

Path to Purchase Pacific Crest School

For over 30 years, Pacific Crest has provided a dynamic learning environment that exemplifies the principles of Montessori education. Our longevity and success stem from the commitment, expertise and resourcefulness of our educators and families. Our campus in Ballard, which we have leased for the last 25 years, is where we have created roots and an environment where educators and students can thrive. We are thrilled to announce that **Pacific Crest now has the opportunity to establish a permanent home for our school by purchasing the campus!**

For many years, we have recognized the advantages of owning and expressed interest to our landlord about purchasing our property. In September 2018, it was put on the market with an immediate offer from a developer seeking to build a self-storage facility. Following our negotiation, the owners approved our counter-offer under asking price. With a signed purchase and sale agreement for \$7.2 million, we now have an opportunity to secure our future and shape a school that fully embodies our Montessori philosophy.

Owning our school opens a world of possibilities and secures our future for generations to come. We will no longer face the threats of escalating rental costs, losing our lease, or the property being sold out from under us. We will put down even deeper roots in our local community. We will be able to invest in capital improvements that improve the quality of education. We will no longer have to work with what we have but can devote resources to support our needs. Every improvement we make will be an investment in our future!

Our goal is to have commitments for PCS supporter funded loans meeting our need of \$7.2 million by December 15th and have the loans funded by January 25th. This means we are looking to the Pacific Crest Community to provide loans which will ideally cover all or most of the \$7.2M. These loans will be facilitated through Semble where you can also see our progress against this goal. You can find the listing here: www.semble.com/listing/pcs

Who or what is Semble exactly? Semble is a Seattle based company who built a platform which allows non-profit organizations to do crowd-sourced loans from its supporters. Think of it like Kickstarter, or Go Fund Me, but from investments rather than donations. You get your money back with interest! Semble has helped other non-profit organizations such as churches and schools raise loan amounts similar to ours. In fact, the founder built this company after his children's school went through a fundraising opportunity nearly identical to ours. Given their niche focus on scenarios like ours, and their successful track record, we are excited to work with them!

How exactly will this work? First, we hope everyone will review the information about this initiative at www.semble.com/listing/pcs. After reviewing the information on the platform you can click on the big blue button and make your commitment to help fund our loan need. You will setup an account with Semble and determine your investment amount and rate of return on that investment that is equal to 4% or something less down to 0%. If you choose a lower rate of return you will actually help lower the overall cost to the school. This will save the school money that can be used for the operation of the school. We are hopeful some families will chose a lower interest rate which will help us keep the monthly payments lower than a traditional mortgage. Once we feel confident we will have sufficient funds to close on the loan, we will ask all participating investors (You) to fund your commitment. Once all the funds are received we will close on the loan at the same time we close on the purchase of the property... and then the property is ours.

After the loan closes in January, the school will make interest-only payments each month to Semble. You will receive a settlement from these payments quarterly of your interest earned and repayment of principle, if any, until the loan ends in five years (or earlier if possible) at which time the full loan amount will be due from the school. The investment you are making with the school is a "gift" because it enables us to purchase our property without needing cash for a 20% down payment and at a lower interest rate than a traditional commercial bank loan. But it is not a charitable gift of money. You will get all of your money back, and with interest (unless you chose a zero interest loan).

Why is this better for the school than a traditional Mortgage? There are three reasons. First, our monthly payments could be as much as 60% less than it would be through a traditional mortgage. Secondly, through this approach we avoid the need to cover a 20% down payment which would be challenging to generate within our timeframe. Lastly, we are excited about our ability to buy this property in partnership with the families at PCS. Tackling this as a community is a special opportunity that will only strengthen the school!

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How will the school pay back the loans after 5 years? During those 5 years, we will be embarking on a large-scale Capital Campaign to raise funds to pay back the loans. We will pursue a variety of Grants which are available to non-profit organizations while also seeking donations from families currently enrolled, extended family such as Grandparents, and Alumni families who attended PCS over the last 30 years. After 5 years, we will refinance whatever portion of the \$7.2 million we have not paid back through traditional financing. Through the capital campaign, and refinancing, we will be able to pay back the loans provided by the PCS community.

What is the minimum investment amount the school will take? While gifts in all amounts are welcome, we have set a minimum investment amount for loans of \$25,000. Our goal of achieving our funding needs through the Pacific Crest community will be challenging. We want to encourage those families who can to make significantly larger investments than the minimum amount. We are counting on you!

Will you take loans for less than \$25,000? Potentially, but we have some constraints. During the Semble sign-up process, you will be asked some questions to determine if you are an accredited lender. Under securities laws we are limited to 35 non-accredited investors. Therefore, by accepting loans lower than \$25,000, we may fill up these 35 slots which ideally would be leveraged for larger loans. Semble indicated this has never been an issue with previous projects, but it is something we'll need to monitor as more people sign up. We have unlimited slots for accredited lenders, so do read this section of the sign-up carefully to see if you can fit into this category.

What if I can't make an investment, but I still want to help? If you are unable to make an investment yourself, help us find people who can! You can reach out to friends and family who you think might want to be a part of what you are involved in... educating your children in a Montessori school. Many people may be interested in diversifying their investment portfolio by directing some of their investment resources toward the funding of a loan to the school.

What other options should we think about when considering how to free up funds to make a loan? You should consider taking a loan to give a loan. For example, you could open a line of credit against your existing investments or against an asset you own. This would free up funds that you could lend to the school at 4%, and pay back at %5 (or whatever interest rate you take the loan at). Although you will lose some money with this approach (the difference between 4% and 5%) it may allow you to give a much larger loan that you could otherwise.

You can also consider taking a loan against your 401k or your IRA. IRAs are set up to allow this, and Semble can support this model directly. You will need to check on your 401k to determine feasibility because they are all different - but many do allow you to take penalty-free loans.

What happens if the school cannot raise enough money through these loans to close on the purchase of the school? In partnership with Semble we are also pursuing a traditional loan which will cover the difference between what we can raise through the community and what will be needed to close on the property. Semble has experience with this hybrid approach. That said, our monthly payments will be at their lowest if we fully fund through the community.

Are these loans anonymous? Dorrie, the PCS board finance committee members, and our team in Semble will know who is investing and at what amount, but this information will not be shared publicly. Your name and investment amount will be kept anonymous.

Thank you!