

# Request for Financing

## Pine-Richland School District

February 2022

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## I. COVER LETTER

February 11, 2022

Dana Kirk  
Business Manager  
Pine-Richland School District

Dear Ms. Kirk,

On behalf of PNC Bank, N.A. ("PNC Bank"), we are pleased to present the following terms and conditions for the consideration of Pine-Richland School District ("PRSD"). PNC Bank is proposing to provide the PRSD with up to \$5,885,000 in the form of a Direct Purchase Facility, described herein as the "Credit Facility." Proceeds of the Credit Facility will be used to refund the General Obligation Note, Series 2015A.

PNC Bank is pleased to present for preliminary discussion purposes only, a proposal to provide the Credit Facility for the purposes set forth above as more fully described in the attached Preliminary Summary of Terms and Conditions (the "Preliminary Term Sheet"). This letter and the Preliminary Term Sheet merely constitute a statement of suggested terms for the Credit Facility, do not contain all matters upon which agreement must be reached in order for the transactions contemplated hereby to be consummated and, therefore, do not constitute a binding commitment or offer to lend with respect to these transactions. A binding commitment with respect to the Credit Facility will result only from execution and delivery by all of the parties of a commitment letter or a definitive agreement relating to the Credit Facility and will be subject to the conditions contained therein. We may terminate discussions regarding the proposed Credit Facility at any time.

PNC is excited for the opportunity to continue partnering with PRSD. To accept the terms of the proposed Credit Facility, please provide email notification by March 8<sup>th</sup>, 2022 or this letter will terminate, and PNC Bank will have no liability or further obligation.

As always, you can be certain that all resources of our organization are available to PRSD. Thank you for the opportunity to respond to this request.

Sincerely,



**Ben Ganter**  
VP & Relationship Manager  
PNC Public Finance  
(412) 762-8838  
benjamin.ganter@pnc.com

## II. PRELIMINARY SUMMARY OF TERMS AND CONDITIONS: DIRECT PURCHASE FACILITY

**PNC BANK, NATIONAL ASSOCIATION**  
**Preliminary Summary of Terms and Conditions**  
**Pine-Richland School District**  
**February 11, 2022**  
**BANK FINANCING OPTIONS**

This Term Sheet is not a commitment or an offer to lend and does not create any obligation on the part of the Bank or any affiliate thereof to extend any commitment to the Borrower unless and until a formal commitment letter is issued and has been executed, delivered and accepted.

This outline is only a brief description of the principal terms of the suggested loan facility and is intended for discussion purposes only. This Term Sheet is delivered to you on the understanding that any of the terms of substance hereunder shall not be disclosed, directly or indirectly, to any other person except your officers, agents and advisors who are directly involved in the consideration of this matter unless required to do so by applicable law or prior written consent has been given by the Bank.

### I. PARTIES

**ISSUER:** Pine-Richland School District (the “*Issuer*”).

**PURCHASER:** PNC Bank, National Association (the “*Bank*” or the “*Purchaser*”).

### II. ISSUE, SECURITY AND FINANCING DOCUMENTS

**ISSUE:** General Obligation Note, Series 2022 (the “*Bonds*”).

**PURPOSE:** The proceeds of the Bonds will be to refund the Series 2015A General Obligation Note.

**PAR AMOUNT:** Up to \$5,885,000 (the “*Par Amount*”), in the form of a Direct Purchase Facility (“*Direct Purchase*”), described herein as the “*Credit Facility*”:

**COMMITMENT TERM:** **OPTION 1:** Tender date on April 1, 2029 with a final maturity of July 15, 2031

**OPTION 2:** Through final maturity of July 15, 2031

**AMORTIZATION OF BONDS:** The Bonds shall amortize according to the existing principal payment schedule, as detailed in Appendix A.

**SECURITY:** The Bonds and the payment obligations owed to the Bank will be secured by the School District’s irrevocable pledge of its full faith, credit and taxing power.

**FINANCING DOCUMENTATION:** The Bonds will be purchased pursuant to the provisions of a Bond Purchase and Loan Agreement (the “*Bond Purchase and Loan Agreement*”) among the Issuer, the Bank and the Borrower including standard conditions precedent to closing, representations and warranties, indemnities, covenants, events of default and remedies, including, without limitation, the covenants, and events of default. The Bonds, the Bond Purchase, and Loan Agreement are herein collectively referred to as the “*Financing Documents*.”

**TAX STATUS OF INTEREST ON BONDS:** Interest on the Bonds shall be excludable from gross income for federal income and state income tax purposes. The Borrower shall take all steps necessary to maintain such tax exempt status. The Bank shall be provided an opinion of tax counsel satisfactory to the Bank which concludes that interest on the Bonds is excludable from gross income for federal income tax purposes.

**CLOSING DATE:** The initial closing date is to be determined and shall be subject to the satisfaction of the conditions precedent set forth in the conditions precedent described herein.

**III. INTEREST RATES AND OTHER KEY PROVISIONS**

**BANK INDEX RATE:** The Bonds shall bear interest at one of the options detailed in the table below:

	<b>Bloomberg Short-Term Bank Yield Index ("BSBY")</b>	<b>Monthly SOFR</b>
<b>Option 1:</b>	(79% of One Month BSBY) + 48 bps	(79% of Monthly SOFR) + 58 bps
<b>Option 2:</b>	(79% of One Month BSBY) + 57 bps	(79% of Monthly SOFR) + 69 bps

The Credit Facility shall bear interest at the Bank Index Rate during each Bank Index Rate Period so long as no Event of Taxability or Event of Default has occurred.

**INDEX FLOOR:** In the event that BSBY, SOFR, or any successor index utilized for determining the interest rate on the Bonds at any time would be determined to be less than zero, such rate shall be deemed to be zero for purposes of determining the interest rate on the Bonds.

**INTEREST PAYMENTS:** Interest shall be paid on a monthly basis. Computations of interest shall be calculated on an actual/actual day basis.

**EVENT OF TAXABILITY:** In the event a determination of taxability shall occur, in addition to the amounts required to be paid with respect to the Bonds, the Borrower shall be obligated to pay to the Bank an amount equal to the positive difference, if any, between the amount of interest that would have been paid during the period of taxability if the Bonds had borne interest at a taxable rate and the interest actually received by the Bank with respect to the Bonds.

**DEFAULT RATE:** The Default Rate equals the greatest of (i) the PNC Prime Rate plus 3.0%; (ii) the Overnight Bank Funding Rate plus 3.5%; and (iii) 7.0%.

**CLAW-BACK AMOUNTS:** The Bonds will include customary interest rate recapture provisions allowing the Bank to recover interest in excess of any maximum interest rate imposed by law.

**MANDATORY TENDER:** The Bonds shall be subject to mandatory tender for purchase at par plus accrued interest by the Borrower on the Mandatory Tender Date.

On the Mandatory Tender Date, the Borrower may attempt to remarket the Bonds to the Bank for a new Bank Index/Fixed Rate Period or to new investors at any of the interest rate options provided for in the Financing Documents. The Bank shall not be obligated to purchase the Bonds for an additional interest period on the Mandatory Tender Date.

**MANDATORY TENDER DATE:** **OPTION 1:** Seven (7) year anniversary of the date of purchase of the Bonds by the Bank.

**REPAYMENT AFTER MANDATORY TENDER DATE:** **OPTION 1:** The Bank shall be repaid on the Mandatory Tender Date. Interest will accrue thereafter at the Default Rate.

**OPTIONAL REDEMPTION/ CONVERSION:** At the option of the Borrower, the Bonds may be optionally redeemed or converted to another interest rate mode to be effective on any interest payment date prior to the Mandatory Tender Date upon 15 days prior written notice to the Bank and compliance with the applicable provisions of the Financing Documents; provided that voluntary redemptions or conversions of Bonds made on a date other than a Reset Date, in the case of variable rate Bonds, or the Mandatory Tender

Date, in the case of fixed rate Bonds, shall be subject in either case to the payment of the Bank's breakage costs.

#### IV. OTHER FEES AND EXPENSES

**PREPAYMENT:** Customary yield protection and prepayment cost recovery provisions will be included in the definitive Financing Documents.

**COSTS AND EXPENSES:** All expenses incurred by the Bank, including audit and reasonable legal fees (inside and outside), and any other expenses in reference to structuring, documenting, closing, monitoring or enforcing the Financing Documents, if applicable, shall be for the account of the Borrower and payable at closing and otherwise on demand. The Bank will be utilizing \_\_\_\_\_ as bank counsel. Legal fees are estimated at \$TBD. All expenses (including counsel fees) shall be paid by the Borrower regardless of whether the transaction is closed.

All fees and expenses, including those of Bank counsel, are subject to increase if the transaction is not closed within 90 days from the date the Bank receives the mandate from the Borrower. In addition, the fees and expenses payable to Bank counsel may be increased if the security and/or structure of the transaction changes materially once documentation has commenced.

#### V. INCREASED COSTS AND CAPITAL ADEQUACY; TAXES:

The Borrower shall pay the Bank under customary yield protection provisions such additional amounts as will compensate the Bank and its holding company in the event that either of them are or become subject to legal, capital or reserve requirements (including without limitation those arising under the Dodd-Frank Wall Street Reform and Consumer Protection Act or Basel III, or any rules, guidelines or directives issued at any time in connection therewith) or taxes (except for taxes on overall net income) which in any case increase the cost or reduce the yield to the Bank or its holding company.

#### VI. FINANCIAL/NEGATIVE COVENANTS AND FINANCIAL REPORTING:

Affirmative and negative covenants, including the financial covenants and reporting covenants listed below, will be specified by the Bank for inclusion in the Financing Documents. Covenants are expected to be generally consistent with the existing Financing Documentation between the Borrower and the Bank.

##### Financial Covenants:

- None.

##### Financial Reporting shall be generally consistent with the existing agreements in place:

- Annual audited financial statements within 270 days of fiscal year end

In addition, the Bank shall have the benefit of all current and future financial and rating based covenants, events of default and remedies (including with respect to acceleration and the right of repayment of other creditors with respect to Borrower's Debt) which are agreed to by the Borrower with any other lender, credit or liquidity provider or bond insurer with respect to any such Debt, while such debt remains outstanding.

#### VII. CONDITIONS

##### PRECEDENT TO CLOSING:

The Financial Documents shall include conditions precedent customary for transactions of this nature including, without limitation, the following:

Documentation satisfactory to Bank Counsel; delivery of enforceability and approving opinions; authorizing resolutions (which may be an existing authorizing resolution); financial statements; bring-down of representations and warranties; and certification as to no default or event of default.

The Bank intends to treat the purchase of the Bonds as a loan for accounting treatment and, in connection therewith, the Bonds shall not be rated by any rating agency, shall not be initially registered to participate in DTC, shall be in physical form, shall not be issued a CUSIP, and shall not be marketed to the Bank pursuant to any official statement, offering memorandum or any other disclosure documentation.

**VIII. EVENTS OF  
DEFAULT/REMEDIES:**

The Bond Purchase and Loan Agreement shall include events of default customary for transactions of this nature, including, without limitation: payment default, covenant defaults, breach of representations, cross defaults to senior or Parity Debt, cross acceleration of senior or Parity Debt, invalidity or repudiation of any Financing Document or any material provision thereof, judgment default, bankruptcy or insolvency, ERISA and pension plan defaults, and the long-term, unenhanced debt rating drops below Baa3/BBB-/BBB- by any Rating Agency or any such rating is withdrawn or suspended for credit related reasons.

Upon the occurrence of an Event of Default, in addition to all other customary remedies, all payment obligations shall bear interest at the Default Rate

**X. CHOICE OF LAW / JURY TRIAL /  
OTHER PROVISIONS**

**GOVERNING LAW:**

The Continuing Covenants Agreement, and any other documents to which the Bank shall become a party will be governed by the laws of the Commonwealth of Pennsylvania.

**USA PATRIOT ACT NOTICE:**

Pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. 107 56), the Bank is required to obtain, verify and record information that identifies the Borrower and, potentially, other loan parties, which information may include, without limitation, the name and address of the Borrower and any such loan parties and other information that will allow the Bank to identify the Borrower and other loan parties in accordance with the USA PATRIOT Act.

**JURY TRIAL:**

To the extent permitted by law, the parties to the Continuing Covenant Agreement agree to waive a jury trial in any proceeding including the Bank.

**OTHER:**

Confession of Judgment.

**TRANSFERS/ASSIGNMENTS:**

While the Bank is purchasing the Bonds for its own account without a present intent to transfer them, the Bank reserves the right in its sole discretion to assign, sell, pledge, or participate interests in the Bonds without the consent of the Borrower.

**ADDITIONAL TERMS:**

The terms and conditions contained in this proposal are not intended to be comprehensive. The definitive Financing Documents may include additional terms and conditions required by the Bank, subject to mutual agreement of the parties, which are not included herein.

**NO ADVISORY OR  
FIDUCIARY ROLE:**

The Borrower acknowledges and agrees that: (i) the Bank has not assumed any advisory or fiduciary responsibility to the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or any of its affiliates has provided other services or is currently providing other services to the Borrower on other matters); (ii) the only obligations the Bank has to the Borrower with respect to the transaction contemplated hereby are expressly set forth in this term sheet; and (iii) the Borrower has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

**AGREEMENT BY THE ISSUER / BORROWER:**

The Borrower hereby desires to engage the Bank in the origination of the Bonds pursuant to the terms and conditions stated herein.

Recognizing that this Term Sheet is non-binding on the Bank unless and until a commitment is issued, please evidence your interest in proceeding on the foregoing terms and conditions by signing and returning a copy of this document to the Bank on or prior to March 8, 2022 at which point the Bank will continue with due diligence and credit underwriting for the foregoing transaction.

ACCEPTED AND AGREED TO:

**PINE-RICHLAND SCHOOL DISTRICT**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix A

### PRINCIPAL PAYMENT SCHEDULE

<u>Date</u>	<u>Principal</u>
7/15/22	15,000
7/15/23	15,000
7/15/24	15,000
7/15/25	15,000
7/15/26	10,000
7/15/27	20,000
7/15/28	10,000
7/15/29	5,000
7/15/30	2,560,000
7/15/31	3,220,000