



Board Agenda Item #:	IV.D.- Action Item
Date:	September 12, 2019
To:	Magnolia Educational & Research Foundation dba Magnolia Public Schools (“MPS”) Board of Directors (the “MPS Board”)
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Patrick Ontiveros, General Counsel & Director of Facilities
RE:	Approval of Resolution Accepting Terms & Conditions of CSFIG Grant Agreement for MSA-Santa Ana

I. Proposed Recommendation

Staff recommends and moves that the MPS Board accept the award described hereinafter and agree to the terms and conditions set forth in the Grant Agreement provided in conjunction with the CSFA’s award to MSA-Santa Ana under Funding Round 15 of the State Charter Facilities Incentive Grants Program and that the MPS Board, accordingly, adopt the resolutions set forth as Exhibit A attached hereto.

II. Background

The California School Finance Authority (the “CSFA”) notified MPS of its award to MSA—Santa Ana under the State Charter School Facilities Incentive Grants (“CSFIG”) Program as follows:

At its meeting on August 28, 2019, the California School Finance Authority (Authority) awarded a grant to **Magnolia Science Academy Santa Ana** (CDS Code: **30-76893-0130765**) under Funding Round 15 of the State Charter School Facilities Incentive Grants Program (Program) (CFDA #84.282D). Assuming ongoing eligibility, the per-pupil federal grant will be awarded in disbursements over three years from September 2019 through August 2022 to **Magnolia Science Academy Santa Ana** for the project described below.

Project Description:

Mortgage/Debt Service costs for the charter school facilities located at:
2840 West 1st Street
Santa Ana, CA 92703

Total 3-Year Grant Amount:

\$750,000.00 (based on 75% of the submitted costs)



MSA-Santa Ana will be able to access Two Hundred Fifty Thousand Dollars (\$250,000) per annum for the next three years to offset mortgage/debt payments. A copy of the letter is attached as Exhibit B. It is a condition for receipt of the CSFIG award that the MPS Board by resolution agree to and approve the terms and conditions in the Grant Agreement which governs the use of the CSFIG award. The Grant Agreement is attached as Exhibit C.

III. Budget Impacts

MSA-Santa Ana will receive additional funds from CSFA to offset its mortgage payment obligations under the 2017 Bond financing.



EXHIBIT A

RESOLUTIONS OF THE BOARD OF DIRECTORS OF MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION DBA MAGNOLIA PUBLIC SCHOOLS, OPERATOR OF MAGNOLIA SCIENCE ACADEMY – SANTA ANA

WHEREAS, Magnolia Science Academy Santa Ana (CDS 30768930130765) (“MSA-Santa Ana”) is a California Charter School operating as a non-profit public benefit corporation in accordance with Education Code Section 47604 and is operated by Magnolia Educational & Research Foundation dba Magnolia Public Schools (“MPS”).

WHEREAS, MSA-Santa Ana applied to the California School Finance Authority (the “Authority”) for funding for its charter school facilities project (“Project”) under the State Charter School Facilities Incentive Grants Program (CFDA #84.282D) (Grant) and the regulations for its implementation provided in Title 4, California Code of Regulations, Section 10176 et seq.

WHEREAS, MSA-Santa has been notified by the Authority that its Application has been determined by the Authority to meet all eligibility requirements, and that as “Subgrantee” has been awarded a Grant.

WHEREAS, Subgrantee’s Project may involve reimbursement of eligible rent or debt service payments, construction or renovation of a facility, or the acquisition of a facility or real property.

WHEREAS, the Authority proposes to grant an award to the Subgrantee from the State Charter School Facilities Incentive Grants Program on the terms and conditions contained in that certain “CALIFORNIA SCHOOL FINANCE AUTHORITY STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS PROGRAM GRANT AGREEMENT NUMBER 15-10, STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS PROGRAM (CFDA 84.282D), by and among: California School Finance Authority and Magnolia Science Academy Santa Ana, a California Charter School (the “Agreement”)

WHEREAS, Subgrantee proposes to apply all funds received as a Grant award toward the Project on the terms and conditions contained in the Agreement.

WHEREAS, the term of the Agreement shall be thirty-six (36) months from September 1, 2019 through August 31, 2022, unless, at the Authority’s discretion, the time period is amended in writing.

WHEREAS, the Grant’s apportionments are contingent upon the receipt of funds in each budget period as scheduled by the United States Department of Education.

NOW, THEREFORE, BE IT RESOLVED, MSA-Santa Ana as Subgrantee under the Agreement agrees to abide by all the terms and conditions contain in the Agreement and any laws, rules, and regulations applicable to the Grant.

BE IT FURTHER RESOLVED, that the President and Superintendent, Chief Financial Officer, or such other officers of MPS or MSA-Santa Ana, as may be required, acting singly or together, be and hereby is and are authorized and directed to sign the Agreement and abide by the specific terms and conditions of

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the Agreement and to execute and deliver on behalf of MPS or MSA-Santa Ana all such documents as may be necessary or required in accordance with the terms and conditions of the Grant and the Agreement.

BE IT FURTHER RESOLVED, that the Secretary or Assistant Secretary of MPS or MSA-1, acting singly or together, be and hereby is and are authorized and directed to execute, acknowledge and deliver a certified copy of these resolutions to the Authority and any other person or agency which may require copies of these resolutions and that the certification of the Secretary or Assistant Secretary will be binding on MPS and MSA-1.

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EXHIBIT B

**SEPTEMBER 5, 2019 AWARD LETTER FROM THE CALIFORNIA SCHOOL FINANCE AUTHORITY
TO NANIE MONTIJO**



CALIFORNIA SCHOOL FINANCE AUTHORITY

915 Capitol Mall, Suite 101
Sacramento, CA 95814
p (916) 651-7710
f (916) 651-7709

300 S. Spring Street, Suite 8500
Los Angeles, CA 90013
p (213) 620-4608
f (213) 620-6309

csfa@treasurer.ca.gov
www.treasurer.ca.gov/csfa

September 5, 2019

Nanie Montijo, CFO
Magnolia Science Academy Santa Ana and
Magnolia Educational and Research Foundation
250 East 1st St., Suite 1500, Los Angeles, CA 90012

Via E-mail: nmontijo@magnoliapublicschools.org

Dear Nanie Montijo:

At its meeting on August 28, 2019, the California School Finance Authority (Authority) awarded a grant to **Magnolia Science Academy Santa Ana** (CDS Code: **30-76893-0130765**) under Funding Round 15 of the State Charter School Facilities Incentive Grants Program (Program) (CFDA #84.282D). Assuming ongoing eligibility, the per-pupil federal grant will be awarded in disbursements over three years from September 2019 through August 2022 to **Magnolia Science Academy Santa Ana** for the project described below.

Project Description:

Mortgage/Debt Service costs for the charter school facilities located at:

**2840 West 1st Street
Santa Ana, CA 92703**

Total 3-Year Grant Amount:

\$750,000.00 (based on 75% of the submitted costs)

Please note the award amount listed above is based on currently available information and is subject to change.

Grant funds are to be used for the immediate needs of the designated project and must be obligated and expended by the dates specified in the Grant Agreement (Cal. Code Regs., Title 4, §10185). **You will receive another e-mail within the next seven business days that will include the grant agreement and will outline the next steps that must be taken.**

To confirm acceptance of the grant award and begin receiving disbursements, the Authority must receive the following documentation at the letterhead address by **Wednesday, September 25, 2019**:

1. Grant Agreement (including exhibits), signed by an official representative of the charter school;
2. Certified resolution of the school's governing board, accepting the terms and conditions of the Grant Agreement;
3. Request for Disbursement of Grant Proceeds (see Exhibit B of the Grant Agreement for a sample);
4. Proof of site control through August 31, 2020 (i.e. **executed** lease, title to property, purchase agreement, etc.);
5. Current charter; and
6. Verification of eligibility to receive federal funds by being actively registered in SAM (System for Award Management) at <https://www.sam.gov/SAM/>.

In addition, to ensure subgrantees will receive all eligible disbursements by the close of the grant period, the Authority's regulations require current subgrantees provide verification of continued eligibility and confirmation of facility costs in February and August of each year. The regulations also provide that incomplete documentation will cause the subgrantee to forfeit one-sixth of the respective semi-annual disbursement cycle (March-August or September-February). If the documentation is still insufficient 30 days after February 28 or August 31, the subgrantee will forfeit one-sixth of the total three year award.

Special information for schools awarded funds for purchase, construction, or renovation:

- per Section 10185 of the regulations, "Within one year of the grant award date, subgrantees that receive an award for purchase, construction, or renovation shall provide, in form and substance satisfactory to the Authority, any and all documents necessary to establish that the approved project has been initiated.
- Such subgrantees shall also provide the Authority with semi-annual progress reports and shall annually provide sufficient documentation, as determined by the Authority, to approve disbursements equal to one-third of the total award. Failure to draw down an amount equal to one-third of the total award annually will result in the loss of one-third of the total award, less any funds previously distributed in the applicable year. Funds will immediately revert to the Authority."

Please carefully review the Program regulations so you are aware of all ongoing Program requirements and deadlines:

<https://www.treasurer.ca.gov/csfa/charter/regulations/regulations-article2.pdf>.

If you have any question about the above information or the State Charter School Facilities Incentive Grants Program, please contact us at (213) 620-4467 or (916) 651-7710.

Congratulations and welcome to the Program,

The Incentive Grants Team

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EXHIBIT C

**CALIFORNIA SCHOOL FINANCE AUTHORITY STATE CHARTER SCHOOL FACILITIES
INCENTIVE GRANTS PROGRAM**

GRANT AGREEMENT NUMBER 15-10

**STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS PROGRAM (CFDA
84.282D)**

**BY AND AMONG: CALIFORNIA SCHOOL FINANCE AUTHORITY AND MAGNOLIA SCIENCE ACADEMY
SANTA ANA, A CALIFORNIA CHARTER SCHOOL**

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STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS PROGRAM
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STATE CHARTER SCHOOL FACILITIES
INCENTIVE GRANTS PROGRAM (CFDA 84.282D)

By and Among:

California School Finance Authority

And

Magnolia Science Academy Santa Ana,

A California Charter School

ARTICLE I - PURPOSE

- A. THIS GRANT AGREEMENT (AGREEMENT) IS MADE this first day of September 2019 (Effective Date), between the California School Finance Authority (Authority) and Magnolia Science Academy Santa Ana (CDS 30768930130765), a California Charter School operating as a non-profit public benefit corporation in accordance with Education Code Section 47604 (Subgrantee). The provisions of this Agreement shall be effective from and after the Effective Date until the termination of the Agreement as provided herein.
- B. The Subgrantee has applied to the Authority for funding for its charter school facilities project (Project) under the State Charter School Facilities Incentive Grants Program (CFDA #84.282D) (Grant) and the regulations for its implementation provided in Title 4, California Code of Regulations, Section 10176 et seq.
- C. Subgrantee's Application, which is attached hereto as Exhibit A, has been determined by the Authority to meet all eligibility requirements, and the Subgrantee was awarded a Grant through a competitive application process.
- D. The Subgrantee's Project may involve reimbursement of eligible rent or debt service payments, construction or renovation of a facility, or the acquisition of a facility or real property.
- E. The Authority proposes to grant an award to the Subgrantee from the State Charter School Facilities Incentive Grants Program on the terms and conditions herein contained.
- F. The Subgrantee proposes to apply all funds received as a Grant award toward the Project on the terms and conditions herein contained.
- G. The term of this Agreement shall be thirty-six (36) months from September 1, 2019 through August 31, 2022, unless, at the Authority's discretion, the time period is amended in writing.
- H. This Grant's apportionments are contingent upon the receipt of funds in each budget period as scheduled by the United States Department of Education.

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ARTICLE II – DEFINITIONS

Section 2.1 – COMMITMENT LETTER means the Authority’s notification to the Subgrantee that contains the terms and conditions of funding, attached hereto as Exhibit D (incorporated herein by reference).

Section 2.2 – DOCUMENT RESOLUTION means Authority resolution number 06-07 “Approving the Forms of Grant Agreement,” dated January 24, 2006.

Section 2.3 – ELIGIBLE COSTS means those designated Project costs consistent with the Grant and the Grant Documents, and approved by the Authority as set forth in the Authority’s Commitment Letter attached hereto as Exhibit D.

Section 2.4 –EXECUTIVE DIRECTOR means the Executive Director authorized to act on behalf of the Authority.

Section 2.5 – FUNDING RESOLUTION means Authority resolution number 19-25 “Approving Awards and Authorizing the Disbursement of Funds under the Fifteenth Funding Round of the State Charter School Facilities Incentive Grants Program,” dated August 28, 2019.

Section 2.6 - GRANT or GRANT PROGRAM means the State Charter School Facilities Incentive Grants Program.

Section 2.7 – GRANT DOCUMENTS means this Agreement, Program Regulations, Subgrantee’s Application, Document Resolution, Funding Resolution, and the Commitment Letter, including any and all exhibits to such documents.

Section 2.8 – GRANT PERIOD means the thirty-six (36) month period commencing September 1, 2019 through August 31, 2022, unless, at the Authority’s discretion, the time period is amended.

Section 2.9 – PROJECT means the project, as specifically described in the school’s application and set forth in Exhibit E, unless a change in Project has been authorized by the Authority in writing pursuant to Program Regulations Section 10186.

Section 2.10 – REGULATIONS or PROGRAM REGULATIONS means the California Code of Regulations, Title 4, Division 15, Article 2 (commencing with section 10176), as may be amended from time to time.

ARTICLE III – DELEGATION OF AUTHORITY

Section 3.1 – Pursuant to the Funding Resolution, the Executive Director is authorized to take actions for, on behalf of, and in the name of the Authority, including, but not limited to:

- (a) Taking all steps necessary with respect to the Subgrantee, including notifying the Subgrantee whether its Application has been approved for funding, preparing a Commitment Letter for the Subgrantee, preparing and executing the final form of Grant Agreement, and disbursing funds pursuant to the Grant Agreement and the Authority’s Regulations;

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- (b) Approving changes in the Project when necessary and authorized under the Regulations;
- (c) Drawing money from the Authority's Fund, not to exceed the amount approved by the Authority for the Subgrantee.
- (d) Executing and delivering to the Subgrantee any and all documents necessary to complete the transfer of funds;
- (e) Undertaking any and all actions necessary to execute and deliver any and all documents that the Executive Director deems necessary or advisable in order to effectuate the purposes of the Documents Resolution approved by the Authority; and
- (f) Decreasing or increasing (increase by no more than 20 percent), assuming funds are available to make such increases, Subgrantee award amounts between the time of board approval and grant agreement execution.

ARTICLE IV – REPRESENTATIONS AND WARRANTIES

The Subgrantee makes the following representations and warranties to the Authority:

Section 4.1 – LEGAL STATUS. The Subgrantee represents and warrants that:

- (a) An approved charter has been awarded and is in place and current at the time of application, and will remain so without interruption throughout the application review and approval process.
- (b) The charter school is in good standing with its chartering authority and is in compliance with the terms of its charter at the time of application submission and will remain so without interruption throughout the term of the Grant. The Authority will rely on information from the chartering authority regarding the school's good standing and compliance with the terms of its charter. Charter schools may appeal any response by the chartering authority's staff directly to the chartering authority's governing board. It shall be the charter school's responsibility, and not the Authority's, to ensure that the good standing and compliance response letter is received by the stated deadline.
- (c) The charter school has completed at least one school year of instructional operations under its current County-District-School (CDS) Code and charter number issued by the California Department of Education.
- (d) If a district-dependent charter school, the school can demonstrate operational and financial autonomy from its authorizing district as set forth in Program Regulations Section 10177(d)(1)(a) through (d).
- (e) The charter school is not a current Subgrantee pursuant to the 2014 State Charter School Facilities Incentive Grants Program (Rounds 13-14).
- (f) At least eighty percent (80%) of the instructional time offered by the charter school shall be at the school site, and the charter school shall attain an average daily attendance (ADA) rate of at least eighty percent (80%) based on the school's most recent CALPADS or CBEDS report.
- (g) The charter school is established pursuant to Education Code section 47600, et seq., and also meets the Federal definition of charter school as defined in section 5210(1) of the Elementary and Secondary Education Act of 1965 (20 USCA section 7221(i)), as amended by the No Child Left Behind Act of 2001.
- (h) The charter school admits students by public lottery in the event more students want to attend the school than the school can accommodate and this process is outlined in the school's charter agreement.

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- (i) The charter school is able to demonstrate costs are eligible pursuant to Section 10178 of the Regulations.
- (j) The charter school is in compliance with all other programs administered by the Authority, where applicable. Where an educational management organization (EMO) has submitted an application on behalf of a charter school, the compliance of affiliate charter schools within the EMO is not a requirement.
- (k) The charter school is actively and continuously registered with System for Award Management (SAM) (www.sam.gov) and has no delinquent federal debt and has no active exclusions on the SAM record.
- (l) The charter school shall not operate as, or be operated by, a for-profit corporation, a for-profit educational management organization, or a for-profit charter organization.

The Subgrantee understands that to be eligible to receive funding under this Grant it must continuously satisfy each of these legal requirements, as they may be amended, throughout the length of time the Project will be assisted by the Grant Program.

Section 4.2 – AUTHORIZATION. This Agreement has been duly authorized, executed, and delivered by the Subgrantee, and is a valid and binding Agreement of the Subgrantee.

Section 4.3 – PROJECT. The Project as set forth in Exhibit E attached hereto meets the criteria defined in the Regulations.

Section 4.4 – ELIGIBLE COSTS. The costs set forth in Exhibit E attached hereto meet the criteria defined in Section 10178 of the Regulations. Grant funds may not be applied to costs other than those approved herein.

Section 4.5 – GRANT DOCUMENTS. The Subgrantee warrants that (a) the Subgrantee has access to professional advice to the extent necessary to enable the Subgrantee to fully comply with the terms of the Grant Documents; and (b) the Subgrantee has the full power and authority to execute the Grant Documents.

ARTICLE V - CONDITIONS PRECEDENT TO EACH DISBURSEMENT

The obligation of the Authority to make any disbursements under the Agreement is subject to all of the following conditions:

Section 5.1 – EVENT OF DEFAULT. There shall not exist an Event of Default, as defined in this Agreement, and there shall exist no event, omission, or failure of condition, which, after notice of lapse of time, would constitute an Event of Default, as defined in this Agreement.

Section 5.2 – DOCUMENTATION. The Subgrantee shall deliver to the Authority in form and substance satisfactory to the Authority this Agreement and any other documents required by the Authority prior to beginning monthly disbursements, and no later than September 30, 2019.

Additionally, the Subgrantee shall deliver to the Authority in form and substance satisfactory to the Authority any documents required by the Authority to verify continued eligibility prior to beginning each semi-annual disbursement cycle, no later than February 28 and August 31 of each year.

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Section 5.3 – CERTIFIED RESOLUTION. This Agreement shall be accompanied by a certified resolution from the Subgrantee's governing body authorizing its execution (See Exhibit C hereof).

Section 5.4 – FUNDING CONDITIONS. The Subgrantee has met all terms and conditions of funding in accordance with the Regulations and the Authority's Funding Resolution.

Section 5.5 – TERMS OF COMMITMENT. In the event the Subgrantee has not fulfilled all terms and conditions precedent set forth in this Article IV within thirty (30) days of the Subgrantee's execution of this Agreement, the Authority's obligation under this Agreement shall automatically terminate, unless at the Authority's discretion, the time period is extended in writing.

ARTICLE VI – GRANT DISBURSEMENT PROCEDURES

Section 6.1 – DISBURSEMENT PROCEDURES. Disbursements of the Grant shall not commence until this Agreement is executed by all parties and the requirements of the Authority are satisfied. Disbursements of the Grant shall only be applied for the Eligible Costs of Project as set forth by the Authority and subject to the Authority's Funding Resolution. Pursuant to Section 10186 of Program Regulations, the Subgrantee shall obtain prior written authorization from the Authority for any change in the use of Grant funds.

Any unspent Grant funds and unspent investment earnings shall immediately revert to the Authority.

Section 6.2 - DISBURSEMENT PROCESS. The Subgrantee may request disbursement of Grant funds up to, but not exceeding, its total Grant award in accordance with the Eligible Costs set forth by the Authority. Only one disbursement request per month will be allowed against the Grant. In order to maintain eligibility to receive disbursements, requests for disbursement and verification of continued eligibility must be submitted during February and August of each year, or more often as disbursements may be requested, and must be supported by documentation sufficient in the Authority's determination to support payment. Subgrantee must provide all documentation verifying Eligible Costs sufficient to allow disbursement of an annual portion (one-third) of the full award on or before August 31st of each year as described in Section 5.2 above. The Authority shall use its best efforts to respond to a disbursement request within thirty (30) business days after the receipt of such disbursement request. The request for disbursement must contain at least the information in substance and form of Exhibit B attached hereto and shall include:

- a copy of the prime construction contract including the clauses prescribed in 29 C.F.R. Subtitle A Part 5.5;
- the most recent Application and Certificate for Payment (Signed by the prime contractor/construction management company and notarized by a notary public);
- Updated Continuation Sheet (Completed by the prime contractor/construction management company and attached to the Application and Certificate for Payment);
- Any Change Orders (Provided by the prime contractor/construction management company); and
- Statement of Compliance (form WH 348) required by all vendors (contractor or

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subcontractors) providing labor.

The Subgrantee shall not receive a disbursement until the Subgrantee corrects any deficiencies or discrepancies to the satisfaction of the Authority.

Incomplete documentation of annual Eligible Costs due each August will cause the Subgrantee to forfeit the undisbursed portion of the annual award (one-third of the full award), for the respective annual period.

Pursuant to section 10185 of Program Regulations, the Subgrantee shall provide verification that the Project has been initiated within one year of the award date and shall annually provide sufficient documentation to approve disbursement equal to each year's award. The Subgrantee also shall provide semi-annual progress reports to the Authority.

Funds are to be applied toward current costs at the time of disbursement and/or during the specified funding period; therefore, a delay in the processing of any disbursement may result in a loss of Grant funds. Grant funds may not be applied retroactively.

The Subgrantee's expenditure of Grant funds for uses not described in the Subgrantee's Application or the request for disbursements which deviate, without Authority authorization, in any category from the approved uses of Grant proceeds listed in the Commitment Letter and subject to the Authority's Funding Resolution, may result in the suspension of subsequent Grant disbursements and may be deemed by the Authority to constitute an Event of Default hereunder. The amount of all ineligible Grant expenditures shall be immediately repaid to the Authority.

If it is determined that funds are used for costs other than Eligible Costs, the Authority may suspend subsequent Grant disbursements. If warranted, the Authority may take action consistent with Article VIII of this Agreement.

Section 6.3 – AMOUNT OF DISBURSEMENT. Grant proceeds shall be disbursed up to the amount authorized under this Grant Agreement and only for Eligible Project Costs. Any unused Grant funds shall revert to the Authority.

Section 6.4 – DISBURSEMENT PERIOD. The initial disbursement of Grant proceeds shall be made no later than September 30, 2019 upon fulfillment of all requirements; and all Grant disbursements shall be disbursed no later than August 31, 2022. Consistent with Title 34, Code of Federal Regulations (CFR), Part 80 and 31 CFR Part 205, the Subgrantee must minimize the amount of time elapsing between the transfer of Grant funds and the disbursement of Grant funds to a reasonable time period (i.e. three days of the drawdown), such that the disbursements shall be paid out within three days of receipt.

ARTICLE VII – AFFIRMATIVE COVENANTS

Section 7.1 – CERTIFICATE OF COMPLETION. Upon disbursement of Grant funds, the Subgrantee shall certify to the Authority that the Project is complete, and shall provide a final report that sets forth the use of the funds, in letter format or as otherwise requested by the

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Authority, and shall include all information with supporting documentation as described in section 10189 of the Regulations.

The final report shall be completed and two (2) printed copies shall be submitted to the Authority no later than sixty (60) days after the final disbursement of Grant funds, unless the time period is extended at the Authority's discretion.

Section 7.2 – LEGAL COMPLIANCE. The Subgrantee shall comply with the Authority's Regulations and all Federal requirements, as such may be amended from time to time throughout the Grant Period. These federal requirements include Section 5205 of the Elementary and Secondary Education Act; 34 CFR Part 226, when enacted, and 34 CFR sections 75.525, 75.600-617, and 80.36, pertaining to the State Charter School Facilities Incentive Grants Program.

The Subgrantee is responsible for continued and uninterrupted compliance with all Grant Program requirements.

Section 7.3 – ACCOUNTING RECORDS. The Subgrantee shall maintain an accounting system that accurately reflects fiscal transactions, with necessary controls and safeguards. This system shall provide an audit trail, including original source documents such as lease agreements, contracts, bidding procedures, receipts, progress payments, invoices, etc. related to the Project. The system also shall provide accounting data so the total cost of the facilities can be readily determined. These records shall be retained for a period of three years after submission of the certificate of completion and final report to the Authority or three years after the end of the funding period, whichever is longer. Such books and accounts shall be available for audit and/or review upon request by the Authority, the Bureau of State Audits, and the U.S. Department of Education.

Section 7.4 – LITIGATION. The Subgrantee shall promptly notify the Authority in writing of any administrative action or litigation, pending or threatened, by or against the Subgrantee or otherwise related to the Project or Subgrantee. For purposes of this item, the term "Subgrantee" shall include the charter school, the parent company of the charter school, and any subsidiary of the charter school if the subsidiary is involved in or will be benefited by the Grant or the Project. In addition to each of these entities themselves, the term "Subgrantee" shall also include the direct and indirect holders of more than ten percent (10%) of the ownership interests in the entity, as well as the officers, directors, principals, and senior executives of the entity if the entity is a corporation, the general and limited partners of the entity if the entity is a partnership, and the members or managers of the entity if the entity is a limited liability company.

Section 7.5 - NOTICE TO AUTHORITY. The Subgrantee shall:

- (a) Promptly notify the Authority in writing of any uninsured or partially uninsured loss related to the Project through fire, theft, liability, or otherwise in excess of an aggregate of two thousand five hundred dollars (\$2,500).
- (b) Notify the Authority if the Subgrantee is not in good standing or the Subgrantee's charter is not renewed, or is revoked, or placed on probation at any time during the Grant Period, within 30 (thirty) days of receipt of notification of such action, including providing the

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Authority with a copy of the document provided by the chartering entity notifying the charter school of such action.

- (c) Notify the Authority, within 30 (thirty) days, of any material changes to the Subgrantee's facilities, enrollment, charter status, nonprofit status, financial condition, or scope of the Project that occurs between the time of application and the time the Subgrantee's final report is accepted by the Authority.
- (d) Notify the Authority immediately if the facility subject to this Agreement is no longer operating as a charter school or if the number of students attending school at the facility decreases by 20 percent.

Section 7.6 – RELEASE. The Subgrantee hereby waives all claims and recourse against the Authority including, but not limited to, the right to contribution for loss or damage to persons or property arising from, growing out of, or in any way connected with or incident to this Agreement, the Subgrantee's use of the Grant proceeds, the Subgrantee's business operations, or the Project. The provisions of this section shall survive the termination of this Agreement.

Section 7.7 – INDEMNIFICATION. The Subgrantee shall defend, indemnify and hold harmless the Authority, the State, and the Federal Government/U.S. E.D., and all officers, trustees, agents, and employees of the same, from and against any and all claims, losses, costs, damages, or liabilities of any kind or nature, whether direct or indirect, arising from or relating to the Grant, the Project, or the State Charter School Facilities Incentive Grants Program. The provisions of this section shall survive termination of this Agreement.

Section 7.8 - NON-DISCRIMINATION CLAUSE. The Subgrantee and its contractors and subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religion, creed, national origin, culture, physical disability (including HIV and AIDS), mental disability, medical condition (cancer or genetic characteristics), sexual orientation, political affiliation, position in a labor dispute, age, marital status, and denial of statutorily-required employment-related leave. The Subgrantee and its contractors and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. The Subgrantee and its contractors and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code, section 12990 (a-f), set forth in chapter 5 of division 4 of title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. The Subgrantee and its contractors and subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

ARTICLE VIII - NEGATIVE COVENANTS

The Subgrantee further covenants that so long as this Agreement is in effect, the Subgrantee will not, without prior written consent of the Authority:

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Section 8.1 - USE OF FUNDS. Use any Grant proceeds for purposes other than as described in Exhibit E and approved by the Authority, the request for disbursement, or requirements of the Grant Program.

Section 8.2 – CHANGE IN PROJECT. Make any material change to the Project as described in Exhibit E or any of the Grant Documents, without prior written authorization of the Authority. Material changes may include, but are not limited to, a reduction of 20 percent in the number of students attending school at the facility subject to the Agreement, or a change in the lessor or lessee of the facility during the term of the Agreement.

ARTICLE IX – DEFAULT AND REMEDIES

Section 9.1 - EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

- (a) Any representation or warranty made by the Subgrantee, or anyone acting on its behalf, hereunder or under any of the Grant Documents, is incorrect in any material respect; or
- (b) The Subgrantee's failure to perform or abide by any term or condition of this Agreement (including all requirements and covenants in Articles III through VII herein) or other Grant Documents, or comply with any other agreements between the Subgrantee and the Authority relating to this Grant; or
- (c) Any substantial or continuous breach by the Subgrantee of any material obligations of the Subgrantee imposed by any agreements other than the Grant Documents with respect to the Grant; or
- (d) Failure to use the funds for the approved purposes and under the requirements of the Grant Documents.
- (e) Failure to maintain continued compliance with each of the requirements for eligibility, as they may be amended, for the length of time the Project will be assisted by the Grant Program.

Section 9.2 - NOTICE OF SUBGRANTEE'S DEFAULT AND OPPORTUNITY TO CURE. The Authority shall give written notice to the Subgrantee of any Event of Default by specifying:

- (a) The nature of the event or deficiency giving rise to the Event of Default,
- (b) The action required to cure the Event of Default, if an action to cure is possible, and
- (c) A date, which shall not be less than thirty (30) calendar days from the mailing of the notice, by which such action to cure must be taken, if an action to cure is possible, provided, however, except with respect to a monetary Event of Default, so long as the Subgrantee has commenced to cure within such time, then the Subgrantee shall have a reasonable period, as determined by the Authority, thereafter within which to fully cure the Event of Default.

Section 9.3 – REMEDIES. In an Event of Default, the Authority may pursue any remedy available to it in law or in equity, including, but not limited to, forfeiture and return of all Grant funds and any accrued interest.

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ARTICLE X – MISCELLANEOUS

Section 10.1 – AMENDMENTS. This Agreement may be amended, changed, or modified in writing signed by the Subgrantee and the Authority.

Section 10.2 - ENTIRE AGREEMENT. This Agreement, together with all agreements and documents incorporated by reference herein, constitutes the entire Agreement of the parties and is not subject to modification, amendment, qualification, or limitation except as expressly provided herein.

Section 10.3 – NOTICES. Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first-class mail, postage prepaid and addressed as follows:

- (i) If to the Subgrantee:

Attention:
Nanie Montijo, Chief Financial Officer
Magnolia Educational and Research Foundation on behalf of
Magnolia Science Academy Santa Ana
250 East 1st Street, Suite 1500
Los Angeles, CA 90012

- (ii) If to the Authority:

Attention:
Katrina Johantgen, Executive Director
California School Finance Authority
300 South Spring Street, Suite 8500
Los Angeles, CA 90013

Section 10.4 – COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 10.5 – GOVERNING LAW, VENUE. This Agreement shall be construed in accordance with and governed by the Constitution and laws of the State of California applicable to contracts made and performed in the State of California. This Agreement shall be enforceable in the State of California and any action arising hereunder shall (unless waived in writing by the Authority) be filed and maintained in Sacramento, Sacramento County, California.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in day and year first hereinabove written.

Magnolia Science Academy Santa Ana:

By: _____ Date: _____
Signature
Print Contact Name, Contact Title: _____

CALIFORNIA SCHOOL FINANCE AUTHORITY:

By: _____ Date: _____
Katrina Johantgen, Executive Director

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Exhibit A

SUBGRANTEE'S APPLICATION AND AMENDMENTS

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Exhibit B

DRAFT

REQUEST FOR DISBURSEMENT OF GRANT PROCEEDS

[Fill in Date of Request]

Katrina Johantgen
Executive Director
California School Finance Authority
300 South Spring Street, Suite 8500
Los Angeles, CA 90013

RE: Certification and Request for Disbursement of Grant Funds for Magnolia Science Academy Santa Ana (CDS 30768930130765)

This is to request the next six monthly disbursements under the State Charter School Facilities Incentive Grants Program (CFDA #84.282D) as allowed by the Grant Documents.

I hereby certify and attest to each of the following for the current period through February 28, 2020:

1. The Subgrantee will continuously meet all eligibility requirements listed in Program regulations during this semi-annual disbursement cycle (Cal Code Regs., title 4, §10177).
2. Disbursements from the California School Finance Authority to the Subgrantee shall be directed to the attention of *[fill in name, title]* at the Subgrantee's official address, on file with the Authority.
3. Grant funds will be applied toward the eligible Mortgage/Debt Service costs of a charter school facility for Magnolia Science Academy Santa Ana a California charter school, Charter No. 1686, CDS Code No. 30768930130765), currently operating at *[fill in Street, city, and zip]*, as described in the school's application.
4. None of the costs for which these disbursements are requested have been paid previously.
5. These disbursements will not be used to pay for prior month(s) or year(s) costs, nor will they be used to pay for a facility receiving funds under the Charter School Facilities Program.
6. Each disbursement will be expended within three days, or the amount of time between transfer of funds and disbursement will be minimized, as determined by the United States Department of Education.
7. Interest will not be earned on these federal funds.

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8. The Subgrantee will comply with the Federal OMB Uniform Guidance audit requirements and will provide the Authority a copy of the single or program-specific audit as when available (2 CFR part 200, subpart F).

Insert Official signature and signature block.

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Exhibit C
CERTIFIED RESOLUTION OF SUBGRANTEE'S GOVERNING BOARD

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Exhibit D

AUTHORITY'S AWARD LETTER

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Exhibit E

LEASE AND AMENDMENT