such Board held on July 23, 2025, including a resolution adopted at such meeting, as such minutes and resolution are officially of record in my possession.

I further certify that the Resolution, with all exhibits attached, was deposited in the office of the Authority on July 23, 2025, and that pursuant to the Resolution, a "Notice of Public Hearing and of Bonds to be Issued" will be posted as a Class A notice under Section 63G-30-102: (a) on the Utah Public Notice Website created under Section 63A-16-601, Utah Code Annotated 1953, as amended, (b) on the Authority's official website, and (c) in a public location within the Authority that is reasonably likely to be seen by residents of the Authority.

IN WITNESS WHEREOF, I have hereunto subscribed my signature this 23rd day of July, 2025.

____

Secretary

EXHIBIT A

CERTIFICATE OF COMPLIANCE WITH OPEN MEETING LAW

I, Scott Jones, the undersigned Secretary of the Utah Charter School Finance Authority (the "Authority"), do hereby certify, according to the records of the Authority in my official possession, and upon my own knowledge and belief, that in accordance with the requirements of Section 52-4-202, Utah Code Annotated, 1953, as amended, the Authority gave not less than twenty-four (24) hours public notice of the agenda, date, time and place of the July 23, 2025 public meeting held by the governing board of the Authority as follows:

(a) By causing a notice, in the form attached hereto as Attachment 1, to be posted at the principal offices of the Authority on [______] __, 2025, at least twenty-four (24) hours prior to the convening of the meeting, said notice having continuously remained so posted and available for public inspection until the completion of the meeting;

(b) By causing a copy of such Notice, in the form attached hereto as Attachment 1, to be posted to the Utah Public Notice Website (http://pmn.utah.gov) at least twenty-four (24) hours prior to the convening of the meeting; and

(c) By causing a copy of such Notice, in the form attached hereto as Attachment 1, to be posted on the Authority's official website at least twenty-four (24) hours prior to the convening of the meeting.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature this July 23, 2025.

____

Secretary

<u>ATTACHMENT 1</u>

MEETING NOTICE

MEMORANDUM

DATE: Wednesday, July 23, 2025

TO: Marlo Oaks, State Treasurer and Utah Charter School Finance Authority Board

FROM: Japheth McGee, Vice President of Zions Public Finance and Johnathan Ward, Senior Vice President

RE: Salt Lake Academy High School Academy Application to the Utah Charter School Finance Authority

Conflicts of Interest

In general, Zions Bancorporation, National Association is made up of many departments and provides various services. Some of those services and departments can be involved on the same transaction. Zions Public Finance Inc. and Zions Corporate Trust are affiliated entities operating under Zions Bancorporation and we all benefit from a strong stock price derived from strong performance by the company and its component members and affiliates across the country. Zions Public Finance does not receive financial or other benefits in association with transactions performed by Zions Corporate Trust who may act as Trustee on charter school transactions. Likewise, Zions Public Finance operates separately from commercial loan divisions of the Bancorporation who may have provided private financing to developers or charter schools to construct the school initially. Zions Public Finance is not aware of the circumstances where this occurs unless told when a charter school applies. Zions Public Finance does not receive financial or other benefits that could result from actions taken by the Charter School Finance Authority outside of the agreed upon fees for services rendered to the Authority.

Zions' entities engaged with the School:

Zions Public Finance:	**Yes. (Advisor to the Authority)**
Zions Corporate Trust:	**No**
Zions Commercial Involvement:	**Yes**

Executive Summary

Borrower:	Real Salt Lake Academy High School (dba Salt Lake Academy)
Management Company:	Business Manager: Red Apple Financial Services
Municipal Advisor:	RoundTable Funding: Clint Biesinger
Borrower's Counsel:	Farnsworth Johnson: Brandon Johnson
Underwriter:	Carty, Harding, & Hearn: Edmond Hurst
Bond Counsel:	Chapman and Cutler: Eric Hunter
Issuer's Counsel:	Gilmore and Bell: Jacob Carlton
Trustee:	US Bank: Laurel Bailey

Par Amount:	$34,495,000 in taxable and tax-exempt bonds.
Enhancement Requested:	No
Purpose:	Refinance existing loans for two campus facilities (the Salt Lake Academy loan was financed through Zions Bank), fund a debt service reserve, and pay costs of issuance.
Structure:	Bonds will be repaid over a 30-yr term with a roughly level amortization of principal and interest payments from 2028-2054 before a balloon payment in 2055. The bonds will carry a 5-yr par call.
Term:	Final maturity in 2055.
Rating:	Non-rated
Costs of Issuance Estimate:	$438,500
Underwriter Fee Estimate:	$16.50/bond (estimated $578,572.50)
Litigation:	None of which we are aware.
Summary:	Salt Lake Academy High School will be bringing on significant leverage from Athlos Academy while it is in the midst of righting its own ship. This will create challenges for the School. The School has an executive director who has a strong track record with another high performing charter school in Utah. Current enrollment expectations are at the level the School projects will be required to meet coverage obligations going forward but the School's history of projections is poor.

Purpose

The purpose of this memo is to document the adherence of Salt Lake Academy (the "School") to the application requirements of the Utah Charter School Finance Authority (the "Authority") conduit issuance program and provide credit analysis of the School for review. The analysis contained herein is based on the School's application to the Authority and inquiry for clarification of the Municipal Advisor to the Authority.

Introduction

The School is a non-profit, 501c3 designated, public K-12 charter school with two campuses located in Herriman. Salt Lake Academy High School has historically operated in grades 9-12 only. In March of this year, the School received approval from the State Charter School Board to begin operating in grades K-8. This was designed to accommodate the takeover of Athlos Academy charter in Herriman, with whom the School had a prior enrollment partnership. Athlos has been in distress for a number of years. The Authority received an application in 2020 from Athlos Academy that was denied by the Board. The application was denied largely because Athlos Academy failed to disclosure important information in its application and communications to investors related to its status with its charter authorizer. Additional concerns existed around the relationship between Athlos Academy of Utah and Athlos Academies charter management organization based in Idaho.

The School lists the following mission.

MISSION

We believe in the power of academies and athletics to maximize the potential of each individual. We are ere to develop students who are lifelong learners, responsible global citizens, and champions of their own success.

Enrollment/Student Demand

October 2024 enrollment between the two campuses was 855 students. The School is expecting enrollment growth over the next five years of 17%. Average daily membership was above 99% and reenrollment rates were near statewide averages. Neither school has had a waitlist.

The School has received applications from 357 students who previously enrolled at Athlos and another 222 students who were not previously enrolled. It anticipates enrollment of between 450 and 500 students in K-8. Salt Lake Academy High School has received 530 students in grades 9-12 and expects to enroll around 450 students.

	ADM
2024	96%
2023	98%
2022	98%

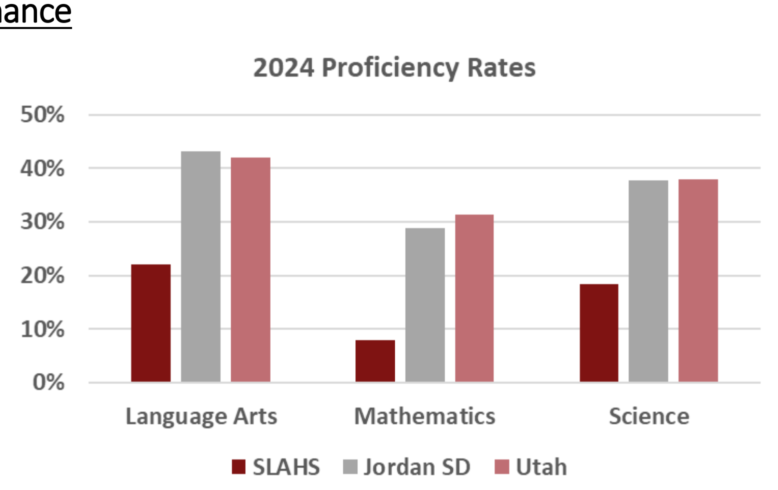
	Re-enrollment Rates		
	'21-'22	'22-'23	'23-'24
SLAHS	83%	84%	82%
Utah	82%	83%	83%

Salt Lake Academy High School LEA Enrollment*

	Historic					Projected				
Grade	'20-'21	'21-'22	22-'23**	23-'24**	'24-'25	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
K	103	74	80	94	63	65	65	65	65	65
1	78	70	65	70	69	63	65	65	65	65
2	92	66	61	57	75	69	63	65	65	65
3	69	59	58	67	55	75	75	63	65	65
4	87	57	55	57	61	56	75	75	63	65
5	68	55	41	54	52	61	56	75	75	63
6	61	52	53	42	42	52	61	56	75	75
7	34	20	23	33	18	35	52	61	56	75
8	19	19	14	14	23	18	35	52	61	56
9	123	113	100	114	112	114	115	115	115	115
10	111	126	111	115	111	112	115	115	115	115
11	93	98	91	96	94	95	95	95	95	95
12	79	74	74	85	80	83	90	90	90	90
Totals	1,017	883	826	898	855	898	962	992	1,005	1,009

*Gray highlighted figures are for Athlos Academy
**9th grade figures do not include Athlos Academy students

Academic Performance



Management

1. The School currently has a five-member board. The board members have backgrounds in: software development, education, and professional athletics.
2. The School employs Sam Gibbs as Executive Director. Mr. Gibbs has a Bachelor of Science in Social Studies Education and a Master of Education from the University of Cincinnatti. Mr. Gibbs previously served as the Director at Vista School in Ivins for 7 years.
3. The School employs Red Apple Financial for business services.
4. The School has adopted fiscal policies that govern cash handling, debt, budgeting, and procurement. The School does not have a formal policy governing investments, fundraising, and donations for which we could find record.

Plan of Finance

The School intends to sell $34,495,000 of non-rated bonds via negotiated sale with Carty, Harding, & Hearn acting as the underwriter. The School is NOT seeking credit enhancement through the Utah Charter School Credit Enhancement Program. The bonds will be tax-exempt bonds for the purpose of refunding the School's existing note (a bank note provided by Zions Bank an affiliate of Zions Public Finance, Inc.), taking the Athlos Academy facility loan out, funding a debt service reserve fund, and paying costs of issuance. The bonds will carry a fixed rate of interest. The School will repay bonds over a 30-year period with debt service payments in 2028-2054 being roughly level, around $2.4 million a year. Debt service will balloon in 2055 to $19.34 million. At that time the assumption is that the School will refinance and amortize the remaining debt service. An amortization of debt service based off a 6% interest rate and targeting the $2.4 million annual debt service range would result in a ten-year financing maturing in 2065 for a total 40-year financing between the two issues. The bonds are secured by an assignment and secured interest in the revenues of the School and trust accounts and a security interest and pledge of the deed of trust in the land and buildings located at:

- 14787 S Building B Academy Parkway, Herriman, Utah 84096
- 12309 Mustang Trail Way, Herriman, Utah 84096

An appraisal was performed on each campus by Rigby and Company. The old Athlos Academy building on Mustang Trail Way appraised at $23,000,000. The existing Salt Lake Academy campus on Academy Parkway appraised for $17,900,000. This brings a total value of $40,900,000 compared to expected bonds of $34,495,000.

Ratings

No rating is anticipated.

Financial Performance

Summary:
The financial summaries below show Salt Lake Academy High School's historic solo operations, a combined statement of the Salt Lake Academy High School and Athlos Academy financials on a historic basis, and projections from the new combined LEA going forward provided by the School and its advisor. While the School has had some poor financial years, notably deficits in FY 21 through FY 23. Its most recent solo operations have been improving with 1.43x coverage on debt service in FY 2024 (audited) and 1.15x coverage on debt service in FY 2025 (unaudited).

1. The School has had troubles budgeting in several years in the lookback period. FY 2023 saw expenditures come in 22% higher than budgeted amounts but since then, projections have become more reliable. Information on historical practices at Athlos are unknown since the old charter management company exited the school and the State. FY 2025 expenses came in higher in part due to a $50,000 unexpected charge from Real Salt Lake for use of fields.

	Actual Variation from Budget				
	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Revenue	13.7%	12.8%	-1.3%	11.2%	4.8%
Expenditures	28.4%	14.0%	22.1%	3.8%	8.7%

2. Cash Position

Benchmark	Measure at end of FY 2025 (unaudited)
At least 30 days	48

The School's days cash on hand has experienced the same ups and downs as the general operations of the School in the past five years. Cash on hand at the end of FY 24 reached its highest point (66 DCOH). That level is in Moody's Ba2 rating range and considered vulnerable under the S&P Ratings criteria. Salt Lake Academy dropped into S&P's "Highly Vulnerable" rating category (S&P's lowest category) in FY 2023. The School has expended some cash as part of taking on the Athlos building and rebranding the School. Those funds are expected to be reimbursed out of bond proceeds increasing the School's cash balance.

Salt Lake Academy

Days Cash on Hand				
'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
56	42	26	66	48

Athlos Academy

Days Cash on Hand			
'20-'21	'21-'22	'22-'23	'23-'24
72	79	38	66

Combined Schools

Days Cash on Hand			
'20-'21	'21-'22	'22-'23	'23-'24
66	63	32	66

3. Fund Balance

Benchmark	Measure at end of FY 2024
At least 15% of following year expenses	4%

Both schools have had a negative fund balance in recent years with Salt Lake Academy pulling back into the black in FY 2024 but with Athlos Academy remaining at a negative fund balance.

Salt Lake Academy

	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	236,977	189,391	(60,461)	176,466
Following Year Operating Expenses	3,683,859	4,049,448	4,075,776	4,543,926
Fund Balance % of Future Expenses	6%	5%	-1%	4%

Athlos Academy

	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	581,275	(249,407)	(997,383)	(812,358)
Following Year Operating Expenses	4,655,669	4,310,285	4,324,164	-
Fund Balance % of Future Expenses	12%	-6%	-23%	0%

Combined Historical

	'20-'21	'21-'22	'22-'23	'23-'24
Fund Balance	818,252	(60,016)	(1,057,844)	(635,892)
Following Year Operating Expenses	8,339,528	8,359,733	8,399,940	4,543,926
Fund Balance % of Future Expenses	10%	-1%	-13%	-14%

Combined Pro-Forma

	'25-'26	'26-'27	'27-'28	'28-'29
Fund Balance	775,250	1,400,224	2,204,020	3,232,068
Following Year Operating Expenses	11,180,187	11,686,654	11,942,924	12,271,363
Fund Balance % of Future Expenses	7%	12%	18%	26%

4. Debt Coverage Ratio

Benchmark	Measure at end of FY 2025 (unaudited)
At least 115%	115%

In FY 2024, the combined schools had debt coverage of 108%. This was the only year over the past five that the combined operations of the two schools met 100% of coverage. Going forward the School relies on increased enrollment (roughly 900 students) to meet debt service coverage.

Salt Lake Academy

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	436,524	510,208	295,632	791,228	635,747
Annual Debt Service	460,100	554,343	552,673	554,301	552,119
Debt Coverage Ratio	95%	92%	53%	143%	115%

Athlos Academy

	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,474,201	963,532	991,919	1,569,340
Annual Debt Service	1,577,174	1,367,955	1,600,473	1,630,963
Debt Coverage Ratio	93%	70%	62%	96%

Combined Historical

	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,910,725	1,473,740	1,287,551	2,360,568
Annual Debt Service	2,037,274	1,922,298	2,153,146	2,185,264
Debt Coverage Ratio	87%	67%	59%	108%

Combined Pro-Forma

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	2,775,802	3,268,299	3,506,728	3,805,731	3,932,433
Annual Debt Service	1,742,136	2,435,000	2,435,000	2,435,000	2,435,000
Debt Coverage Ratio	159%	134%	144%	156%	161%

5. Debt Burden Ratio

Benchmark	Measure at end of FY 2025 (Unaudited)
Less than 25%	10.9%

The School's fund balance ratio of 18% as of FY 2024 puts the School in the debt burden range of less than 25%. Athlos Academy has been operating with a debt burden significantly above the benchmark while Salt Lake Academy's debt burden has been below the benchmark. The combined school will meet this metric though debt burden will remain on the higher end. This will continue to put pressure on the School especially if it fails to increase enrolment.

Salt Lake Academy

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Maximum Annual Debt Service	554,343	554,343	554,343	554,343	554,343
Unrestricted Operating Revenues	3,639,726	4,194,067	4,345,080	4,867,004	5,108,651
Debt Burden Ratio	15.2%	13.2%	12.8%	11.4%	10.9%

Athlos Academy

	'20-'21	'21-'22	'22-'23	'23-'24
Maximum Annual Debt Service	1,630,963	1,630,963	1,630,963	1,630,963
Unrestricted Operating Revenues	6,447,343	5,619,201	5,302,204	5,893,504
Debt Burden Ratio	25.3%	29.0%	30.8%	27.7%

Combined Historical

	'20-'21	'21-'22	'22-'23	'23-'24
Maximum Annual Debt Service	2,185,306	2,185,306	2,185,306	2,185,306
Unrestricted Operating Revenues	10,087,069	9,813,268	9,647,284	10,760,508
Debt Burden Ratio	21.7%	22.3%	22.7%	20.3%

Combined Pro-Forma

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Maximum Annual Debt Service	2,435,000	2,435,000	2,435,000	2,435,000	2,435,000
Unrestricted Operating Revenues	11,076,538	12,125,639	12,870,535	13,425,808	13,880,949
Debt Burden Ratio	22.0%	20.1%	18.9%	18.1%	17.5%

6. Operating Margin

Benchmark	Measure at end of FY 2025 (Unaudited)
At least 7%	12.4%

The operating margin benchmark is a function of the level of the School's fund balance ratio or days cash on hand. The fund balance ratio of 18% places the School in the operating margin benchmark range of at least 7%. Athlos Academy has had a strong operating margin over the past several years but that should be taken with a grain of salt. Schools with higher debt burden require higher operating margins simply to break even. Athlos' operating margin would have needed to be 32% in order to achieve the benchmark debt coverage ratio. This does mean that combining operations may give Salt Lake Academy room to achieve slightly lower margins and meet debt service coverage.

Salt Lake Academy

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Net Income Available for Debt Service	436,524	510,208	295,632	791,228	635,747
Revenues	3,639,726	4,194,067	4,345,080	4,867,004	5,108,651
Operating Margin	12.0%	12.2%	6.8%	16.3%	12.4%

Athlos Academy

	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,474,201	963,532	991,919	1,569,340
Revenues	6,447,343	5,619,201	5,302,204	5,893,504
Operating Margin	22.9%	17.1%	18.7%	26.6%

Combined Historical

	'20-'21	'21-'22	'22-'23	'23-'24
Net Income Available for Debt Service	1,910,725	1,473,740	1,287,551	2,360,568
Revenues	10,087,069	9,813,268	9,647,284	10,760,508
Operating Margin	18.9%	15.0%	13.3%	21.9%

Combined Pro-Forma

	'25-'26	'26-'27	'27-'28	'28-'29	'29-'30
Net Income Available for Debt Service	2,775,802	3,268,299	3,506,728	3,805,731	3,932,433
Revenues	11,076,538	12,125,639	12,870,535	13,425,808	13,880,949
Operating Margin	25.1%	27.0%	27.2%	28.3%	28.3%

7. Current Ratio

Benchmark	Measure at end of FY 2025 (unaudited)
At least 150%	128%

The current ratio is defined as current unrestricted assets divided by current liabilities (including current year debt service). The schools have both had current ratios that are underwater, greater current liabilities than current assets for most of the past four years.

Salt Lake Academy

	'20-'21	'21-'22	'22-'23	'23-'24	'24-'25
Current Assets	559,727	662,808	430,291	859,791	880,377
Current Liabilities	601,561	755,051	786,254	987,946	686,635
Current Ratio	93%	88%	55%	87%	128%

Athlos Academy

	'20-'21	'21-'22	'22-'23	'23-'24
Current Assets	1,344,343	1,054,899	659,244	909,330
Current Liabilities	412,841	747,720	969,580	1,207,969
Current Ratio	326%	141%	68%	75%

Combined Schools

	'20-'21	'21-'22	'22-'23	'23-'24
Current Assets	1,904,070	1,717,707	1,089,535	1,769,121
Current Liabilities	1,014,402	1,502,771	1,755,834	2,195,915
Current Ratio	188%	114%	62%	81%

Bond Documents

Legal bond documents are being reviewed by Gilmore & Bell in its capacity as Issuer's Special Counsel to the Authority, and all requirements are being incorporated. In addition, Chapman & Cutler as Bond Counsel, will confirm that each of the required legal provisions will be present if not already in the bond documents.

Continuing Disclosure

The School has not been subject to a continuing disclosure obligation.

Conclusion

The School's operations have improved in the past two years after several tough years of operations. The School has baggage related to taking over the charter for Athlos Academy. Both schools have improved operations since the larger Athlos charter manager left Athlos Academy of Utah and Sam Briggs took over. Forward looking projections seem reasonable and should allow the School to meet its obligations going forward.

Salt Lake City, Utah

July 23, 2025

The governing board of the Utah Charter School Finance Authority met in a special meeting, which was held at the office of the State Treasurer in Salt Lake City, Utah and by teleconference on July 23, 2025, at 10:00 a.m., with the following members being present:

Marlo M. Oaks	Chair
Sophia DiCaro	Vice Chair
Scott Jones	Secretary

Also present:

Kirt Slaugh	Chief Deputy State Treasurer
Perri Babalis	Attorney General's Office

There was presented to the Board an affidavit evidencing the giving of not less than 24 hours' public notice of the agenda, date, time and place of the July 23, 2025, meeting of the Board in compliance with the requirements of Section 52-4-202(1), Utah Code Annotated 1953, as amended, by (1) posting written notice of the meeting at the principal office of the Authority at the offices of the State Treasurer, C180 State Capitol Complex (Room 180 in the State Capitol), Salt Lake City, Utah, (2) posting written notice of the meeting at the Utah Public Notice Website, and (3) posting written notice of the meeting at the Authority's official website. The affidavit is as follows:

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

I, the undersigned, the duly qualified and acting Chair of the Utah Charter School Finance Authority (the *"Authority"*), do hereby certify, according to the records of the Authority, and upon my own knowledge and belief, that in accordance with the requirements of Section 52-4-202(1), Utah Code Annotated 1953, as amended, I gave or caused to be given not less than 24 hours' public notice of the agenda, date, time and place of the July 23, 2025, public meeting held by the governing board of the Authority (the *"Board"*) by:

(a) causing a Notice of Public Meeting in the form attached hereto as *Exhibit A* to be posted at the principal office of the Authority at the offices of the State Treasurer, C180 State Capitol Complex (Room 180 in the State Capitol), Salt Lake City, Utah, on _______, 2025, at least 24 hours before the convening of the meeting, said Notice of Public Meeting having continuously remained so posted and available for public inspection during the regular office hours of the Authority until the convening of the meeting;

(b) causing a Notice of Public Meeting to be posted on ______, 2025, at the Utah Public Notice Website at least 24 hours before the convening of the meeting; and

(c) causing a Notice of Public Meeting to be posted on ________, 2025, at the Authority's official website at least 24 hours before the convening of the meeting.

The Board has adopted written procedures governing the holding of electronic meetings in accordance with Section 52-4-207 Utah Code Annotated 1953, as amended (a copy of which is attached hereto as *Exhibit B*). In accordance with Section 52-4-207 and the aforementioned procedures, notice was given to each member of the Board and to members of the public at least 24 hours before the meeting to allow members of the Board and the public to participate in the meeting, including a description of how they could be connected to the meeting.

IN WITNESS WHEREOF, I have hereunto subscribed my signature hereon this July 23, 2025.

By ____

Chair

EXHIBIT A

[ATTACH NOTICE OF PUBLIC MEETING]

EXHIBIT B

[ELECTRONIC MEETING POLICY]

As required by Section 52-4-203, Utah Code Annotated 1953, as amended, written minutes and a recording of this meeting are being kept.

Thereupon, after the conduct of other business, the following resolution was introduced in written form and, pursuant to motion duly made and seconded, was adopted by the following vote:

AYE:

NAY:

The resolution was then signed by the Chair and recorded by the Secretary in the official records of the Authority. The resolution is as follows:

RESOLUTION DECLARING THE INTENT OF THE UTAH CHARTER SCHOOL FINANCE AUTHORITY TO ISSUE UP TO $40,000,000 OF ITS CHARTER SCHOOL REVENUE BONDS (SALT LAKE ACADEMY), IN ONE OR MORE SERIES; FIXING THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF THE BONDS, THE MAXIMUM NUMBER OF YEARS OVER WHICH THE BONDS MAY MATURE, THE MAXIMUM INTEREST RATE WHICH THE BONDS MAY BEAR, AND THE MAXIMUM DISCOUNT FROM PAR AT WHICH THE BONDS MAY BE SOLD; SCHEDULING A PUBLIC HEARING; PROVIDING FOR THE PUBLICATION OF A NOTICE OF PUBLIC HEARING AND A NOTICE OF BONDS TO BE ISSUED; PROVIDING FOR THE RUNNING OF A CONTEST PERIOD; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND PROVIDING FOR RELATED MATTERS.

WHEREAS, pursuant to Title 53G, Chapter 5, Part 6, Utah Code Annotated 1953, as amended, and the Utah Industrial Facilities and Development Act, Title 11, Chapter 17, Utah Code Annotated 1953, as amended (collectively, the *"Act"*), the Utah Charter School Finance Authority (the *"Authority"*) is authorized to issue revenue bonds to finance or refinance the acquisition, construction or rehabilitation of buildings, structures, property and equipment owned, or to be acquired by, a charter school for any of its educational purposes; and

WHEREAS, there has been presented to the governing board of the Authority (the *"Board"*), at or prior to this meeting, a financing application from Real Salt Lake Academy High School dba Salt Lake Academy High School, a Utah nonprofit corporation (the *"Borrower"*), asking the Authority to issue, in one or more series, its charter school revenue bonds (the *"Bonds"*) for the purpose of (i) refunding certain outstanding obligations of the Borrower (the *"Salt Lake Academy Refunded Obligations"*), which financed the costs of acquiring the Borrower's existing charter school facilities at its high school campus located at 14787 S. Academy Parkway, Building B in Herriman, Utah (the *"High School Campus"*), (ii) in connection with the Borrower's acquisition of Athlos Academy of Utah (*"Athlos Academy"*), refunding certain outstanding obligations of Athlos Academy (the *"Athlos Academy Refunded Obligations"*), which were incurred by Athlos Academy to finance the costs of acquiring existing charter school facilities at its k-8 campus located at 12309 W. Mustang Trail Way in Herriman, Utah (the *"West Herriman Campus"*), (iii) financing the acquisition and construction of improvements to the High School Campus and the West Herriman Campus (the *"2025 Project"*), (iii) funding a debt service reserve, and (iv) paying costs of issuance of the Series 2025 Bonds; and

WHEREAS, the forms of an Indenture of Trust, attached hereto as *Exhibit A* (the *"Indenture"*), and a Loan Agreement, attached hereto as *Exhibit B* (the *"Loan Agreement"*), relating to the Bonds, have been prepared and presented to the Board in connection with the adoption of this resolution (the *"Resolution"*); and

WHEREAS, the Authority desires to schedule a public hearing with respect to the issuance of the Bonds and authorize the publication of notice of such public hearing, and the Authority also desires to publish a Notice of Bonds to Be Issued pursuant to Section 11-17-16 of the Act;

WHEREAS, the Board deems it necessary and advisable to approve the use of a Limited Offering Memorandum (the *"Limited Offering Memorandum"*) relating to the Bonds, in substantially the form attached hereto as *Exhibit C;* and

WHEREAS, the Board desires to delegate to any of the Chair, Vice Chair, and Secretary, the authority to approve, within the parameters set forth in this Resolution, the final interest rate or rates, purchase price, principal amount, maturity or maturities, redemption features, and other terms of the Bonds for and on behalf of the Authority (with the consent of the Borrower), as provided herein; and

WHEREAS, other than certain "preliminary expenditures" (within the meaning of U.S. Treas. Reg. §1.150-2(f)(2)), all or a portion of the expenditures relating to the Facilities (the *"Expenditures"*) (i) have been paid and incurred within the 60 days prior to the passage of this Resolution or (ii) will be paid and incurred on or after the passage of this Resolution;

NOW, THEREFORE, it is hereby resolved by the Board, as follows:

Section 1. (a) In furtherance of the purposes of the Act, the Board hereby expresses its intent to issue, and authorizes the issuance, in one or more tax-exempt and/or taxable series, of up to $40,000,000 aggregate principal amount of the Authority's Charter School Revenue Bonds (Salt Lake Academy) (collectively, the *"Bonds"*), to bear interest at a rate or rates of not to exceed 9.00% per annum, to mature in not more than 40 years, and to be sold to the Underwriter (defined below) at a discount of not more than 5% of the principal amount thereof. The proceeds of the Bonds shall be loaned to the Borrower for the purposes described above. The Authority hereby declares its intention to issue the Bonds pursuant to the terms of the Indenture and to loan the proceeds of the Bonds to the Borrower pursuant to the terms of the Loan Agreement.

(b) There is hereby delegated to any of the Chair, Vice Chair, and Secretary, subject to the limitations contained in this Section and in paragraph (a) above, the power and authority to determine and effectuate the following with respect to the Bonds:

(i) the aggregate principal amount of the Bonds to be executed and delivered;

(ii) the number of series of Bonds to be issued and whether the interest on each such series shall be federally taxable or tax-exempt;

(iii) the maturity date or dates and principal amount of each maturity of the Bonds to be issued;

(iv) the interest rate or rates of the Bonds;

(v) the sale of the Bonds to the Underwriter (hereinafter defined) pursuant to the Bond Purchase Agreement (hereinafter defined) and the purchase price to be paid by the Underwriter for the Bonds;

(vi) the Bonds to be retired from mandatory sinking fund redemption payments and the dates and the amounts of such payments;

(vii) the optional redemption date or dates of the Bonds;

(viii) any other provisions deemed advisable by the Chair, Vice Chair, or Secretary not materially in conflict with the provisions of this Resolution.

Immediately following the pricing of the Bonds, any of the Chair, Vice Chair, and Secretary shall obtain such information as he or she deems necessary to make such determinations as provided above and consult with the Authority's financial advisor and the Borrower or the Borrower's financial advisor, and thereupon, the Chair, Vice Chair, or Secretary shall make such determinations as provided above and shall execute the Bond Purchase Agreement or other showing as determined appropriate by such officer containing such terms and provisions of the Bonds, which execution shall be conclusive evidence of the action or determination of the officer as to the matters stated therein. The provisions so approved shall be deemed to be incorporated in this Resolution.

(c) The Bonds are to be issued in accordance with and pursuant to, and any of the Chair, Vice Chair, or Secretary are authorized and directed to execute and deliver, the Indenture and the Loan Agreement, in substantially the same forms presented to the Board at the meeting at which this Resolution was adopted, with such changes as shall be approved by the officer executing the same, his or her execution thereof to constitute such approval, and take all such action as shall be necessary to carry out the terms and provisions thereof.

The Bonds shall not constitute nor give rise to a general obligation or liability of the Authority or the State of Utah or a charge against the general credit of the Authority or the general credit or taxing power of the State of Utah. Recourse on the Bonds executed and delivered by authorized officers of the Authority pursuant to the Indenture may be had only against the security for the Bonds as provided therein and in the Indenture. The form, terms and provisions of the Bonds and the provisions for the execution, authentication, payment, registration, transfer, exchange, redemption, and number shall be as set forth in the Indenture. The Chair, Vice Chair, and Secretary are hereby authorized and directed to execute the Bonds and to deliver the Bonds to Trustee for authentication.

Section 2. The Authority hereby consents to the use and distribution by Carty, Harding & Hearn (or such other underwriter or purchaser as may be selected by the Authority), as underwriter for the Bonds (the *"Underwriter"*), of the Limited Offering Memorandum, in substantially the form attached hereto as *Exhibit C,* with such changes as are necessary or appropriate, in connection with the offering of the Bonds.

Section 3. The sale of the Bonds to the Underwriter in accordance with a bond purchase agreement (the *"Bond Purchase Agreement"*), the form of which shall be determined by any of the Chair, Vice Chair, and Secretary and which shall not be in conflict with the provisions of this Resolution, is hereby authorized, approved and confirmed. The Chair, Vice Chair and Secretary are hereby authorized to execute and deliver the Bond Purchase Agreement for and on behalf of the Authority.

Section 4. The Authority hereby expresses its intent to reimburse certain qualified Expenditures incurred by the Borrower with respect to the acquisition and/or construction of the the Facilities with proceeds of the Bonds issued and sold pursuant to the provisions of the Act in a principal amount presently estimated not to exceed the amount set forth in Section 1 above.

Section 5. The Authority has not designated the Borrower as a qualifying charter school for purposes of participation in the Credit Enhancement Program, as defined in the Act.

Section 6. In accordance with the provisions of the Act and in order to comply with Section 147(f) of the Internal Revenue Code of 1986, as amended, the Authority or its designee is hereby authorized to publish one time in a newspaper qualified to carry legal notices and having general circulation within Salt Lake County and Utah County, a "Notice of Public Hearing and of Bonds to Be Issued" at least seven (7) days prior to the hearing date set forth in such notice, and the Board or the Deputy State Treasurer or Bond Counsel, as designee, will be present on such date to receive public comment on the proposed issuance of Bondsdesignee will be present on such date to receive public comment on the proposed issuance of Bonds. The Authority shall also cause a copy of this Resolution, the Indenture and the Loan Agreement to be kept on file in the Authority's principal offices for public examination during the regular business hours of the Authority until at least 30 days from and after the date of publication of such notice. The Notice of Public Hearing and Notice of Bonds to Be Issued shall be in substantially the following form:

NOTICE OF PUBLIC HEARING AND NOTICE OF BONDS TO BE ISSUED

NOTICE IS HEREBY GIVEN that on July 23, 2025 the Utah Charter School Finance Authority (the *"Authority"*) adopted a resolution (the *"Resolution"*) declaring its intent to issue charter school revenue bonds in an aggregate principal amount not to exceed $40,000,000, to mature in not more than 40 years, to bear interest at rates not to exceed 9.00% per annum, and to be sold to the purchasers thereof at a discount of not more than 5% of the principal amount thereof (the *"Bonds"*), pursuant to Title 53G, Chapter 5, Part 6, Utah Code Annotated 1953, as amended and the Utah Industrial Facilities and Development Act, Title 11, Chapter 17, Utah Code Annotated 1953, as amended (collectively, the *"Act"*). The Authority or its designee shall hold a public hearing on August 13, 2025, at the hour of 11:00 a.m., to receive input from the public with respect to the issuance of the Bonds and the financing of the Facilities (as defined below), which public hearing shall be held at the offices of the Authority, Utah State Treasurer, C180 State Capitol Complex (Room 180 in the State Capitol), Salt Lake City, Utah.

The Authority proposes to loan the proceeds of the Bonds to Real Salt Lake Academy High School dba Salt Lake Academy High School, a Utah non-profit corporation (the *"Borrower"*), pursuant to the terms of a loan agreement (the *"Loan Agreement"*) for the purpose of (i) refunding certain outstanding obligations of the Borrower (the *"Salt Lake Academy Refunded Obligations"*), which financed the costs of acquiring the Borrower's existing charter school facilities at its high school campus located at 14787 S. Academy Parkway, Building B in Herriman, Utah (the *"High School Campus"*), (ii) in connection with the Borrower's acquisition of Athlos Academy of Utah (*"Athlos Academy"*), refunding certain outstanding obligations of Athlos Academy (the *"Athlos Academy Refunded Obligations"*), which were incurred by Athlos Academy to finance the costs of acquiring the existing charter school facilities at the Borrower's k-8 campus located at 12309

W. Mustang Trail Way in Herriman, Utah (the *"West Herriman Campus"* and, collectively with the High School Campus, the *"Facilities"*), (iii) financing the acquisition and construction of improvements to the High School Campus and the West Herriman Campus (the *"2025 Project"*), (iii) funding a debt service reserve, and (iv) paying costs of issuance of the Series 2025 Bonds. The High School Campus consists of an approximately 69,459 square-foot high school (grades 9-12) charter school facility located on approximately 3.45 acres at 14787 S. Academy Parkway, Building B in Herriman, Utah. The West Herriman Campus consists of an approximately 89,314 square-foot k-8 charter school facility located on approximately 10.50 acres at 12309 W. Mustang Trail Way in Herriman, Utah. The Facilities are or will be owned and operated by the Borrower.

The Bonds shall be special obligations of the Authority payable solely from the trust estate pledged under an Indenture of Trust between the Authority and U.S. Bank Trust Company, National Association, as trustee thereunder (collectively, the *"Indenture"*). The Bonds and the interest thereon will not be a general obligation debt of the Authority, the State of Utah or any political subdivision thereof, and none of the Authority, the State of Utah nor any political subdivision thereof will be liable thereon, and in no event will the Bonds or the interest thereon be payable out of any funds or properties other than those expressly provided therefor under the Indenture.

The Bonds shall be issued pursuant to the Resolution and the Indenture. The Indenture and the Loan Agreement may contain such additional or alternative terms and provisions as shall be approved by the governing board of the Authority; *provided* that the principal amount, interest rate or rates, maturity and discount, if any, will not exceed the respective maximums described in the Resolution. Copies of the Resolution, the Indenture and the Loan Agreement are on file in the offices of the Authority, Utah State Treasurer, C180 State Capitol Complex (Room 180 in the State Capitol), Salt Lake City, Utah, where they may be examined from 8:00 a.m. to 5:00 p.m., Monday through Friday, except for legal holidays, for a period of at least 30 days from and after the date of publication of this notice.

All members of the public are invited to attend and participate in the public hearing by teleconference, as described above. Written comments may be submitted to the Utah Charter School Finance Authority, Utah State Treasurer, C180 State Capitol Complex, Salt Lake City, Utah 84114, Attention Chief Deputy State Treasurer. Written comments should be mailed in sufficient time to be received before the August 13, 2025, public hearing. Additional information can be obtained from the Authority at its office shown above or by calling (801) 538-1042. Subsequent to the public hearing, the Governor of the State of Utah will consider approving the issuance of the Bonds.

NOTICE IS FURTHER GIVEN that a period of 30 days after the date of publication of this notice is provided by law during which any person in interest shall have the right to contest the legality of the Resolution, the Indenture, the Loan Agreement or the Bonds, or any provision made for the security and payment of the Bonds, and that after such time, no one shall have any cause of action to contest the regularity, formality or legality thereof for any cause whatsoever.

DATED July 23, 2025.

UTAH CHARTER SCHOOL FINANCE AUTHORITY

Section 7 If any provisions of this Resolution should be held invalid, the invalidity of such provisions shall not affect the validity of any of the other provisions of this Resolution.

Section 8. The Chair, Vice Chair, and Secretary of the Authority are hereby authorized to execute all documents and take such action as they may deem necessary or advisable in order to carry out and perform the purpose of this Resolution, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability. All action heretofore taken by the Authority, its officers, and employees, with respect to the issuance and sale of the Bonds is hereby ratified and confirmed.

Section 9. All resolutions of the Board or parts thereof inconsistent herewith, are hereby repealed to the extent only of such inconsistency.

Section 10. This Resolution shall become effective immediately upon its adoption.

APPROVED AND ADOPTED July 23, 2025.

UTAH CHARTER SCHOOL FINANCE AUTHORITY

By____________________________________
Chair

After the conduct of other business not pertinent to the foregoing, the meeting was adjourned.

By____________________________________
Chair

I, the duly appointed and qualified Chair of the Utah Charter School Finance Authority (the *"Authority"*), do hereby certify according to the records of the governing board of the Authority (the *"Board"*) in my official possession that the foregoing constitutes a true and correct excerpt of the minutes of the meeting of such Board held on July 23, 2025, including a resolution adopted at such meeting as such minutes and resolution are officially of record in the possession of the Authority.

IN WITNESS WHEREOF, I have hereunto subscribed my signature hereon this July 23, 2025.

____
Chair

EXHIBIT A

[INDENTURE]

EXHIBIT B

[LOAN AGREEMENT]

EXHIBIT C

[LIMITED OFFERING MEMORANDUM]

Draft Minutes
Utah Charter School Finance Authority
Tuesday, June 17, 2025
Office of State Treasurer, C170 State Capitol Complex and
Electronic Meeting via Zoom

Members of the Authority Present:
Marlo M. Oaks (Utah State Treasurer, Chair)
Sophia DiCaro (Governor's Office of Planning and Budget)
Scott Jones (Utah State Board of Education)

Others Present:
Kirt Slaugh (Office of State Treasurer)
Diana Artica (Office of State Treasurer)
Japheth McGee (Zions Public Finance) – Zoom
Johnathan Ward (Zions Public Finance)
Perri Babalis (Office of the Attorney General) – Zoom
Aaron Waite (Office of the Attorney General) – Zoom
David Robertson (LRB Public Finance)
Nate Canova (Dorsey & Whitney LLP)
Solveig Clifford (Dorsey & Whitney LLP)
Eric Hunter (Chapman and Cutler LLP)
Brandon Johnson (Farnsworth Johnson PLLC)
Jacob Carlton (Gilmore & Bell)
Jane Hopkins (Gilmore & Bell)
Royce Van Tassell (Utah Association of Public Charter Schools)
Paul Kremer (Utah Charter School Board) – Zoom
Smriti Dhakal (State Charter School Board) – Zoom
Clint Biesinger (RoundTable Funding)
Eugene Clark-Herrera (Orrick, Herrington & Sutcliffe) – Zoom
Haley Ritter (Orrick, Herrington & Sutcliffe) – Zoom
Brad Taylor (Academica West)
Monte Poll (North Davis Preparatory Academy) - Zoom
Rich Morley (American Leadership Academy) – Zoom
Brenda Peterson (American Leadership Academy) – Zoom
Connor Sullivan (American Leadership Academy) – Zoom
R. Robinson (North Davis Preparatory Academy) – Zoom
Casey Holmes (Red Apple Finance) – Zoom
Robyn Ellis (Karl G. Measer Preparatory Academy) – Zoom

Meeting called to order by Treasurer Oaks at 4:00 pm.

1. Prior Meeting Minutes

Meeting minutes from the January 24, 2025 meeting were presented for discussion and approval. Mr. Jones made a motion to approve the minutes. Ms. DiCaro seconded the motion. The motion carried unanimously with Treasurer Oaks, Ms. DiCaro and Mr. Jones voting in favor.

2. Resolution 2025-4 North Davis Preparatory Academy, Conduit Financing Application

Mr. Ward highlighted North Davis Preparatory Academy's strong financial position since its 2020 bond issuance, noting significant improvement in operations from 2020 to 2025 compared to the prior five-year period. Enrollment has remained stable, and the school is modestly increasing its debt with a $2.6 million issuance. Though the financing structure is unique, Mr. Ward believes it will deliver outcomes comparable to those of enhanced transactions. He noted high average daily membership and strong student retention rates, though academic performance lags behind the Davis School District and state averages. Enrollment projections remain flat, with only a small waitlist.

The school is not pursuing credit enhancement, though it may qualify. The current structure avoids the additional steps typical of enhanced deals. Over the past five years, the school has met all Authority benchmarks, demonstrating strong budgeting, a cash position and fund balances above targets, a very strong debt coverage ratio, low debt burden, solid operating margin, and a robust current ratio.

Mr. Ward concluded that North Davis Prep is a financially sound school with a strong project and recommended the transaction.

Mr. Carlton presented the parameters bond resolution authorizing the sale of bonds of not more than $4M maximum principal with an outside maturity date of 12/31/2036; a maximum interest rate not to exceed 7% per annum and discount no more of 3%. It authorizes the Authority to enter into all the documents necessary in connection with the issuance of the bonds, allows for the publication of a notice of public hearing and sets the date and time of that public hearing for Tuesday, July 1st at 9:00am and authorizes the Authority to take all of our actions necessary in connection with the issuance and bonds.

Mr. Carlton explained that since his team submitted the resolution, he was aware of a minor revision that had been made. The original language stated that the bonds would be purchased by MBH Bank. However, due to ongoing restructuring at MBH Bank, the language was updated to specify that the bonds would be sold to MBH Bank or an affiliate. He noted that aside from this small change, the resolution remains in the same standard form previously reviewed by the Authority.

Ms. DiCaro made a motion to approve the resolution as presented. Mr. Jones seconded the motion. The motion passed unanimously with Mr. Jones, Ms. DiCaro and Treasurer Oaks all voting in favor.

3. Resolution 2025-5 Karl G. Measer Preparatory Academy, Conduit Financing Application

Mr. Ward provided an overview of the application, describing it as a solid, credit-enhanced transaction. The school is proposing to increase its debt by approximately $11 million through the issuance of tax-exempt bonds, with proceeds used to expand its existing facility. Planned improvements include four general-purpose classrooms, two art rooms, three performing arts classrooms, and an 850-seat auditorium.

The bonds would be amortized over 30 years with level payments and include 18 months of capitalized interest during construction. A fixed interest rate is expected, with a 10-year call feature. The bonds are anticipated to carry a BBB- rating from S&P. The school has participated in the State's Enhancement Program since 2016 and has managed its finances conservatively, consistently demonstrating strong budget-to-actual performance.

Enrollment currently stands at 656 students with a 99% average daily membership and a 90% re-enrollment rate. Projections show enrollment increasing to approximately 790 students, supported by a strong waitlist of 150–230 students. To meet new debt service requirements, only 15 additional students would be needed—an achievable goal given historical trends.

Academically, the school outperforms both the local district and state averages. Financially, performance remains strong, with 377 days of cash on hand, a 97% fund balance ratio, and a current debt service coverage ratio of 200%. While S&P has noted that current revenues alone may not cover the new debt service, projected enrollment growth would meet the required 110% coverage threshold under the Enhancement Program.

The memo includes two coverage scenarios—one with and one without projected student growth. The school's debt burden ratio stands at 10%, well below the 25% benchmark, and its operating margin is a healthy 20%. The current ratio is 636%, significantly exceeding the 150% minimum requirement.

In conclusion, Mr. Ward emphasized the school's nearly 10-year history in the Enhancement Program, consistent compliance with standards, and financial and operational strength. While the new debt is contingent on modest enrollment growth, he expressed confidence in the school's ability to meet that need, given its strong demand and financial track record.

Mr. Carlton presented the parameters bond resolution authorizing the sale of credit enhanced bonds of not more than $15M maximum principal with an outside maturity date of 12/31/2066; a maximum interest rate not to exceed 7.5% per annum and discount no more of 3%. It authorizes the Authority to enter into all the documents necessary in connection with the issuance of the bonds, allows for the publication of a notice of public hearing and sets the date and time of that public hearing for Tuesday, July 1st at 9:00am and authorizes the Authority to take all of our actions necessary in connection with the issuance and bonds.

Mr. Jones made a motion to approve the resolution as presented. Ms. DiCaro seconded the motion. The motion passed unanimously with Mr. Jones, Ms. DiCaro and Treasurer Oaks all voting in favor.

4. Resolution 2025-6 American Leadership Academy, Conduit Financing Application

Mr. Ward began by disclosing a potential conflict of interest in the transaction, noting that Zions Bank Corporate Trust will serve as trustee. While there is no financial conflict, both Zions Public Finance and Zions Corporate Trust share the same parent company.

He described the project as the largest bond issue currently under consideration—approximately $26 million—for the expansion of American Leadership Academy's existing campus. The financing would support the addition of classroom space, athletic facilities, preschool and kindergarten areas, reserves, capitalized interest, and issuance costs. The bonds are expected to be 30-year fixed-rate, with credit enhancement requested.

American Leadership Academy is one of only two schools in Utah to hold an S&P "BBB" rating, which reflects strong liquidity, consistent operating margins, and sound financial oversight. Although the bond issue would significantly increase the school's debt load, the resulting debt burden remains well within the limits of the state's Credit Enhancement Program.

If approved, the school would account for roughly 9% of the Authority's total exposure under the enhancement program. Enrollment has remained steady with an average daily membership of 98% and a re-enrollment rate of 88%. While modest enrollment growth is projected, the school can meet its debt service obligations without it.

Academically, the school performs comparably to both the local district and state averages. Financial operations are overseen by Jan Searle, a long-serving administrator with established policies for budgeting, debt management, and cash handling.

S&P reaffirmed the school's "BBB" rating based on its healthy liquidity and financial margins. A downgrade to "BBB-" is possible if enrollment declines by more than 10% or if coverage ratios fall significantly, but even in that case, the school would still meet the eligibility requirements for credit enhancement.

The school currently maintains 442 days of cash on hand, a fund balance ratio of 127%, and a debt service coverage ratio of 289%, which is projected to decline to 133% in its tightest year—still well above the 105% benchmark. The debt burden ratio is expected to rise from 7.8% to between 14.8% and 15.3% post-issuance, which remains under the 25% program cap. The operating margin stands at 22% and is projected to stabilize at approximately 16.5%, while the current ratio exceeds 1,000%, driven by the school's substantial cash reserves.

Minor budget variances in FY23–24 was attributed to project-related expenses that spanned multiple fiscal years. In closing, Mr. Ward noted that the school has consistently met enhancement standards and recommended approval of the resolution.

Mr. Carlton presented the parameters bond resolution authorizing the sale of credit enhanced bonds of not more than $29M maximum principal with an outside maturity date of 12/31/2061; a maximum interest rate not to exceed 6% per annum and discount no more of 5%. It authorizes the Authority to enter into all the documents necessary in connection with the issuance of the bonds, allows for the publication of a notice of public hearing and sets the date and time of that public hearing for Tuesday, July 1st at 9:00am and authorizes the Authority to take all of our actions necessary in connection with the issuance and bonds.

Ms. DiCaro made a motion to approve the resolution as presented. Mr. Jones seconded the motion. The motion passed unanimously with Mr. Jones, Ms. DiCaro and Treasurer Oaks all voting in favor.

5. <u>Review of new criteria for qualifying charter schools under the Charter School Credit Enhancement Program</u>

Mr. Slaugh began by providing background context for the Authority, emphasizing the importance of understanding the current direction of the Charter School Credit Enhancement Program. He explained that recent legislative changes—specifically House Bill 514—significantly relaxed credit rating requirements for charter schools applying for enhancement. Under the updated statute, schools with ratings as low as BB are now eligible, though legislative intent suggests that these applications should still be scrutinized carefully. The law does not imply that all BB-rated schools should be accepted, only that they may now apply for consideration.

Mr. Slaugh expressed concern about the potential influx of enhancement applications from schools that do not currently carry a credit rating but could reasonably qualify for a BB rating. This shift could lead to a surge in applications over the coming year. Compounding this is the bill's increase of the overall program cap—from roughly $633 million under the old rules to $905 million—creating a much larger window for potential exposure.

While it's true that there have been no defaults among charter schools participating in the enhancement program since its inception in 2014, Mr. Slaugh warned against complacency. He noted that the major risk lies not in isolated defaults but in systemic events—for example, a recession or a failure of the state to keep pace with inflation in per-pupil funding (WPU). Financially fragile schools that rely on full WPU allocations could struggle significantly in such scenarios. Additionally, Utah faces demographic challenges that could result in declining student enrollment, disproportionately affecting certain charter schools.

He explained that he, along with legal counsel, worked to establish clear ratio standards for BB-rated applicants. These standards are intentionally strict. Unlike credit rating agencies, which assess applicants holistically, the Authority's approach is objective: if a BB-rated school fails to meet even one required ratio, it will not qualify. Mr. Slaugh emphasized that this framework is designed to keep the Authority from making subjective judgments based on factors like strategic plans or financial trends, which can vary widely across schools.

He acknowledged that some charter school representatives have advocated for loosening the ratio requirements to allow more schools into the program. However, Mr. Slaugh stated firmly that the current standards are meant to ensure clarity and consistency, even if that means excluding some otherwise well-managed schools.

Mr. McGee added to Mr. Slaugh's remarks by emphasizing that the process used to establish the financial ratio standards was thorough and data-driven. He explained that the team conducted an extensive review, evaluating a wide range of schools across the state to understand how the proposed standards would impact them. Financial advisors from individual schools also provided input and data, which was incorporated into the analysis. Mr. McGee stressed that the resulting ratios were not chosen arbitrarily; rather, they were validated through careful analysis and reflect a deliberate, evidence-based approach.

Mr. Ward explained that if the Board chooses to adopt the proposed changes to the participation standards, one significant adjustment involves the removal of the "small school" provision. Referring to what was previously Section 3, now updated as Section 4, he noted that the rationale behind this change is tied to rating eligibility. While many small schools may not meet the criteria for a BBB– rating, they could still qualify under the revised standards for a BB+ or BB rating. Given this broader eligibility, Mr. Ward stated that maintaining a separate pathway specifically for small schools was no longer necessary.

Ms. DiCaro asked for clarification regarding the scope of the proposed changes. She inquired whether the revised process would apply only to schools seeking credit enhancement, or if it would also affect the review process for schools that are not requesting credit enhancement. Mr. Slaugh confirmed this will be the standards to qualify under the credit enhancement.

Mr. Robertson responded by addressing the distinction between rating categories. He explained that for schools rated BBB– or BB+, the process is generally more straightforward—almost "automatic." However, he acknowledged that, in response to the earlier question, there is still a process and review involved. It's not simply a matter of being accepted solely based on the rating; schools will still undergo evaluation, even if they hold a qualifying credit rating.

Treasurer Oaks clarified that the discussion was centered on whether meeting specific financial ratios would be required in addition to holding a qualifying credit rating. He questioned whether simply having the rating would be sufficient for automatic entry into the program.

Mr. Slaugh responded by explaining that, as written, the statute suggests that credit enhancement could be nearly automatic for BB+ and BB– rated schools. However, he emphasized that the Authority still intends to conduct a review process. Historically, for non-enhanced applications, the Authority does not block transactions but generally approves them—though it is not obligated to do so.

He explained that the review process remains important, particularly for ensuring that financial risks are appropriately disclosed to investors. In his view, these meetings serve a dual purpose: to evaluate whether a transaction is valid and to provide an additional layer of financial transparency to the market.

Mr. Slaugh also noted that he had spoken with Representative Walter about maintaining the application review process for BB+ and BBB– schools. While a failure to meet specific financial ratios might not be grounds for outright rejection under the enhancement standards, it would still prompt discussion to ensure concerns are addressed prior to approval.

Mr. Jones expressed some confusion about the intent of the legislation, questioning its purpose if the Authority still retains discretion in approving or denying credit enhancement for BB-rated schools. He noted that if the law allows the Authority to deny an application even when a school meets the required credit rating—regardless of whether it meets specific financial ratios—then it's unclear what the legislation actually changes.

Reflecting on his own role, he pointed out that while he has occasionally cast dissenting votes, his intent is not simply to oppose. Instead, he emphasized the importance of understanding and adhering to the law. He mentioned that he had consulted legal counsel to interpret the statute, and the feedback he received indicated that the law appears to make qualification largely automatic for certain rated schools. Mr. Jones concluded by noting that he wants to ensure the Authority is following the law as written and intended, especially given his frequent advocacy for legal compliance in other contexts.

Mr. Jones clarified that, in his view, the intent of the legislation was not to make credit enhancement automatic, but rather to broaden access so that more schools could become eligible for the program. He suggested that the goal was to open the door for additional schools—particularly those that may not have previously qualified—to be considered for credit enhancement, rather than to remove discretion or review entirely from the process.

Mr. McGee explained that, based on discussions with legal counsel, the language in the legislation was poorly drafted and creates ambiguity. While the legislative intent—clarified through conversations with Representative Walter—was to expand access to the credit enhancement program, the statutory language itself remains unclear. According to Mr. McGee, the law does appear to leave room for the Authority to exercise discretion in reviewing and approving applications.

He emphasized that, although the Authority likely should not use that discretion to deny schools arbitrarily—given the legislative intent to increase access—it is still important for the Authority to retain the ability to say yes or no in specific circumstances. For example, if the Authority believes a credit rating is inaccurate or fails to fully reflect the financial risk of a particular school, it should have the authority to withhold approval in order to protect the State from unnecessary exposure.

In his view, maintaining the Authority's ability to evaluate applications on a case-by-case basis—especially in cases where there are concerns about risk—is both prudent and aligned with the goal of safeguarding the integrity of the credit enhancement program.

Ms. Babalis stated that she had reviewed the document, noting that she and her team had only looked at it that morning. However, she had not yet had the opportunity to compare it directly with the statutory changes but intended to do so.

Mr. Biesinger offered a comment based on his experience dating back to 2012. He acknowledged that throughout the years, the Authority has often faced difficult decisions—knowing that the law permits certain actions but choosing not to take them. While he fully respects the Authority's discretion in voting as they see fit, he agreed with Deputy Treasurer Slaugh's assessment and discussions with Representative Walter regarding legislative intent. He believed the intent was to allow schools rated triple B minus and double B plus greater access to the credit enhancement program.

Mr. Biesinger recognized the Authority's desire to conduct thorough reviews and possibly categorize some criteria as "shoulds" rather than strict "musts." However, he cautioned that it could become complicated if the Authority decides not to approve schools that are legally eligible, potentially exposing the State to questions later. He emphasized his respect for the Board's visibility into these risks but noted that this issue has been a recurring challenge over the years. He clarified that his remarks were specifically focused on enhanced transactions—those in which the State of Utah effectively backs the deal—rather than transactions where the Authority simply provides access to the tax-exempt market. His comments were limited exclusively to applications for credit enhancement, not to transactions in general.

Mr. Jones asked Mr. Biesinger how he interprets the legislation, specifically whether it guarantees certain schools access to the credit enhancement program without the possibility of denial. Mr. Biesinger confirmed that this is how the legislation has been explained to him. Mr. Jones further explained that, based on his discussions with attorneys, the intent of the legislation was to grant credit enhancement access to schools meeting the required rating. He emphasized that he did not intend to be confrontational but maintained that if a school holds the appropriate rating, they should qualify for the program. While acknowledging that financial ratios can be reviewed, he stressed that having the rating essentially means qualification. Mr. Jones expressed concern that denying access in such cases could raise serious legislative issues, suggesting that the authority's discretion to refuse applications may be limited under the law. He also noted that since access to credit enhancement was legislated as necessary, the authority's ability to reject applications appears very constrained. He voiced skepticism about the feasibility of the authority denying applications by a narrow vote margin given the current legal framework.

Ms. DiCaro asked if it would be appropriate to have the Attorney General interpret the language, noting that the wording appears to use "shall," which suggests a mandatory action. She added that it would be helpful to hear a legal perspective to clarify the matter.

Mr. Jones questioned whether schools should be required to come before the authority at all, suggesting that the conduit's presence in the market carries valuable credibility. He proposed that the process might simply involve putting the school's rating on record—whether double B plus, triple B minus, or similar—and then moving forward without further review.

Ms. DiCaro responded that the legislation states the authority "shall consider" various factors, such as debt service coverage, cash on hand, and other financial metrics determined by the authority. She emphasized that while the authority does have the ability to review and evaluate these standards, the law appears to require approval in certain cases. However, she acknowledged there might be some limited discretion involved. Because of this complexity, she suggested it would be helpful to confirm the interpretation with the Attorney General to ensure alignment. Treasurer Oaks expressed that it would be valuable to receive input from Ms. Babalis at the Attorney General's office.

Mr. Biesinger noted that while an increase in activity is likely, some schools that previously issued bonds as non-rated credits may not find it economically advantageous to reissue in the current interest rate environment. He explained that the program experienced a prolonged period of low rates between 2018 and 2021, so refinancing a 4% coupon bond, for example, may not make financial sense. He added that future activity will likely be driven by schools seeking to finance modest new projects. He expressed curiosity about whether others share this perspective.

Mr. Robertson noted that several schools are interested in refinancing. He explained that they have been closely monitoring this for a couple of years. He added that while some other schools might benefit from refinancing, their bonds may not be eligible for redemption yet—especially if they were issued recently, such as three years ago, when special call provisions often apply. Mr. Biesinger expressed his belief that schools will participate in the program, noting that the current difference in interest rates for those in the program versus those not is roughly 150 basis points, which translates to significant savings. However, he tempered expectations regarding volume, suggesting it is unlikely that as many as 25 schools will apply between July and October. Instead, he anticipated that perhaps around five schools might move forward during that period.

Mr. Slaugh noted that the next meeting, scheduled for July 23, could be when the Authority formally adopts the new standards. He explained that he anticipated today's meeting would involve substantial discussion on those standards, given their importance.

Mr. Jones added that he generally supports the proposed standards but questioned how they should be applied beyond the double B-rated schools without a formal legal opinion. He expressed concern about applying the ratio standards without clarity on their enforceability in relation to schools with higher ratings.

Mr. Biesinger explained that from his perspective, the conversation largely comes down to just a couple of financial ratios. While he acknowledged that all the proposed standards are framed as "musts"—meaning failure to meet even one could disqualify a school—he emphasized that most of them are reasonable. Specifically, he pointed to metrics like 75 days cash on hand and 120% debt service coverage as benchmarks any school should meet if they are to receive the benefit of the State's backing.

He clarified to the Board that he wasn't looking to revisit every aspect of the proposal. In general, he supported the framework, even if one or two schools might narrowly miss a requirement. However, he identified two key ratios—the debt burden ratio and the operating margin—as the most important areas for further discussion. If there is room for flexibility, he said, it should be in those two metrics. He indicated that if the Board wants to table the matter and revisit it at the July 23 meeting, he's comfortable with that approach, reiterating that aside from those two ratios, he's fine with holding firm on the rest.

Mr. Jones asked for clarification, wondering whether the concern was that the debt burden and operating margin thresholds were set too high. Mr. Biesinger confirmed that they were simply asking for a little leeway in those two areas, and that they could live with the remaining standards as written.

Mr. Slaugh added that, for clarity, the current proposed thresholds would allow most double B-rated schools to qualify, but there are still a few that wouldn't—despite potentially having compelling narratives. He stated that it's up to the Authority to decide whether to allow nearly all double B schools into the program, or to maintain stricter standards that will necessarily exclude some.

Mr. Jones responded by reiterating the importance of a legal interpretation of the statute, particularly to clarify whether certain ratings require automatic acceptance. He agreed that the broader question—how inclusive or restrictive the standards should be for double B schools—would need to be resolved at the next meeting.

6. Other Items of Business:

Ms. DiCaro made a motion to adjourn the meeting. Mr. Jones seconded the motion. The motion passed unanimously with Mr. Jones, Ms. DiCaro and Treasurer Oaks all voting in favor.

The meeting was adjourned

Draft Minutes
Utah Charter School Finance Authority
Wednesday, October 30, 2024
Office of State Treasurer, C170 State Capitol Complex and
Electronic Meeting via Zoom

Members of the Authority Present:
Marlo M. Oaks (Utah State Treasurer, Chair)
Sophia DiCaro (Governor's Office of Planning and Budget)
Scott Jones (Utah State Board of Education)

Others Present:
Kirt Slaugh (Office of State Treasurer)
Diana Artica (Office of State Treasurer)
Japheth McGee (Zions Public Finance)
Perri Babalis (Office of the Attorney General) – Zoom
Aaron Waite (Office of the Attorney General) – Zoom
David Robertson (LRB Public Finance)
Adam Oakley (LRB Public Finance) – Zoom
Eric Hunter (Chapman and Cutler LLP)
Brandon Johnson (Farnsworth Johnson PLLC)
Jacob Carlton (Gilmore & Bell)
Jane Hopkins (Gilmore & Bell)
Royce Van Tassell (Utah Association of Public Charter Schools)
Paul Kremer (Utah Charter School Board) – Zoom
Clint Biesinger (RoundTable Funding)
Jordan Hardy (RoundTable Funding) – Zoom
Eugene Clark-Herrera (Orrick, Herrington & Sutcliffe) – Zoom
Haley Ritter (Orrick, Herrington & Sutcliffe) – Zoom
Robert Nickell (HJ Sims) – Zoom
Claymore Hardman (HJ Sims) – Zoom
Julie Adamic (JHCS)
Craig Frank (JHCS)
Kim Frank (JHCS)
Chris Helvey (Freedom Prep Academy) - Zoom
Grayson Wolf (Freedom Prep Academy) – Zoom
Austin Anderson (Freedom Prep Academy) – Zoom
Lindsay Owen (Freedom Prep Academy) – Zoom
Cary McConnell (Freedom Prep Academy) – Zoom
Kaiti Wang

Meeting called to order by Treasurer Oaks at 3:00 pm.

1. Prior Meeting Minutes

Meeting minutes from the October 9, 2024 meeting were presented for discussion and approval. Mr. Jones made a motion to approve the minutes. Ms. DiCaro seconded the motion. The motion carried unanimously with Treasurer Oaks, Ms. DiCaro and Mr. Jones voting in favor.

2. Resolution 2024-6 John Hancock Charter School, Conduit Financing Application

Mr. McGee noted that two years ago, John Hancock Charter School expanded from its small Pleasant Grove campus to a larger one in Eagle Mountain, while still maintaining the Pleasant Grove location. The executive summary highlights the key individuals involved in the transaction, with no conflicts of interest to report, aside from Zions Public Finance acting as the advisor to the authority. The $38.8 million in taxable and tax-exempt bonds will fund the purchase of seven acres, the construction of a new building for seventh and eighth-grade students, and an expansion of the Eagle Mountain campus. It will also refinance the 2022 bonds, pay capitalized interest, and cover issuance costs. Mr. McGee explained that the 2022 bonds, with a five-year term and a bullet payment, were callable under certain conditions, necessitating refinancing. The new bonds, with a 10-year term and a balloon payment in year 10, will also be a limited offering to Hamlin Capital. Regarding enrollment, Mr. McGee mentioned that while the school initially expected 900 students in the first year at Eagle Mountain, the current enrollment stands at 888 students.

Mr. McGee explained that in some years, expenditures have been significantly higher than revenues, leading to what might appear as strange financials. However, when backing out expenses related to construction and bonds, the picture becomes clearer. He noted that transitioning from a 200-student school to a 1,000-student school quickly has contributed to some of these variances. The financials from the 2023-2024 period showed some positive movement, with revenues slightly below expectations and expenditures even lower, but cash reserves were still limited, which is typical for a growing school.

He pointed out that the 2022-2023 financials appeared unusual due to bond proceeds, which should have been separated in the financials but were not, complicating the analysis. However, looking at the figures from 2021-2022 and 2023-2024, the school had around 70-75 days of cash on hand.

Mr. McGee highlighted that the school's fund balance ratio was below the desired benchmark of 15% of next year's operating expenditures, especially important given the school's growth. While their debt coverage was sufficient for 2023, it was only due to interest-only payments, and debt levels are expected to rise. In fiscal 2024, debt coverage was below one, meaning the school needs more growth to meet debt service requirements.

He also noted that the operating margin was above the benchmark, but the current ratio was difficult to assess. Given the limited liquidity, if enrollment projections were not met, the school would struggle to cover financial obligations. However, since the debt is a limited offering to a single bondholder, there might be flexibility in restructuring debt if needed.

Mr. Biesinger explained that the original deal for the school was structured with a five-year term, featuring a somewhat unconventional call feature designed for quick refinancing. The investor, Hamlin, has been very supportive throughout. The school's growth has exceeded expectations, and when the opportunity to purchase additional land arose, it created a limited window for action. If they had waited until the original call date, the timing wouldn't have worked.

He continued, "We approached Hamlin and asked if they would be willing to lower the rate and extend the financing to help the school purchase the land ahead of schedule. The investor was very receptive to this idea and has been pleased with the school's performance. They were eager to find a way to keep the investment in their portfolio while allowing the school the flexibility it needed."

Mr. Biesinger emphasized that this was a positive situation, with both the investor and the school benefiting. "This is a good-news story," he said, "unlike situations where we'd have to return and explain underperformance in student numbers. The school has seen strong demand, and this outcome is favorable for both the community and the financing." He concluded that the financing is now in place to support the school's continued growth.

Ms. DiCaro inquired about the financing, asking, "With the term extending to 10 years, I assume you've already projected that the enrollment will be sufficient to cover the entire debt. Or will you need to refinance before the balloon payment?"

Mr. Biesinger explained the school plans to purchase the land and then submit a request for a cap increase, as they are currently capped at 12. For the total amount of debt, especially with the new building, they'll need more students to cover the costs. This process will go through their authorizer in November. If authorized, the school will move forward with the financing.

He continued, "This is a drawdown structure, so they'll have the ability to refinance their existing building, slightly reduce the rate, and purchase the adjacent land before it becomes unavailable. There will be a bit of a waiting period while the school works through the cap increase approval and the design process for the new building."

Mr. Biesinger explained, "If, by chance, the authorizer does not approve the increase in student capacity, the school can still afford the land, but the additional debt will not be issued. This approach ensures that the school is not over-leveraged in case the expected growth does not materialize. The additional funds can only be drawn down after approval of the increased student capacity. This structure provides a safety mechanism for both the school and the investor."

He concluded, "This approach was developed in collaboration with the current bondholder, Hamlin Capital, who wanted to ensure there was protection for both parties, allowing flexibility while safeguarding against potential surprises."

Mr. Jones asked to follow up on the previous question, "In your response, I didn't hear you mention the specific number that would meet the expectations discussed. What is that number? It can't just be 400. Are you anticipating increases to the WPU? What are your projections, especially given the likelihood of more legislative funding going into private school programs?" Mr. Biesinger explained is 1098 total for fiscal year 2026 for both campuses, 1255 for fiscal year 2027 and then 1400 for fiscal year 2030. Mr. Jones asked if 1400 students will cover the debt service, Mr. Biesinger confirmed that it was correct. Mr. McGee explained that is not what the application showed. The application showed 1175 students and at that level they could pay the debt service.

Mr. Jones noted that there is not a correlation between reading the application and what Zions is putting out. Mr. Jones further explained it is difficult to make a decision to support something that the numbers don't match. Mr. Jones expressed concern, stating, "I still don't see how the 400 fits into your calculations of the debt ratio. Maybe we need to collaborate on this to figure out how they plan to manage it. It's going to take at least two years to build the new building, and in that time, families could choose to go elsewhere. That's a significant challenge. So, what's the plan to address that? I understand the ramp-up period, but how are they going to keep families engaged, especially when there will be more choices available to parents down the road?"

Mr. Biesinger responded, stating, I'll start by saying that our projections have been quite accurate so far. We initially projected 675 students in the first year, and we had around 760. In the second year, we projected 800 students for the new building, and we reached about 866. So, we're already seeing strong community demand for the school for a variety of reasons.

He continued, "Now, going into year three, it's fair to wonder if they might hit a ceiling. But we've actually projected growth that I consider to be fairly modest. For next year, we're expecting around 918 students, and by fiscal year 2027, we anticipate adding a couple hundred more. They've already cleared their waitlist, but it's quickly grown back to 300. Based on the current trends, we're forecasting 200 to 300 additional students in the next few years.

Mr. Biesinger emphasized, "The real challenge for the school right now is that they have parents who are eager to enroll their children but can't get them in. From my perspective, there's no strong indication that we're being overly optimistic with these projections. The first two years have shown overwhelming demand, with the school already ahead of their numbers by 150 students. They simply can't accommodate everyone in the current building." Mrs. Frank acknowledged the efforts of the school by pointing out John Hancock was number one in the state for third grade reading stating, "This success is due to Julie's leadership and the efforts of her team. We've never experienced a situation where parents didn't want to send their children to this school, and I don't foresee that happening. Of course, when you bring in 900 new students in the first year, who are not accustomed to our curriculum and the rigor of our academics, there's a learning curve—for both the students and the parents. However, the parents are committed to being involved, as evidenced by our waitlist. It takes time to bring those new students up to the level of the other campus, but we will get there."

Mr. Jones asked for clarification, saying, "Okay, let's talk about the proficiency rates. Are the third-grade reading scores based on just the Pleasant Grove campus, or do they include both campuses?" Mrs. Frank confirmed it was just from Pleasant Grove.

Mr. Jones raised a concern, stating, "We'd be remiss if we didn't look at the proficiency rates for Eagle Mountain. In language arts, it's 32%, which is 20% below the Alpine School District and roughly 13% below the state average. In mathematics, it's also 32%, compared to 44% in Utah, and 42% in science, with the state average at 50%. Alpine is at 57%. So, what's the plan to address this? I heard the comment that the rigor is high and students will catch up, but what kind of percentage improvement are we expecting to see next year?"

Ms. Adamic explained, "It's important to note that parents who are willing to move their children from one school to another are often doing so because their child isn't thriving or is struggling in some way at their current school. We have many students who are facing challenges, but with time, they'll catch up due to the curriculum. We also have a rigorous MTSS (Multi-Tiered System of Supports) plan in place to address these needs. We've rearranged our entire schedule to include 'Patriot Practice' for the first half-hour of every day, where students are grouped by ability, not age, to focus on their specific needs in reading and math. After that, the whole school participates in additional math and reading activities. We've essentially added an extra half-hour to the school day to address these gaps. Initially, we had no baseline data, but now we do, and we're using that information to provide targeted interventions based on the areas where students need the most support."

Mr. Hunter presented a bond resolution authorizing the sale of the bonds of not more than $45M with a final maturity not to exceed 36 years, a maximum interest rate not to exceed 7.5% per annum and delegates to the members of the Authority to finalize the bond terms within those parameters and enter into the bond documents to take other necessary actions, including the holding of a TEFRA hearing, which is scheduled for November 13th.

Ms. DiCaro made a motion to approve the resolution with proposed amendment. Mr. Jones seconded the motion. The motion passed 2-1 with Treasurer Oaks and Ms. DiCaro voting in favor and Mr. Jones voting no.

3. Resolution 2024-7 Freedom Preparatory Academy, Conduit Financing Application

Mr. McGee presented a financial review of the school and terms of the proposed financing as reported in the Zions Memorandum handed out in the meeting. Mr. McGee reported that the proposed transaction is for the issuance of approximately $4.6M tax-exempt bonds to be repaid over 30-years with level principal and interest payments after a capitalized interest period and a short ramp up into debt service payment. The bonds will carry a fixed rate of interest and are expected to carry a 10-year call. The bond proceeds will be used to expand the St. George campus by adding 34,000 sq ft of additional space, pay capitalized interest, fund debt service reserve funds and pay cost of issuance.

Mr. McGee discussed the proficiency rates for Freedom Prep, which operates several campuses, including locations in Vineyard, Provo (with both an elementary school and a high school), and St. George. He noted that proficiency rates varied across these campuses, with some performing below expectations and others exceeding them. Specifically, the St. George campus performed better than Washington School District and the state of Utah, marking it as the best-performing campus based on proficiency rates.

He also provided an overview of the board's structure, which currently has one vacant seat. The board consists of members with backgrounds in accounting, finance, education, and software development. Grayson Wolf, the new executive director since the last application, and Chris Helvey, the finance director at the school since 2003, were highlighted for their contributions.

Regarding financial policies, Mr. McGee acknowledged that not all policies were available on the school's website, but most were provided. He mentioned the small space being added to the campus, which would support future expansion. Although appraisals for both schools had been ordered, they were not yet available. Mr. McGee noted that the financial reports showed some anomalies, largely due to ongoing construction projects. He had attempted to exclude these construction-related expenses to better understand the school's financial position.

The school's revenue typically outpaces its expenditures, but it does not have substantial cash reserves due to its growth phase. Despite this, the school has seen improvements in its financial position, including an increase in cash on hand and a better operating position, with around 90 days of cash on hand. The fund balance as a percentage of the next year's operating expenses remained within or above the expected benchmark, indicating stability.

On debt coverage, Mr. McGee stated that while the debt coverage ratio was slightly below 1.0 times in 2021-2022, this was likely due to the bond-related expenditures for campus construction, which he viewed as an artifact rather than a concern. The debt burden ratio, at 20%, was high but still below the benchmark of 25%, and it was expected to decrease as operating revenues grew with increased student enrollment.

The operating margin was well above the benchmark, but the current ratio posed some concerns. The school's current liabilities were higher than those of similarly sized schools, mainly due to a payroll liability discrepancy. This may be related to the school's unique payroll distribution method, which differs from other schools like Ascent Academies, and may not indicate a fundamental financial issue.

Mr. McGee also mentioned a continuing disclosure policy, noting that the school had missed a quarterly financial report for 2022, but he believed the school was now up to date on its disclosures.

He concluded that while the school's debt coverage was somewhat thin, it was manageable given the modest expected increase in enrollment and the manageable size of the debt. He expressed readiness to answer any further questions.

Ms. DiCaro asked for further clarification regarding the payroll, specifically inquiring about the reasons behind the unusually high approval. She wanted to understand whether this was related to a specific issue or if there was another explanation.

Mr. McGee clarified that he didn't believe the payroll issue was a concern, explaining that it was something the school experienced every year. When he inquired about it with Chris and David, they explained that the payroll would be fully paid off by August, so it wasn't seen as a problem. He pointed out that while the payroll wasn't significantly higher as a percentage of the school's budget, it appeared larger when compared to their assets. However, this was an annual anomaly, largely driven by timing. The payroll liability accrued over the year, and Mr. McGee emphasized that it was more of a timing issue than a fundamental financial concern. He noted that if the school had excess revenues in a given year, then the payroll would be something to be concerned about, but not the timing of the liability. He concluded that the matter was more about accounting practices than any underlying issue.

Treasurer Oaks pointed out that he could not find the school's fund balance ratio of 24.6% mentioned on page eight, as referenced earlier. He asked for clarification, noting that the fund balance ratio was not visible in the provided figures.

Mr. McGee explained that there were two different calculations he used when discussing fund balance. He clarified that the fund balance ratio he referred to earlier was a specific calculation that wasn't reported in the current data. He contrasted this with the fund balance as a percentage of the following year's operating expenses, which Treasurer Oaks had mentioned. The two metrics differ in focus: one looks at the fund balance in relation to current-year revenues, while the other compares it to future operating expenses. Mr. McGee noted that the operating expenses do not include debt service payments, which is why this figure may appear higher than the fund balance ratio calculated in the debt burden ratio. He apologized for the confusion and promised not to bring up that specific calculation again.

Mr. McGee noted that the school had waitlist statistics available, with 896 students currently on the waitlist. He pointed out that this number represented 41% of the school's enrollment cap, which he considered a significant waitlist when compared to other schools typically seen in such reviews. Mr. Jones asked how long it had been since the waitlist was purged, inquiring about the age of the current waitlist. Mr. Helvey explained that the waitlist is purged every year. He attributed this practice to a change in state law that occurred a few years ago, around 2016, which altered the way people can register for charter schools. Mr. Jones asked if the school shares their waitlist with their authorizer. Mr. Helvey confirmed they do not.

Mr. Jones explained that before the meeting, he had received waitlist data for 10 charter schools, including the two being discussed. He noted that there were 19 distinct waitlist entries, but upon further examination, he found that at least five students were duplicates across seven of those 10 schools. He raised the challenge of how to account for these duplicates when estimating enrollment numbers, suggesting that proximity could be used as a factor, with students living closer to a school likely favoring that school as their first choice.

He pointed out a key difficulty in the process, especially with the October 1st enrollment counts. While charter school enrollment is increasing exponentially, the data also reveals significant duplication, with the same students being counted across multiple schools. He questioned how the schools could reliably estimate that they would reach their enrollment targets, such as 400 students, when those same students are being counted by several other charter schools.

Mr. Jones expressed concern that the increasing competition among charter schools, along with the complexities of waitlist data and enrollment estimates, made the process of predicting growth more difficult. He noted that, in the past, growth projections might have been more dependable, but the current saturation of the charter school market and the availability of other school choices made it harder to rely on those projections. He acknowledged the effort to deduplicate the data as a positive step but concluded that the model for estimating growth needed to adapt to the current environment. Furthermore, Mr. Jones acknowledged the saturation in St. George and questioned where the additional students would come from, given the current situation. He noted that the kindergarten population was not growing and asked whether the projected growth of 100 students per year would be driven by migration into St. George from other states. He sought clarification on whether this migration could account for the expected increase in enrollment.

Mr. Helvey pointed out that the new school would be the only available option in the area. He mentioned that developers had confirmed there were no other schools in the vicinity, including no involvement from Washington County. The closest elementary school was a 45-minute bus ride away, which, while not a long ride, still had stops along the way. He argued that the location of a new school and the time it takes to build it should always be considered.

He contrasted this situation with a previous example, where there were already plenty of school choices, and the new school wouldn't require long-distance transportation. Mr. Helvey explained that the reason the new school project was a good idea was because the area lacked saturation. Building the school in this location would likely attract the necessary number of students, based on common sense. While he wasn't saying that the previous example wouldn't succeed, he believed the risks were higher in that case compared to this one. He noted that his decision-making process was based on the ability to demonstrate the potential for success, as this school was not being placed next to another school with the assumption of success but was instead taking a more thoughtful approach.

He further emphasized that charter schools should not be placed in areas with no competition, as the core purpose of charter schools is to provide parents with choices. While this new school was ideal for filling a need, charter schools should still be built in locations where they will compete with other schools. He cautioned that relying on student enrollment numbers in areas with too much supply could lead to a situation where demand no longer matches supply, potentially setting up schools for failure.

Mr. Jones discussed the concept of equilibrium in economic models, noting that when supply exceeds demand, adjustments must be made, often through supplementary financing to keep schools afloat. He acknowledged that this approach could be valid, but he raised concerns about the saturation of school options, suggesting that in some areas, there might already be enough choices for parents. In situations where parents have the option of sending their children to a school 45 minutes away or attending a local school, he questioned how much choice should be allowed before it becomes economically unfeasible.

He pointed out that while other states often close schools when there is an oversupply, that rarely happens in their area. He expressed strong support for charter schools and parental choice but also emphasized his responsibility to ensure fiscal soundness. He questioned the rationale of continuing to invest in schools that aren't meeting performance standards, especially when compared to state averages.

While Mr. Jones reiterated his desire to expand charter schools, he stressed the importance of doing so in an economically viable way that would make a meaningful impact. He questioned the wisdom of building schools that don't perform at the level of others in the area, recognizing that while students, families, and teachers are factors, the growing trend seemed to be pouring resources into underperforming schools instead of reevaluating their viability.

Mr. Carlton presented the parameters bond resolution authorizing the sale of the bonds of not more than $12M with a final maturity not to exceed 35 years, a maximum interest rate not to exceed 8% per annum and discount no more of 3% It authorizes the Authority to enter into all the documents necessary in connection with the issuance of the bonds, allows for the publication of a notice of public hearing and sets the date and time of that public hearing for Wednesday, November 13th at 10:00am and authorizes the Authority to take all of our actions necessary in connection with the issuance and bonds.

Ms. DiCaro made a motion to approve the resolution as presented. Mr. Jones seconded the motion. The motion passed unanimously with Mr. Jones, Ms. DiCaro and Treasurer Oaks all voting in favor.

4. Other Items of Business

Mr. Jones made a motion to adjourn the meeting. Ms. DiCaro seconded the motion. The motion passed unanimously with Mr. Jones, Ms. DiCaro and Treasurer Oaks all voting in favor.

The meeting was adjourned