



November 28, 2022

Robert Golden
President/CEO, Golden Charter Academy
1626 W Princeton Ave
Fresno, CA 93705

RE: **PCSD Letter of Intent for Acquisition & Predevelopment Loan (741 W. Belmont Ave, Fresno, CA 93728)**

Dear Robert:

Pacific Charter School Development, Inc. ("PCSD") is pleased to provide you with proposed terms for a land acquisition and predevelopment loan (the "Loan") associated with the Project (as defined below) to be located at 741 W. Belmont Ave, Fresno, CA 93728. The proposed loan will enable Golden Charter Academy ("GCA"), to develop a permanent educational facility (the "Project"). The terms of this Loan are outlined below and are subject to full credit approval by the PCSD Board of Directors.

Please note that this letter is for discussion purposes only and should not be construed as a commitment to lend. The terms contained in this letter are not all-inclusive; additions and changes may be made as PCSD and its counsel deems necessary, prudent or desirable during the credit approval and underwriting process.

The terms of the Loan for the Project would be as follows:

DIRECT BORROWER:	Golden Charter Academy or affiliate
LOAN TYPE:	Acquisition and predevelopment term loan
LOAN AMOUNT:	Up to \$1,000,000 for acquisition with an additional \$1,100,000 during predevelopment for a total of \$2,100,000 (see further details below)
INTEREST RATE:	2.5% fixed
FEES:	\$16,000 origination fee (1% on PCSD \$500k at closing, 1% on PCSD \$1.1M when starting to be disbursed, 0% on CSGF \$500k)

LOAN TERM:	Maturity is the sooner of 2 years from the date of acquisition of the property at Belmont, or refinancing of the project/land.
BORROWER EQUITY:	GCA is required to contribute at least \$250,000 cash equity for the land acquisition (evidenced with proof of receipt by escrow) prior to close. GCA is also required to cover any and all closing costs of the acquisition at Belmont, including the initial PCSD origination fee of \$5,000.
PREDEVELOPMENT DISBURSEMENT:	Further funds beyond PCSD’s initial \$500,000 will not be disbursed until another \$284,000 (or a total of \$540,000, whichever is greater) has been contributed by GCA towards the project (evidenced with proof of payment by GCA with invoices and check copies). After review of the spent costs, PCSD can then disburse another \$1,100,000 toward predevelopment costs, for a total PCSD loan of \$1,600,000.
REPAYMENT:	Interest only with monthly payments made from loan proceeds as interest costs are incurred, or paid current monthly from school operations. If the former, an interest reserve must be established as part of the project budget.
TAKEOUT:	PCSD assumes full pay-off of the balloon at Maturity Date. PCSD anticipates the school will (re)finance this project with a CDFI lender.
SECURITY:	First Deed of Trust on fee simple and improvements located at the Project site, to be shared parri passu with CSGF on the first \$500,000 of debt from both parties. PCSD will subordinate the remainder of its loan (\$1.1M) to the \$1.0M (CSGF + PCSD) ahead of it.
CONVERSION DATE:	Not Applicable to this Project at this time.
RECOURSE:	Not Applicable to this Project at this time.
APPRAISAL:	Not Applicable to this Project at this time.
LOAN TO VALUE (LTV):	Not Applicable to this Project at this time.
RESERVES:	Not Applicable to this Project at this time.
PROJECT ASSUMPTIONS:	Exhibit A: “Financing Summary” is an estimate of the total facility cost and repayment terms for this Project at this time. This exhibit was prepared by PCSD and based on preliminary project assumptions, including building square footage, debt terms, executed purchase and sale agreement (PSA) terms and estimated construction costs, which will result in an expected lease rate to the school that is approximately \$945,000 per year, based on a \$4.826M equity investment by GCA. These are estimates only and PCSD does not provide any guarantee that these terms can be realized for this project.

LOAN FINANCIAL

COVENANTS:

For the duration of the Loan, financial statements and reports from GCA will be required as follows:

- a. Annual audited financial statements within 180 days of the end of each fiscal year, with accompanying schedule of contingent liabilities;
- b. Internally-prepared monthly or quarterly financial statements within 45 days of request;
- c. P1, P2 and P-Final enrollment data for all years the loan is outstanding;
- d. Updated fundraising and repayment plan.

In addition, the Borrower or School must maintain throughout the Loan term, tested annually from the audited financial statements, the following key financial ratios calculated on an unconsolidated basis:

- Quick ratio of at least 1.0x
- Current ratio of at least 1.05x
- Positive cash flow from operations each fiscal year
- Total debt to net assets (equity) no greater than 3.5:1
- Minimum 1.15x Lease Coverage Ratio based on school revenue to school's debt payments to all lenders

LEGAL FEES:

Borrower is responsible for its own costs associated with documentation and closing of the Loan. PCSD's use of internal legal counsel is included in the origination fee, however, an invoice will be provided and is the responsibility of the Borrower if the Loan does not close and PCSD costs were incurred. PCSD counsel will be billed at a reasonable market hourly rate.

The closing of the Loan will be subject to PCSD's standard underwriting processes, including full credit approval, and closing conditions. As part of its underwriting due diligence, PCSD will require the following:

1. Written GCA fundraising plan for full construction of the project showing at least \$4.8M of targeted funds;
2. Receipt of first year's audited financial statements for GCA, along with most recent interim financial statements, and any additional documentation, as requested by PCSD. The financial covenants will be finalized once PCSD has completed its underwriting of Borrower and GCA;
3. School pro-forma projections through the year of full and stabilized enrollment;
4. Copy of the fully approved charter;
5. An enrollment plan and evidence of interest of enrollment for future years;
6. Any other information requested by PCSD.

The loan documents, once drafted, will include additional conditions that the Borrower will be required to meet for the Loan to close. We thank you for your interest and look forward to working with you on this transaction. Our due diligence and underwriting will commence upon receipt of a countersigned copy of this letter.

Sincerely,



John Sun
Chief Executive Officer

Agreed and Accepted:

Robert Golden
President & CEO

Date: _____