Kristy Mack Fett <mskristy@oceancs.org>

Fwd: Ocean School

Ayanthy Peiris <apeiris@exed.org> Thu, Feb 20, 2025 at 4:13 PM
To: Kristy Mack Fett <mskristy@oceancs.org>
Cc: Tammy Stanton <TammyStanton@oceancs.org>, Josh Stokes <joshstokes@oceancs.org>

Ocean Team,

FYI - Please see Irit's email below.

Banc of CA (BOC) includes the $1.3M Principal & Interest payments ($323K) and the prop 39 over-allocation payments ($148K) as part of the debt service when calculating the debt service coverage ratio. Hanmi only included the Prop 1D loan payments ($466K).

BOC requires Ocean's Income available to cover debt service to be **$1,032,233** to be eligible for a $10.3M line. Ocean's projected EBITDA/ Income available for debt service per our forecast is $597K.

Sincerely,

Ayanthy Peiris, CPA, Vice President of School Finance
she/her/hers (why is this important?)
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---------- Forwarded message ---------
From: **Irit McMahon** <Irit.Mcmahon@bancofcal.com>
Date: Thu, Feb 20, 2025 at 2:43 PM
Subject: FW: Ocean School
To: Ayanthy Peiris <apeiris@exed.org>

Ayanthy, a couple of clarifications:

Should the borrower qualify for the line of credit with the bank, Banc of California will require an Irrevocable Assignment of State Payments to be deposited into an operating account here at this bank as well as obtaining a UCC filing on all of the assets of the school.

This is part of establishing a banking relationship with this bank.

Now, let me further explain how the bank calculates a debt service coverage ratio looking at actual numbers in this case a $1,300,000 line of credit. Weather it is fully utilized or not, the bank must make sure any borrower can replay this debt and calculates this obligation at the going interest rate with based on principal & interest payments annually.

The $1,350,000 line of credit even if at $-0- balance and never utilized requires the bank calculates a potentially fully disbursed line/obligation with a 5-year repayment period which equates to $323,823 in annual payment

Therefore, the school's obligation would be calculated as follows:

Debt service consists of

Prop. 1D $466,072 (annual payments)

Prop. 39 148,145 (annual payments)

BoC $1.3MM LOC 323,823 (P& I annual payment) 9% variable interest

Total annual debt service $ 938,040

FYE 06/30/24 cash flow analysis

Revenue $8,801,126

Expenses (9,432,623)

Add back depreciation 1,466,021

Add back Interest 197,709

Available for Debt service $1,032,233 Debt service coverage ratio $1,032,233 + 938,040 = 1.10x

The bank requires a minimum DSCR (debt service coverage ratio) of 1.10x to 1.25x

Ayanthy, hope this helps.

Thank you,

Irit

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