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Suite 2250  
Phoenix, AZ 85004

July 7, 2020

Loryn Chavez  
Board of Directors President  
Earlier Learning Solutions Foundation Inc.  
7500 La Morada NW  
Albuquerque, NM 87120

**SENT VIA ELECTRONIC TRANSMISSION**

RE: Financing Proposal – Earlier Learning Solutions Foundation Building and Land Acquisition

Dear Mrs. Chavez:

This letter is to notify you that Raza Development Fund, Inc. (“RDF”) has reviewed the preliminary information submitted in conjunction with your request for a Real Estate Secured Term Loan (collectively the “Financing”) secured by a 83,301 sf Charter School facility on a 7.26-acre site and an adjacent 5.46-acre vacant tract located at 7500 La Morada NW, Albuquerque, NM 87120 (collectively, the “Property”) to be leased to the Albuquerque Bilingual Academy (the “School”). While RDF has entertained the school’s plans for expansion, the Financing is solely intended for the acquisition of the Property. Any further financing is subject to approval by RDF in its absolute and sole discretion.

**The preliminary terms and conditions, presented herein, do not constitute a commitment to provide the Financing and are provided for discussion purposes only.**

The closing of the Financing is expressly subject to the satisfaction of the following conditions: (i) completion of any and all due diligence deemed necessary, with acceptable results and conclusions, as determined by RDF, in its sole discretion; (ii) receipt of final credit approval and other such approvals and legal opinions, each in form and substance satisfactory to RDF; (iii) no material adverse change relating to the business, operations, or condition (financial or otherwise) of the Borrower, Property, and School; and (iv) negotiation and execution of mutually satisfactory documentation for the Financing.

Should you or any of the other parties involved in this transaction have any questions about RDF’s financing programs or our interest in financing the Project, please contact Elyssa Garcia directly at (602) 417-1417 or via email at [egarcia@razafund.org](mailto:egarcia@razafund.org).

Sincerely,

Elyssa Garcia  
Investment Analyst | Education Finance

## TERM SHEET

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<b>Borrower</b>	Earlier Learning Solutions Foundation Inc.
<b>School</b>	Albuquerque Bilingual Academy (formerly known as La Promesa Early Learning Center)
<b>Loan Type</b>	Real Estate Secured Term Loan
<b>Loan Amount</b>	The lesser of: (i) \$6,983,000 or (ii) 95% LTC.
<b>Property</b>	A 83,301-sf charter school facility on a 7.26-acre site (“TR-9”) and an adjacent 5.46-acre vacant tract (“TR-8”), both of which are located at 7500 La Morada NW, Albuquerque, NM 87120. School owned property is not considered “Property” for purposes of security or collateral for the Foundation’s obligation.
<b>Use of Funds</b>	Loan proceeds shall be used to refinance the existing debt used to acquire the Property.
<b>Collateral</b>	The Real Estate Secured Term Loan shall be secured by (i) a first lien deed of trust and assignment of the rents secured by the Property, as evidenced by an ALTA policy of title insurance, including a survey of the Property; and (ii) a perfected UCC-1 Financing Statement on all Borrower’s assets.
<b>Loan Term</b>	240 months (20 years)
<b>Interest Rate</b>	<p>The Interest Rate will be set at the greater of the (i) 20-year yield constant maturity treasuries (“CMT”), plus 350 bps as of the Closing Date or (ii) the Floor Rate.</p> <p>On the tenth (10th) year from the closing date, the interest rate shall be reset at the greater of the (i) 10-year yield constant maturity treasuries (“CMT”), plus 350 bps or (ii) the Floor Rate.</p> <p>Maximum rate shall not exceed 12.5%, as set forth in the New Mexico Public Securities Act, NMSA 1978, §6-14-1, et seq.</p>
<b>Floor Rate</b>	5.70%
<b>Origination Fee</b>	1.00% of the Loan Amount
<b>Payments</b>	Monthly principal and interest payments based on the Loan Amount, Interest Rate, and Amortization Term, with all accrued interest and any remaining principal balance due at the end of the Loan Term.
<b>Prepayment Premium</b>	If the Financing is repaid within the first five years of the Loan Term, RDF shall be entitled to a fee equal to 5.0% of the Loan Amount. The Financing shall be freely repayable after the fifth year of the Loan Term.
<b>Transaction Costs</b>	The Origination Fee and all third-party due diligence costs, including but not limited to legal expenses, third party reports, title, escrow, recording, and closing costs shall be paid at closing.

## Reporting Requirements

Borrower shall provide RDF with:

- (i) management prepared interim financial statements, within 60 days of each quarter-end;
- (ii) management prepared end-of-year financial statements by August 15 of each year;
- (iii) unqualified, audited Borrower's financial statements, within 120 days of each fiscal year-end or within 30 days of the release by the New Mexico State Auditor of the annual audit which ever date is later;
- (iv) board members and key staff listing within 60 days prior to the expiration of its fiscal year;
- (v) first occurrence of a board approved operating and capital expenditure budget, within 60 days prior to the expiration of its fiscal year or as it is approved by the Borrower's board;
- (vi) quarterly enrollment of School, within 60 days of its quarter-end; and
- (vii) a Compliance Certificate, with all financial reporting.

The School shall provide RDF with:

- (i) management prepared end-of-year financials by August 1 of each year;
- (ii) audited financial statements, within 120 days of its fiscal year-end; or within 30 days of the release by the New Mexico State Auditor of the annual audit of the New Mexico Public Education Department of which the School is a component, which ever date is later;
- (iii) board members and key staff listing within 60 days prior to the expiration of its fiscal year-end;
- (iv) first occurrence of a board approved operating and capital expenditure budget, within 60 days prior to the expiration of its fiscal year or as it is approved by the School's board; and
- (v) annual reports and any other reports submitted to or from the Charter Authorizer, the New Mexico Public Education Commission, within 60 days of submission/receipt.

## Financial Covenants

At all times during the Loan Term, the Borrower shall:

- (i) maintain an underwritten overall DSCR of 1.00x, as measured annually, after the Interest-Only Period; and
- (ii) not incur any additional debt without RDF's consent.

**DSCR will be defined as  $(EBITDA)/(Interest + Prior Year CMLTD)$ , and is subject to review based on forecasted projections.**

At all times during the Loan Term, the School shall:

- (i) maintain an underwritten overall Rent Coverage Ratio ("RCR") of 1.15x, as measured annually, beginning FY 2021; and
- (ii) not use funds paid to it pursuant to NMSA 1978, §22-26-1, et seq. (Public School Building Act, a/k/a "HB33"), or NMSA 1978, §22-25-1, et seq. (Public School Capital Improvements Act, a/k/a "SB9") for any purpose other than those authorized in law.

**RCR will be defined as  $(EBITDA + Lease Amount)/(Lease Amount + Interest + Prior Year CMLTD)$ , and is subject to review based on forecasted projections.**

## Covenant Agreements

The School shall not be a party to any loan or security agreement or other financial instrument evidencing a financial obligation of the Borrower to Lender.

**Conditions to Closing** Prior to closing, RDF must have received satisfactory evidence of the following:

- (i) satisfactory evidence of adequate fire and casualty, and general liability insurance coverage for the Project;
- (ii) evidence of the Borrower's organization and good standing;
- (iii) evidence of the School's good standing with its Authorizer, New Mexico Public Education Commission;
- (iv) all sources and uses of funds for the Project Financing are in balance; and
- (v) Borrower intends to enter into a lease purchase arrangement ("LPA") with School as contemplated by NMSA 1978, §22-26A-1, et seq. for complete use of the Property (the "Tenant Lease"). Borrower shall provide satisfactory evidence that prior to executing the Tenant Lease, that the Tenant Lease has been approved by the Public Education Department and Public School Facilities Authority as contemplated by NMSA 1978, §22-26A-1, et seq. (Public School Lease Purchase Act) and that the Tenant Lease is otherwise in a form and substance acceptable to RDF, in its sole and absolute discretion. RDF agrees that it will timely review the Tenant Lease prior to review by the relevant public authorities and not unreasonably withhold approval thereof.

**Other Conditions** The transaction documents shall include a notice to the School of Borrower's potential default to School with an opportunity for School to cure default.

## SOURCES & USES OF FUNDS

Uses of Funds	Project Costs	Borrowers Equity	RDF
Acquisition	\$ 7,194,417	\$ 352,537	\$ 6,841,880
Origination Fees	\$ 69,830	\$ -	\$ 69,830
Legal Fees (RDF)	\$ 20,000	\$ 550	\$ 19,450
Legal Fees (Foundation)	\$ 12,000	\$ -	\$ 12,000
Legal Fees (School)	\$ 15,000	\$ -	\$ 15,000
ESA Phase I	\$ 2,950	\$ 2,950	\$ -
Appraisal	\$ 3,500	\$ 3,500	\$ -
Survey	\$ 8,000	\$ 8,000	\$ -
Closing Fees	\$ 24,840	\$ -	\$ 24,840
<b>Total Sources of Funds</b>	\$ 7,350,537	\$ 367,537	\$ 6,983,000
<b>% to Total Project Cost</b>	<b>100%</b>	<b>5%</b>	<b>95%</b>

If these terms and conditions are acceptable to you, please sign below indicating your agreement to work together with RDF to complete its underwriting and due diligence process, with the goal of closing the Financing no later than December 31, 2020 (“Outside Closing Date”). Return an executed copy of this proposal to Elyssa Garcia at egarcia@razafund.org, no later than July 24, 2020 (“Acceptance Deadline”).

If this proposal is not executed and/or the Deposit has not been received by the Acceptance Deadline; or the Financing does not close by the Outside Closing Date, this proposal shall be deemed null and void, unless extended in writing by RDF in its sole discretion.

**ACKNOWLEDGED AND ACCEPTED**

EARLIER LEARNING SOLUTIONS FOUNDATION, INC.

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Loryn Chavez, President

