

RAZA Development Fund (RDF) is prepared to move forward with both the renovation improvement loan and bridge loan (1-yr line of credit). The LOI for this was shared in January with the Board. RDF has prepared the main documents necessary for approval and closing. The formal loan agreement will follow next week after these documents have been received. The LOI shared earlier is still a good snapshot of the details PCM will see in the loan agreement. To date, the only notable change from the LOI is the total loan amount cap has been lifted from \$400K to \$550K for completion of Phase I and II of facility improvements. PCM is not obligated to borrow the full offering but will only pay interest on what is actually borrowed. That said, PCM has modeled for the absolute worst case scenario in the budget where we use the full \$550K and the full \$150K put forward by WA Charters along with the full estimated amount for Phase III.

Following you will find 3 documents provided by RDF:

1. **Subordination and Intercreditor Agreement**
2. **Pullman Borrower Resolution**
3. **Pullman Borrower Incumbency**

Apex has reviewed all documents and concurred they are reasonable.

Below is an 'in a nutshell' description of the document"

- **Subordination and Intercreditor Agreement:** (really has more impact on WA Charters who is reviewing the document) This document ensures that RAZA is completely protected in having full ability to collect on its loan first in any event of default.
- **Pullman Borrower Resolution:** authorized the Corporation to act as the Borrower.
- **Pullman Borrower Incumbency:** identifies who can act on behalf of the Corporation and guarantees that the people who signed the document have the right to enter the Corporation into a legally binding agreement.

Proposed Motion: that the PCM Board of Trustees approve John Cassleman, and Doreen Main when relevant, to act on behalf of the full PCM Board of Trustees to sign all necessary documents to enter into a loan agreement with RAZA Development Fund for both the renovation and bridge loans. Additionally, to approve John Cassleman, and Doreen Main when relevant, to sign forthcoming loan documents that will be first reviewed by Apex Law which will complete the loan closing process.

SUBORDINATION AND INTERCREDITOR AGREEMENT

NOTICE: THIS SUBORDINATION AND INTERCREDITOR AGREEMENT RESULTS IN YOUR UNSECURED LOAN BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN A SENIOR LOAN.

THIS SUBORDINATION AND INTERCREDITOR AGREEMENT (this “**Agreement**”), is made as of this __ day of _____, 2021, by PULLMAN COMMUNITY MONTESSORI, a Washington nonprofit public benefit corporation (“**Borrower**”), and WASHINGTON STATE CHARTER SCHOOLS ASSOCIATION, a Washington nonprofit corporation, holder of the note first hereinafter described (“**Subordinate Lender**”), in favor of RAZA DEVELOPMENT FUND, INC., an Arizona nonprofit corporation, as the holder of the note next herein described (“**Senior Lender**”).

WITNESSETH:

WHEREAS, Senior Lender would not make the Senior Loan (as defined below) to Borrower unless Subordinate Lender agrees to the terms and conditions of this Agreement;

WHEREAS, Borrower has executed a credit note dated as of even date hereof (the “**Subordinate Note**”), in favor of Subordinate Lender in the original principal amount of \$150,000 (the “**Subordinate Loan**”). The Subordinate Note, together with any other documents evidencing, securing or guaranteeing the Subordinate Loan, if any, may be referred to herein as the “**Subordinate Loan Documents**”;

WHEREAS, pursuant to that certain Master Construction and Term Loan and Security Agreement and that certain [Line of Credit Agreement], both dated as of even date hereof (as they may be amended, modified or restated, from time to time, together the “**Senior Loan Agreement**”), Borrower has executed two senior notes in the amounts of \$550,000 and \$300,000 (together, the “**Senior Note**”), dated as of even date hereof, in favor of Senior Lender, which notes evidence loans (hereinafter referred to together as the “**Senior Loan**”) to Borrower. The Senior Note is secured by that certain First Leasehold Construction Deed of Trust and Assignment of Leases and Rents (the “**Senior Instrument**”) dated as of even date hereof and to be submitted for recording in the official records of Whitman County, Washington as of same date. All documents evidencing, securing or guaranteeing the Senior Loan may be referred to herein as the “**Senior Loan Documents**.” All capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Senior Loan Agreement;

WHEREAS, Borrower will apply the full Subordinate Loan amount and the Senior Loan, together with other funds of Borrower, towards the renovation of an existing four-story (including basement) 102,000 sf community and culture center, known as the Gladish, located at 115 NW State St., Pullman, WA 99163 (the “**Property**,” more particularly described hereto in Exhibit A), to be used for a K-9 Montessori School of Pullman with two phases totaling 11,588 sf, in 2021 and 2022, respectively (the “**Project**”);

WHEREAS, the payment terms and conditions of the Subordinate Loan are as set forth in the Subordinate Loan Documents and the payment terms and conditions of the Senior Loan are as set forth in the Senior Loan Documents and in the Senior Loan Agreement; and

WHEREAS, Subordinate Lender and Senior Lender desire to enter into this Agreement in order to set forth Senior Lender's relative rights and priorities with respect to the payment and collection of the Senior Loan and of the Subordinate Loan.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and for other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Senior Lender to make the Senior Loan above referred to, it is hereby declared, understood and agreed as follows:

1. **Priority and Subordination.** That the Senior Loan and Senior Instrument and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the Property therein described, prior and superior to any obligations, liabilities, indebtedness, lien or charge in connection with the Subordinate Loan. Further, the terms of the Subordinate Loan Documents and all rights and remedies of Subordinate Lender under the Subordinate Loan Documents are hereby expressly subordinate to the terms of the Senior Loan Documents and the rights and remedies of Senior Lender under the Senior Loan Documents.

2. **Right to Payment Subordinated; Intercreditor Provisions.**

a. **Subordination.** That all of Subordinate Lender's rights to payment of the Subordinate Loan and the obligations evidenced by the Subordinate Loan Documents are hereby subordinated to all of Senior Lender's rights to payment by Borrower of the Senior Loan and the obligations secured by the Senior Loan Documents.

b. **Consent Conditions.** Subordinate Lender has advised Senior Lender that Borrower contemplates making principal payments on the Subordinate Loan with the proceeds of capital campaigns; Senior Lender hereby consents to payments to be made by Borrower to Subordinate Lender on the Subordinate Loan, provided that each of the following conditions are met:

(i) Borrower payments on the Senior Loan to Senior Lender are current or ahead of schedule;

(ii) Borrower is in compliance in all material respects with all provisions of all of the Senior Loan Documents, including without limitation the Senior Loan Agreement between Borrower and Senior Lender;

(iii) Borrower has sufficient cash available to make a payment to Subordinate Lender in accordance with the Subordinate Loan Documents; and

(iv) The making of any payment to Subordinate Lender on the Subordinate Loan shall not result in Borrower being unable to timely satisfy all of its obligations (including without limitation the Senior Loan) related to the operation of its business.

c. **Payments Held in Trust.** All payments or distributions upon or with respect to the Subordinate Loan which are received by Subordinate Lender contrary to the provisions of this Agreement with respect to and/or during the continuance of an event of default under the Senior Loan Documents shall be received and held in trust by Subordinate Lender for the benefit of Senior Lender and shall be paid over to Senior Lender in the same form as so received to be applied (in the case of cash) to, or held as collateral (in the case of non-cash property or securities) for, the payment or performance of the Senior Loan in accordance with the terms of the Senior Loan Documents.

d. **Project Costs Only.** The Subordinate Loan Documents provide that all proceeds of the Subordinate Loan shall be used to pay costs related to tenant improvements and development for the Project and Borrower shall use the proceeds of the Subordinate Loan only in accordance with a budget approved by Senior Lender for the costs related to tenant improvements and development for the Project, and as expressly approved by Senior Lender.

e. **Intercreditor.** Subordinate Lender agrees that [an estimated amount] of Fifty-Three Thousand Two Hundred Fifty-Eight Dollars (\$53,258) of the Subordinate Loan shall be disbursed to Borrower prior to any funding under Senior Lender's Senior Loan funds, and all remaining funds of the Subordinate Loan shall be made available to Borrower for any project costs overruns for phase I and phase II of the Project. Borrower agrees that all funds disbursed to Borrower from the Subordinate Loan will be fully invested in the Project in the order mentioned above in this Section.

3. **Waiver of Certain Rights.** That unless and until the Senior Loan has been indefeasibly paid in full and satisfied, and as set forth above, and notwithstanding any contrary provision in the Subordinate Loan Documents and any right to take any such action that would otherwise be available to Subordinate Lender, other than collection of payments per the terms of the Subordinate Loan, Subordinate Lender waives any right to, and shall not, alone or with others, directly or indirectly: (a) assert, accelerate, collect, sue upon, or enforce all or any part of the Subordinate Loan; (b) obtain, acquire, realize or execute upon any collateral for the Subordinate Loan; (c) [Reserved]; (d) commence or join with any other creditors of Borrower in any bankruptcy, reorganization, receivership or insolvency proceeding against Borrower, unless Senior Lender is also a creditor in such action, in which case Borrower as an unsecured lender, may join the action and as otherwise set forth in this Agreement; (e) take or permit any action prejudicial to or inconsistent with Senior Lender's priority position over Subordinate Lender that is created by this Agreement; (f) take, accept, ask for, sue for, receive, setoff or demand any payments upon the Subordinate Loan (except for regularly scheduled payments as and to the extent permitted under Section 2 hereof); (g) take, accept, ask for, sue for, receive, setoff or demand any advance, transfer, or assignment of assets from Borrower in any form whatsoever; (h) take, accept, ask for, sue for, receive, setoff or demand any transfer of any assets of Borrower as security for the Subordinate Loan or otherwise accept title to any portion of the Property (as defined in the Senior

Loan Agreement) or any interest therein; (i) except as set forth in Section 6, assign, transfer, pledge, encumber or otherwise dispose of its interest in the Subordinate Loan, or enter into any loan documents other than the Subordinate Note and the other Subordinate Loan Documents, or enter into any amendments or modifications to the Subordinate Note or any of the other Subordinate Loan Documents, in each case without the written consent of Senior Lender, which may be given or withheld in Senior Lender's sole discretion; or (j) amend, modify, supplement or change in any way any of the Subordinate Loan Documents.

4. **Reliance.** That Senior Lender would not make Senior Loan without this Agreement.

5. **Entire Agreement.** That this Agreement shall be the whole and only agreement between the parties hereto with regard to the subordination of the lien or charge of the Subordinate Loan to the lien or charge of the Senior Instrument and the Senior Loan and shall supersede and cancel any prior agreements as to such, or any, subordination including, but not limited to, those provisions, if any, contained in the mortgage first above mentioned, which provide for the subordination of the lien or charge thereof to a deed or deeds of trust or to a mortgage or mortgages to be thereafter executed.

6. **Governing Law.** This Agreement shall be construed under the laws of the State of [Arizona].

7. **Successors and Assigns.** That Senior Lender may transfer the Senior Loan and that the terms and conditions of this Agreement shall be binding on all successors and assigns of Senior Lender and of Subordinate Lender. There shall be no assignment of the Subordinate Loan unless transferee first agrees to be bound by this Agreement.

8. **Insolvency or Reorganization of Borrower.** In the event that proceedings of any nature are filed under the United States Bankruptcy Code by or against Borrower, or Borrower is involved in insolvency, reorganization, or other proceedings of any kind for the relief of debtors in any jurisdiction, Senior Lender is hereby authorized to collect and receive all payments and dividends that may be declared or become payable to Subordinate Lender, to be applied to the payment of the Senior Loan until payment thereof in full.

9. **Continuing Agreement; Notice of Revocation.** This Agreement shall constitute a continuing Agreement irrespective of whether Borrower may, at some time or times hereafter, pay all of its then existing obligations under the Senior Loan, until this Agreement is terminated as described below. Senior Lender may, without notice to Subordinate Lender and without affecting this Agreement, lend monies, extend credit, forbear, release, sell, or exchange any property now or hereafter held by Senior Lender as security for the Senior Loan and make any and all other accommodations to, for, or with respect to the account of Borrower in reliance on this Agreement. This Agreement shall terminate when (a) Senior Lender expressly terminates this Agreement in writing or (b) if Borrower has no outstanding obligations under the Senior Loan and Senior Lender has no on-going commitments to lend to Borrower, written notice of revocation of this Agreement is delivered to Senior Lender by Subordinate Lender, which Senior Lender will not unreasonably withhold or delay. As to all such indebtedness due to the Senior

Loan and any consolidations, extensions, refinancings, modifications, renewals or replacements thereof, this Agreement shall continue in effect until the same shall have been fully discharged (together with all interest, expenses, and obligations related thereto).

10. **No Waiver.** No course of dealing, delay or failure of Senior Lender to exercise any right, remedy, power, or privilege hereunder or under any other agreement with Subordinate Lender or Borrower shall impair the same or be construed to be a waiver of the same or an acquiescence therein. No single or partial exercise of any right, remedy, power, or privilege shall preclude other or further exercise thereof by Senior Lender against Borrower or Subordinate Lender. All rights, remedies, powers, and privileges herein conferred upon Senior Lender shall be deemed cumulative and not exclusive of any others available.

11. **Change in Form of Business.** This Agreement shall not be affected by a change in the name, structure, or form under which Borrower or Subordinate Lender does business.

12. **No Modifications.** There shall be no modifications or amendments to any of the Subordinate Loan Documents without prior written consent of Senior Lender.

13. **Further Agreements.** Subordinate Lender declares, agrees and acknowledges that:

a. Subordinate Lender consents to and approves i) all provisions of the Senior Note and Senior Instrument in favor of Senior Lender above referred to, and ii) all agreements, including, but not limited to, any loan or escrow agreements, between Borrower and Senior Lender for the disbursement of the proceeds of Senior Loan;

b. Senior Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Senior Lender represented that it will, see to the application of such proceeds by the person or persons to whom Senior Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

c. Subordinate Lender intentionally and unconditionally subordinates the lien or charge of the Subordinate Loan to the lien or charge of the Senior Instrument and understands that in reliance upon, and in consideration of, these subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

14. **Counterparts.** This Agreement may be executed in counterparts, any one of which shall be deemed an original, and all of which taken together shall be treated as one document.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

SUBORDINATE LENDER:

WASHINGTON STATE CHARTER SCHOOLS
ASSOCIATION, a Washington nonprofit
corporation

By: _____

Name: Patrick D'Amelio

Its: President

SENIOR LENDER:

RAZA DEVELOPMENT FUND, INC.,
an Arizona nonprofit corporation

By: _____

Name: Melissa McDonald

Its: Chief Operating Officer

BORROWER:

PULLMAN COMMUNITY MONTESSORI, a
Washington nonprofit public benefit corporation

By: _____

Name: John Casselman

Its: Chairperson

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
PULLMAN COMMUNITY MONTESSORI
(the “Corporation”)**

WHEREAS, there has been presented to this board information and documents relating to loans by Raza Development Fund, Inc. (“**Lender**”) for the construction and renovation financing of the property located at 115 NW State St., Pullman, WA 99163 and financing of the start-up costs of the Corporation (the “**Project**”) in the amounts of \$550,000 and \$300,000, respectively (together, “**Raza Financing Commitment**”); and

WHEREAS, it is in the best interest of the Corporation as the borrower (the “**Borrower**”) to enter into the transactions, agreements, certificates, and undertakings related to and in connection with the Project, Raza Financing Commitment, and all other contracts, agreements, instruments, documents and certificates related to or in connection with all of the foregoing as is necessary to carry out the purposes set forth above:

NOW, THEREFORE, the directors of the Corporation hereby take the following actions:

RESOLVED, that this board authorizes the Corporation to act as the Borrower and further authorizes the Corporation, acting by and through John Casselman, Chairperson of the Corporation, to take such actions and execute all documents as are necessary and appropriate for the Corporation to carry out its duties as the Borrower in connection with Raza Financing Commitment, and further ratifies all actions by Mr. Casselman taken on behalf of the Corporation in its capacity as Borrower to do all that is necessary to effect and complete the Project financing, all with such modifications as counsel may deem appropriate, with the purpose of carrying out the above stated purposes.

RESOLVED, that this board hereby ratifies and approves all of the terms and all of the documents provided to this board which are related to and are in connection with Raza Financing Commitment, with such modifications as counsel may deem appropriate.

RESOLVED, that this board agrees to deliver or cause to be delivered to Lender, all documents and due diligence requested of the Corporation by Lender relating to the Project, including all items requested on the Lender’s due diligence checklist.

SECRETARY'S CERTIFICATE

I HEREBY CERTIFY that I am the duly elected and acting Secretary and keeper of the records and corporate seal of PULLMAN COMMUNITY MONTESSORI, a Washington nonprofit corporation (the “**Corporation**”); that the aforementioned is a true and correct copy of resolutions duly adopted by the Board of Directors of the Corporation at a duly noticed and called meeting of such board on _____, 2021 (collectively, the “**Resolution**”); that the Resolution does not conflict with the corporate charter or bylaws of the Corporation, nor has the Resolution been in any way altered, amended or repealed, and that it is in full force and effect, unrevoked and unrescinded, as of this day, and has been entered upon the regular minute book of this Corporation, as of the aforementioned date, and that the Board of Directors of the Corporation has, and at the time of adoption of the Resolution, had, full power and lawful authority to adopt the Resolution and to confer the powers thereby granted to the officers and staff therein named who have full power and lawful authority to exercise the same.

Doreen Main, Secretary

INCUMBENCY CERTIFICATE

I, the undersigned, hereby certify that I am the duly elected Secretary of PULLMAN COMMUNITY MONTESSORI, a Washington nonprofit corporation (the “**Corporation**”), and that:

1. Attached hereto as Exhibit “A” is a correct and complete copy of Resolutions of the Board of Directors and Secretary’s Certificate thereto which were duly adopted by the Directors of the Corporation evidencing the authorization of the execution, delivery and performance of the Loan Documents and which resolutions: (i) have not been amended, modified, rescinded or revoked in any respect and are in full force and effect on the date hereof; (ii) require no further company action or resolution or consent of the Board of Directors to be effective; and (iii) are not inconsistent with the Corporation’s Bylaws.
2. Attached hereto as Exhibit “B” is a correct and complete copy of the Articles of Incorporation of the Corporation dated December 11, 2019, and filed with the Secretary of State on January 2, 2020 : (i) included are all amendments to the Certificate of Incorporation if any; (ii) said amendments, if any, are dated and certified by the Secretary of State; (iii) all amendments are in full force and effect on the date hereof; and (iv) there are no proceedings currently in process or contemplated to amend such Articles of Incorporation.
3. Attached hereto as Exhibit “C” is a complete and correct copy of the Bylaws of the Corporation, together with any amendments thereto, which are in full force and effect on the date hereof, and there are no proceedings currently in process or contemplated to amend such Bylaws.
4. Attached hereto as Exhibit “D” is a complete and correct copy of the Corporation’s duly elected and currently serving members of the Board of Directors, including addresses and telephone numbers.
5. Attached hereto as Exhibit “E” is a certificate indicating that the Corporation is in good standing with the State of Washington issued by the Secretary of State of Washington.
6. There is no judgment, order or decree of any court binding upon the Corporation and in effect as of the date hereof.
7. There is no suit, claim, demand, action, proceeding, arbitration or investigation pending or threatened by or against the Corporation (or any of its officers, directors or employees arising out of their relationship with the Corporation).

8. The following named individual is the duly appointed authorized officer of the Corporation and is authorized to execute and deliver certain documents on behalf of the Corporation in connection with the matters contained herein; the signature after the authorized officer's name is the genuine signature of such individual.

<u>NAME</u>	<u>OFFICE</u>	<u>SIGNATURE</u>
John Casselman	Chairperson	_____

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of the Corporation this ____ day of _____, 2021.

Doreen Main, Secretary

EXHIBIT A
(Resolutions of the Board of Directors
and Secretary's Certificate)

EXHIBIT B

(Certificate of Incorporation
and Amendments Thereto)

Please list the date of all amendments

EXHIBIT C
(Bylaws and Amendments Thereto)

EXHIBIT D
(Board of Directors Listing
Including Addresses and Phone Numbers)

EXHIBIT E
(Certificate of Good Standing)