



June 10, 2020

TERM SHEET

Contra Costa School of Performing Arts

This summary of basic terms between Contra Costa School of Performing Arts (the “School”, or “Lessee”), Charthouse Public Schools, a California non-profit public benefit corporation (the “Borrower”, together “Borrower/School”) and RM Charter Holdings LLC (“RM Charter” or “Purchaser” and together with the School, the “Parties”) memorializes the Parties’ understanding of the material terms relating to the proposed purchase of the above-captioned bonds (the “Bonds”) by RM Charter to be issued by [Issuer] or similarly situated California Issuer (“Issuer”) at the request of the Borrower in order to acquire land and the school facility and pay other costs listed below.

Purpose and Summary	RM Charter will provide financing for the purchase of a school building at 2730 Mitchell Drive, Walnut Creek, California on behalf of the Borrower. The Borrower will use the proceeds from the financing to purchase the land and improvements thereon at 2730 Mitchell Drive, Walnut Creek, California from [Seller] in its entirety, referred to as “School Purchase”.
Property	2730 Mitchell Drive, Walnut Creek, California (“Property”)
Property Seller	RM Charter
[Borrower/School/Lessee]	Charthouse Public Schools (“Charthouse”), a California 501(c)(3) corporation, will be the Borrower. If Bond Counsel determines Charthouse is unable to act as Borrower under the documents then a suitable California not-for-profit corporation will be formed and act as Borrower under the documents. The Lessee at the Property is Contra Costa School of Performing Arts.
Bond Purchaser	RM Charter
Issuer	TBD based on state or similarly situated California Issuer
Type of Financing	RM Charter indicates its willingness to purchase up to \$16.234 million of par Bonds (the “Bonds”) to be issued by August 1, 2020 on behalf of the Borrower at a Purchase Price indicated below. The bonds will be issued as direct placement Securities under Section 3(a)(4) of the

For discussion purpose only and does not constitute a commitment to enter into any transaction or purchase of securities or any other extension of credit. Any transaction will be subject to final approval and completion of acceptable documentation.

	Securities Act, in book entry form and registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York (“DTC”) through a Limited Offering Memorandum. Bonds shall be issued in minimum denominations of [\$5,000].
Par Amount	Series A Tax-Exempt (“Series A”): approximately \$16.234 million Series B Taxable (“Series B”) (IF NECESSARY): approximately [\$xxx million]
Purchase Price	Series A (and Series B [IF NECESSARY]) will be purchased at a price of \$94.00.
Coupon	Series A shall bear a fixed interest rate of 5.500% per annum. Series B shall bear a fixed interest rate of 7.500% per annum.
Date of Issuance	Purchaser, Borrower and all involved parties will conduct their best efforts to close the transaction on or before June 1, 2020 (“Desired Closing Date”) subject to conditions outlined in this Term Sheet and other customary due diligence and required transaction documents.
Property Purchase Price	The Borrower shall purchase the Property for \$13,650,000.
Capitalized Interest	Capitalized Interest shall include: <ol style="list-style-type: none"> (1) \$550,000 for Year 1; (2) \$350,000 for Year 2; and (3) \$200,000 for Year 3. Please see Appendix D for schedule.
Use of Proceeds	Bond proceeds shall be used to: <ol style="list-style-type: none"> 1. Fund acquisition of land and improvements at 2730 Mitchell Drive, Walnut Creek, California for \$13,650,000; 2. Fund capitalized interest of \$1,100,000; 3. Fund costs of issuance.
Bondholder Representative	RM Charter, or such other person selected by the majority holders in the bonds then outstanding (unless otherwise assigned, will not survive RM Charter, should they sell the Bonds).
Maturity	June 15, 2058 (approximately 38 years)
Amortization	The bonds will begin amortizing starting upon first principal payment. Principal amortization shall be structured to allow for level debt service until the final maturity. See “Appendix D” for amortization schedule.

Interest and Principal Payments	Interest payments will occur semi-annually, and principal payments will occur annually. Deposits into the bond fund shall be made on a monthly basis.
Optional Redemption	The Series A Bonds will be eligible for optional redemption at par beginning on June 15, 2030 (“Optional Redemption Date”) or thereafter.
Tax Exemption	As a pre-closing condition, the Borrower shall provide their Letter of Determination from the IRS and Bond Counsel will deliver a customary opinion as to the tax-exemption of the Bonds.
Security	The Bonds shall be general obligations of the Borrower, secured by a first mortgage lien on the Properties, and all legally available gross revenues of the Schools including accounts receivable, income, gifts and donations (unless restricted), and intangibles of the Schools, , Capital Reserve Fund, and [Guarantee Agreement].
State Intercept	California School Finance Authority
Deposit Account and Control Agreement	The Borrower shall include a deposit account control agreement (“DACA”) in place to ensure that all revenues of the Borrower [and Guarantor if applicable] are deposited therein prior to disbursement as directed by the Borrower so long as no default under the Bonds has occurred and is continuing. Upon the occurrence and continuation of any default, the DACA will provide that the Trustee shall, at the direction of the Bondholder Representative, transfer from the DACA, on a first priority basis, all funds necessary to fully fund debt service.
Management Fees	The Management Fee (“Management Fee”) is an amount not to exceed [xxx%] of the school’s revenue on an annualized basis. The Management Fee shall be fully subordinated to Senior Debt Service and will be paid out monthly provided that payment of the same would not violate the coverage or DCOH covenant subject to [quarterly] measurement.
Debt Service Reserve Fund	The Borrower shall not be required to fund a Debt Service Reserve Fund (“DSRF” or “DSRF Requirement”) at closing.
Capital Need Assessment	The Borrower shall select an Independent Consultant to complete a Capital Needs Assessment of the Property projecting the Borrower’s capital needs for the Property and the total cost thereof for the five year period commencing on the immediately following July 1 (each a “Capital Needs Assessment”) no later than July 1, 2025, and every fifth anniversary thereafter so long as the Bonds are outstanding.

<p>Capital Reserve Fund</p>	<p>At no time following the completion of the fifth year after issuance of the bond shall the Capital Reserve Fund balance fall below \$150,000 as reported in the annual audit. In the event the Capital Reserve Fund falls below \$150,000, the Borrower shall restore the minimum balance before the end of the third fiscal year following the draw on the Reserve. The balance in the Capital Reserve Fund shall not count towards the DCOH requirement, and deposits into the same shall not be considered Operating Expenses.</p>
<p>Financial/Operating Covenants</p>	<p><u>Coverage Covenant</u> Commencing in the fiscal year ending June 30, 2021 the Borrower shall have a Debt Service Coverage (“DSC”) ratio of 1.00x Annual Debt Service (“ADS”) based on audited financial statements. Borrower shall have a DSC which meets or exceeds the following ADS for the remaining fiscal years:</p> <p>June 30, 2022: 1.10x June 30, 2023 forward: 1.20x</p> <p>Failure to match or exceed the yearly DSC ratio shall trigger the selection of a financial consultant. Coverage shall be measured quarterly on a rolling 12-month basis. Failure by the Borrower to have a DSC ratio at or above 1.00x for any testing period shall be an event of default.</p> <p><u>Liquidity Covenant</u> Commencing in the 2021 fiscal year, the Borrower shall have Days Cash on Hand (“DCOH”) as set forth below. Testing shall occur semi-annually on June 30 and December 31, commencing on June 30, 2021. Failure to realize the minimum DCOH level shall trigger the selection of a financial consultant.</p> <p>2021: 15 days 2022: 25 days 2023: 35 days 2024: 45 days</p> <p>Notwithstanding the foregoing, amounts deposited into the Capital Reserve Fund shall not be considered funds expended by the School for purposes of calculating DSC or DCOH.</p> <p><u>Enrollment Covenant</u> Each School shall realize a minimum enrollment level equal to the lesser of 400, or 85% of the pro forma figures provided to RM Charter [see Appendix B]. Failure to realize the minimum enrollment level shall trigger the selection of an academic consultant.</p> <p><u>Academic Covenant</u> RESERVED</p>

	<p>Failure of the School to adopt the Permitted Recommendation within 60 days after receipt thereof and the failure of the School to carry out all Permitted Recommendations within a reasonable period of time thereafter as determined by such management consultant, shall constitute an Event of Default.</p> <p>“Permitted Recommendations” are all recommendations of the financial or academic consultant other than any recommendations which violate Charter, State or local law or charter agreement as evidenced by an opinion of counsel or are otherwise not approved by the charter school authorizer.</p>
<p>Additional Indebtedness</p>	<p>The Borrower may issue Additional Bonds from time to time pursuant to the terms and conditions of the Indenture with the prior written consent of the Bondholder Representative; provided, however, if there is no Bondholder Representative, upon the satisfaction of the following conditions:</p> <ul style="list-style-type: none"> (i) with the prior written consent of the Registered Owners of at least a majority of the aggregate principal amount of the Bonds at the time Outstanding, which consent shall not be unreasonably withheld, or (ii) for the last completed Fiscal Year, Outstanding Indebtedness divided by Borrower Pledged Revenues for such last completed Fiscal Year is equal to or less than [2.00 to 1.00], and, if applicable, on a prospective basis, in the first year following Stabilization after construction or acquisition of the Project to be acquired by the proceeds of such Additional Bonds, forecasted Outstanding Indebtedness divided by Borrower Pledged Revenues for such last completed Fiscal Year is equal to or less than [2.00 to 1.00], as evidenced by a written certificate of an Authorized Representative of the Borrower; or (iii) for the two (2) most recently completed Fiscal Years preceding the issuance of the Additional Bonds, net project income available for debt service divided by pro forma ADS equals at least [1.20 to 1.00], and, if applicable, on a prospective basis, in the three consecutive Fiscal Years following the earlier of a) the date the facilities are placed into service, or b) the first fiscal year in which there is no capitalized interest available for debt service on any Additional Bonds. <p>The Borrower may incur indebtedness in an amount up to 2.5% of the prior year's revenues pursuant to installment sales, conditional sales and capital leases in connection with the financing of new or replacement equipment used to service the Borrower; provide however, any such indebtedness or capital leases are secured only by the equipment acquired by the Borrower with the proceeds of such indebtedness. The Borrower may incur unsecured or</p>
	<p>subordinate debt for working capital purposes of the</p>

	<p>Borrower and/or School up to 3% of the prior year's revenues in the aggregate outstanding at any one time. Borrower and/or School shall notify Bondholder Representative of borrowings in excess of \$100,000.</p> <p>For the avoidance of doubt, the Borrower and/or School may not incur any additional debt on parity with the Bonds regardless of amount without the prior written consent of Bondholder Representative. Furthermore, neither the School nor the Borrower may incur any contingent liabilities without the written consent of the Bondholder Representative.</p>
Continuing Disclosure	The School, Borrower and/or Guarantor will covenant to provide disclosure documents identified in Appendix A. Furthermore, the School, Borrower and/or School shall conduct [semi-annual] continuing disclosure calls with the Bondholder Representative, or their agent.
Disclosure Agent	Choice Advisors
Trustee	UMB Bank, N.A.
Other Covenants	<p>The Borrower shall not engage in any business activity not related to the normal course of business of owning and operating charter schools and related facilities. The Borrower shall maintain its existence and shall not merge, sell, transfer, obligate or restrict any of its assets without written consent of the Bondholder Representative. Other covenants will include:</p> <ul style="list-style-type: none"> • Limitation on liens • Limitation on transfer of assets • Maintenance of casualty, liability insurance, rental interruption, and other standard insurance for charter schools • Compliance with law and all material contracts • Other covenants normal and customary for transactions of this nature.
Conditions Precedent	Prior to or simultaneously with the issuance of the Bonds, the Borrower shall obtain or provide to the Purchaser's satisfaction the following: acceptance of documentation including the Mortgage Security Agreement; Notwithstanding the terms of the Preliminary Direct Placement Memorandum, proof of permits and entitlement, an environmental assessment report, title insurance, all documents will be reviewed and may be amended pursuant to Purchaser Counsel's review of the same.
Due Diligence	The Borrower will cooperate with RM Charter in its due diligence review and shall provide all the necessary documents required by RM Charter in conjunction with said review.

Events of Default	Generally, Events of Default shall include, but not be limited to: (i) any default of the Borrowers under any revenue pledge, mortgage or note; (ii) the failure to make any required debt payment; (iii) failure to follow Permitted Recommendations, (iv) a material breach of representations and warranties or covenants contained in any of the loan or security documents; and (v) other defaults of the Trust Indenture, Loan Agreement or Mortgage.
Rating Solicitation Covenant	RM Charter shall have the right to seek a credit rating for the Bonds and the Borrower agrees to cooperate in good faith in the process of obtaining such rating provided S&P, Moody's or Fitch give an Indicative Rating of 'BB-' or 'Ba3' or better. In exchange for said cooperation, the Purchaser agrees to pay for the initial rating. Following the provision of said rating, the Borrower agrees to maintain the rating, including cooperation and response to the rating agency so long as the Bonds are outstanding.
Purchasers Counsel	[TBD]
Borrowers Counsel	[TBD]
Bond Counsel	[TBD]
Placement Agent/Underwriter	[TBD, subject to RM Charter approval]
Confidentiality	The provisions of this Term Sheet shall be kept confidential and shall not, without RM Charter's prior consent, be disclosed by the Borrower to any person or entity other than: the Borrower's directors, senior administrators, and professional advisors who have a need to know. All such persons or entities provided this Term Sheet shall be informed of this confidentiality requirement. Notwithstanding the foregoing, the terms of this paragraph shall be not deep ed to prevent the Borrower from complying with its obligations under State Law.
Exclusivity	Upon execution of this Term Sheet, the Borrower and RM Charter shall negotiate and work in good faith with one another to consummate the transaction described herein, based on documents provided by RM Charter. The Borrower shall cease discussions with any other potential lenders, or parties not identified herein, regarding the transaction contemplated by this Term Sheet until [90 day date from execution], unless and until RM Charter notifies the Borrower in writing that is determined not to pursue the transaction.

This summary of terms is not a commitment to lend or an offer to purchase the Bonds. The terms and conditions set forth herein are subject to modification or restructuring based upon Bondholder’s due diligence and legal reviews. These are basic terms for discussion of the business deal – there will be other terms, covenants, etc.

IN WITNESS WHEREOF, and acknowledging acceptance and agreement of the foregoing, the Parties affix their signatures hereto on this [__ day of ___, 20xxx].

ROSEMAWR MANAGEMENT LLC

By: _____

CONTRA COSTA SCHOOL OF PERFORMING ARTS

By: _____

Appendix A
 Contra Costa School of Performing Arts
 School Year Reporting Requirement Schedule

Submission Frequency	Submission	Due Date
Annual	Academic-State Academic Performance Report	
Annual	Enrollment - First day of school	
Annual	Enrollment - State Funded Enrollment Count	
Annual	Enrollment - Projected Enrollment	
Annual	Enrollment - Waitlist by Grade	
Annual	Enrollment - Free & Reduced Lunch Census	
Annual	Facility Inspection - Fire Alarm	
Annual	Facility Inspection - Fire Marshal	
Annual	Facility Inspection - Fire Suppression	
Annual	Facility Inspection - Health Department	
Annual	Financials - Approved Budget	
Annual	Financials - Audit Report	
Annual	Insurance - COI Liability	
Annual	Insurance - Evidence of Property Insurance	
Annual	Insurance - COI Workers Comp	
Annual	Debt Service Coverage Ratio & Compliance Certification	
Annual	Contacts - School and Board Members	
Semi-Annual	Days Cash on Hand & Compliance Certification	
Semi-Annual	Continuing Disclosure Calls	
Quarterly	Financials - Balance Sheet	
Quarterly	Financials - Budget vs Actual	
Quarterly	Financials - Income Statement	
Monthly	Board Meeting Minutes & Packet	
Monthly	Enrollment by Grade	

Appendix B

Pro Forma Enrollment

Appendix C

Recitals of Lease

Next Purchase Option Date: June 30, 2030

Next Purchase Option Price: Verifying

Total Project Cost: Verifying

Current Year Rent: TBD

Annual Rent Escalator: TBD

APPENDIX D: BOND TERMS / AMORTIZATION SCHEDULE

Total Project Cost	
Project Sale Price	13,650,000
Capitalized Interest	1,100,000
Total	14,750,000

Updated Deal Terms - 6.10.20	
Coupon	5.500%
Purchase Price	94
Desired Purchase Date	8/1/20
Yield to Maturity	5.91%
Project Sales Price	13,650,000
Capitalized Interest	1,100,000
Costs of Issuance	491,667
CSFA Initial Fee	18,333
Bond Proceeds	15,260,000
Par Amount	16,234,042
Annual Payment	1,065,433
Balance at End of Year 38	0

Lease v. Bond Savings				
Year #	Calendar Year	Original Lease Payment	Bond Payment	Savings
1	2020	975,00	353,033	621,967
2	2021	1,210,00	553,033	656,967
3	2022	1,246,30	703,033	543,267
4	2023	1,283,68	892,872	390,817
5	2024	1,322,20	1,065,433	256,767
6	2025	1,361,86	1,065,433	296,433
7	2026	1,402,72	1,065,433	337,288
8	2027	1,444,80	1,065,433	379,370
9	2028	1,488,14	1,065,433	422,711
10	2029	1,532,79	1,065,433	467,358
11	2030	1,578,77	1,065,433	513,342
12	2031	1,626,13	1,065,433	560,700
13	2032	1,674,92	1,065,433	609,490
14	2033	1,725,17	1,065,433	659,737
15	2034	1,776,92	1,065,433	711,492
16	2035	1,830,23	1,065,433	764,800
17	2036	1,885,14	1,065,433	819,707
18	2037	1,941,69	1,065,433	876,261
19	2038	1,999,94	1,065,433	934,511
20	2039	2,059,94	1,065,433	994,511
21	2040	2,121,74	1,065,433	1,056,309
22	2041	2,185,39	1,065,433	1,119,961
23	2042	2,250,95	1,065,433	1,185,523
24	2043	2,318,48	1,065,433	1,253,052
25	2044	2,388,04	1,065,433	1,322,606
26	2045	2,459,68	1,065,433	1,394,248
27	2046	2,533,47	1,065,433	1,468,038
28	2047	2,609,47	1,065,433	1,544,042
29	2048	2,687,76	1,065,433	1,622,326
30	2049	2,768,39	1,065,433	1,702,959
31	2050	2,851,44	1,065,433	1,786,011
32	2051	2,936,98	1,065,433	1,871,554
33	2052	3,025,09	1,065,433	1,959,664
34	2053	3,115,85	1,065,433	2,050,417
35	2054	3,209,32	1,065,433	2,143,892

Bond Amortization				
Beginning Bond Balance	Interest	Principal	Total Payment by Borrower	Ending Bond Balance
16,234,042	892,872	-	353,033	16,234,042
16,234,042	892,872	-	553,033	16,234,042
16,234,042	892,872	-	703,033	16,234,042
16,234,042	892,872	-	892,872	16,234,042
16,234,042	892,872	172,561	1,065,433	16,061,481
16,061,481	883,381	182,052	1,065,433	15,879,429
15,879,429	873,369	192,065	1,065,433	15,687,364
15,687,364	862,805	202,628	1,065,433	15,484,736
15,484,736	851,660	213,773	1,065,433	15,270,963
15,270,963	839,903	225,530	1,065,433	15,045,433
15,045,433	827,499	237,934	1,065,433	14,807,499
14,807,499	814,412	251,021	1,065,433	14,556,478
14,556,478	800,606	264,827	1,065,433	14,291,651
14,291,651	786,041	279,393	1,065,433	14,012,258
14,012,258	770,674	294,759	1,065,433	13,717,499
13,717,499	754,462	310,971	1,065,433	13,406,528
13,406,528	737,359	328,074	1,065,433	13,078,454
13,078,454	719,315	346,118	1,065,433	12,732,336
12,732,336	700,278	365,155	1,065,433	12,367,181
12,367,181	680,195	385,238	1,065,433	11,981,942
11,981,942	659,007	406,426	1,065,433	11,575,516
11,575,516	636,653	428,780	1,065,433	11,146,736
11,146,736	613,070	452,363	1,065,433	10,694,373
10,694,373	588,191	477,243	1,065,433	10,217,130
10,217,130	561,942	503,491	1,065,433	9,713,639
9,713,639	534,250	531,183	1,065,433	9,182,456
9,182,456	505,035	560,398	1,065,433	8,622,058
8,622,058	474,213	591,220	1,065,433	8,030,838
8,030,838	441,696	623,737	1,065,433	7,407,100
7,407,100	407,391	658,043	1,065,433	6,749,058
6,749,058	371,198	694,235	1,065,433	6,054,822
6,054,822	333,015	732,418	1,065,433	5,322,404
5,322,404	292,732	772,701	1,065,433	4,549,703
4,549,703	250,234	815,200	1,065,433	3,734,504
3,734,504	205,398	860,036	1,065,433	2,874,468