

**BAY MILLS COMMUNITY COLLEGE  
CHARTER SCHOOL OFFICE**

**Application Process for Long-Term Financing Transactions**

**A. Contractual Approval Requirement.**

Every contract to charter a public school academy issued by the Bay Mills Community College Board of Regents (the “College Board”) requires approval for certain financing transactions. Specifically, Section 3.10 of the Contract Terms and Conditions states:

In the event that the Academy desires to finance the acquisition, by lease, purchase, or other means, of facilities or equipment, pursuant to arrangements calling for payments over a period greater than one (1) year, and which include a pledge to one or more third parties of a portion of the funds to be received by the Academy from the State of Michigan pursuant to the State School Aid Act of 1979, as amended, being MCL 388.1601 et seq., the Academy shall obtain prior written permission for such financing from the College Board. The Academy shall submit a written request to the College Board describing the proposed financing transaction, and the facilities or equipment to be acquired with the proceeds thereof. Provided the Academy submits the written request at least sixty (60) days before the College Board’s next regular meeting, the College Board shall vote whether to give written permission for the financing transaction at the next meeting. If given, such permission may be conditioned upon compliance by the Academy and any lender, lessor, seller, or other party with such terms as the College Board deems appropriate under the circumstances. However, all financing should be reported to the College Board before financing occurs.

If an Academy is uncertain whether a particular financing transaction falls within the scope of Section 3.10, the Academy is strongly encouraged to submit a request to the Charter School Office to determine whether Section 3.10 applies to the contemplated transaction. Academies and their counsel should be aware that under Section 3.10, the College Board considers any contractual commitment by the academies to use state school aid funds as security for underlining borrowings are transactions subject to College Board approval under Section 3.10.

**B. The College Board’s Approval Procedure.**

To facilitate the approval of financing transaction applications as set forth above, the Charter Schools Office has developed the following procedures for requesting approval of a financing transaction.

1. During the period one year to six months before an academy requests College Board approval of a financing transaction application, the academy shall present its plans for long-term growth, acquisition, and financing at a regularly scheduled College Board meeting. The Academy should be prepared to discuss the school’s proposed project,

strategic plan, and academic and financial performance. Draft financing documents will not be required at this point.

2. After presenting the Academy's long-term plan at a College Board meeting, the Academy may request an Academy Financing Approval Request Form from the Bay Mills Community College Charter School Office. The Academy must submit three (3) copies of the Request Form along with three (3) hard copies of all necessary draft documents to:

Bay Mills Community College  
Charter School Office  
Attn: Financing Approval Request  
12214 W. Lakeshore Drive  
Brimley, MI 49715

The Charter School Office must receive hard copies of all applicable draft documents at least sixty days before the College Board meeting at which the academy will seek approval of the financing transaction application. The academy may send electronic copies of documents to the Charter School Director or Controller to keep them informed of the progress on the proposed financing project, but hard copies are required.

3. During the sixty days leading up to the College Board's next regular meeting, the College's Controller, Charter School Director, and legal counsel will review the submitted documents and may request additional information from the academy or its representatives. Revisions to draft documents will be accepted during the sixty days prior to the College Board's consideration of the Academy's financing transaction request as long as those revisions do not reflect substantive documentary changes that materially alter the transaction.
4. Each academy shall then present its long-term financing proposal at a regularly scheduled College Board meeting. The College Board expects each academy to designate an academy board member and academy legal counsel to present the academy's financing application to the College Board. The academy's faculty, management company, financial advisors, and other interested parties are welcome to attend the College Board meeting, however, the presentation should be conducted by the academy board and the academy's legal counsel unless otherwise directed by the College Board.

Presenters should be prepared to answer questions regarding the academy's academic achievement, financial performance, the financing proposal, and the academy's ability to pay for the debt. The College Board recommends that each academy use a competitive process to select underwriters, legal counsel, financial advisers, and other professionals involved in the proposed financing transaction. The College Board may then vote whether to approve the application for a financing transaction in accordance with Section 3.10 of the contract.

5. To the extent an academy requests that the Charter Schools Office provide any service to the academy related to an approved financing transaction application, such as negotiating and executing Authorizing Body Certificates, Opinion Letters, State School Aid Agreements, or other documents related to an approved financing transaction application, that academy shall be required to remit a service fee of up to \$5,000.00 that is due upon closing of the financing transaction for services rendered by the Charter Schools Office and our designated partners in relation to the financing transaction.
6. The College Board will also require that academies adhere to the position of the Attorney General's office, with respect the selection of bond counsel, and not retain bond counsel that provide other legal services to the school. See attached letter, dated June 7, 2007.

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