



Houston-Galveston Area Council  
3555 Timmons Lane, Suite 120  
Houston, TX 77027

To Whom It May Concern:

In addition to the rate sheet provided, we are providing this memo as clarification of the rate formula presented in our proposal.

Section 9.14 of the RFP stated, “the total rate must be the sum of the following three components:

A. Interest rate as reported on the index of choice, according to the Proposer’s/Lender’s credit rating analysis, lease purchase amount, and payment installment plan choice.

B. Basis points offered above index of Proposer’s / Lender’s choice (based upon credit rating of lessee).

C. The additional required H-GAC fee basis points (as proposed by respondent).

Formula:

SOFR rate + ##Basis Points for Lender + H-GAC Fee = Final Member Rate”

It is our intent to pay an HGAC fee of ¼ of a percent (.0025) on the funding amount of each transaction. Because the RFP requires the HGAC fee to be represented in the form of basis points (as required in section C.), which would then be added to the index and the lender’s basis point spread (as represented in the “Formula”) to calculate the “Final Member Rate,” that fee has to be converted to the appropriate number of basis points as a component of the rate and not just presented in decimal form.

**For example:**

On a \$1 million, 3 year term transaction, the ¼ percent HGAC fee would be \$2,500 calculated as 1,000,000 x .0025. However, to represent this as a basis point component of the interest rate, which was requested in the RFP the .0025 must be converted.

Below is an example of a member payment schedule for the \$1 million, 3 year term funding at a rate of 5.87% based on a normal, 360 day year calculation utilizing TValue Software.

Loan amount: 1,000,000  
 Payments: Semiannual  
 Nominal Annual Rate: 5.870%

	Date	Payment	Interest	Principal	Balance
Loan	06/03/2025				1,000,000.00
1	12/03/2025	184,200.01	29,350.01	154,850.00	845,150.00
2	06/03/2026	184,200.01	24,805.16	159,394.85	685,755.15
3	12/03/2026	184,200.01	20,126.92	164,073.09	521,682.06
4	06/03/2027	184,200.01	15,311.37	168,888.64	352,793.42
5	12/03/2027	184,200.01	10,354.49	173,845.52	178,947.90
6	06/03/2028	184,200.01	5,252.11	178,947.90	0
<b>Grand Totals</b>		<b>1,105,200.06</b>	<b>105,200.06</b>	<b>1,000,000.00</b>	

Now, here is the same \$1 million, 3 year term funding which shows the \$2,500 HGAC fee.

Loan amount: 1,000,000  
 Payments: Semiannual  
 Nominal Annual Rate: 5.72%

	Date	Loan	Payment	Interest	Principal	Balance
Loan	06/03/2025	1,000,000.00				1,000,000.00
HGAC	06/03/2025	2,500.00				1,002,500.00
1	12/03/2025		184,200.01	28,669.55	155,530.46	846,969.54
2	06/03/2026		184,200.01	24,221.68	159,978.33	686,991.21
3	12/03/2026		184,200.01	19,646.61	164,553.40	522,437.81
4	06/03/2027		184,200.01	14,940.70	169,259.31	353,178.50
5	12/03/2027		184,200.01	10,100.22	174,099.79	179,078.71
6	06/03/2028		184,200.01	5,121.30	179,078.71	0
<b>Grand Totals</b>		<b>1,002,500.00</b>	<b>1,105,200.06</b>	<b>102,700.06</b>	<b>1,002,500.00</b>	

You will see that the loan amount and the member payment amounts stay the same. However, the \$2,500 fee paid to HGAC now produces an effective rate of 5.72%.

Therefore, in the example, the HGAC fee expressed in basis points is the .15 differential between the 5.87% interest rate and the 5.72% effective interest rate.

For purposes of calculating a members' final rate the HGAC fee listed on our submitted "Response Rate Form" is added into the "Formula" as requested in the RFP.

Our goal is to ensure that HGAC can easily calculate and verify its compensation for each funding.

For each funding request you will see the principal lease amount. The lease amount multiplied by .0025 will equal HGAC's fee.

Sincerely,



Derek Mitchell, Senior Vice President  
 Grant Capital Management, Inc.