



Board Resolution #7: Approving Participation in the Federal  
Stimulus “Paycheck Protection Program”  
LOS ANGELES COUNTY, CALIFORNIA

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**WHEREAS**, Dharma Educational Institute (the “Corporation”) is a California nonprofit public benefit corporation organized for charitable purposes, is tax-exempt under Section 501c3 of the Internal Revenue Code, and operates one or more public charter schools;

**WHEREAS**, this Board of Directors (“Board”) is the governing body of the Corporation;

**WHEREAS**, the federal Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) created a program called the “Paycheck Protection Program” (“PPP”), which initially provided \$349 billion in forgivable loans to small businesses (including nonprofit corporations like Corporation);

**WHEREAS**, the PPP is implemented as a Small Business Administration (“SBA”) loan from a local bank, fully guaranteed by the SBA, with a two-year term and a 1.0% annual interest rate, to be used towards ensuring continuing employment for employees of qualifying businesses and weathering the fiscal uncertainty of COVID-19;

**WHEREAS**, due to the unknown economic impact of the COVID-19 crisis on statewide K-12 public education funding, cash flow deferrals, negative impacts to enrollment, ongoing economic recessionary trends and other factors, current economic uncertainty creates a need for additional funding to ensure and support the ongoing operations of the Corporation in operating its public charter school(s) over the coming weeks and the next 12-24 months;

**WHEREAS**, applicants for PPP loans must certify to the following statements:

- *The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.*
- *Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.*
- *The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.*

- *The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.*
- *I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.*
- *I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 40% of the forgiven amount may be for non-payroll costs.*
- *During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.*
- *I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.*
- *I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews; and*

**WHEREAS**, on April 23, 2020 the SBA provided, and has subsequently amended, a document titled "Paycheck Protection Program Loans Frequently Asked Questions (FAQs)" (the "Guidance") regarding whether "businesses owned by large companies with adequate sources of liquidity to support the business's ongoing operations qualify for a PPP loan;" and

**WHEREAS**, the Guidance advises that "all borrowers must assess their economic need for a PPP loan under the standard established by the CARES Act and the PPP regulations at the time of the loan application" and "[a]lthough the CARES Act suspends the ordinary requirement that borrowers must be unable to obtain credit elsewhere (as defined in section 3(h) of the Small Business Act), borrowers still must certify in good faith that their PPP loan request is necessary"; and

**WHEREAS**, the Guidance advises that applicants pay particular attention to the certification in the PPP loan application regarding “current economic uncertainty” as follows:

- *Specifically, before submitting a PPP application, all borrowers should review carefully the required certification that “[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.” Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business.*

**WHEREAS**, the SBA Guidance also states that there is a safe-harbor available if an applicant repays the loan funds before May 7, as follows:

- *Any borrower that applied for a PPP loan prior to the issuance of this guidance and repays the loan in full by May 7, 2020 will be deemed by SBA to have made the required certification in good faith; and*

**WHEREAS**, SBA has amended the Guidance to extend this safe harbor period to May 18, as follows:

*SBA is extending the repayment date for this safe harbor to June 30;*

**WHEREAS**, DEI, meets the requirement that “[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant” because it faces substantial financial risk due to COVID-19, including but not limited to:

- Preparation for cash deferrals in state funding. The Fiscal Crisis and Management Assistance Team (“FCMAT”) is projecting that, during the COVID-19 pandemic, the State is likely, starting in June 2020, to implement cash deferrals as it did in the last recession.<sup>1</sup> In the event that the State were to defer payments, DEI would be negatively affected;
- The Charter Schools Development Center is forecasting these cuts may be as high as 20%.<sup>2</sup>
- Reduced lottery revenue during the 2019-20 year of \$3,000;
- Additional expense to facilitate distance learning during the 2019-20 academic year, which are anticipated to be \$10,000;
- Increased health care costs projected due to increased use of health care services, currently estimated at \$11,000;
- Reductions in school meal revenue of \$10,000;
- Reductions in after school program fees of \$34,000;

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<sup>1</sup> FCMAT Fiscal Alert, April 2020, “Effective Cash Management During Uncertain Times”

<sup>2</sup> “Charter Currents: Coronavirus-19 Update #11: It’s Official: The Recession is Here and Dampening Tax Revenues”

- Reductions in school event ticket sales of \$20,000;
- DEI anticipates a decline in enrollment moving into the next year because it has not able to hold open houses and outreach events. Unlike school districts which generate enrollment based on location, DEI relies on student recruitment to generate enrollment.
- DEI currently has no current lines of credit.
- Loss in FY19-20 state revenue from under enrollment compared to budget - \$138K
- Loss in FY19-20 revenue from SB 740 awarded at 95% - \$16,000
- Expected deferrals for June 19-20 LCFF – approximately \$180,000
- DEI will have low cash levels by June 30th (under \$100,000) after repayment of accrued liabilities (Prop 30 -\$189K) and will need PPP assistance to cover payroll and other operating expenses during the covered period.
- Per May revised, funding cut at 7.92%. Funding may be restored for FY20-21, however deferrals will increase causing cashflow to decline even further
- DEI looked at various financing options for all clients, these are my findings :  
Line of Credit with CAM at 7.95% plus 1.5% closing cost, Stifel / CSFA RAN (revenue anticipation note) approximately 6% APR, AR factoring is expensive financing with a discount rate of 2.34% (annualized rate – approx. 10%)

**WHEREAS**, the Corporation proposes to borrow an aggregate amount not to exceed \$374,112 from Banc of California under the PPP (the “Loan”);

**WHEREAS**, if the Corporation as borrower meets the following, the amount of the PPP Loan is expected to be fully forgiven and becomes grant revenue to the Corporation:

1. Corporation uses PPP Loan proceeds to pay gross payroll, benefits, lease/mortgages for facilities, and utility costs over the 24-week period following loan origination,
2. Corporation maintains full-time equivalent staffing levels at pre-COVID staffing levels consistent with PPP provisions, with a proportionate reduction in loan forgiveness for reduction in staffing levels over the 24 weeks following PPP Loan origination vs. pre-COVID staffing levels; and

**WHEREAS**, the Corporation intends to use the proceeds of the PPP Loan on gross payroll, benefits, lease/mortgages on facilities, and utility costs over the 24-week period following receipt of Loan proceeds, and proposes to maintain pre-COVID staffing levels or increase current staffing to pre-COVID levels, in order to qualify for up to 100% forgiveness of the outstanding PPP loan balance following such 24-week period;

**NOW, THEREFORE**, in light of the foregoing findings and determinations, this Board does hereby find, resolve, and order as follows:

1. The Board hereby approves the PPP Loan from Banc of California, ratifies any and all prior actions taken by management and advisors to process the initial application for the PPP Loan, and directs and authorizes staff and advisors to take all necessary steps to ensure full compliance with all provisions and requirements under the PPP Loan.
2. The Chief Executive Officer of the Corporation or his/her designee is authorized and directed, for and in the name and on behalf of the Corporation, to execute, deliver, approve, and, as appropriate, declare final the PPP Loan documents, and all such documents, agreements, or instruments or amendments thereto.

### **SECRETARY'S CERTIFICATE**

I, David Sams, Secretary of the Board of Directors of the Corporation, hereby certify as follows: The attached/foregoing is a full, true, and correct copy of the resolutions duly adopted at a meeting of the Board of Directors which was duly held on July 29, 2020, at which meeting all of the members of the Board of Directors had due notice and at which a quorum thereof was present; and at such meeting such resolutions were adopted by the following vote:

AYES: 3

NOES: 0

ABSTAIN: Stuart Cano

ABSENT:

ATTEST:

David Sams  
Secretary of the Board of Directors

July 29, 2020  
Date