

KQC Investors, LLC
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December 21, 2017

Via email: tlburton@nwcdc.org

Northwest Child Development Centers, Inc.
Attn: Tony Lewis L. Burton III, PhD
251 East 7th Street
Winston-Salem, North Carolina 27101

RE: Mudpies – Downtown East (the “Business”) and real property located at 251 East 7th Street, Winston-Salem, North Carolina and real property located at 2530 Pittsburg Avenue, Winston-Salem, North Carolina (together, the “Property”)

The following terms are proposed for acquisition of the Business and the Property by KQC Investors, LLC:

Property:	The real property and improvements, including a building zoned for child care use from which the Business currently operates, including 1.25 +/- acres of real property, with a street address of 251 East 7 th Street, Winston-Salem, and designated as Forsyth County Tax Parcel ID 6835-38-1774 and the real property and improvements with a street address of 2530 Pittsburg Avenue Northwest, Winston-Salem
Business Assets:	All of the furniture, fixtures, equipment, goodwill, customer lists, records, telephone numbers, and other tangible and intangible property used in the operation of the Business
Seller:	Northwest Child Development Centers, Inc.
Purchaser:	KQC Investors, LLC, or its assigns
Purchase Price:	One Million Eight Hundred Sixty-Five Thousand Dollars (\$1,865,000.00), payable on terms as follows: 1. \$50,000 earnest money deposit (the “Earnest Money”) paid to Seller upon execution of a binding Purchase Agreement for the Property and confirmation of the financing conditions set forth below; 2. \$1,550,000 paid in cash at closing; and 3. \$265,000 +/- paid by assumption of existing City loan #460024 in the original principal amount of \$300,000
Financing Conditions:	1. Purchaser will obtain a new loan secured by the Property in

	<p>the amount of not less than \$1,500,000, from a third-party lender. BB&T must agree to accept a payoff of \$1,500,000 in full and complete satisfaction of existing indebtedness secured by the Property, and the cash at closing must be sufficient to satisfy all liens against the Property. BB&T will be asked to defer interest for the months of February and March, 2018, upon Seller's payment of its loan payments for the months of December, 2017 and January, 2018.</p> <p>2. The balance of cash paid to NWCDC at closing must be applied to satisfy all other loans secured by the Property or the assets of the Business. The City of Winston-Salem must agree to forgive and release loan #930030 (balance less than \$6,250) and City loan #930032 (balance of \$108,300), in consideration of Purchaser's assumption of the remaining City loans.</p> <p>3. The City of Winston-Salem must agree to allow assignment and Purchaser assumption of City loan #460024 (\$265,000 +/- balance) and City loan #930028 (balance of \$55,000 +/- after pending credits) on substantially similar terms, and must agree to subordinate the City loans to Purchaser's new purchase money financing in an amount not to exceed \$1,500,000.</p>
Purchase and Sale Agreement:	An initial draft of a Purchase Agreement for the Property and the Business will be prepared by Purchaser's counsel. The Agreement will contain terms and conditions typical for a transaction of this nature in the local real estate market.
Inspection Period:	Purchaser shall have a period of forty-five (45) days following the execution and delivery of a Purchase Agreement for the Property (the "Inspection Period") to conduct a full investigation of the Business and the Property, including the obtaining of a current title search and survey of the Property. At Purchaser's sole discretion, the Purchase Agreements can be terminated by Purchaser at or prior to the expiration of the Inspection Period and the Earnest Money returned to Purchaser.
Building Condition and Operations:	The Property and the child care facility will be in satisfactory condition as of Closing to meet all licensing requirements for the operation of a child care business, and the Seller shall continue to operate the Business in the ordinary course until the Closing Date.
Operating Lease to Seller	Purchaser will enter into a short-term lease with Seller to permit Seller to continue its child care operations through June ____, 2018. Purchaser will forego rent during the interim lease period.
Closing Date:	The closing of the purchase and sale of the Property and the Business will occur on March 26, 2018.
Closing Costs:	Seller and Purchaser shall each pay their share of the closing

	costs and expenses in a manner that is consistent with the local market and practice, to be defined in the Purchase Agreement. All expenses related to ongoing operation of the Business will be prorated as of the Closing Date.
Title:	Seller will convey to Purchaser good and marketable title to the Property and the assets of the Business, free and clear of all liens and encumbrances other than any easements or restrictions in effect as of the beginning of the Inspection Period and to which Purchaser does not specifically object.
Confidentiality:	Purchaser and Seller shall not disclose any of the terms, provisions, or conditions of this term sheet to any other person without the express written consent of the other party, except that Purchaser may disclose such information to its principals, counsel, accountants and potential financing sources, and also to the City of Winston-Salem and BB&T, in connection with evaluating the potential acquisition of the Business and the Property by Purchaser and approvals of existing debt payoffs and assumptions as described.
Exclusivity:	While this term sheet is in effect, Seller will not solicit or accept offers with respect to, nor enter into any negotiations with respect to, any transaction involving or relating to a potential acquisition of the Business or the Property; during such period Seller and Purchaser agree that they will negotiate exclusively and solely with each other to attempt to enter into binding Purchase Agreements for the Business and the Property. Either party may terminate this term sheet at any time prior to a binding Purchase Agreement, by written notice to the other party.

If you are in agreement with these proposed terms, please sign a copy of this term sheet and return it to us by no later than 5:00 p.m. on December 29, 2017, after which we will engage our legal counsel to begin preparation of the Purchase Agreements.

Sincerely,



Matthew B. Marceron, Manager

Accepted by:

Northwest Child Development Centers, Inc.,
A North Carolina nonprofit corporation

By:

Tony Lewis L. Burton III, PhD

Northwest Child Development Centers, Inc.,
A Northwest Carolina nonprofit corporation

By:

Gordon Skeeters, Board Chair