

New Dawn Charter High School Board of Trustees Meeting Minutes

Place: New Dawn Charter High School
242 Hoyt Street
Brooklyn, NY 11217

Date: April 17, 2015

Time: 9:10 a.m.

Board Members Present: George Crowley, Samir Souidi (by phone), Ron Tabano, Phillip Wietzman, Leslie Winter

Staff Members Present: Sara Asmussen

Guests Present: Maria Groenvelde

I. Call to Order

Meeting came to order at 9:10 a.m. A quorum was present

Mr. Tabano opened the meeting by stating that this was a special board meeting to discuss the lease for the new building specifically, so Board minutes from the prior meeting would be presented at the next Board meeting.

Mr. Tabano start the meeting by addressing the questions regarding the lack of architectural drawings. It was explained that this space is currently a small garage/warehouse and that there will be no plans until the lease is signed. The landlord did not want to spend significant amounts of money on drawings for a school that had no lease. Ms. Groenvelde explained the latest compromised was to escrow the first six months of rent with her law firm. Then once plans are approved, the money is released to the landlord.

This keeps the money safe, legally protects our interests in terms of having a building, and we know what the building will look like prior to releasing the money. If we do not agree with the plans, then the lease can be rewritten so that either party can walk away if we cannot agree on the plans.

Question: Does this delay the project?

This would not delay the project any longer than it has already been delayed since the lease already states that both parties must agree on deadlines and includes deadlines. If we cannot move in to meet the September 2016 date, the lease is then extended to July 2017. This is a great motivational factor for the landlord to get the work done as soon as possible.

Question: Do we have any contingency plans in the event this date is not met.

We do have penalties in the lease in the event we cannot move in. The landlord will move the school up to \$75,000 in the event we have to move twice.

Question: Do we have any ideas how much financing is available? Have we looked at the encumbrances? Does he have any equity in the building?

We have done the basic reviews and searches and there are no encumbrances. We do not know how much financing is available or if he has equity in the land since we do not own the building. He is very sure that he can get the financing and has said he would turn over the information about this to us once we sign the lease.

Question: How do we have so much faith in this project?

Mr. Tabano stated that at some point you do have to act on faith. We have done all our due diligence as far as the team, we have a good lease, and we just have to trust that the landlord will abide by the lease.

Question: How do we know that he is going to spend the \$648,000 for the first six months rent on our project?

We do not know what he is going to spend the money on. Once we have approved plans, it is his money to do with what he wishes. We will receive the first six months in the building without paying rent regardless of what he does with the money.

Question: the only promise we have is a 48,000 square foot school. And that is not much of a promise. Putting faith in a business person who specializes in international trade and has many real estate dealings mostly in Brooklyn could be misplaced because he has not given us much of a promise.

Mr. Tabano replied that we have been looking for a building for four years at this point, trusting the landlord for a couple more months will not going to make a difference. All the individuals who work with the landlord on his projects are well respected in their respective fields and there are no official complaints against any of them. This is not the landlord's first deal and not the first deal he has done with the group of people he has put together. And we can add the caveat to the lease that if the plans are not produced within a certain time, we can walk away from the project and we have not given any money.

In the mean time, we can continue to look for another building as well.

Question: The definition of substantial completion does not appear to meet ur needs. Have we not only considered the COO but the Public Assembly permit?

Yes, we can occupy the building as a school without the Public Assembly permit but you cannot assemble 75 people in a single space. There may be many permits that we do not have and we will have to get them at some point. We have spent weeks discussing with the owner, the "stakes in the ground" around substantial completion. This is all included in the lease.

The Board requested that our attorney triple check this. There was some disagreement between our law firm's land use attorney and member of the Board. There was an agreement that this would all be triple checked prior to the school moving anywhere.

Question: What are the cons if things go wrong.

There are a number of downsides for which we have contingency plans in place. The lease does protect our money although at the end of the day, anyone can violate a contract which if this were to happen we would have to go to court. Other than that, there is really none other than loss of time.

Question: Is there anything in the lease about date of occupancy?

Yes, there are stakes in the ground. Yes there are dates for move in.

Not only do we have to the certificate of occupancy but we must be able to move into the building and run a school with more 75 students. New Dawn will not pay rent on empty space.

At this point the list Dr. Weitzman provided concerning items that must be approved in the plans prior to opening was reviewed. Dr. Weitzman also had some lease drafting issues and duplications within the lease which he will review with the attorney. The issue is do we edit non-substantial issues or just the substantial issues that impact us. There are also a number of stray definitions, but they do not impact anything.

Question: Why does he want so much insurance?

New Dawn's current insurance carrier read the insurance section of the lease and the impact of insuring the building for is only a couple of thousand dollars. Further, our broker reported that \$15,000,000 was actually on the low side at this time.

It was reiterated that there would be a provision placed in the lease that the deposit would be put into escrow with our attorney until we have approved plans. Once plans are approved, the school would give the money to the owner. We also will get reassurances about the COO and Public Assembly permit.

Motion: Mr. Tabano motioned that the Board agree to sign the lease if we approve the plans as presented to us and that we are reassured that we can occupy the school with greater than 75 people as a school.

Second: Mr. Crowley seconded the motion.

Vote: Unanimous.

Mr. Tabano thanked everyone for their input and stated that this is what a Board is supposed to do. We should not be rubber stamping everything but having these discussions. Mr. Tabano thanked Dr. Weitzman for the incredible amount of work he had done on the review of the lease.

Mr. Tabano requested a motion to end the meeting.

Motion: Mr. Crowley motion to end the meeting

Second: Mr. Winter seconded the motion.

Vote: Unanimous.

Meeting adjourned at 10:30 a.m.

Next meeting will be held at New Dawn at 3:00 p.m. on April 28, 2015