



July 1, 2024

Ms. Noel Russell-Unterburger
Chief Financial Operating Officer
Navigator Schools
650 San Benito St., Suite 230
Hollister, CA 95023

Dear Dr. Young:

East West Bank (“EWB”) is pleased to set forth below the proposed terms of a financing that will provide funds to Navigator Schools for working capital purposes.

INDICATIVE SUMMARY OF TERMS AND CONDITIONS

GENERAL OVERVIEW:	<u>Charter School Revolver</u> : \$9,000,000 revolving line of credit secured by specific state payments for a term ending on June 30, 2026. This committed amount is based on the value of certain state payments and, therefore, is subject to review.
TERM SHEET EXPIRATION DATE:	If not accepted by the Borrower prior thereto, this term sheet will expire at the close of business on July 15, 2024.
BORROWER:	Navigator Schools
LENDER:	EWB or its assigns (the “Lender”).
COMMITTED AMOUNT:	\$9,000,000
INTEREST RATE:	Variable: One Month SOFR (currently at 5.31%) + 2.50%. The current rate = 7.81%
SOFR FLOOR:	The rate set for U.S. dollars one-month term SOFR shall not be less than 2.00%.
FACILITY FEE:	0.50% of the Committed Amount. Paid at closing and on the anniversary thereafter.
MATURITY:	June 30, 2026
EARLY TERMINATION FEE:	There is no prepayment penalty.
REPAYMENT TERMS:	Interest to be collected monthly from an operating account with principal due at maturity. EWB may inquire to identify plans to reduce principal (e.g. utilization plan).



EXPENSES:

The Borrower is responsible for all due diligence and legal expenses of the Lender related to this transaction (including attorneys' fees and expenses related to enforcing this provision) whether or not it closes.

A \$5,000 Good Faith Deposit is due at signing of this Term Sheet. The Deposit is refundable less Lender's reasonable out of pocket expenses described above. The Borrower may be required to provide additional advances against expenses as requested by the Lender during the due diligence and documentation process.

PRIMARY COLLATERAL:

Specific State Payments as determined by EWB

Facility will also be secured by a first priority lien on the Borrower's accounts receivable, proceeds thereof (including depository accounts), and general personal property.

**OPERATING
ACCOUNT/CASH
MANAGEMENT:**

Borrower will establish its operating accounts with Lender within 30-60 days and will maintain all accounts with Lender throughout the term of the credit facility.

State Payments remitted to accounts subject to springing deposit control agreements.

**REPRESENTATIONS AND
WARRANTIES:**

Usual and customary, including with respect to organization in good standing, validity of agreements, tax status, compliance with laws, litigation and the Borrower's billing and collection policies and procedures.

DUE DILIGENCE:

Before closing, desk and onsite reviews of the Borrower's historical and projected financial information, accounts receivable performance, systems, management controls, servicing capabilities and other matters will be conducted. Pending consummation of the proposed financing, the Borrower will keep the Lender advised with respect to the Borrower's business activities and financial condition, and they will furnish to the Lender such information as may be requested. Additionally, the Borrower will provide to the Lender all third-party diligence including quality of earnings reports, industry and reimbursement risk reports, cash testing reports, and other financial and operational analysis performed on behalf of the Borrower.



FINANCIAL COVENANTS: To be determined by the Lender, in consultation with the Borrower. Financial covenants will include:

1. Debt Service Coverage Ratio: Minimum (“DSCR”) of 1.01x. **DCSR** is defined as the ratio of (i) Net Income to (ii) Debt Service.
2. Revenue to Expense Ratio: Minimum of 1.01 to 1.0 of Revenue/Expenses
3. Attendance Performance: Attendance (e.g. ADA) \geq 90% Period to Period.
4. All state payments, or the residue from bond debt service, are irrevocably directed to EWB.

FINANCIAL REPORTING: To be determined by the Lender, in consultation with the Borrower. Financial reporting will include:

- a) Monthly Attendance Reports
- b) Semi Annual Summary Attendance Reports – P1 and P2
- c) All standard financial reporting: 1st/2nd Interim; Year End Unaudited; Audit; Tax Return
- d) Board Packets for all board meetings
- e) All reporting provided to the board, authorizer, and any State related agency
- f) Any notices from the authorizer
- g) Any other information that EWB may reasonably request

EVENTS OF DEFAULT: Credit agreement will contain customarily found events of default.

GOVERNING LAW, WAIVER OF JURY TRIAL, JURISDICTION: In connection with the transaction outlined herein, all parties, as of the date hereof, agree: (i) that the law of the State of California governs without regard to any conflicts of law principles; (ii) to the waiver of a trial by jury; and (iii) to the jurisdiction of the state and federal courts located in the city of Los Angeles, and the county of Los Angeles, California.

This Indicative Summary of Terms and Conditions is for discussion purposes only and does not constitute a commitment to lend, arrange or provide financing or an agreement or understanding to issue a commitment letter with respect to the transaction set forth herein. EWB’s issuance of any commitment letter and its consummation of this financing will be predicated upon, but not limited to: (a) the Borrower and the Lender reaching final agreement on the terms, conditions and other provisions to be included in the supporting documentation for the financing, (b) authorization and approval of the transaction by the Board of Directors of the Borrower and the formal credit approval of the Lender, (c) liquidity and capitalization of the Borrower acceptable to the Lender, (d) absence of any major dislocation in the capital markets prior to the Lender receiving final credit approval, (e) successful closing of the transactions on the terms and conditions described herein with 90 days from the signing of this letter, (f) satisfaction of the Lender’s counsel with the documentation, proceedings, and legal opinions incident to the proposed transaction.



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If the terms and conditions set forth above are acceptable to you, please so indicate by signing this letter in the place indicated and returning the same to me, along with the \$5,000 Good Faith Deposit.

Sincerely,

DocuSigned by:
John Helgeson
C813F34A89CE47D...

John Helgeson
Senior Vice President

Accepted and agreed to:

DocuSigned by:
Noel Russell-Unterberger on this date: 7/1/2024
By: _____
Name: Ms. Noel Russell-Unterberger
Title: Chief Financial Operating Officer

WIRE TRANSFER INSTRUCTIONS

Bank Name: East West Bank
Bank Address: 135 N. Robles Avenue
Pasadena, CA 91101
ABA: 322070381
Beneficiary: Navigator Schools
Account #: 242821-304
Reference: Good Faith Deposit