Introduction

Raza Development Fund, Inc. ("RDF") is a high performing, 501 (c)(3), non-profit, Community Development Institution ("CDFI") that provides specialty financing solutions benefiting low-income, minority Latino families and children throughout the United States. Established as an independent, support corporation to the National Council of La Raza ("NCLR") in 1999, RDF makes community development, impact investments to advance its Education, Affordable Housing, Healthcare, Social Services, and Social Entrepreneurship initiatives. As of our fiscal year end September 31, 2016), RDF has made over $506 million in low-income community development impact investments in over 400 community development investments in 32 states. Today, RDF has approximately $177 million in total assets under management. RDF's cumulative loss experience has been less than 1.00% of total committed capital. Nearly half (41.4%) of RDF's active investments supports high performing charter schools.

RDF is a three-time recipient under the United States Department of Education ("USDOE") Credit Enhancement for Charter School Facilities Program; in 2002, 2004, and 2006; which has allowed RDF to make a total of 145 direct investments in education projects in 22 states, including Washington State, representing nearly a quarter billion dollars in capital, all of which have supported high-quality school choice programs.

RDF has become a critical catalyst for expanding school choice in communities where alarge number of low income and/or minority students are performing poorly in traditional public schools. Our lending has been directly to charter schools or related community development or community-based organizations, to charter school facilities development corporations, and to non-profit CMOs. Every charter school RDF has financed is a Title I eligible school.

The RDF Washington State Initiative

The RDF Washington State Initiative will invest, at least $50,000,000 of its own, existing capital, provided directly, managed, and/or arranged by RDF, for the acquisition and development of temporary and permanent educational facilities for public charter schools (K-12) in Washington State, benefitting both emerging charter management organizations ("CMOs") and local, independent charter school operators. This is in addition to over $12,000,000 that has already invested in charters school projects in Washington State and projects that are currently being underwritten. Participating in the USDOE Credit Enhancement Program funds will allow RDF to mitigate the associated risk with the nascent Washington State charter school environment that is steadily improving funding levels, mechanisms, and its political environment.

The activities proposed to be undertaken with the RDF Washington State Initiative are:

- Provide unsecured tenant improvement loans, acquisition/predevelopment loans, secured real estate loans, bridge financing and mezzanine/subordinate loans to high-performing charter schools serving over 75% low income and at least 50% minority students.
- Identify charter school models that can evidence well-thought out business plans, student academic achievement that clearly outperforms the school districts in which they operate, outstanding school leaders, solid governance, and high indications of community engagement and direct financial support.
- Provide hands-on value-added technical assistance to charter schools, developers, policy makers, and other stakeholders to continue strengthen the educational choice movement.
- Assist in the development of a healthy, charter school infrastructure and ecosystem in Washington State that in the next couple of years will yield ~3,700 quality charter school seats.

- Recognize outstanding leadership early-on and provide much needed technical assistance to the single-site, start-up operators.
- Identify, work and support high-potential, new school leaders, independent singe site operators and emerging CMOs.
- Mitigate the inherent risk of financing charter schools with front loaded quality control, providing technical assistance, high touch value added trusted advice.
- Allow us to blend the cost of funds and provide below market rate to charter school projects by an estimated 13.4% through our partnership with the Bill and Melinda Gates Foundation.
- Invest $50 million of our core capital providing loans that will range from $250,000 to $8,000,000, which we estimate will leverage the RDF Washington Initiative grant funds at least 15x.
- Continue to achieve our current USDOE facility financing demonstration grant goals and the RDF Washington State Initiative.

Description of Facilities Specific Lending Products and Services (to be) Supported by US DOE Funds

RDF anticipates using USDOE FY 2017 credit enhancement program grant funds as a credit enhancement source, specifically to: (i) directly provide subordinate debt / equity financing as a credit enhancement to Borrowers and public education districts, (ii) guarantee all or a portion of the direct lending activities of RDF; and (iii) provide credit enhancements to structured debt and/or bond financing transactions for schools that would otherwise not qualify based on the size of the school or the length of its history. The level of the guarantee will depend upon the overall risk profile of the borrower entity and the charter school as an educational institution and a sound business. *Attached DOE Credit Enhancement Allocation Position Paper.*

Direct Lending Products:

- Unsecured Tenant Improvement Loans – Loans in this category will be unsecured and are intended to fund tenant improvements for charter schools that have entered into substantially long-term leases. Borrowers seeking financing in this category will generally be start-up schools or small schools in the early years of operation, when capital for permanent facility acquisition is yet unavailable.
- Acquisition / Predevelopment Loans – Loans in this category may be secured by real estate or may be unsecured depending upon use of funds and overall risk profile. Borrowers is this category will generally be approaching stabilization of charter school operations and in need, first, of funding to perform due diligence for permanent facility acquisition, and second, once having identified a site, in need of acquisition and/or construction financing..
- Secured Real Estate Loans – Loans in this category will be secured by real estate and are intended to finance charter school facilities for a period of 7 to 10 years. These loans may also be construction financing for development of new facilities. Borrowers in this category will generally have demonstrated stabilized operations and a high probability of charter renewal, if the charter has not already been renewed.
- Construction Financing – Allows the redevelopment of existing buildings and ground up construction for built-to-suit projects.
- Bridge Financing – This is intended to help schools who may need interim or relatively short-term financing, or gap financing usually for a period of 1 to 3 years, until the school is bondable. These loans are particularly important for starts-ups, or schools in their second or third year in operations.

- Mezzanine/Subordinate Loans – are used to assist those schools who may need additional source of capital to complete facility financing, usually in the form of with a subordinated debt, second lien position in the security interest.

The FY 2017 USDOE Credit Enhancement Program grant and our direct lending products will help built-out the Washington State charter school environment.

Competitive Priority

Washington State does not have a history of supporting school choice, nor is it yet known as a champion of charters schools; or holding charter school operators accountable for delivering academic outcomes that demonstrably outperform those of the state's failing traditional public schools. This history and the recent challenges to the state's recently enacted charter school legislation have stunted the development of a healthy, charter school infrastructure and ecosystem, making it difficult to attract investment capital to sector from traditional sources of charter school facility financing, including most CDFIs ("Community Development Financial Institution").

School facilities are capital intensive investments and access to affordable leverage (i.e., debt capital) is critical to funding the industry's need a scale. Given the early stage of the charter school movement in Washington State, there are, at this time, far too few proof points demonstrating the academic and/or financial viability of the charter school model in the state.

RDF has long been a leading provider of charter school facilities financing, nationwide. Through its direct investment experience over nearly 20 years, RDF has developed a high-touch, value-added approach to identifying and working with high-potential, new school leaders and emerging CMOs. Our team of education investment professionals will provide a broad financial and technical support to key CMOs and select independent charter school leaders to establish the necessary proof points, to promote and increase capital flows for charter school facilities funding in Washington State.

RDF was one of the only CDFIs in the nation that was willing to provide unsubsidized funding for charter schools in Washington State after the state enacted charter school legislations; and RDF remained active in the face of pending litigation and persisting fundamental questions about the constitutionally of charter schools in Washington State. Our specific business approach, as it most directly relates to the establishment of RDF's Washington State Initiative, is to establish a permanent, physical presence in Seattle, where RDF's education investment professionals can more closely collaborate with leaders in Washington State charter school arena; provide technical assistance to school leaders; and respond to project financing requests in a timely fashion with local, high-touch, in market expertise.

The RDF Washington State Initiative will be led by Amanda Sanchez, who joined RDF's Education Finance Team in 2011. *See biography in Organizational Capacity below.*

Selection Criteria

We evaluate organization's financial condition, credit-standing, character, and managerial capability of borrowers and guarantors to estimate their respective capacity, willingness, and authority to fulfill the financial obligations associated with an underwritten transaction; design, entitle, construct, stabilize, operate, and maintain financed real estate collateral; and/or support financed businesses and community-based programs during the term of the proposed investment.

Borrowers and/or guarantors must demonstrate a history of ethical and quality business practices; a high degree of responsibility and commitment to low-income, Latino and/or other minority communities; and past and present business and financial partners. Prudent underwriting of borrowers and guarantors involves a review of legal formation documents to determine and understand key issues of ownership, control, and governance; satisfactory evidence of organizational good standing; a review of relevant business and/or personal credit reports; a critical, business plan assessment; and a review of historical operating statements and financial projections, including historical and projected fundraising.

Leadership and governance evaluation is a critical part of our charter school financing due diligence. We assess Board of Directors' effectiveness in establishing clear and proper oversight, policies, and strategic direction; senior management's overall effectiveness in implementing policies and strategy, as set forth by the board of directors; the sufficiency of audit oversight to provide financial statements that are timely, informative, and free from auditor qualification and unlikely to suffer from material weaknesses; and the adequacy of processes designed to assess and mitigate key strategic, financial, operational, legal, regulatory, and reputational risks that a charter school might reasonably face.

Even limited demonstration of the financial viability of charter schools in Washington state is critically dependent on tangible outcomes, which, unfortunately, cannot be known for at least the next three years. However, at this time RDF has already received $15,000,000 in capital from the U.S. Department of Education, which is specifically programed to credit enhance financings of charter schools that serve a majority of minority and/or low-income students, nationwide (including Washington state). This vital resource allows us to provide capital for start-up schools, as we have already done in Washington, in a way that protects the fund's core investment capital and net assets from direct credit loss. A new award of USDOE allocation would allow RDF to keep supporting the emerging charter school sector in Washington State, which currently faces a significant financial challenge in that there is no public facility funding available at this time, making it difficult to attract investment capital to the sector from traditional sources of charter school facility financing, including

CDFIs. RDF is one of the only CDFIs in the nation willing to provide unsubsidized funding for charter schools in Washington State.

Our ability and willingness to be patient and flexible with struggling borrowers' is one of the hallmarks of RDF's operating philosophy. Because we generally have quite intimate understandings of our clients' businesses, we often see operating and financial issues well before they materialize into loan defaults. By working alongside our clients in a constructive, collaborative fashion, we provide advice on how best to approach and solve challenges, we actually strengthen our client relationships. In the rare instances when actual monetary defaults do occur, our investment professionals' deep commitment to ensuring that, first and foremost, desired social outcomes and community benefits are achieved, we are generally willing to reschedule financial obligations to fit borrowers' unanticipated financial limitations. However, this is only possible when borrowers are willing to take corrective action (to the extent possible); be transparent, cooperative, and act in the best interests of the community. We never want to force a school closure; and we do everything, within reason, to avoid taking such action. In some cases, U.S. Department of Education credit enhancement capital enables us to structure "soft landings" for struggling organizations, until a permanent solution can be identified and implemented. Financial guarantees are rare in charter school financing, but in unique situations, where a vested stakeholder(s) is willing to provide financial support in the form of an unconditional or limited payment or repayment guaranty, as a mitigant to either identified, up-front credit concerns or deteriorating credit conditions, RDF is even more able to provide flexibility when it's needed most.

RDF's first charter school investment in the state was an $730,800 tenant improvement/construction loan for Excel Public Charter School, one of the first eight charter schools to be approved, an independent middle and high school (grades 6-12) in Kent, which currently serves

158 mostly low-income, minority students. Tenant improvement financing, which is especially difficult to obtain, even in states that have more mature and stable charter school environments, is critical to small schools that often temporarily locate in retail strip centers or church facilities until they can sustainably support a permanent facility. Adel Sefrioui, founder of Excel Public Charter School, quotes “Thanks for helping get the school off the ground! You’re such a big reason Excel is in the community.”

Our second charter school investment was a $2,880,000 real estate secured, construction financing for Summit Public Schools, an emerging CMO. Summit Atlas, a start-up middle and high school (grades 6-12) is scheduled to open with 200 students in the 2017/2018 school year. RDF is already currently underwriting a follow-on investment of an additional $2,420,000 to support the school’s future enrollment, which is expected to increase to 733 students by the 2020/2021 school year. This school facility, which was a former grocery store located in Southwest Seattle, is projected to serve mostly low-income, minority students, with a significant number of both special education students and English language learners.

We are also currently underwriting a $6,000,000 construction loan for Green Dot, another emerging CMO. This will be Green Dot’s second, middle/high school (grades 6-12) in South Seattle, involving the redevelopment of several adjoining sites, which were most recently improved with a former church building and several single-family homes. The 40,000 sf school facility is expected to open in the 2018/2019 school year with 180 students and grow to capacity of 600 by the 2020/2021 school year. *Attached Letter of Support.*

In collaboration with the Washington State Charter School Association and the Bill & Melinda Gates Foundation, RDF has already identified, in addition to projects currently in underwriting, a pipeline of quality charter school financing opportunities, representing eight school sites, with an aggregate estimated development budget of nearly $70,000,000. At capacity, these school sites are projected to provide over 3,700 quality charter school seats. Grant funds from the Bill and Melinda Gates Foundation will be used to blend down the weighted average cost of debt capital for these charter school projects by an estimated 13.4%. *Attached Letter of Support.*

Partnerships

Over the past two plus years, RDF has established strong relationships throughout the Washington State charter school arena with key organizations including the Washington State Charter Association; with existing CMOs, like Green Dot and Summit Public Schools; and Impact Public Schools, which is in formation. Our clients include Washington Charter School Development, Inc. ("WCSD"), Pacific Charter School Development ("PCSD") and Excel Public Charter School. We have been working hand in hand with staff from the Bill & Melinda Gates Foundation over the same period, and have connected with Washington State's Senators, Patty Murray and Maria Cantwell, to ensure they understand the true transformative potential that quality charter schools have, especially in low-income, minority communities.

RDF is a member of the Charter School Lenders Coalition ("CSLC"), and we have already led several information sessions for CDFIs that have expressed interest in learning more about the charter school landscape in Washington State. Through our involvement with community development financing programs like the New Markets Tax Credit ("NMTC) program, the CDFI Fund Bond Guaranty Program ("BGP"), and the US Department of Education credit enhancement program, we have substantial existing resources to commit to Washington State; and we are currently raising additional capital for our expansion into the Pacific Northwest Region from new, regional, institutional capital partners like Washington Federal, Umpqua Bank, and Banner Bank.

Washington Charter School Development ("WCSD"), was created to help facilitate the development of charter schools in Washington State. Pacific Charter School Development ("PCSD"), as a support corporation, is an established, non-profit, turn-key charter school developer, which was founded in 2004, has successfully developed nearly 50 charter schools, that predominately serve low-income, minority students. We partnered with WCSD to secure a middle school and high facility for Summit Atlas which is scheduled to open in the 2017/2018 school year. RDF is currently underwriting a follow-up investment to support Summit Atlas future growth and to secure a middle school facility for Green Dot Seattle which is scheduled to open in the 2018/2019 school year. *Attached Letter of Support*.

Bill and Melinda Gates Foundation, will invest $6,000,000 to establish the "Creation of WA State Charter School Debt Fund". This $6,000,000 grant from the Bill and Melinda Gates Foundation will be leveraged at least 5x by RDF, to provide at least $30,000,000 in facility funding for charter schools in Washington State, in addition to over $12,000,000 that RDF has already independently funded or is currently underwriting in support of the Washington State charter school movement. The grant includes $500,000 in funding for start-up and operating expenses associated with RDF's Seattle satellite office during the grant's three-year investment duration; and once the satellite office is established and self-sustaining, which we expect it to be at $30,000,000 in assets under management, we intend to begin re-investing net income from operations, up to the $500,000 in start-up grant funds received, back into the debt fund. The partnership will allow us to blend the cost of funds and provide below market interest rate to charter schools.

Our partnership between these organizations is a decisive and collaborative step in the direction of establishing the necessary proof points to demonstrate that charter school facilities in

Washington State is a viable, financeable asset class – just as it is in most of the other 42 states that currently allow charter school schools.

Other capital sources for charter school investments include the CDFI Bond Guaranty Program, under which RDF currently has nearly $90,000,000 in available capital; the Federal Home Loan Bank ("FHLB") of San Francisco, through which RDF currently has nearly $10,000,000 in available capital; and various unsecured credit facilities from RDF's existing investor base, which includes: Bank of America, State Farm Insurance, JP Morgan Chase, Charles Schwab Bank, Deutsche Bank, Wells Fargo Bank, Ally Bank, BBVA Compass Bank, Western Alliance Bancorporation, and others.

In addition to these existing capital providers, we are currently raising addition capital specifically for charter school investments in Washington State from Washington Federal, Umpqua Bank, and Banner Bank – all regional commercial banks that are active in Washington State and have a community reinvestment mandate to support low-income communities therein. *Attached RDF Capital Providers Summary Sheet.*

USDOE Guarantee Performance Summary

RDF has successfully competed for three US Department of Education Credit Enhancement Program: Grant #1 for $5,000,000, Grant #2 for $7,950,000, and Grant #3 for $1,600,000, collectively the "Past Awards". The Past Awards allowed us to serve 67 charter schools, of which 30 were startups, 24 were leasehold improvement loans, and 39 were part of CMOs leveraging $329,291,179; and leveraged at a ratio of Grant #1 15.81:1, Grant #2 25.65:1, and Grant #3 14.03:1 (exceeding the grant agreements of 8:1). Since the receipt of the first USDOE Credit Enhancement Program, RDF has experienced two charge offs in the last five years totaling $893,031.

USDOE Charter School Facility Program grants, has established the following guiding principles:

- RDF will only use proceeds from the Reserve Fund as needed; balances will be applied to increasing the size of the Reserve Fund (as has been the case with 100% of all proceeds to date);
- RDF provides fair and affordable financing to at least 13 charter schools over a period of 5 years;
- RDF will continue to diligently pursue other partners / investors to supplement or subsidize the USDOE Credit Enhancement Program's fees in order to minimize costs passed through to charter school Borrowers.
- Assist starup charter schools with the development, planning, and budgeting process.
- Require and monitor academic and non-academic goals, as well as the specific metrics that gauge school's performance, including both traditional anan-0traditional measures as part of Loan covenant reporting.

USDOE Award Performance Summary and FY 2017 USDOE RDF Washington State Initiative

The following table identifies the total number of schools we have previously financed and credit enchanced using USDOE funds; and our target number of schools we anticpate to finace and credit enhance using the FY 2017 USDOE credit enhancement program for which we are presently applying for.

DOE Award	2002 $5M	2004 $7.95M	2006 $1.6M	Total Previous DOE Grants Enhanced	RDF WA State Initiative 5 Year Projections	Grand Total
Total Number of Schools Financed	37	45	5	87	13	
Total Project and Private Capital Leveraged	$79,036,941	$227,803,438	$22,450,800	$329,291,179	$50,000,000	$379,291,179
Total DOE Credit Enhanced Funds Allocated	$10,982,700	$16,288,557	$1,680,400	$28,951,657	$140,000,000	$168,951,657
Total DOE Credit Enhanced Funds Released	$200,000	$3,116,598	$240,000	$3,556,598	$0	$3,556,598
Total DOE Credit Enhanced Funds Remaining	$1,503,154	$2,092,880	$151,300	$3,747,334	$0	$3,747,334
DOE Credit Enhancement to Leverage Financing Ratios	15.81:1	28.65:1	14.03:1	21.95:1	15.38:1	20.78:1
Funds Remaining	$1,503,154	$2,092,880	$151,300	$3,747,334	$0	$3,747,334

Although Washington State has one of thee strongest charter school laws, (currenlty ranked #4 out of #44 by the National Alliance for Public Charter School's annual report on charter laws) its recent challenges to the state's charter school legislation has made it difficult to attract investment captial to the sector. The credit enhancement will enable us to structure financing solutions to fit the borrower's financial limitations until a permanent solution can be identified and implemented.

RDF has already identified, in addition to projects currently in underwriting, a pipeline of quality charter school financing opportunities, representing eight school sites, with an aggregate estimated development budget of nearly $70,000,000. At capacity, these school sites are projected to provide over 3,700 quality charter school seats.

Organizational Capacity

Management and Staff Experience

The following table indicates the members of the RDF Program management team and identifies the responsibilities, skills sets, and role(s) of each staff and contracted member of RDF's overall team.

Team Member	Management Team	Business Development	Charter School Underwriting & Technical Assistance Team	Finance and Portfolio Mgmt
RDF Mgmt and Staff				
Tom Espinoza	X			
Mark Van Brunt	X		X	
David Clower	X	X	X	
Scott Richter	X		X	
Melissa McDonald		X	X	X
Greta Mayas		X	X	X
Amanda Sanchez		X	X	X
Rodrigo Vela	X			
Juan Madrid				X
Tony Lopez				X
Laura Avelar				X

Description of Management Team Responsibilities, Experience, Skills and Education

Members of the Management Team have direct experience in creating, designing, managing and rolling out charter schools, evaluating real estate suitability and options, acquiring, financing and designing school facilities, serving as charter school trustees (or directors) and reviewers for charter school authorizers, evaluating schools and identifying best practices (or lack thereof), and developing or applying curriculum and instructional methodologies and practices for disadvantaged youth, Latino students, and English Language Learners. Bios are attached.

Tom Espinoza, *President/Chief Executive Officer*

As President and Chief Executive Officer, Tom Espinoza is responsible for overall strategy, performance, and management of RDF. Under Mr. Espinoza's guidance, RDF has become the largest Latino CDFI loan fund, with over $200 million in assets (including $100 million of QLICIs). Mr. Espinoza is an active steward of RDF's business. He is a member of the Governing Board and chairs the Advisory Board, which reviews, analyzes, and approves all community impacts for NMTC investments, incorporates community stakeholder feedback into our NMTC program and investments, and monitors community benefits achieved through our NMTC investments. Mr. Espinoza also sits on the Audit Committee, which oversees financial reporting and disclosure as well as NMTC program compliance.

Previously, Mr. Espinoza served as a Vice President at National Council of La Raza, where he led the Office of Technical Assistance and Constituency Support. He was integral in the founding of Chicanos Por La Causa (CPLC), a nationally recognized community development corporation serving Latino communities. As the President and Chief Executive Officer of CPLC, he provided capacity development during its early years, developed funding strategies for various social and community development projects, and advocated for the Latino community. During this time, Mr. Espinoza raised and deployed $300 million of capital.

Mark Van Brunt, *Chief Operating Officer*

Mark Van Brunt is RDF's Chief Operating Officer and is responsible for lending operations, capitalization strategies, investment management, and new product development. Mr. Van Brunt has a key role in capital raising, capital deployment, and asset management. In his 20-year career with RDF, together with Mr. Espinoza, he has raised $500 million and deployed nearly $400 million of capital. He currently oversees more than $200 million of assets as part of the senior management team.

Previously, Mr. Van Brunt served as a Deputy Vice President at the National Council of La Raza (NCLR), where he was responsible for housing and community development assistance program operations. He has extensive experience in housing and community development, having held several positions with NCLR and various governmental agencies involved in providing affordable housing and community-based real estate development.

Mr. Van Brunt has extensive experience guiding organizations and developing strategy as a board and committee member. His volunteer service includes key leadership positions with the Rural Community Assistance Program, Civic Builders, and Affordable Housing Advisory Committee of Bank of America. Mr. Van Brunt earned a Master of Urban Planning degree from the University of Arizona, a Bachelor of Science in economics from the University of Santa Clara, and attended the University of Madrid in Spain.

David Clower, *Chief Investment Officer*

Mr. Clower is a significant contributor to the design and execution of business and capitalization strategies, including RDF's NMTC program. He establishes all strategies, policies, and procedures regarding capital deployment. He also has direct risk management responsibility for more than $250 million of assets under management, including $100 million of NMTC investments. He has deployed over $10 billion of capital during his career.

Mr. Clower has more than 20 years of real estate and commercial lending experience, along with specialized knowledge of structured finance and commercial real estate construction and development products. Prior to RDF, Mr. Clower held leadership positions in the banking industry, where he oversaw capital deployment activities and managed loan portfolios. Previously, he was a Senior Vice President for The Situs Companies in Houston, TX and New York, NY; Senior Vice President and Real Estate Division manager for Legacy Bank, N.A. in Campbell, CA; and a Principal at Alegría Capital Finance, LLC in Austin, TX. In addition, Mr. Clower held management positions with several leading commercial banks, where he structured and oversaw a variety of branch lending and debt financings. In addition, he currently serves on Bank of America's CDE Advisory Board. Mr. Clower graduated from the University of San Francisco with a Bachelor of Science in applied economics. He also studied at the MIT Center for Real Estate.

Scott Richter, *Chief Credit Officer*

As the Chief Credit Officer, Scott Richter is responsible for all aspects of the credit process, including: underwriting, approval process, loan documentation and administration, portfolio management, policies and procedures, and training and development.

Mr. Richter is engaged with the broader operations and execution of business strategy, including RDF's NMTC program. He also has direct risk management responsibility for more than $250 million of assets under management, including $100 million of NMTC investments.

His career spans more than two decades in the commercial banking and finance industry, having provided a wide array of small, middle market, and sponsor credit facilities including loans, leases, and sale-leasebacks. Prior to joining RDF, Mr. Richter worked at GE Capital for over 11 years in roles of increasing responsibility, culminating in the role of Vice President of Underwriting and Portfolio Management. In this role he was responsible for a nearly $4 billion portfolio of loans at GE Capital Bank, an FDIC regulated Industrial Loan Corporation. Mr. Richter began his career in large, regional and national commercial banks, including Barnett Bank (now part of Bank of America), as well as SouthTrust Bank and Wachovia (both now part of Wells Fargo). He currently serves on the board for the Arizona chapter of The Risk Management Association. Mr. Richter obtained his Bachelor of Arts in Finance at Wofford College, and completed advanced management and leadership courses at GE's well-respected John F. Welch Leadership Development Center, also known as Crotonville.

Melissa McDonald, *Specialty Finance Director*

Melissa is a member of RDF's senior management team. In her capacity as Director of Specialty Finance, she leads RDF's Specialty Finance Division, which is an inter-disciplinary team of investment professionals that provide custom-tailored financing solutions for complex structured transactions involving public/private partnerships, traditional debt, grant capital, and/or tax credit financing. As part of her responsibilities Melissa is responsible for RDF's NMTC program. RDF has received $168 million in federal New Markets Tax Credits ("NMTC") in four rounds of NMTC awards, the most recent award.

Melissa graduated from University of Texas at El Paso, where she earned her Bachelor's Degree in Multi-Disciplinary Studies and received her Juris Doctor from Michigan State University School of Law. Prior to joining RDF, Ms. McDonald worked for many years in the for-profit sector, including Gannett Company, where she rose to the position of Director of Human Resources in senior management.

Greta Mayans, *Education and Childcare Finance Director*

As the Education Finance Director, Greta Mayans leads our team of lending investment professionals, focusing on education and childcare. For this group, Ms. Mayans manages origination, oversight, and underwriting for our educational loan portfolio. In addition, she provides technical assistance to projects on finance, leadership, and governance affairs. Ms. Mayans has a key role in loan sourcing and underwriting. She has over ten years' experience in banking, finance, and education.

Previously, Ms. Mayans was a 5th grade student teacher at a public school in New York. In addition, Ms. Mayans serves on the Arizona State Board for Charter Schools. Ms. Mayans earned a Bachelor of Science in Business Administration with a concentration in finance from the University of Texas at El Paso and a Master of Science for Teachers from Pace University.

Amanda Sanchez, *Education Investment Associate*

The RDF Washington State Initiative, will be led by Amanda Sanchez, who joined RDF's Education Finance Team in 2011. She currently supports high potential, early-stage charter schools and proven CMOs working in underserved communities, nationwide. Ms. Sanchez sits on the Arizona Charter School Association's Walton Family Foundation Startup Grant Review Committee and works closely with New Schools for Phoenix Fellowship Program. She holds an Associate's Degree in Business Administration from Yakima Valley Community College and a Bachelor's Degree in Interdisciplinary Studies with a focus in Business and Nonprofit Administration from Arizona State University. Originally from Washington State, Amanda is a first generation American, who is fluent in both English and Spanish.

Compliance Monitoring / Reporting

Mark Van Brunt, *Chief Operating Officer: See biography above.*

Rodrigo Vela, *Chief Financial Officer*

As the Chief Financial Officer, Rodrigo Vela is responsible for RDF's financial, strategic planning, and accounting operations. Mr. Vela directs all financial management activities to safeguard more than $200 million in assets, and is responsible for developing and implementing financial policies, including those for liquidity, investment, and internal controls. He ensures compliance with all debt financing covenants and obligations. Mr. Vela is responsible for all regulatory and compliance work for the NMTC program. He and his staff review relevant documentation for reporting requirements, monitor the timing and amount of investments, track compliance with substantially all requirements, monitor investor distributions in relation to partnership agreements and NMTC regulations, and review entity status.

Prior to his promotion, Mr. Vela served as an Investment Associate for education and childcare finance, where he advised both private and public schools on their facility financing needs and overall performance. Before joining RDF in 2010, Mr. Vela held both finance and general management positions for Tequila Holdings and Bonanza Foods, where he oversaw strategic planning, system implementation and controls, financial analysis, private placements, and capital raising. Mr. Vela earned a Bachelor of Science in physics from the Monterrey Institute of Technology and a Master of Business Administration from the UCLA Anderson School of Management.

Juan Madrid, *Controller and Director of Compliance*

As Controller and Director of Compliance, Mr. Madrid prepares annual and quarterly financial statements for senior management and the Board of Directors. He manages financial activities to safeguard assets, evaluates internal controls, and ensures compliance with debt financing covenants and regulatory agencies. He coordinates the Audits and Tax Returns for RDF and 14 special purpose entities. He also serves as liaison between RDF and IT consultant firms, and manages employee payroll and benefits.

Prior to joining RDF in 2008, Mr. Madrid held accounting positions at Heraeus Inc, ConocoPhillips, and the Arizona Society of CPAs, where he gained over 10yrs of accounting experience. Mr. Madrid earned dual Bachelor of Science degrees in Accounting and Computer Information Systems from Arizona State University, and holds a Real Estate License in the state of Arizona.

Tony Lopez, *Financial Planning and Reporting Manager*

As Financial Planning and Reporting Manger, Tony Lopez is responsible for compliance reporting for US Treasury and Banks, budgeting, forecasting, and preparing quarterly committee presentations. He has a CPA and holds an MBA from DeVry University

Laura Avelar, *Portfolio Manager*

As Portfolio Manager, Laura Avelar, is responsible for the accounting and servicing functions for the RDF portfolio. Ms. Avelar has several years' experience as a small business loan officer and has been RDF's Portfolio Manager for over12 years.

While RDF's investment professionals are generally hired with substantial, traditional investment and lending experience, they receive significant, proprietary "in-house" training and external professional development, enabling them to capably advise clients on a variety of alternative capital structures. As a non-regulated CDFI, RDF is generally able to structure its capital with more creativity and underwriting flexibility than traditional, regulated financial institutions.

Board of Directors/ Education Finance Oversight

A list of the members and officers of the Board of Directors of the Raza Development Fund is provided below. A brief synopsis of the composition of the Board, its roles and responsibilities, and standing committees follows:

James W. Feild **Senior VP Community Development Executive** Bank of America Dallas, Tx	Board Chair Audit Committee Finance Committee
Tom Espinoza **President/CEO** Raza Development Fund, Inc. Phoenix, AZ	Risk Management Committee Finance Committee Risk Management Committee Loan Committee Audit Committee
Arabella Martinez **Retired NCLR Board Member/ CDC Director** Oakland, CA	Vice Chair and Secretary Risk Management Committee Finance Committee
Janet Murguia **President & CEO** National Council of La Raza Washington, DC	Member
Art Ruiz **Federal Affairs Director** State Farm Insurance Company Tucson, AZ	Chair, Audit Committee Risk Management Committee
Joseph Riley **President and CEO** Community Development Trust New York, NY	Chair, Loan Committee
Roldan Trujillo **Chief Operating Officer** Inter American Development Bank, - Corporación Interamericana para el Financiamiento de Infraestructura, SA Washington, DC	Chair, Finance Committee Loan Committee

Kimberly Latimer-Nelligan **Chief Operating Officer** Low Income Investment Fund New York, NY	Chair, Risk Management Committee Finance Committee
Ken Trujillo Schnader, Harrison, Segal and Lewis, LLP NCLR Board Member Philadelphia, PA	Risk Management Committee Loan Committee
Janis Bowdler **Managing Director** JP Morgan Chase Washington, DC	Risk Management Audit Committee Loan Committee

The Board currently consists of ten members and may be expanded to no more than 11 members. Two of the members represent NCLR, with the remaining members at-large, representing investors, lenders, business practitioners, and community development agencies, and they were selected to provide appropriate guidance for the loan products and constituency served by RDF. The Board can also appoint outside associates to sit on the Loan Committee, of which there is currently one from Bank of America's Community Development division.

In addition to standard fiduciary and policy-making duties, the Board plays several key roles specific to RDF's Education and Child Care Finance business unit. The Chief Investment Officer, Scott Richter, is a direct report to CEO, Tom Espinoza, for the operations oversight of the unit and is the staff member responsible for all reporting to the Risk Management Committee. The Director of Education Finance, Greta Mayans, manages unit credit, servicing and program assistance operations including its staff which includes an Investment Associate, Amanda Sanchez. Ms. Mayans is a direct report to Chief Investment Officer, David Clower. The resumes of all staff involved in management and operations of the unit as well as Dept. of Education Credit Enhancement grants are attached.

The major Board role takes place in the areas of loan product and financing guidelines policy-making and review. The full Board convenes quarterly plus annually for a policy retreat. The standing Committee's described below meet quarterly two weeks before the Board meetings where there recommendations and minutes are reported out for Board action. Member's particular industry expertise matches their Committee assignments.

At present, the Board has four standing committees: the Loan Committee, the Risk Management Committee, the Finance Committee, and the Audit (and Personnel) Committee. The Loan Committee meets as needed for credits exceeding staff approval limits. The Risk Management Committee reviews the RDF loan portfolio reports, credit quality dashboards, the Watch List, and credit decisions made during the prior quarter. All Committees consist of a minimum of three members, with at least one member of the Board serving as Chair on each Committee. The Finance Committee reviews interim financial, liquidity, capitalization and match funding targets and sets policy for the investment of all cash and idle funds maintained by RDF. The Audit and Personnel Committee oversees the annual audit process of RDF, including management reviews with audit partners and management letter recommendations to the Board. This committee also provides direction and recommendation on, and approval of, personnel policies and procedures.

Staffing Plan for the Project

RDF has historically managed its national operations from its headquarters in Phoenix, AZ and, more recently, an East Coast satellite office in Mont Clair, New Jersey. To more directly collaborate with business leaders, specifically in the Washington State charter school arena, and to provide the needed technical assistance to school leaders; and to reduce the response time on project financing requests, RDF intends to lease space in the Innovation Center in Seattle and permanently relocate, Amanda Sanchez, one of its most experienced educational investment professionals to the

Pacific Northwest Region, where she will lead the initiative. As the charter school portfolio in Washington State increases, we intend to hire additional support staff to ensure uninterrupted, high-touch, value-added client service levels.

Central to RDF's value proposition are the lengths to which our investment professionals will go (beyond just providing capital) to provide technical assistance and advice to our clients on financial options (e.g., lease vs. buy analyses); feasibility studies and space planning; making meaningful connections with high-performing school leaders across the country; and providing critical assessments of leadership and governance – we do all that we can to ensure that the start-up charter schools and emerging CMOs that we fund are built-out under a professionally thought-out business case with long-term sustainability in mind.

Our satellite offices are supported by (i) David Clower, Chief Investment Officer, who provides structuring guidance on both individual investment opportunities and strategic capital partnerships; (ii) Scott Richter, Chief Credit Officer, who provides investment portfolio covenant monitoring and compliance, and special assets handling oversight; (iii) Mark Van Brunt, Chief Operating Officer, who ensures that financial and human capital resources are properly allocated across the organization to ensure social outcomes that are consistent with RDF's mission; and (iv) Rodrigo Vela, Chief Financial Officer, who provides company-wide and business-unit budgeting and reporting support and benefits administration.

RDF's Policies and Procedures

Our qualitative and quantitative credit assessments result in an informed, loan-level probability of default ("PD") estimate; and we also independently calculate collateral adequacy (after stressed liquidation expense) to determine a specific dollar amount of loss given default ("LGD"). RDF establishes and maintains a loan loss reserve ("LLR") for each loan, in accordance with its aggregate, calculated expected loss ("EL"), which is defined as the product of PD and LGD.

Individual financings up to $4,000,000 require unanimous approval of the RDF's Chief Investment Officer, Chief Credit Officer, Chief Operating Officer, and Chief Executive Officer. Transactions up to $8,000,000 require approval by RDF's Loan Committee, which is comprised of four members of its Board of Directors and transactions above $8,000,000 require approval by RDF's Board of Directors. To best protect grant capital received from the US DOE Credit Enhancement Funds, RDF will not deviate from its existing investment and credit underwriting or approval processes – they work.

Credit Rating. RDF is not a credit rated institution. However, the organization, its leadership, governance, and financial condition have been underwritten numerous times by major money center banks, the Federal Home Loan Bank of San Francisco, and the U.S. Treasury's CDFI Fund, in connection with its lenders' capital commitments, which facilitate the fund's lending activities. RDF's Dunn & Bradstreet Credibility Corp. DUNS number is [redacted].

Financial Statements. RDF's financial statements have been independently audited by RSM US, LLP for fiscal year 2016, and for the prior five years, BDO USA, LLP. Its audited financial statements for the fiscal year-ending September 30, 2016 have been provided as part of this grant application. The organization has strong liquidity and sufficient borrowing capacity to fund its existing loan programs, and increased charter school lending activities under the RDF Washington Charter School

Initiative. As of September 30, 2016, the organization reported Total Assets of $171,847,679, Total Liabilities of $113,021,534, and Net Assets of $58,826,145.

Portfolio Quality. RDF was founded in June 1999 as a community development financial institution ("CDFI"), licensed by the U.S. Department of the Treasury. The organization provides lending capital and extensive technical assistance to organizations that serve low-income, Latino communities across the United States primarily in the areas of Education, Childcare, Affordable Housing, and Healthcare.

As of September 30, 2016, RDF's direct loan portfolio was comprised of 105 loans representing $161,517,437 in total loan commitments with an outstanding principal balance of $145,287,943. For the same period, RDF's loan loss reserve totaled $8,943,204.

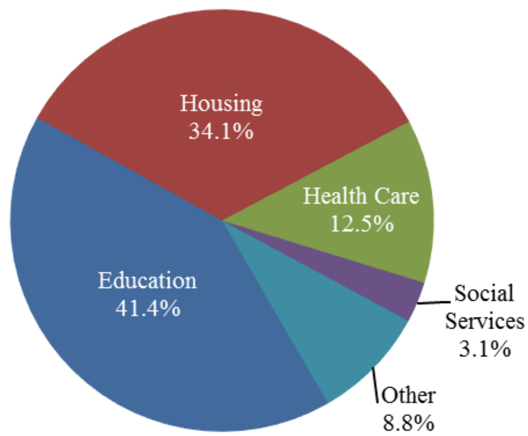
RDF's loan portfolio is appropriately diversified across the company's core industry verticals and across the geographical regions that it serves. As of September 30, 2016, credit exposure to the Education Industry was comprised of 35 loans totaling $66,919,467 or 41.4% of total commitments. For the same period, the fund had outstanding credit exposure in 21 states, with New York, Arizona, California, Texas, and Florida, representing the fund's top five geographic markets. As of September 30, 2016, credit exposure in those five states collectively represented $125,346,942 or 77.6% of total commitments.

As of September 30, 2016, 95.7% of RDF's total loan commitments were credit risk rated CRR-2 or CRR-3, with six loans representing 4.3% of total commitments on the Watch List. One borrower on the Watch List was in bankruptcy at the end of the fiscal year, and subsequent to year end, RDF was given relief from stay and foreclosed on the property; this Other Real Estate Owned is actively being marketed for sale, and there is currently no expectation of taking a loss from the sale.

With this exception, as of September 30, 2016, RDF's loan portfolio was current and performing, as agreed.

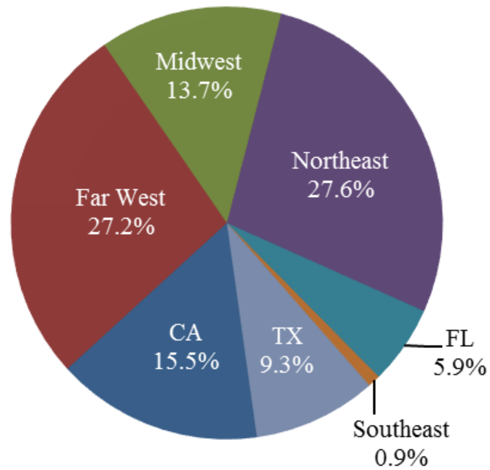
RDF Portfolio

Industry Diversification



RDF Portfolio

Geographic Diversification



Financial Stability. Given the size and scope of RDF's charter school lending activities, Department of Education credit enhancement for its Charter Schools Facility Financing Program is an integral aspect of RDF's overall operations and activities. Credit enhancement allows RDF to take on the inherent risks of lending in the charter school space, especially when funding start-up and early-stage schools and/or alternative education models. Without such credit enhancement funds, loans to these kinds of charter schools would, in most circumstances, be substantially smaller or altogether unfeasible. The ability to access credit enhanced funding allows borrowers to take on higher leverage at reasonable interest rates, while reducing the amount of difficult to raise equity, which is needed to fund most major capital projects. In turn, the interest earnings from the credit enhanced portion of these loans can be reinvested by RDF into schools the form of value-added, technical assistance.

Capitalization Composition & Strategy:

Equity/Net Assets. As of September 30, 2016, RDF had a Net Assets to Total Assets ratio of 34.2%, which has been achieved through private, corporate, and government grants and the reinvestment of retained earnings. The fund's equity strategy is to systematically approach banks, insurance companies, and other financial intuitions that have community reinvestment act ("CRA") mandates, which overlap rapidly growing Latino markets (e.g., the US/Mexico Border Region and South Florida).

Equity and Equity Equivalent Investments. RDF requests that its major investors, particularly first-time investors, make a meaningful grant and/or equity equivalent ("EQ-2") investment alongside a larger capital commitment for lending purposes. Grants from financial institutions, in particular, are used as growth capital to fund operational expenses associated with expansion initiatives until those initiatives can sustain themselves. EQ-2 investments are relatively long term debt instruments, which are subordinated to senior-secured debt financings. As such, they are treated as quasi-equity when calculating financial covenants associated with traditional borrowed capital.

Retained Earnings. Any operating and unrestricted grant income above the amount necessary to remain in compliance with the liquidity policy mandated by its Board of Directors is assigned to retained earnings for use as permanent capital.

Borrowed Capital. RDF actively solicits direct loans from a variety of banks and financial institutions, with the goal of maintaining a diversified mix of capital providers with appropriately structured debt instruments, that together minimize negative arbitrage and prudently match fund the organization's assets and liabilities. RDF is a member of the Federal Home Loan Bank of San Francisco, which provided a $30.0 million credit line to increase lending capital. More recently, RDF secured $100.0 million of available capital under the U.S. Treasury's CDFI Fund Bond Guarantee

Program, which is eligible to be used for a variety of real estate secured, stabilized, long term financed properties.

Portfolio and Risk Management

Portfolio and risk management activities associated with RDF's charter school lending program are distributed across the organization, with primary, day-to-day client relationship management responsibilities carried out by the Education Finance Practice, a dedicated business unit comprised of RDF's trained, investment professionals, who possess deep domain expertise in charter school operations.

Loan Servicing. RDF has a seasoned Loan Operations Manager and Portfolio Specialist, who are responsible for (i) billing activities; (ii) posting payments; (iii) ensuring that required insurance coverage is maintained; and (iv) internal reporting on a variety of compliance measures. RDF utilizes a loan servicing platform called Portfol to generate monthly, and ad hoc, reporting at the portfolio, group, account officer, and borrower level regarding payment status, concentration, credit risk rating, and loan loss reserves.

Charter School Monitoring. Each borrower is monitored closely during the life of its loan with RDF and, importantly, within the context of the authorizing environment in which it operates. Depending on assigned credit risk ratings and other factors, borrowing relationships may receive increased monitoring and scrutiny, especially in the cases of (i) start-up schools; (ii) changes in management, (iii) disappointing academic outcomes; (iv) actual financial results, which differ materially from financial projections; and (iv) changing legislative climates regarding charter school matters. The members of the Education Finance Practice maintain strategic relationships across a national "best in class" network of charter school stakeholders (e.g., authorizers, associations, resources centers, consultants, and other funders). The academic outcomes and trends of portfolio schools are continuously monitored and benchmarked relative to (i) past performance; (ii) business and/or improvement plan projections; and (iii) traditional public school alternatives in the communities, in which they operate.

Risk Rating Methodology. To evaluate the credit risk of RDF's loan portfolio, management has developed an internal credit risk rating system based on an adapted CAMELS assessment, detailed below:

The process of Credit Risk Rating ("CRR") is deliberately subjective and requires assignment of a (i) relative rating between 1 (highest quality rating) and 4 (lowest quality rating); and (ii) weight to each of six (6) uniform credit considerations listed below. The sum of the weightings of these uniform credit considerations must equal 100%, and the weighted average rating is used to establish a CRR, which is used along with RDF's Loan Loss Reserve ("LLR") Methodology to triangulate risk at the transaction level and establish an Expected Loss ("EL"). CRRs are evaluated and assigned as part of the initial credit approval process, and updated periodically based on observed improving or deteriorating trends, but no less frequently than annually.

Capital Adequacy. Focuses upon an organization's current level and quality of capital; its overall financial condition; the ability of management to address emerging needs for additional capital; the nature, level, and trends of problem assets; balance sheet composition, the implications of current leverage strategies, including financial covenants and cross-collateralization, risk exposure as a function of off-balance sheet activities; the quality and strength of earnings; prospects and plans for growth, as well as past experience in managing growth cycles; and access to other sources of capital.

Asset Quality. Focuses of the specific nature, physical condition, and operating history of real estate assets pledged as collateral. Other real estate considerations include alternative use potential, primary and/or secondary market appeal, and potential adverse environmental conditions. In the case of business and trading assets (e.g., accounts receivable, including pledges of philanthropic support), the payment terms, status, and aging are specifically considered.

Management Quality. Focuses on the past performance, current capacity, and depth of the management team; the extent, to which dominant influence or concentration of authority exists; plans for succession; management's ability to plan for, and respond to, operational risks; the adequacy of internal policies and controls; accuracy, timeliness and effectiveness of management information systems; the quality of financial reporting and audits; compliance with laws and regulations; the strengths and weaknesses of an organization's governing board, and the level and quality of oversight and support that it provides.

Earnings. Focuses upon the quantity, quality, durability, and concentration of revenue; the ability to provide for adequate capital through retained earnings; dependency on grant funding and the restrictions, thereon; and the appropriateness of an organization's fixed expense structure relative to recurring revenue. Also taken into consideration is an organization's ability to withstand likely increases in operating expenses resulting from scheduled or graduated payment obligations on leased facilities, and/or variable interest rate risk associated with existing debt obligations.

Liquidity. Focuses on the availability of assets that can be readily converted to cash without material value impairment; adequacy of liquidity sources compared to present and anticipated future needs, and the ability to meet those needs without disrupting operations; level of diversification of funding sources; and the capability of management to properly identify, measure, monitor and control the company's liquidity position.

Sensitivity To Market Risk. Focuses primarily on an organization's operating resilience to a rising interest rate environment, and especially in the case of real estate secured credit exposure, it considers the sale and/or refinance risk of real estate assets, as potentially impacted by increases in vacancy rates, widening capitalization rates, and tightening credit market conditions.

Loan Loss Reserve Methodology. RDF adheres to an audited Loan Loss Reserve Methodology, which weights a variety of quantitative Credit Risk Factors specific to each of its primary industry verticals to estimate a probability of default ("PD"). Separately, RDF conducts a specific stressed collateral analysis of each loan in its portfolio, to determine a Loss Given Default ("LGD") and determines its Loan Loss Reserve requirement by multiplying the PD and LGD to arrive an Expected Loss ("EL"). The quantitative Credit Factors utilized to gauge charter school credit risk, are as follows:

State Funding Conditions. Because funding for public education comes from state operating budgets, RDF closely monitors the investment grade and non-investment grade general obligations bond ratings and rating outlooks, as determined by FitchRatings, for those states with charter school legislation. RDF has established an equivalent State Revenue Quality Rating Scale, which is updated quarterly. RDF's State Revenue Quality Rating, which is assigned to each charter school loan, corresponds to FitchRatings' general obligations bond rating for the state, in which a charter school operates. RDF's State Revenue Quality Rating, which is used as a proxy for the risk of delayed funding, receives a weighting in the calculation of a loan's overall State Funding Conditions Rating. Because the amount of funding for public education varies widely from state to state, RDF closely monitors per pupil charter school funding levels, as reported by the Center for Education Reform. Quarterly, those states with charter school legislation are quartile ranked, according to reported per pupil charter school funding levels. An RDF State Revenue Quantity Rating, which is assigned to each charter school loan, corresponds to the quartile ranking of charter school per pupil funding as reported by the Center for Education Reform for the state, in which a charter school operates. RDF's State Revenue Quantity Rating, which is used as a relative measure of a state's priority and commitment to education funding, receives a weighting in the calculation of a loan's overall State Funding Conditions Rating.

Occupancy Cost Rating. Because state budgets are under continuous scrutiny, RDF anticipates varying levels of cuts to public education funding across the country. Charter schools, therefore, must be able to demonstrate a level of operating flexibility within their expenses structures, such that expenses can be quickly and practically adjusted in response to lower revenues. RDF's Occupancy Cost Rating, an annual measure of a charter school's fixed costs of occupancy and debt service as a percentage of annual revenue, is used to gauge that operating flexibility.

Balance Sheet Rating. RDF assigns a quarterly Balance Sheet Rating to each of the charter schools in its portfolio, which considers the organization's (i) current ratio, which is a measure of its ability to pay its short-term obligations from working capital; and (ii) leverage ratio, which is a measure of an organization's ability to convert assets to chase via sale or borrowing.

AYP or Alternative Measure of Academic Performance. RDF evaluates the academic performance of charter schools in its portfolio by monitoring Adequate Yearly Progress ("AYP") as determined by the United States Federal No Child Left Behind Act ("NCLB"). In cases, of states have obtained NCLB waivers, a customized proxy for AYP performance is developed and monitored.

Years in Operations Rating. RDF evaluates the stability or the charter schools in its portfolio according to the number of years in operation.

Portfolio Concentration Limitations. RDF maintains a variety of credit exposure concentration guidelines to ensure appropriate levels of industry, geographic, borrower, and collateral diversification across its loan portfolio, at all times:

Industry. Credit exposure is limited to 50% of total loan commitments to any industry except Education, which has a 60% limit and a sublimit associated with fundings supported under the Bond Guarantee Program.

Geographic. Credit exposure across all industry verticals to most states is limited at 25% of total loan commitments, with the exception of California and New York, which both have concentration limits set at 40.0% of total loan commitments.

Borrower. On-balance sheet credit exposure to a single borrower is generally limited to eight percent of total commitments, or approximately $13 million as of September 30, 2016. As of September 30, 2016, no borrower exceeded 4.1% of total commitments.

Collateral. Unsecured lending is limited to 10% of total loan commitments.

Underwriting Charter Schools

All charter schools that seek facilities financing assistance from the RDF Program undergo extensive evaluation and underwriting. In some, and in an increasing number of, cases, underwriting is facilitated by prior, and sometimes longstanding, relationships RDF has established with school developers and operators and with external entities, including authorizers, state charter associations, resource centers and other support organizations, and funders that are very familiar with individual schools.

The education / school and the real estate transaction aspect of RDF's underwriting process are managed by our Chief Investment Officer. Unique among lenders, we assign a team approach to the school-education underwriting to simultaneously evaluate each borrower charter school's overall leadership organizational capacity, educational quality and performance, financial status and business acumen, enrollment growth strategy, and the ability of a school to service debt and achieve explicit academic and non-academic goals.

For new schools that have yet to open, the underwriting process starts when the school/education underwriting team meets directly with the school's founders, planning team, initial board, leadership (if identified), and an initial assessment of the academic model, school pedagogy, organizational structure, school capacity, school leadership, school culture, and community support is done. These metrics help RDF determine or verify the need for the school, gauge community engagement for the school, and to assess the capacity of the team or organization creating the school to implement the school's academic goals effectively and reach or exceed charter-prescribed goals and objectives. Then, we do a site visit to look at the real estate.

For existing schools – especially those with which we have little prior familiarity, the initial site visit by our school/education underwriting team includes participating on a governing board meeting, whenever possible, or meeting directly with board members, doing classroom observations, meeting with school leadership, and access to faculty, parents, and students. These site visits generally take several days because we perform independent school and classroom observations to determine the extent to which indicators of instructional quality exist at the school. In essence, our underwriting of the school is equivalent to a full school evaluation.

As a matter of customary practice, our due diligence includes consultation with the school's chartering authority, the state department of education, state charter school associations, resource centers or entities such as the Washington State Charter School Association, the National Association of Charter School Authorizers, and local authorizing authorities, and school funders and supporters. These consultations, formal and informal, are critical in determining if a new school is making satisfactory progress toward opening on schedule or if an operating, school is meeting, or making satisfactory progress toward meeting, academic and non-academic goals and objectives set forth in its approved charter, and is fully compliant with the legal, financial, and reporting terms of its charter, as well as applicable federal and state statutes and regulations. Length of charters vary throughout the country; nevertheless our underwriting determines to the extent possible the likelihood that a school's charter will be renewed, and thus whether a school will continue to exist, let alone service debt, over the term of a loan.

Underwriting for currently operating schools focuses on each State's Accountability System status, a school's state grade or ranking, student performance on state (or other) required assessments, and the extent to which student performance is achieving longitudinal targets (set forth in the school's charter). Documents such as annual school report cards, state assessment results and school ratings, internal and external school evaluations, annual reports and required reports to authorizers and the state department of education are reviewed. If a school is not meeting the State's Accountability System, we examine its school improvement / corrective action plan and make a qualitative determination as to whether the plan is being effectively and successfully implemented.

Under the supervision of the Director of Education & Childcare Finance, team members underwrite the school curriculum, educational model, governance, the real estate, and the overall transaction. This portion of the underwriting is consistent with commercial real estate lending industry standards and includes valuation analyses, environmental review, and financial feasibility analyses for both the Borrower and the project.

We take pride in having high standards and being extremely thorough and detailed in underwriting schools. Often, the initial findings of our underwriting identify the need for technical assistance to mitigate risk or shore up areas of concern while we move along toward loan approval and closing; sometimes we require corrective action or improvement before we can proceed with loan closing, either providing direct assistance to the extent possible or, if there is a sustained need, helping a school acquire or identify proven technical assistance providers. The value and impact of our underwriting is best expressed by the letters of support we have received for this application (attached).

Impact and Status of the Reserve Fund

Raza Developments Fund's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Hence, past USDOE Credit Enhancement grant funds also adhere to the US GAAP treatment statement.