

# ZIONS BANK

December 16, 2021

Mr. Greg Miles, CFO  
Waterford School  
1590 E. 9400 S., Sandy, UT 84093

Dear: Mr. Miles

Zions Bancorporation, N.A. dba Zions First National Bank (“Bank”) is pleased to provide the following Term Sheet. **THIS TERM SHEET IS FOR DISCUSSION PURPOSES ONLY AND IS NOT AN OFFER, AGREEMENT, OR COMMITMENT TO LEND. THIS TERM SHEET REFLECTS THE BANK’S PRELIMINARY INTEREST IN EXPLORING THE POSSIBILITY OF A CREDIT ARRANGEMENT AND WILL NOT BE BINDING ON THE BANK OR THE ADDRESSEE.** The terms proposed herein are subject to revision at Bank’s discretion. Should Bank enter into a credit relationship with the borrower, documents may contain additional or different terms, covenants, and conditions. This Term Sheet may not be contradicted by evidence or any alleged oral agreement, may not be disclosed, and may not be relied upon for any purpose without Bank’s prior written consent. The proposed rates and terms contained herein are for discussion purposes only. The actual terms and conditions upon which Bank may extend credit are subject to the satisfactory completion of due diligence, credit committee approval, proper execution of satisfactory documentation, and other terms, conditions and changes Bank or its counsel deems necessary and prudent.

## General Terms:

<b>Borrower(s):</b>	Waterford School, LLC
<b>Guarantor(s):</b>	N/A
<b>Bond Series A Purpose:</b>	Provide tax-exempt bond to refinance approximately \$3 million of existing debt with Zions that consists of (balance as of 12/16/21): <ul style="list-style-type: none"><li>a. \$2,355,000 – remaining balance from 2003 tax-exempt bond</li><li>b. \$255,000 – remaining balance from 2018 land loan</li><li>c. \$315,091 – remaining balance from 2019 residential loan</li></ul>
<b>Bond Series B Purpose:</b>	Provide tax-exempt bond to finance construction of a new science building on the Borrower’s campus (estimated construction costs of \$21.5 million)
<b>Conduit Issuer:</b>	TBD – Likely either Sandy City or Salt Lake County
<b>Series A Amount of Credit:</b>	Approximately \$2,925,091 (balances as of 12/16/21)
<b>Series B Amount of Credit:</b>	Approximately \$22,074,909. Series A and Series B combined shall not exceed \$25,000,000.

To comply with regulatory guidelines, tax-exempt proceeds may not be used to cover more than 2% of the total project closing fees. For example, \$25 million (estimated

amount of Series A and Series B) x 2% = \$500,000 of fees that can be paid using tax-exempt bond proceeds. Closing fees in excess of 2% (\$500,000 in this scenario) must be paid in cash by the Borrower at closing.

**Total Advance Rate:** Maximum 70% Loan to Value (LTV), including Series A and Series B, will be based upon the “as complete” appraised value of Waterford School’s primary campus located at 1590 E. 9400 S. Sandy, UT 84093

**Interest Rate** Interest rate for both Series A and Series B will be fixed using the 15-year Treasury Rate plus margin of 1.30%, adjusted to be a tax-exempt rate. As of 12/16/21 the tax-exempt rate would be approximately 2.25%. Interest rate will be locked using the 15-year Treasury Rate 30-days prior to targeted closing date on a best-efforts basis

**Series A Repayment** Repayment based upon a 30-year amortization, with semi-annual principal and interest payments after closing (i.e. no interest only period). The first principal and interest payment will be due 6-months after closing.

**Series B Repayment** At origination, Series B proceeds will be disbursed to an Escrow Account where construction disbursements will be managed by the Bank.

Series B will have a 2-year interest only period to complete construction of the new science building. After the 2-year construction period, repayment will be based upon 30-year amortization with semi-annual payments. The first principal and interest payment will be due 6-months after the end of the 2-year construction period.

**Fees and Expenses:** 0.25% of Series A and Series B commitments

In addition, all out-of-pocket expenses, including but not limited to counsel fees for drafting of all necessary bond documents, collateral appraisals/evaluations, Phase 1 environmental site assessment (ESA), title insurance, recording and filing fees, and other expenses shall be paid by Borrower. All out-of-pocket fees will be incurred by Borrower even in the event the tax-exempt bond should fail to close on account of borrower’s inability or refusal to meet the Bank’s requirements.

**Series A Maturity:** 15-year maturity.

**Series B Maturity:** 15-year maturity, including 2-year interest only construction period

**Prepayment Penalty:** Standard Yield Maintenance pre-payment penalty shall apply to both Series A and Series B

**Collateral:** Series A and Series B shall be secured by 1st lien Deed of Trust on Borrower’s primary campus located at 1590 E. 9400 S., Sandy, UT 84093

**Financial Covenants:** Series A and Series B shall have the following financial covenants:

- **Annual Fixed Charge Coverage Ratio:** Borrower shall maintain a Fixed Charge Coverage Ratio of no less than 1.10x. Ratio defined as EBITDA (see below) minus capital expenditures (see below) divided by sum of: i) scheduled principal payments actually made plus ii) interest expense paid in cash. Ratio will be measured annually with School’s audited financial statements.

**EBITDA** will be defined as change in unrestricted Net Assets plus: i) interest expense, ii) income tax expense, iii) depreciation, iv) amortization, v) non-cash charges/expenses, vi) change in restricted Net Assets that are used to cover Capital Expenditures, and vii) cash proceeds withdrawn from Borrower's Endowment, minus: i) non-cash unrealized investment income from Borrower's Endowment. Note the \$300,00 adjustment for discretionary expenses that is allowed in the current Loan Agreement has been removed.

EBITDA definition will be evaluated during underwriting to ensure both the Borrower and the Bank are comfortable with the definition.

**Capital Expenditures** TBD during underwriting, but will be calculated to be the annual amount needed to keep the school property in good repair (current Loan Agreement approximates Capital Expenditures to be \$400,000 annually).

- **Minimum Liquidity:** Borrower shall maintain minimum liquidity of no less than \$3,500,000. Liquidity shall exclude contributions, donations, and cash subject to restrictions imposed by the contributor/donor, as well as any proceeds drawn on the Zions Bank Revolving Line of Credit. Covenant measured semi-annually.
- **No Additional Debt:** Borrower shall not incur additional debt greater than \$1,750,000 in the aggregate without prior approval from Lender. Covenant measured semi-annually.

**Reporting Requirements:**

Series A and Series B shall have the following reporting requirements:

- Annual Audited financial statements due within 120 days of each fiscal year end
- Borrower prepared financial statements as of the end of the second fiscal quarter (2/28) each year, due within 60 days; Borrower prepared financial statements to be prepared on a GAAP basis.
- Covenant Compliance Certificate due with financial statements
- Official enrollment count and corresponding approved board budget for the upcoming school year due by September 30<sup>th</sup> each year.
- Other items Lender may reasonably request

**Other Conditions:**

Series A and Series B subject to:

- Satisfactory review and underwriting analysis of the Schools operations, projected enrollment, and budget for future periods
- Review of the construction budget for the new science building.
- Financial strength of the General Contractor shall be reviewed and approved by Zions Bank's Real Estate Banking Group.
- Receipt, review, and acceptance of appraisal on the Borrower's campus, including the "as complete" value including the new science building.
- Receipt, review, and acceptance of an Environmental report and due diligence, which may include an environmental questionnaire, Phase I analysis, and/or other environmental due diligence acceptable to Lender.
- Preliminary title report required prior to loan approval. Title insurance policy covering the full amount of the proposed loan with acceptable endorsements required at closing
- Assignment of construction, engineering, and architectural contracts

- Receipt, review, and acceptance of a survey on the school's main campus
- Evidence of permissive zoning, adequacy of parking and flood zone determination
- Receipt, review, and acceptance of Borrowers entity organizational documents
- Borrower will execute necessary documents so the bond is classified as a tax-exempt for the Bank. To the extent the interest on the Bonds becomes taxable at any time during the term, the Bond Documents will provide for an increase to the interest rate to a taxable rate.
- All other credit and underwriting requirements for a tax-exempt bond financing of this type
- Series B Construction Loan disbursements to the general and/or subcontractors will be managed by Zions' Construction Loan Disbursement group, and will be disbursed from the Escrow Account.
- Construction loan disbursements may be halted if there is an Event of Default with the tax-exempt bonds, or construction is not progressing satisfactorily to Lender.

**Documentation:** Borrower will execute all loan documentation satisfactory in form and substance to Bank, in its sole discretion, which will set out all final terms and conditions of the proposed loan and will supersede any and all prior agreements, oral or written, relating to this proposed loan.

This Term Sheet is provided as an outline of terms only and is not to be considered a commitment by Bank to lend at a contract rate. Any lending relationship with Borrower is conditioned upon receipt of credit approval from the Bank and final negotiations of all terms and conditions relating thereto. This Term Sheet merely represents the Bank's interest in further discussion of the proposal that may lead to a formal commitment to lend after the Bank's approval of all terms and conditions.

All information contained in this Term Sheet is confidential and may not be disclosed in whole or in part by you to any other person or entity without Bank's prior written consent (except for disclosure to you or your affiliate's board of directors, officers, employees, professional advisors, accountants and internal or outside legal counsel retained by you in connection with this transaction).

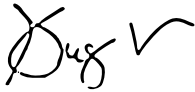
Please contact me if you desire the Bank to consider final credit approval for an extension of credit to you, or if you desire to continue discussions with Bank. We sincerely appreciate your interest in doing business with us.

Sincerely,



Jim Vosburgh  
Vice President

By signing below, the undersigned acknowledges and agrees that the Bank has not made, and is not making, a commitment to loan money and this letter sets forth some, but not all, of the terms on which the Bank may consider extending credit:



\_\_\_\_\_  
Greg Miles CFO

12/20/2021

\_\_\_\_\_  
Date