Introduction

Raza Development Fund, Inc. ("RDF"), based in Phoenix, AZ, 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 in 1999 as an independent, support corporation to UnidosUS, formerly known as National Council of La Raza ("NCLR"), RDF makes community development impact investments to advance its Education, Affordable Housing, Healthcare, Social Services, and Social Entrepreneurship initiatives. As of September 30, 2018, RDF has invested $922 million in over 400 low-income communities in 34 states. This includes an impact investment of $21.6 million in 5 charter schools in Washington State. Today, RDF has approximately $211 million in total assets under management. RDF's cumulative loss experience has been less than 1.00% (0.52% in the past five years on average) of total committed capital. Nearly half (45%) of RDF's active investments supports high performing charter schools, with 9% of active total commitments in Washington State. In 2018, Standard & Poor's assigned RDF a "AA-" credit rating.

RDF is a four-time recipient of the United States Department of Education ("USDOE") Credit Enhancement for Charter School Facilities Program; in 2002, 2004, 2006, and 2017; which has allowed RDF to make a total of 150 direct investments in education projects in 23 states, including Washington State, representing $300 million 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 many low-income and/or minority students are performing poorly in traditional public schools. RDF's lending has been directly to charter schools or related community development and 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: Establishing a Permanent Fund

As one of the only CDFIs in the nation willing to provide unsubsidized funding for charter schools in Washington State after the state's first enacted charter legislation; and presently the only CDFI doing so; it is imperative that the Washington charter school sector have access to unsubsidized funding for charter schools. Although the Washington State Supreme Court upheld the charter school legislation, RDF continues to be the only CDFI proving charter school facility financing and the only CDFI utilizing its DOE Credit Enhancement funds in the state, according to the National Charter School Resources Center. An additional award would allow RDF to continue supporting charter schools in Washington State, historically a state in which limited services have been provided under the credit enhancement program. Furthermore, we anticipate many of the charter schools we support to be located in Opportunity Zones designated areas, given our lending priorities.

Our specific business approach, as it most directly relates to Washington State, is for our education professionals to more closely collaborate with leaders in the charter school arena, provide hands-on, value-added technical assistance to school leaders, and respond to project financing requests in a timely fashion with local, high-touch, expertise. We specifically look for and support charter school models that can evidence well-thought out business plans, outstanding school leaders, solid governance, and high indications of community engagement and direct financing support. RDF's financial products allow us to provide unsubsidized financing for charter schools facilities and high-quality, innovative education solutions in low-income, minority communities.

Participating in the USDOE Credit Enhancement Program funds will allow RDF to continue to mitigate the associated risk with the nascent Washington State charter school environment that is steadily improving funding levels, mechanisms, and its political environment.

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

RDF anticipates using USDOE FY 2019 credit enhancement program grant funds as a credit enhancement source, specifically to: (i) directly provide subordinate debt / equity financing as a credit enhancement to charter schools, (ii) guarantee all or a portion of the eligible, direct charter school 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 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 in 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 – Loans in this category are used to assist those schools who may need additional source of capital to complete facility financing, usually in the form of subordinated debt, with a second lien position in the security interest.
- SDI Flex-Bridge Note – revolving fund for schools to access in the current year to provide resources for high-need students with special needs.

By custom tailoring our flexible financial products, RDF can add value for, and meet the unique needs of, early-state charter school operators – as they take on complex, charter school facilities challenges. RDF is now providing more creative financing structures to the charter schools in Washington State, as a result of limited facility financing resources (e.g. lease guarantees and longer interest-only periods).

The FY 2019 USDOE Credit Enhancement Program grant will further contribute as a catalyst of RDF's direct, facility-related lending products in the still expanding Washington State charter school ecosystem.

Competitive Priority

Since the charter legislation was first enacted, RDF has invested nearly $19,000,000 in facilities funding for charter schools in Washington State; having provided direct funding to some of the state's first, high-quality charter schools, including Excel Public Charter School, Summit Public School Atlas, Green Dot Public Schools Rainier Leadership Academy Middle School, and Impact Public School Puget Sound Elementary. Combined, these schools serve over 900 students in grades K-12, with 54% qualifying for free or reduced-price lunch ("FRPL"), 14% for special education services, 14% designated as English Learners, and 70% being minority.

While the first cohort of charter schools are now in their fourth year of operation, we now have concrete student academic progress, to which we can point. A recent report released by Stanford University's Center for Research on Education Outcomes, *Charter School Performance in the State of Washington,* found that Washington charter schools continue to show significant student growth relative to their local districts in math and reading; that student growth was especially pronounced with English Learners ("ELs").

Financial sustainability and academic proof points come with time and experience, and our ability to continue to provide technical assistance and respond to project financing requests in a timely fashion with local, high-touch, in market-expertise is key to demonstrating that charter schools in Washington State represent a viable, financeable asset class – just as they are in most of the other 43 states that currently allow charter schools.

We now have the research showing that Washington charter schools are having the intended positive impact on student outcomes. Washington charter schools, today, serve more than 3,300 students, in 12 different schools; the WA Charter School fellowship program continues to grow. Furthermore, other capital partners are beginning to express interest in providing capital to the sector. However, access to affordable and good quality facilities is, and will continue to be, an impediment to the growth of the sector. Given both the increasing demand for charter schools and academic growth in the state, it is imperative that the Washington charter school sector has access to unsubsidized funding for charter schools.

Our most recent charter school investment was a $6,500,000 real estate secured, construction financing for Impact Public Schools ("IPS")'s flagship school, Puget Sound Elementary, the first elementary charter school to open in the state, which has proven to be a high-quality example of charter school excellence. During its first-year operating, IPS served 180 K-1st grade, mostly low-income, minority students. The funding allowed IPS to acquire the property, fund construction which allowed IPS to repurpose the property into an elementary charter school facility. Although IPS was adequately capitalized to acquire its permanent facility, this was a very highly leveraged and high-risk transaction and would have not been made possible without US DOE Credit Enhancement Facility Funds. Jen Wickens, Founder and CEO of IPS, quotes "Impact Public Schools is thrilled to partner with Raza Development Fund to bring high quality education to K-5 students in Washington State. We are off to an exceptionally strong start, and we couldn't be here without the leadership, guidance, connections, and resources provided by the Raza Fund team. We are truly grateful the Raza team is as committed to Washington state students as we are." *Attached Letters of Support.*

We've been providing technical assistance to Ashé Preparatory Academy ("Ashé Prep"), the only charter school planning to open for the 2019/20 SY. Ashé Prep has been actively searching for a suitable and affordable facility that would accommodate its growth for over two years. Unfortunately, like most charter school operators, it has been faced with several challenges, and most recently found a one-year temporary solution that will allow them to open with 156 students in the 2019/20 SY. We will continue to provide technical assistance throughout the year, to assist them in identifying a long-term solution to help them identify a high-quality and safe facility. We anticipate Ashé Prep will need a $5,000,000 improvements/construction loan, which will accommodate their future growth of 486 students.

RDF's now established local presence in Seattle allows its investment professionals to collaborate closely with leaders in the Washington State charter school arena such as the Washington Charter Schools Association ("WA Charters") and Washington Charter School Development ("WCSD"), among others. This collaboration has allowed RDF to identify a pipeline of quality charter school financing opportunities, representing eight school sites, with an aggregate estimated financing need of nearly $32,550,000. At capacity, these school sites are projected to provide over 3,300 quality charter school seats. Of the eight schools, based on their targeted communities, four schools will be located in Opportunity Zone designated areas. The aforementioned pipeline does not include the four cohort of school leaders in the WA Charters Fellowship program, which plan to open a new school model in Fall 2021 and 2022; nor the emerging CMO that intends to operate eight schools by 2024, serving over 5,000 students statewide. The cumulative potential need over the next five years is estimated to be $82,550,000 creating over 6,000 enrollment openings, although RDF intends to provide financing up to $57,550,000 during this time, thus necessitating an additional credit enhancement award to support the growing charter school sector in Washington State (note - for the WA Charters Fellowship, the number of students to be served is not currently available).   *Attached Project Pipeline Report.*

School Selection Process

We evaluate the 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. 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 are 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.

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 purposefully strengthen our client relationships. In the rare instances when actual monetary defaults 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, USDOE 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.

At this time RDF has already received $17.8 million in capital from the USDOE, which is specifically programed to credit enhance financings of charter schools that serve a majority of minority and/or low-income students, nationwide, including a $3.25 million award received for credit enhancing schools in Washington State. This vital resource allows us to provide capital for start-up schools, which 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 continue supporting the still nascent charter school sector in Washington State, which still faces a significant financial challenge in that there is no public facility funding available at this point in time, making it difficult to attract investment capital to the sector from traditional sources of charter school facility financing, including CDFIs. RDF remains one of the only CDFIs in the nation willing to provide unsubsidized funding for charter schools in Washington state.

To date, RDF has made a total of four investments in Washington state approaching a cumulative total of $19 million, with total project costs exceeding $47 million. None of the aforementioned charter school investments in Washington state have defaulted, nor are in danger of default, which is a testament to RDF's due diligence process, in-depth underwriting, and operating philosophy.

Partnerships

Since the establishment of our permanent, physical presence – RDF's PNW Regional Office, RDF has strengthened its 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 the process of launching its second school, Salish Sea Elementary. Our clients include Washington Charter School Development, Inc. ("WCSD"), Pacific Charter School Development ("PCSD") and IPS. Our ongoing partnership with the Bill and Melinda Gates Foundation (the "Foundation"), over the same period, and have connected with Washington State's local representative, City of Burien Mayor Jimmy Matta and City of Seattle Councilmember Teresa Mosqueda, to ensure they understand the true transformative potential that quality charter schools have, especially in low-income, minority communities.

RDF's work in Washington State has not only strengthened our relationships at the local level, it has strengthened our relationships with other charter school funding partners across the country. RDF is a member of the Charter School Lenders Coalition ("CSLC") and continue to lead 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 will continue to raise additional capital for our expansion into the Pacific Northwest Region.

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 over 80 charter schools, that predominately serve low-income, minority students. In August 2017, RDF closed a $5,300,000 loan to WCSD for the use of Summit Atlas, which is currently serving over 330 students, and a $6,200,000 for the use of Green Dot RVLA Middle School which is currently serving over 210 students, at maximum capacity, both schools will serve over 1,300 students. Additionally, we partner with WCSD in their capacity as facilities advisor for most single charter schools in Washington State. *Attached Letters of Support*.

Bill and Melinda Gates Foundation, invested $6,000,000 to establish the "Creation of WA State Charter School Debt Fund". Since inception of the grant, the partnership has allowed us to successfully establish our PNW Regional Office, where our education investment professionals can collaborate daily with charter school leaders and provide technical assistance. The Foundation was pleased with our success and support to the sector, as a result, in November 2018, we entered into an additional $1,050,000 grant agreement with the Foundation, the "Safety Net to the Safety Net Fund". The Safety Net Fund grant is to establish a revolving fund (the "SDI Flex-Bridge-Note") for schools to access in the current year to provide resources for high-need students with special needs. The SDI Flex-Bridge Note ensures that eligible charter schools have easy access to flexible, low-cost working capital to pay for SDI costs in advance of reimbursement. *Attached BM Gates $6M Grant Agreement and BM Gates - $1.05 Grant Agreement.*

Charter School Growth Fund ("CSGF"), is one of the few philanthropic capital partners in Washington State. In November 2017, RDF made a $4,000,000 real estate bridge loan, for the acquisition of the IPS's flagship facility. CSGF was an integral partner to the transaction, making a $1,875,000 unsecured subordinated loan to IPS, in addition to providing a capital commitment of $1,000,000. RDF intends to collaborate with the Charter School Growth Fund on future facility projects in Washington State, to further strengthen its charter school sector. *Attached Letters of Support.*

Our partnership between these organizations has been a collaborative step forward, ensuring that new schools can launch and existing, high-performing schools and emerging CMOs can expand to meet the current and future demands.

Other capital sources for charter school investments include the CDFI Bond Guaranty Program, under which RDF currently has nearly $76,389,625 in available capital, the Federal Home Loan Bank ("FHLB") of San Francisco, through which RDF currently has nearly $49,850,000 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, altogether totaling $48,800,000 in available capital. *Attached RDF Capital Providers Summary Sheet.*

USDOE Guarantee Performance Summary

RDF has successfully competed for four USDOE Credit Enhancement Program: Grant #1 for $5,000,000, Grant #2 for $7,950,000, Grant #3 for $1,600,000, and Grant #4 for $3,250,000, collectively the "Past Awards". The Past Awards allowed us to serve 96 charter schools, leveraging $371,011,179; and leveraged at a ratio of Grant #1 21.06:1, Grant #2 29.72:1, Grant #3 14.33:1, and Grant #4 2:1. Each of the first three grants have exceeded the performance agreements of 8:1, and the fourth award is anticipated to exceed the leverage ratio requirement in the upcoming year of the performance agreement.

In the last five years, RDF has experienced merely one charge-off over all the combined four grants it has received, totaling $363,046. RDF has an extensive underwriting process which includes an exhaustive financial analysis while also evaluating school governance, leadership, educational model, community engagement & student recruitment, the state charter school environment, neighborhood demographics, and the project team. This thorough analysis, coupled with RDF's high-touch interface with schools, facilitates the identification of potential risks of a transaction and allows investment professionals to determine solutions prior to incidents occurring. Each borrower is continuously monitored by RDF during the life of its loan and may receive increased monitoring and scrutiny in the event of major deviations from underwriting assumptions. Investment professionals conduct site visits of each portfolio school every other academic year as an additional layer of the monitoring process. Furthermore, RDF will on occasion, provide additional resources to schools, including the contracting of consultants, to diagnose areas of improvement and facilitate the development of a comprehensive improvement plan, at no cost to the school. This proactive approach has helped RDF maintain a loss ratio of less than one percent since inception and limit the number of charge-offs to its USDOE grant awards.

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 startup 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 and non-traditional measures as part of Loan covenant reporting.

USDOE Previous Award Performance Summary and FY 2019 USDOE Award Projections

The following table identifies the total number of schools we have previously financed and credit enchanced using USDOE funds as well asthe target number of schools we anticpate to finace and credit enhance using the FY 2019 USDOE credit enhancement program for which we are presently applying for.

DOE Award	2002 $5M	2004 $7.95M	2006 $1.6M	2017 $3.25M	Total Previous DOE Grants Enhanced	RDF WA State 5-Year Projections	Grand Total
Total Number of Schools Financed	43	46	6	1	96	13	109
Total Project and Private Capital Leveraged	$105.3M	$236.3M	$22.9M	$6.5M	$371.0M	$81.3M	$452.3M

Total DOE Credit Enhanced Funds Allocated	$13.0M	$16.5M	$1.7M	$780K	$31.9M	$6.7M	$38.6M
Total DOE Credit Enhanced Funds Released	$0	$315K	$875K	$0	$1.2M	$0	$1.2M
Total DOE Credit Enhanced Funds Remaining	$1.9M	$5.3M	$1.0M	$2.5M	$10.7M	$0	$10.7M
DOE Credit Enhancement to Leverage Financing Ratios	21.06:1	29.72:1	14.33:1	2:1	20.84:1	12.05:1	18.43:1
Funds Remaining	$1.88M	$5.26M	$1.02M	$2.47M	$10.63M	$0	$10.63M

Although there has been only one charter school facility credit enhanced with the USDOE 2017 award, that single transaction consumed approximately 25% of the total credit enhancement award. In addition, RDF has previsouly financed three other charter schools in Washington State, credit enhanced by RDF's other USDOE awards totaling $1,835,400, leveraging $47,366,563 in total project and private capital. Given the limited funds remaining from the 2017 award coupled with the pipeline of schools anticipated to require credit enhancement, an additional award is being petitioned.

Washington State has one of the strongest charter school laws, (currenlty ranked #3 out of #44 by the National Alliance for Public Charter School's annual report on charter laws); however, it was not until October 2018 when the Washington State Supreme Court ruled the state's charter school act was constitutional after years of legal battle. In addition, there have been four charter school closures since the initial charter law took affect five years ago; albeit a new charter school is scheduled to open in the state in Fall 2019 with four more scheduled to open in Fall 2020. These issues have proven difficult in attracting investment captial to the sector beyond RDF's involvement. The credit enhancement will enable us to maintain our first-mover role in the Washington State, allow for continued charter school investments in the state, and structure financing solutions to fit each borrower's financial limitations that allows for matching high-quality academic programs with dignified facilities.

RDF has already identified a pipeline of high-quality charter school financing opportunities, representing eight school sites, with an aggregate estimated financing need of nearly

$32,550,000. At capacity, these school sites are projected to provide over 3,300 quality charter school seats. These figures, however, do not include the four cohort of school leaders in the WA Charters Fellowship program; or the emerging CMO who intends to operate a network of eight schools across the state. RDF intends to deploy $57,550,000 during the next five years across 13 schools to support the Washington State charter school sector.

Organizational Capacity

Management and Staff Experience

The following table indicates the members of the RDF Program management team and identifies the responsibilities, skills sets, role(s) of each staff and contracted member of RDF's overall team, and the anticipated amount of time each year allocated to the Washington State Initiative: Establishing A Permanent Fund project.

Team Member	Management Team	Business Development	Charter School Underwriting & Technical Assistance Team	Finance and Portfolio Mgmt.	FTE Toward Washington State Project
RDF Mgmt. and Staff					
Tom Espinoza	X				.05
Mark Van Brunt	X		X		.05
David Clower	X	X	X		.20
Scott Richter	X		X		.20
Melissa McDonald	X	X	X		.10
Adrian Ruiz		X	X	X	.10
Amanda Sanchez		X	X	X	1.0
Rodrigo Vela	X				.10
Juan Madrid				X	.10
Tony Lopez				X	.10
Laura Avelar				X	.10
Elyssa Garcia			X		.20
Emely Perez			X		1.0

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, serving as charter school operators, 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, which has grown into the largest Latino led CDFI with over $375 million in assets under management. Mr. Espinoza is a member of the RDF's Board of Directors and serves on its Finance, Loan, Risk Management, Audit, and Succession Committees. Previously, Mr. Espinoza worked at UnidosUS (formerly National Council of La Raza), where he led the Office of Technical Assistance and Constituency Support. He was integral in restructuring Chicanos Por La Causa ("CPLC"), a nationally recognized community development corporation ("CDC") 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. Over Mr. Espinoza's extensive community development career, he held leadership positions at four different Southwestern firms specializing in community, business, and real estate development, asset management, affordable housing growth and access, and consultation services to business, public-sector, and nonprofit groups in the U.S. and Mexico. Mr.

Espinoza is a founding member of the Local Initiatives Support Corporation (LISC) Board. He is also a founding board member and past chair of the Catholic Association of Latino Leaders. Additionally, Mr. Espinoza serves the National Association of Affordable Housing Lenders Board, and the National BBVA Advisory Board, and The Catholic University of America Board of Visitors.

Mark Van Brunt, *Executive Vice-President*

Mark Van Brunt is RDF's Executive Vice-President, co-founder of RDF and supports the President and Chief Executive Officer by facilitating the integration of the fund's strategic, programmatic, and operational priorities. He is also directly responsible for RDF's program grant activities, including proposal development, related management, reporting, and compliance processes. Mr. Van Brunt has extensive experience in housing and community development. He served as Deputy Vice President of UnidosUS (formerly National Council of La Raza), where he was responsible for its housing and community development assistance program operations and has held several positions with various governmental agencies involved in providing affordable housing and community-based solutions. 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 the Affordable Housing Advisory Committee of Bank of America. He earned an M.A. in urban planning from the University of Arizona, a B.S. in Economics from the University of Santa Clara, and attended the University of Madrid in Spain.

Melissa McDonald, *Chief Operating Officer*

Melissa McDonald is responsible for the operations of all lending components and systems, capitalization strategies, investment management, and new product development. Ms. McDonald assumed her current role in October 2018, having previously served as RDF's Deputy Chief Investment Officer, where she led the Specialty Finance Team – an inter-disciplinary group of impact investment professionals that provide custom-tailored financing solutions for complex structured transactions involving public/private partnerships, traditional debt, grant capital, and tax credit financing, nationwide and was responsible for RDF's New Markets Tax Credits (NMTC) platform to include the deployment of over $200 million in NMTC authority. Prior to joining the fund in 2012, Ms. McDonald worked at Gannett Company, where she held senior management positions in Human Resources, providing local and regional support for union and non-union employees. She is experienced in policy and procedure development, employee relations, compliance management, compensation, and organizational development. Ms. McDonald earned a B.A. in multi-disciplinary studies from the University of Texas at El Paso and received a Juris Doctor from Michigan State University School of Law. She is also a graduate of Southern Methodist University's Cox Executive Development Program.

David G. Clower, *Chief Investment Officer*

Mr. Clower is RDF's Chief Investment Officer, joined RDF as its Chief Credit Officer in 2010 with over 20 years of commercial and investment banking experience across commercial real estate, venture-debt, private equity, alternative and socially responsible, impact investment platforms. He is responsible for executing business strategies and managing the growth of assets under management. Mr. Clower has overseen the development and growth of the funds specialty finance businesses while establishing new investment platforms focused on the US/Mexico Border and Pacific Northwest Regions. Mr. Clower is a member of the New Markets Tax Credit Coalition Board of Directors (Executive Committee Member), the Bank of America Merrill Lynch Community Advisory Board, the Association of Latino Professionals for America – Phoenix

Chapter Corporate Advisory Board, and the Board of Directors for the National Trust Community Investment Corporation (NTCIC). He studied applied economics at the University of San Francisco, commercial real estate finance at the Massachusetts Institute of Technology, and strategic business leadership at the University of Chicago Booth School of Business. Mr. Clower is also a Chartered Alternative Investment Analyst (CAIA) Candidate.

Scott Richter, *Chief Credit Officer*

Mr. Richter is RDF's Chief Credit Officer and joined RDF in 2015 as Director of Credit Administration before transitioning into his current role in 2016. His career spans more than two decades in the commercial banking and finance industry, with broad industry knowledge of credit products for small and middle market companies. Previously, Mr. Richter worked at GE Capital for over 11 years in various capacities, including Vice President of Underwriting and Portfolio Management with responsibility for a $4 billion loan portfolio and serving as primary contact for the Federal Department Insurance Corporation during Safety & Soundness exams. Mr. Richter holds a B.A. in finance from Wofford College, and has completed advanced management and leadership courses at GE's John F. Welch Leadership Development Center in Crotonville, New York.

Adrian Ruiz, *Director of Education Finance*

Mr. Ruiz joined RDF in 2018; in his role he supports, actively manages, and monitors a portfolio of education focused impact investments; and provides deep, ongoing technical assistance to new and existing client relationships. Mr. Ruiz previously served as the Executive Director of Espiritu Schools, a K-12 charter school network based in Phoenix, AZ, and a member of the governing board of Espiritu Community Development, where he was responsible for the overall operation, strategic growth, and academic and financial performance of the network. Under his leadership, Espiritu became one of only four “A” rated school networks in the South Phoenix community. He received his B.S. in business finance from Arizona State University and holds an MBA from Benedictine University. He is alum of the Pahara Institute’s NextGen Network, an organization that seeks to develop diverse, mid-career leaders with the potential to strengthen and shape the future of the educational excellence and equity movement. Mr. Ruiz also serves on the Walton Family Foundation School Startup Grant Program review committee and sits on the Phoenix Diocesan School Board and its Executive Committee.

Amanda Sanchez, *Director of RDF’s Pacific Northwest Region*

Mrs. Sanchez is the director of RDF’s Pacific Northwest Region; she joined RDF in 2011 and in 2017, under her leadership, in partnership with the Bill & Melinda Gates Foundation, opened RDF’s Pacific Northwest regional office, becoming one of the first CDFIs to provide charter school facility financing in Washington State. Prior to opening RDF’s Pacific Northwest regional office, Ms. Sanchez was an Investment Associate on the fund’s Education Finance Team, where she supported high potential, early-stage charter schools and proven charter management organizations working in underserved communities, nationwide. Ms. Sanchez previously served on the Arizona Charter School Association’s Walton Family Foundation Startup Grant Review Committee and worked closely with New Schools for Phoenix Fellowship Program. She holds an associate degree in business administration from Yakima Valley Community College; and a B.A. in interdisciplinary studies with a focus in business and nonprofit administration from Arizona State University.

Elyssa Garcia, *Investment Analyst Education Finance*

Mrs. Garcia joined Raza Development Fund in 2017 after working as the Business Manager and Executive Assistant for Maricopa County Regional School and as the Special

Projects Coordinator for Maricopa County Education Service Agency. As a former Business Manager, she was responsible for Budgeting & Finance, Human Resources, Accounts Payable, Accounts Receivable, Payroll, Student Information and Warehouse departments. Working as Executive Assistant, her duties included working as an Office Manager and Governing Board Secretary. She was responsible for updating the strategic plan, district-wide policies and procedures, and ensured all projects and goals were completed throughout the organization. In her current role as an Investment Analyst, Mrs. Garcia is responsible for creating structured loans and providing technical assistance that is specific to the education industry. Mrs. Garcia received her Bachelor of Science Degree in Business Management from Grand Canyon University. She is a member of the Arizona Association for School Business Officials (AASBO) and has completed courses for educators through AASBO in Accounting, Risk Management, Budget and Finance, Maintenance and Operations, School Law, Purchasing and Procurement.

Emely Perez, *Program Analyst Pacific Northwest Region*

Ms. Perez joined Raza Development Fund in 2019 to support the expansion of the PNW regional initiative to provide charter school facility financing in a growing sector. Prior to joining RDF's Pacific Northwest Region, Ms. Perez was a Program Manager of the Latino Community Fund's Economic Empowerment Initiative. In this role she developed and implemented innovative strategies to connect Latino small business owners and entrepreneurs to the necessary resources, services and information needed for their success and economic sustainability. She holds a bachelor's degree in American Ethnic Studies and Comparative History of Ideas; and a master's in Library Information Science from the University of Washington – Seattle.

Compliance Monitoring / Reporting

Adrian Ruiz, Director of Education Finance*: See biography above.*

Rodrigo Vela, *Chief Financial Officer*

Mr. Vela joined RDF in 2011 and is responsible for directing all financial, accounting, and treasury activities for the fund, as well as participating with the Executive Leadership Team in the development of the organization's strategic plan. In this capacity, he has negotiated and closed nearly $200 million in credit facilities. He assumed his current position in 2012 after serving as Director of Finance, and as an investment professional on RDF's Education Finance Team, where he advised both private and public schools on facilities financing needs and overall performance. Before joining RDF, Mr. Vela worked with Latino oriented companies in Southern California in both finance and general management capacities on strategic planning, systems implementation and controls, financial analysis, and capital raising. Mr. Vela holds a B.S. in physics from Monterrey Institute of Technology in México, and an MBA from UCLA's Anderson School of Management. He is Secretary of the Catholic Association of Latino Leaders and past President of its Phoenix chapter; and serves on the Board of Catholic Education Arizona.

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 27 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 10 years of accounting experience. Mr. Madrid earned dual Bachelor of Science degrees in Accounting and Computer Information Systems from Arizona State University. He holds a CPA and a Real Estate License in the state of Arizona.

Tony Lopez, *Deputy Chief Financial Officer*

As Deputy Chief Financial Officer, 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, *Director of Loan Servicing*

As Director of Loan Servicing, Laura Avelar oversees the day to day operations of RDF's loan servicing department. She and two associates are responsible for the Loan Closing and servicing functions for the RDF portfolio. Ms. Avelar has numerous years' experience in Small Business Lending and has been with RDF for over 19 years, previously as RDF's Portfolio Manager for over16 years.

The Director of the Pacific Northwest Region, Amanda Sanchez, manages unit credit, servicing and program assistance operations including its staff which includes a Program Analyst, Emely Perez. Ms. Sanchez 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.

Board of Directors/ Education Finance Oversight

A list of the members and officers of the Board of Directors of 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; and Loan Committee
Tom Espinoza **President/CEO** Raza Development Fund, Inc., Phoenix, AZ	Management Committee; Finance Committee; Risk Management Committee; Loan Committee; and Audit Committee

Arabella Martinez **Retired UnidosUS Board Member/ CDC Director** Oakland, CA	Risk Management Committee; Finance Committee; and Succession & Nominating Committee Co-Chair
Janet Murguia **President & CEO** UnidosUS, Washington, DC	Succession & Nominating Committee
Art Ruiz **Co-Founder & Principal** Strategic Relationship Management, LLC Tucson, AZ	Audit Committee Chair; Risk Management Committee; and Succession & Nominating Committee Co-Chair
Joseph Riley **President and CEO** Community Development Trust; New York, NY	Loan Committee Chair; and Succession & Nominating Committee
Roldan Trujillo **Chief Operating Officer** RCT Advisor Oakton, VA	Finance Committee Chair and Loan Committee
Kimberly Latimer-Nelligan **President** Low Income Investment Fund; New York, NY	Risk Management Committee Chair and Succession & Nominating Committee
Kenneth I. Trujillo **Shareholder Chamberlain Hrdlicka** Philadelphia, PA	Risk Management Committee and Finance Committee
Janis Bowdler **President** JP Morgan Chase & Co. Foundation, Washington, DC	Risk Management Committee and Audit Committee
Aaron Dominguez **Provost** Catholic University of America, Washington, DC	Finance Committee
Danny Ortega **Lawyer** Ortega Law Firm, Phoenix, AZ	Risk Management Committee

The Board currently consists of 12 members; two of the members represent UnidosUS, with the remaining members at-large, representing investors, lenders, business practitioners, and community development agencies and 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.

The major roles of the Board take place in the areas of loan product and financing guidelines policy-making and review, which greatly influences our charter school investments broadly and specifically in Washington State. 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 their recommendations and minutes are reported out for Board action. Member's particular industry expertise matches their Committee assignments.

At present, the Board has five standing committees: Loan, Risk Management, Finance, Audit, and Succession & Nominating Committees. 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. 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 Committee oversees the annual audit process of RDF, including management reviews with audit partners and management letter recommendations to the Board. The Succession & Nominating Committee oversees the execution of the board Succession Plan which was implemented to facilitate a smooth transition of legacy board members to new board members to ensure the preservation of institutional memory and continuity of RDF's mission and governance.

Staffing Plan for the Project

In August 2017, RDF successfully established a permanent, physical presence in Seattle, its Pacific Northwest ("PNW") Regional Office, which has allowed our investment professionals to closely collaborate with leaders in the Washington State charter school area; provide technical assistance to school leaders; and respond to project financing requests in a timely fashion with local, high-touch in-market expertise.

The PNW Regional Office is led by Amanda Sanchez, who has been supporting high-potential, early-stage charter schools and proven CMOs working in underserved communities thought-out the United States, since 2011. Now a team of two, Emely Perez, joined PNW Office, as Program Analyst, in support of our Pacific Northwest regional expansion. Most recently, Ms. Perez was the Economic Development Program Manager at Latino Community Fund of Washington State, where she implemented the Economic Empower Initiative strategy of economic development for small business owners in the community. Furthermore, RDF has identified several promising candidates to fill the newly created Investment Associate position, which will provide additional support to the regional expansion and charter school lending activities.

The PNW Regional office is supported by, the Education Finance Team, Adrian Ruiz, Director, and Elyssa Garcia, Investment Analyst, who manage our national education portfolio; David Clower, Chief Investment Officer, who provides structuring guidance on both individual investment opportunities and strategic capital partnerships; Scott Richter, Chief Credit Officer, who provides investment portfolio covenant monitoring and compliance, and special assets handling oversight; Melissa McDonald, 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 Rodrigo Vela, Chief Financial Officer, who provides company-wide and business-unit budgeting and reporting support and benefits administration.

Additionally, RDF established an Advisory Board, who provides both local and national charter school operating and/or financing perspectives and feedback during RDF's WA state charter school investment process. The Advisory Board is comprised of: Cam Turner, who has over 20 years' experience in real estate and corporate transactions, including structured finance, private equity and tax credit syndication; and serves a one of RDF's key strategic partners and advisors for special projects. Jim Griffin, who leads strategic policy and system development efforts in areas such as public sector accountability systems, performance measures for atypical students and schools, and charter school facilities challenges. Joey Gustafson, who has direct experience with the charter school movement in Washington State and across the country. Rob McKenna, a former Washington State Attorney General and President of the National Association of Attorneys General; he is accomplished in public policy, appellate law and investigations.

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.

Current credit policy provides delegation of approval for loans based on defined constraints to provide reasonable protections from credit risk while retaining flexibility and responsiveness. Provided loans are within the constraints, Management Loan Committee ("MLC"), which consists of the Chief Executive Officer, Chief Credit Officer, Chief Operating Officer, and Chief Investment Officer, has the authority to approve total relationship exposures of up to $10 million. All decisions by MLC must be approved unanimously. Transactions exceeding $10 million, or consisting of exceptions as defined in the policy, require approval of the RDF Loan Committee, which consists of members of the Board of Directors and others as designated and approved by the Board.

Credit Rating. RDF has a "AA- "Standard & Poor's credit rating. Additionally, 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 087812884.

Financial Statements. RDF's financial statements have been independently audited by RSM US, LLP for fiscal year 2018, and for the prior five years, BDO USA, LLP. Its audited financial statements for the fiscal year-ending September 30, 2018 have been provided as part of this grant application. The organization has strong liquidity and enough borrowing capacity to fund its existing loan programs, and increased charter school lending activities under the RDF Washington State Initiative: Establishing A Permanent Fund. As of September 30, 2018, the organization reported Total Assets of [redacted], Total Liabilities of [redacted], and Net Assets of [redacted].

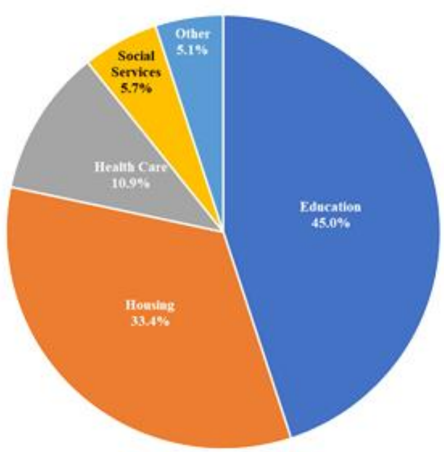
Portfolio Quality. RDF was founded in June 1999 as a community development financial institution ("CDFI"), licensed by the U.S. Department of the Treasury. The organization provides lending capital and extensive technical assistance to organizations that serve low-income, Latino communities across the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

As of September 30, 2018, RDF's direct loan portfolio was comprised of [redacted] loans representing [redacted] in total loan commitments with an outstanding principal balance of [redacted]. For the same period, RDF's loan loss reserve totaled [redacted]

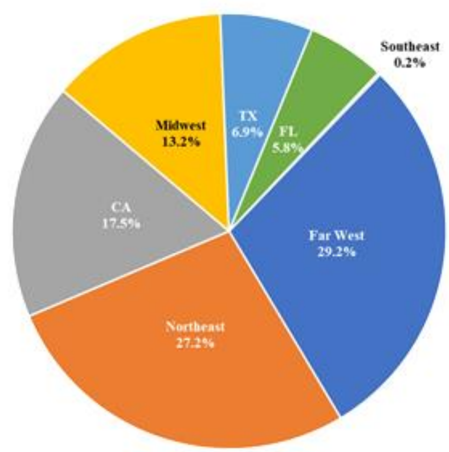
RDF's loan portfolio is appropriately diversified across the company's core industry verticals and across the geographical regions that it serves. As of September 30, 2018, credit exposure to the Education Industry was comprised of [redacted] loans totaling [redacted] of total commitments. For the same period, the fund had outstanding credit exposure in 17 states, with New York, Arizona, California, Texas, and Washington, representing the fund's top five geographic markets. As of September 30, 2018, credit exposure in those five states collectively represented [redacted] of total commitments. In Washington, credit exposure represented [redacted] of total commitments; all of which was comprised of charter school financing.

As of September 30, 2018, [redacted] of RDF's total loan commitments were credit risk rated CRR-2 or CRR-3, with [redacted] of total commitments on the Watch List. There is one Other Real Estate Owned asset from a prior foreclosure, which is actively being marketed for sale, and there is currently no expectation of taking a loss from the sale. As of September 30, 2018, there was only [redacted] delinquent loan that represented less than [redacted] of loan commitments; this loan is well secured by real estate collateral, and no loss is currently anticipated. With this exception, RDF's loan portfolio is performing as agreed.

Portfolio Industry Diversification



Portfolio Geographic Diversification



Financial Stability. Given the size and scope of RDF's charter school lending activities, as evidenced by the charts above, 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, which has been the case with its investments in Washington state. 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.

Conflict of Interest. RDF has in place a Conflict of Interest policy to protect its interest when considering entering into a financial transaction or arrangement that might benefit the financial interest of a director, officer, employee or other person able to influence RDF. The interest of RDF is the first priority in all decisions and actions. The policy is designed to help directors, officers and employees of RDF to identify situations that present potential conflicts of interest and provide them with procedures which, if followed, will help assure that RDF enters into financial transactions and arrangements that are in its interests, valid, and binding. *Attached RDF Conflict of Interest Policy.*

Capitalization Composition & Strategy:

Equity/Net Assets. As of September 30, 2018, RDF had a Net Assets to Total Assets ratio of [redacted], which has been achieved through net increase in operating revenues and receipt of private, corporate, and government grants. 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). RDF has remained highly liquid, and as of September 30, 2018 RDF had nearly [redacted] unsecured capital available.

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 are used as growth capital to fund operational expenses associated with expansion initiatives until those initiatives can sustain themselves. EQ-2 investments are usually longer-term debt instruments, which are subordinated to senior-secured debt financings. As such, they provide an additional level of security to unsecured lenders.

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. In 2013 RDF became a member of the Federal Home Loan Bank of San Francisco ("FHLB"), initially with a $15 million credit facility, which was expanded in 2015 and then again in 2018 to its current limit of $66 million. In 2015, RDF secured $100 million of available capital under the U.S. Treasury's CDFI Fund Bond Guarantee Program, which is used to fund real estate secured, stabilized, long term lending. As of September 30, 2018, RDF had $74 million of credit availability under the BGP.

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. RDF's Pacific Northwest office is primarily responsible for direct interface and support of its charter school lending activities in Washington State, with support from the Phoenix office. The Education Finance and Pacific Northwest practices frequently collaborate and support one another with regards to charter school industry changes and expertise, conduct site visits of existing portfolio schools, and provide technical expertise when appropriate.

Loan Servicing. RDF has a Director of Loan Servicing with over 30 years of experience, and staff that includes two additional, experienced loan operations specialists. This team is responsible for (i) booking loans; (ii) billing activities; (iii) posting payments; and (iv) ensuring that required insurance coverage is maintained, in addition to a variety of other customer service needs. In addition, RDF has a Portfolio Analyst focused on internal reporting, compliance, and proactive portfolio risk assessments. 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 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. Members of both the Pacific Northwest and Education Finance teams boast diverse skillsets, including that of charter school operator, that contribute to the effective monitoring of RDF's portfolio of charter schools. Team members are active in broader educational and charter specific conferences across the country to maintain up to date knowledge of education policy and best practices. Furthermore, team members maintain strategic relationships across a national network of charter school stakeholders (e.g., authorizers, associations, resources centers, consultants, and other funders). The in-house expertise and proactive approaches to charter school clients allows for RDF's effective monitoring of its portfolio schools, an important action step in the current culture of school accountability.

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 expense 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.

Academic Performance. RDF evaluates the academic performance of charter schools in its portfolio by monitoring school letter grades, if available, by comparing each school's summative assessment data, graduation rate, and drop-out rate relative to the local district and state, and its status as a comprehensive support and improvement or targeted support and improvement school.

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.

Geographic. Credit exposure is limited at a state level to 30% of total loan commitments.

Borrower. On-balance sheet credit exposure to a single borrower is generally limited to eight percent of total commitments. As of September 30, 2018, no borrower exceeded [redacted] of total commitments.

Collateral. Unsecured lending is limited to 5% of total loan commitments, up to a maximum of $10 million.

Underwriting Charter Schools

All charter schools that seek facilities financing from RDF undergo an extensive analysis, evaluation and underwriting process. During our initial meetings with new schools, we request key organizational documents prior to issuing a financing proposal. We want to ensure that the schools are serving poor Latino families, evaluates 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. After a quick analysis is completed, we issue a financing proposal that includes terms & conditions. If the school agrees to the terms & conditions, we begin our extensive underwriting process. 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 consultants.

For new schools that have yet to open, the underwriting process starts when the education underwriting team meets directly with the school's founders, planning team, initial board, and leadership team (if identified). We get a deeper understanding of their academic model, school pedagogy, organizational structure, school capacity, school leadership, school culture, and community support. These metrics help RDF determine the need for the school, gauge community engagement, 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.

For existing schools, the initial site visit by our education underwriting team includes participating in a governing board meeting, whenever possible, or meeting directly with board members, conducting classroom observations, meeting with school leadership, 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. Our underwriting of the school is equivalent to a full school evaluation.

As a matter of customary practice, in addition to meeting with the school's stakeholders, RDF meets with the school's chartering authority, the state department of education, state charter school associations, and/or school funders and supporters. These consultations, formal and informal, are critical in determining if a school is making satisfactory progress toward opening on schedule, meeting academic and non-academic goals and objectives and is fully compliant with the legal, financial, and reporting terms as outline in their charter contract. Length of charters vary throughout the country; nevertheless, our underwriting determines the likelihood that a school's charter will be renewed or revoked. This indicator informs us whether a school will continue to exist and be able to service the debt over the term of a loan. In addition, we review the schools state accountability system status, state grade or ranking, student performance on state assessments, and the extent to which student performance is achieving longitudinal targets. Documents such as annual school report cards, state assessment results and school ratings, internal and external school evaluations, and annual reports. 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.

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.