



**Summary of Non-Binding Indicative Terms and Conditions
for the Proposed Financing
March 17, 2024**

This summary of loan terms and conditions is intended as an outline of certain of the material terms of a proposed financing and is not intended to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documents. Capitalized terms used without definition herein are intended to have the meanings ascribed in the operative loan documents described herein.

This term sheet does not represent a commitment to lend and may not be relied upon as such.

Borrower:	Exalt Academy LLC (“ Borrower ” and “ Landlord ”)
Related Entities:	Exalt Academy of Southwest Little Rock (“ Tenant ”) Exalt Education (“ CMO ”)
Lender:	Equitable Facilities Fund, Inc. (“ Lender ”)
Obligation Type:	Loan Agreement with Note (“ Loan ”)
Loan Proceeds:	Up to \$7,400,000 (“ Obligation ”)
Purpose:	Proceeds will be used to 1) refinance the existing loan used to finance the acquisition and renovation of the facility located at 6300 Hinkson Road, Little Rock Arkansas, 2) fund any remaining renovation costs needed and 3) pay costs of issuance associated with this transaction.
Maturity:	Approximately 5 years
Targeted Closing:	To be mutually agreed upon between Borrower and Lender following additional diligence and credit approval.
Repayment:	Loan will amortize calling for monthly principal and interest payments based on a 30-year amortization schedule, beginning at date of close.
Estimated Rate:	The Loan will accrue interest at a fixed rate per annum. This Term Sheet provides an indicative fixed interest rate per annum as of the date hereof. The current indicative fixed rate is 4.25% unless

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market rates change notably between now and issuance of a Commitment Letter based on final approval by EFF Board of Directors.

Lender may, in its sole discretion, decrease the Interest Rate at any time after closing in order to maintain compliance with federal tax regulations.

Origination Fee: 1% origination fee is due to Lender.

Debt Service Reserve Fund: No debt service reserve fund is required.

Other Requirements: Borrower will cooperate with the pursuit of a rating on this transaction from Standard and Poor's (S&P), which EFF will coordinate and lead. Borrower is responsible for ensuring a rating with S&P is maintained for the life of the Loan.

Borrower will participate in any TEFRA needs EFF may require.

Additionally, Borrower will be required to provide a Property Condition Report for the financed property prior to closing and cooperate with construction monitoring procedures.

Transaction Legal Fees: Estimated at \$100,000 - \$120,000, not including Borrower counsel or other loan closing costs, paid by Borrower at closing via loan proceeds.

Fees and Expenses: Borrower will pay all reasonable, out-of-pocket costs and expenses incurred in connection with due diligence and the preparation of documentation in connection with the execution of this Financing, regardless of whether or not the Obligation is closed, including but not limited to, financial advisory fees (if applicable), real estate diligence fees, initial disclosure set-up fee, initial S&P rating fee, plan and cost review fees, construction monitoring fees, and legal fees (see estimate legal fees above) unless Lender does not execute. These will be paid at closing and are eligible to be paid via loan proceeds.

Prepayment: In whole or in part without penalty, any date 4 years or more from closing.

Security: Loan is secured by a first lien mortgage and security interest in the real property and an assignment of leases and rents constituting the facility located at 6300 Hinkson Road. The Borrower will enter into a springing deposit account control agreement for the benefit of the Lender. The Tenant will also enter into a Continuing Covenant Agreement with the Lender.

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**Representations/
Warranties:**

The documents will contain those representations and warranties of the Borrower customarily found in transactions of this nature, and others appropriate to the transaction.

Financial Covenants:

The documents will contain financial performance covenants customarily found in transactions of this nature, and others appropriate to the transaction, including but not limited to:

Lease Payment Coverage Ratio: The Tenant will covenant to achieve a Lease Payment Coverage Ratio of at least 1.10 for each Fiscal Year, commencing with the first Fiscal Year after loan closing. Failure to maintain such levels would trigger a requirement for the Tenant, at its own expense, to engage an Independent Management Consultant which is acceptable to the Lender. A ratio of below 1.00 for any given Fiscal Year is considered an Event of Default.

Days Cash on Hand: The Tenant covenants and agrees to maintain a minimum in Days Cash on Hand ("DCOH") in unrestricted cash balance based on the Tenant's annual consolidated audited financial statement of 45 DCOH in Fiscal Year 2026, 50 DCOH in Fiscal Year 2027, and 60 DCOH in Fiscal Year 2027 and beyond. Failure to maintain such level would trigger a requirement for the Tenant, at their own expense, to engage an Independent Management Consultant which is acceptable to the Lender. A failure to meet the covenant for two consecutive Fiscal Years is considered an Event of Default.

Fixed Charge Coverage Ratio: The Borrower covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges for the use of its Financed Properties and for the services furnished or to be furnished so that the Debt Service Coverage Ratio at the end of each Fiscal Year is not less than 1.00:1.00. If the Debt Service Coverage Ratio falls below 1.00:1.00 at the end of any Fiscal Year, it shall constitute an Event of Default hereunder.

Management Fees: All management fees paid, if any, to the Borrower or an affiliate of the Borrower or Tenant, by the Tenant shall be subordinate to the Tenant's obligation to make Lease Payments.

Limitations on Additional Indebtedness for Borrower and Tenant:

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- 1) Additional Parity Debt, Subordinate Debt, and Short-Term Debt are restricted subject to Lender approval.
- 2) Non-Recourse Debt is limited to an aggregate of \$750,000 outstanding or mutually agreed upon level.
- 3) Capital Leases will qualify as debt within the calculation of any coverage ratio.

Operating Covenants:

Operating performance covenants to include:

- Academic covenant: Tenant covenants to maintain high academic performance which will be mutually defined in the Loan Agreement. Failure to maintain such level would trigger a requirement for the Tenant, at their own expense, to engage an Independent Management Consultant which is acceptable to the Lender. No Event of Default would result from this covenant.
- Enrollment covenant: Tenant covenants to maintain an enrollment level that will be mutually defined in the Loan Agreement. If Tenant fails to maintain such level, it covenants to prepare, share and discuss with Lender a detail enrollment turnaround plan. If enrollment level falls to an even lower level (also to be mutually defined), it would trigger a requirement for the Tenant, at their own expense, to engage an Independent Management Consultant which is acceptable to the Lender. No Event of Default would result from this covenant.

Indemnification:

The documents will contain indemnifications customarily found in transactions of this nature, and others appropriate to the transaction.

Assignment:

The Loan Agreement, Note and other Security Documents will be freely assignable by Lender and any successor thereto.

Events of Default:

The documents will contain Events of Default customarily found in transactions of this nature, and others appropriate to the transaction.

Credit Approval Requirements:

This indicative term sheet is being provided prior to final credit approval of Lender. Additional information is needed to complete underwriting and for formal approval. The Borrower agrees to partner with the Lender to timely provide any additional information needed and answer any additional questions.

Ongoing Reporting:

Annual audited financial statements due within 180 days after the fiscal year end. The Tenant will also provide, in conjunction with the

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audited financials, the following reports and other school operating information as reasonably requested by Lender: applications, open seats and waiting list, student retention, faculty retention, changes in leadership, management or Board members, enrollment by grade, student demographics data (i.e. ethnic background, FRL, SPED and ELL), leadership demographic data (i.e. gender, ethnicity and race), accountability ratings and authorizer reports, charter contract expiration dates, academic performance results including growth and proficiency scores and, if applicable, high school graduation rate and college entrance exam results for the highest grade tested by campus.

Annual fiscal year budget due within 60 days of the commencement of each fiscal year.

Quarterly unaudited income statement and balance sheet and comparisons of actual expenditures to budgeted expenditures, as well as other school operating information as reasonably requested by Lender, due within 45 days after the end of each fiscal quarter.

Simultaneously with the delivery of each set of the financial statements referred to above, a certificate of compliance of Borrower and Tenant (1) stating whether there exists on the date of such certificate any Default or Event of Default and if so, the details thereof and the action which Borrower and Tenant is taking or proposes to take with respect thereto; and (2) setting forth in detail, compliance with the financial covenants and the supporting calculations.

Borrower and Tenant shall furnish at Lender's request such additional information that Lender may from time-to-time reasonably request, including but not limited to on-site visits post-closing as required to maintain necessary and administrative oversight.

Ongoing disclosure will occur via a web-based portal accessible only by Lender.

Governing Law:

This transaction shall be governed by and construed in accordance with the laws of the State of New York, except with respect to the Borrower's authority and corporate powers as a charter school, which shall be governed and construed in accordance with the laws of the State of Arkansas.

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This term sheet is intended for the sole and exclusive benefit of Borrower and Lender and may not be relied upon by third parties.

This term sheet is issued in reliance on the accuracy of all information, representations, schedules, and other data and materials submitted by Borrower, all of which are deemed material. This term sheet does not contain all of the terms and conditions or other provisions that may be included in the final documents evidencing the Loan and is issued at a time before Lender has undertaken a full business, credit, and legal analysis of Borrower and the Loan.

*The terms and provisions of this correspondence are **confidential** and may not be disclosed by Borrower to any other person or entity. However, the foregoing restrictions on disclosure shall not apply to disclosure(s): (i) to Borrower's legal counsel or financial advisor for purposes of advising Borrower with respect hereto and provided, however, that such counsel and financial advisor agree to preserve the confidentiality of this correspondence; or (ii) in response to any properly issued subpoena from any court or other governmental authority with jurisdiction over Borrower, provided that Lender has been furnished reasonable advance notice of the intended disclosure and the opportunity to prevent or limit the scope of any such disclosure.*

Sincerely,

Anand Kesavan
Chief Executive Officer

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