

**TEXAS HIGHER EDUCATION FACILITIES CORPORATION  
AGENDA FORM**

Meeting Date: 03-23-15

Agenda item: 3.1

Prepared by: Bill Hill

Reviewed by: Bill Hill

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**AGENDA ITEM DESCRIPTION:**

**3.1 Discussion / action – Resolution R-2015-002 accepting application relating to a tax-exempt loan to the Montessori School of San Antonio; authorizing such loan and the incurrence of a tax-exempt loan in the same principal amount from Jefferson Bank (or an affiliate) for that purpose; authorizing the loan agreement and the notes associated with such loans; authorizing a public hearing, appointing a hearing officer therefor and authorizing and ratifying the publication of notice of public hearing; and authorizing other matters related thereto**

<b>x</b>	<b>Attachments for Reference:</b>	1) Proposed Resolution
		2) Loan Agreement

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**BACKGROUND / HISTORY:**

Mr. Bill Avila, Bond Attorney, Partner for Bracewell and Giuliani LLP will be at the meeting to explain in detail and answer questions.

The Board with this action will approve the bond issuance for the Montessori School of San Antonio & Jefferson Bank Loan and the action will then go to City Council for final approval at the Council meeting.

The Montessori School of San Antonio currently has 7 students (total enrollment is 320) from Shavano Park. Over the past 5 years they have had approximately 18 students. They also have parents with businesses located in/adjacent to Shavano Park.... Armadillo Homes.

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**DISCUSSION:**

The board authorizes the loan by approving Resolution R-2015-002 accepting application relating to a tax-exempt loan to the Montessori School of San Antonio. Within the resolution are:

- Authorizing such loan and the incurrence of a tax-exempt loan in the same principal amount from Jefferson Bank (or an affiliate) for that purpose;
- authorizing the loan agreement and the notes associated with such loans;

- authorizing a public hearing, appointing a hearing officer therefor and authorizing and ratifying the publication of notice of public hearing;

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**COURSES OF ACTION:** Approve or Disapprove the Loan by Resolution

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**FINANCIAL IMPACT:** Fees Receivable

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**STAFF RECOMMENDATION:** Approve Resolution No R-2015-002 accepting application relating to a tax-exempt loan to the Montessori School of San Antonio; authorizing such loan and the incurrence of a tax-exempt loan in the same principal amount from Jefferson Bank (or an affiliate) for that purpose; authorizing the loan agreement and the notes associated with such loans; authorizing a public hearing, appointing a hearing officer therefor and authorizing and ratifying the publication of notice of public hearing; and authorizing other matters related thereto

RESOLUTION ACCEPTING APPLICATION RELATING TO A TAX-EXEMPT LOAN TO THE MONTESSORI SCHOOL OF SAN ANTONIO; AUTHORIZING SUCH LOAN AND THE INCURRENCE OF A TAX-EXEMPT LOAN IN THE SAME PRINCIPAL AMOUNT FROM JEFFERSON BANK (OR AN AFFILIATE) FOR THAT PURPOSE; AUTHORIZING THE LOAN AGREEMENT AND THE NOTES ASSOCIATED WITH SUCH LOANS; AUTHORIZING A PUBLIC HEARING, APPOINTING A HEARING OFFICER THEREFOR AND AUTHORIZING AND RATIFYING THE PUBLICATION OF NOTICE OF PUBLIC HEARING; AND AUTHORIZING OTHER MATTERS RELATING THERETO

WHEREAS, the City of Shavano Park, Texas (the "City") has, pursuant to Section 53A.35(b) of the Texas Education Code, as amended (the "Act"), approved and provided for the creation of the City of Shavano Park, Texas Higher Education Facilities Corporation (the "Issuer") as a non-stock, non-profit corporation; and

WHEREAS, the Issuer, on behalf of the City, is empowered to issue and execute revenue bonds or other obligations to loan or otherwise provide funds to a borrower (including an accredited primary and secondary school) to enable the borrower to acquire, construct, enlarge, extend, repair, renovate, or otherwise improve an educational facility or housing facility or any facility incidental, subordinate, or related to or appropriate in connection with an educational facility or housing facility, or for acquiring land to be used for those purposes; and

WHEREAS, The Montessori School of San Antonio Project, a Texas non-profit corporation and an accredited primary and secondary school (the "Borrower"), has submitted an application to the Issuer (the "Application") to make a loan to the Borrower (the "Borrower Loan") to be used, among other things, to finance, refinance, and/or reimburse the Borrower for all or a part of the costs of the acquisition, construction, repair, renovation, improvement and/or equipping of certain educational facilities (as defined in the Act) located or to be located on the campus of the Borrower at 17722 Rogers Ranch Parkway, San Antonio, Texas 78258 (collectively, the "Project"); and

WHEREAS, the Issuer has determined, based upon representations of the Borrower, that the funds provided to the Borrower under the Borrower Loan will be used in furtherance of the public purposes of the Act; and

WHEREAS, the Borrower has requested Jefferson Bank (or an affiliate) (the "Lender") to make a loan to the Issuer (the "Issuer Loan") and, together with the Borrower Loan, the "Loans"), the proceeds of which will be used by the Issuer for the purpose of making the Borrower Loan to the Borrower; and

WHEREAS, no public funds or credit of the City of Shavano Park will be pledged to the payment of the Loans, and such Loans shall be payable solely from loan payments and other amounts made available by the Borrower; and

WHEREAS, the provisions of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), require that a public hearing be held within the governmental unit wherein the facilities to be financed with the proceeds of the Loans are or will be located in connection with the proposed issuance of the Loans and the use of the proceeds thereof to finance the Project (the “Public Hearing”), and that notice of such Public Hearing be published no less than 14 days before the date of such Public Hearing in a newspaper of general circulation available to residents within the governmental unit wherein the facilities to be financed with the proceeds of the Loans are located (the “Notice of Public Hearing”); and

WHEREAS, there have been presented to the Issuer proposed forms of each of the following:

1. A loan agreement (the “Loan Agreement”) by and among the Issuer, the Borrower and the Lender, attached hereto as Exhibit A;
2. A form of promissory note from the Borrower to the Issuer (the “Borrower Notes”) in the aggregate principal amount of the Borrower Loan, attached hereto as Exhibit B;
3. A form of promissory note from the Issuer to the Lender (the “Issuer Note”) in the principal amount of the Issuer Loan, attached hereto as Exhibit C; and
4. A form of Construction Loan Agreement (the “Construction Loan Agreement”), by and among the Issuer, the Borrower and the Lender, attached hereto as Exhibit D;

WHEREAS, in furtherance of the purposes of the Act, the Board of Directors of the Issuer (the “Board”) now deems it necessary and desirable to: (i) accept the Application, (ii) authorize and ratify the publication of the Notice of Public Hearing and appoint persons to act on behalf of the Issuer as hearing officer for the Public Hearing, (iii) approve the Loan Agreement, Borrower Notes and Issuer Note, and the execution and delivery thereof on behalf of the Issuer, (iv) enter into the Issuer Loan in a principal amount not to exceed \$5,200,000 and (v) issue the Borrower Loan in the same principal amount as the Issuer Loan, the proceeds of which Borrower Loan will be loaned to the Borrower to be used to finance, refinance, and/or reimburse the Borrower for costs of the Project.

NOW, THEREFORE, BE IT RESOLVED:

Section 1. All of the above recitals are found and determined to be true and correct, and are incorporated into this resolution, including the defined terms contained therein.

Section 2. The Issuer hereby acknowledges submission of the Application of the Borrower, and accepts and approves such Application.

Section 3. The Board hereby approves and authorizes the Issuer Loan from the Lender in a principal amount not to exceed \$5,200,000 and hereby approves and authorizes the Borrower Loan from the Issuer to the Borrower in same principal amount for the purpose of providing funds to the Borrower to finance and refinance the cost of the Project. The Loans will bear interest at rates and under the terms as provided in the Loan Agreement.

Section 4. The Board hereby approves the Loan Agreement, in substantially the form and substance presented to the Board. The President or Vice President (or any board member designated in writing by the President or Vice President) is hereby authorized and directed, for and on behalf of the Issuer, to date, execute and deliver the Loan Agreement, and the Secretary is authorized and directed, for and on behalf of the Issuer (to the extent necessary or desirable) to attest the Loan Agreement, and such officers are hereby authorized to deliver the Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Loan Agreement shall be valid and binding upon the Issuer in accordance with the terms and provisions thereof.

Section 5. The Board hereby approves the Issuer Note and the Borrower Notes (together, the “Notes”) securing the Loans in substantially the form and substance set forth in the Loan Agreement. The President or Vice President and/or the Secretary are hereby authorized and directed, for and on behalf of the Issuer, to execute and deliver the Issuer Note to the Lender and to accept the Borrower Notes from the Borrower and endorse and assign the Borrower Notes to the Lender.

Section 6. The Board hereby authorizes, approves and ratifies the holding of a public hearing with respect to the Loans and the Project to be held at the offices of the Borrower, 17722 Rogers Ranch Parkway, San Antonio, Texas, 78258, and authorizes, approves and ratifies the publication of the Notice of Public Hearing, as required by Section 147(f) of the Code. The Board hereby approves and ratifies the appointment of Ralph Huber or his designee as the hearing officer in connection with the Project and the Loans. The hearing officer’s certification that such hearing has been conducted in accordance with the Code shall conclusively establish that such hearing has been so conducted.

Section 7. Pursuant to Chapter 1371, Texas Government Code, any officer of the Issuer is hereby designated and authorized to act on behalf of the Board to approve the final terms of the Loan Agreement and the Loans, including, without limitation, the principal amount, the dates, interest rates, interest and principal payment dates, and prepayment features of the Loans, and all other matters not expressly provided for in this Resolution, provided that (i) the principal amount of each of the Loans shall not exceed \$5,200,000 and (ii) the interest rate on the Loans may be fixed or variable but may not exceed the maximum rate permitted by applicable law. The execution and delivery of the Loan Agreement and the Notes on the terms and conditions determined by such officer are hereby approved, and such officer is hereby authorized to execute and deliver the Loan Agreement and the Issuer Note or other documents evidencing such approval to the Lender and the Borrower and to accept and assign the Borrower Note.

Section 8. After the Loans are issued, this Resolution shall be and remain irrevocable until the Loans or the interest thereon shall have been fully paid or provision for payment shall have been made pursuant to the Loan Agreement.

Section 9. The Board authorizes and directs that an officer of the Issuer submit to the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Loans are issued, a statement containing the information required by Section 149(e) of the Code.

Section 10. Qualified Tax-Exempt Obligations. The Issuer hereby designates the Notes as “qualified tax-exempt obligations” for purposes of section 265(b) of the Code. In connection therewith, the Issuer represents that (a) the aggregate amount of tax-exempt obligations issued by the Issuer during calendar year 2015, including the Notes, that have been designated as “qualified tax-exempt obligations” under section 265(b)(3) of the Code does not exceed \$10,000,000, and (b) the reasonably anticipated amount of tax-exempt obligations that will be issued by the Issuer during calendar year 2015, including the Notes, will not exceed \$10,000,000. For purposes of this Section, the term “tax-exempt obligation” does not include “private activity bonds” within the meaning of section 141 of the Code, other than (i) “private activity bonds” within the meaning of section 141 of the Code, other than “qualified 501(c)(3) bonds” within the meaning of section 145 of the Code or (ii) obligations issued to currently refund any obligation to the extent that the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation. In addition, for purposes of this Section, the Issuer includes all entities that are aggregated with the Issuer under the Code.

Section 11. All action not inconsistent with provisions of this Resolution heretofore taken by the Board and officers of the Issuer relating to or in connection with the Loan Agreement, the Notes and the Loans shall be and the same hereby is ratified, approved, and confirmed.

Section 12. The officer(s) executing the documents approved by this Resolution are authorized to approve such changes to said documents as are necessary or desirable to carry out the purposes of this Resolution, and such approval by the officer(s) shall be evidenced by their execution of such documents.

Section 13. The officers and agents of the Issuer, and each of them, shall be and each is expressly authorized, empowered and directed from time to time and at any time to do and perform all acts and things and to execute, acknowledge and deliver in the name of and on behalf of the Issuer all agreements, letters of representation, certificates, financing statements, termination statements, hedge identification certificates, tax certificates, directions, requests, orders, instruments and other papers, whether or not herein mentioned, as they may determine to be necessary or desirable in order to carry out the terms and provisions of this resolution and of the Loans, as well as the terms and provisions of the Loan Agreement and the Notes, such determination to be conclusively evidenced by the performance of such acts and things and the execution of any such certificate, direction, request, order, financing statement, instrument or other paper.

Section 14. If any section, paragraph, clause, or provision of the Resolution, or any application thereof, shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision or application thereof shall not affect any of the remaining provisions or applications of this Resolution. In case any obligation of the Issuer authorized or established by this Resolution or the Loans is held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Issuer to the fullest extent permitted by law.

Section 15. The Board hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted for the time

required by law preceding this meeting, and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter thereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

Section 16. This Resolution shall take effect and be in full force and effect upon and after its passage.

ADOPTED this 23<sup>rd</sup> day of March, 2015.

\* \* \*

PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF THE CITY OF SHAVANO PARK, TEXAS HIGHER EDUCATION FACILITIES CORPORATION THIS 23RD DAY OF MARCH.

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President, Board of Directors

Attest:

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Secretary, Board of Directors

(SEAL)



EXHIBIT A

Tax-Exempt Loan Agreement is omitted at this point as it appears in executed forms elsewhere in the Transcript of Proceedings.

EXHIBIT B

FORM OF BORROWER NOTES

No. R- \_\_\_\_\_ PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

**PROMISSORY NOTE**

NEITHER THE STATE OF TEXAS (THE "STATE"), THE CITY OF SHAVANO PARK, TEXAS (THE "SPONSORING ENTITY"), NOR ANY POLITICAL, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THIS NOTE OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE SPONSORING ENTITY, OR ANY OTHER POLITICAL SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS NOTE.

INTEREST RATE:    MATURITY DATE:    DATE OF SERIES:

\_\_\_\_\_ %                      \_\_\_\_\_, \_\_\_\_\_                      April \_\_, 2015

**FOR VALUE RECEIVED, THE MONTESSORI SCHOOL OF SAN ANTONIO** (the "Borrower"), does hereby promise to pay to the order of the **CITY OF SHAVANO PARK, TEXAS HIGHER EDUCATION FACILITIES CORPORATION** (the "Issuer"), or, if the right to receive payment hereof has been assigned by the Issuer in accordance with the terms of the Tax-Exempt Loan Agreement (the "Loan Agreement") dated as of April \_\_, 2015, by and among the Issuer, the Borrower, and **JEFFERSON BANK** (the "Lender"), to such assignee, in lawful money of the United States of America, the Principal Amount set forth above, or such lesser amount as may have been advanced pursuant to the Loan Agreement, together with interest accrued thereon from the date of each advance, at the interest rate per annum in an amount equal to the Applicable Rate set forth above, Taxable Rate, or Default Rate (as defined in the Loan Agreement), as applicable, as set forth in the Loan Agreement, on the dates for payment set forth in the Loan Agreement. All unpaid principal and interest shall be due and payable on the Maturity Date (as defined in the Loan Agreement) or such earlier dates as are provided for pursuant to the terms of the Loan Agreement.

**UNLESS THE BORROWER SHALL BE IN DEFAULT** under the Loan Agreement (in which case the amounts paid hereon shall be applied first to the payment of the amount of such default), all sums paid hereon shall be applied first to the satisfaction of interest, and the balance to the unpaid principal amount of this Note.

**THE BORROWER SHALL HAVE THE RIGHT TO PREPAY** the Borrower Loan, in full or in part from time to time, on July 1, 2025 or any date thereafter, without penalty or prepayment charge. In connection with any such prepayment, the Issuer Loan shall be prepaid on the same date and in the same amount.

**THIS NOTE** is one of a series of the Borrower's Notes referred to in the Loan Agreement as the "Borrower Notes," and is subject to all of the terms, conditions, and provisions thereof, including those respecting the prepayment and the acceleration of maturity hereof.

**THE BORROWER** hereby acknowledges that, pursuant to the Loan Agreement, the Issuer is assigning to JEFFERSON BANK all of the Issuer's rights, title, and interest in and to this Note as security for payment of the principal and interest due and unpaid on the Issuer Note of even date herewith.

**THE HOLDER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.**

**THIS NOTE** is a contract made under and shall be construed in accordance with and governed by the laws of the State.

THE MONTESSORI SCHOOL OF SAN ANTONIO

By: \_\_\_\_\_  
Name: Abigail Ottmers  
Title: President

**ENDORSEMENT**

Pay to the order of Jefferson Bank (the "Lender") for the Loans made pursuant to the Loan Agreement, without recourse or warranty, except warranty of good title, warranty that the Issuer has not assigned this Note to a party other than the Lender, and warranty that the original stated principal amount hereof remains unpaid.

**THE LENDER SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY MONEY RAISED OR TO BE RAISED BY TAXATION.**

**CITY OF SHAVANO PARK, TEXAS HIGHER  
EDUCATION FACILITIES CORPORATION**

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

FORM OF SCHEDULE OF ADVANCES

**SCHEDULE OF ADVANCES**

<u>Date of Advance</u>	<u>Principal Amount Advanced</u>	<u>Remaining Principal Balance</u>	<u>Name and Title of Authorized Officer Making Entry</u>	<u>Signature of Authorized Officer</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

EXHIBIT C

FORM OF ISSUER NOTE

No. T-1

PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

**TAX-EXEMPT NOTE**

NEITHER THE STATE OF TEXAS (THE "STATE"), THE CITY OF SHAVANO PARK, TEXAS (THE "SPONSORING ENTITY"), NOR ANY POLITICAL SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THIS NOTE OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE SPONSORING ENTITY, OR ANY OTHER POLITICAL SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS NOTE.

INTEREST RATE:    MATURITY DATE:    DATE OF SERIES:

As Shown Below            As Shown Below            April \_\_, 2015

**FOR VALUE RECEIVED, CITY OF SHAVANO PARK, TEXAS HIGHER EDUCATION FACILITIES CORPORATION** (the "Issuer"), does hereby promise to pay to the order of the **JEFFERSON BANK** (the "Lender"), in lawful money of the United States of America, the Principal Amount set forth above, or such lesser amount as may have been advanced pursuant to the Loan Agreement, in the respective Principal Installments set forth below, together with interest accrued thereon from the date of each advance, at the interest rate per annum in an amount equal to the Applicable Rate, Taxable Rate, or Default Rate (as defined in the Tax-Exempt Loan Agreement dated as of March 23, 2015, by and among the Issuer, The Montessori School of San Antonio and the Lender (the "Loan Agreement"), as applicable, as set forth in the Loan Agreement, on the dates for payment set forth in the Loan Agreement. All unpaid principal and interest shall be due and payable on the Maturity Date (as defined in the Loan Agreement) or such earlier dates as are provided for pursuant to the terms of the Loan Agreement. The respective Principal Payment Dates, Principal Installments and Interest Rate for this Note are set forth in the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2016	200,000	2.00
2017	100,000	2.25
2018	125,000	2.50
2019	175,000	2.75
2020	200,000	3.00
2021	200,000	3.25
2022	175,000	3.50
2023	175,000	3.75
2024	200,000	4.00
2025	200,000	4.25
2026	200,000	4.50
2027	225,000	4.75

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2028	225,000	5.00
2029	250,000	5.25
2030	250,000	5.50
2031	275,000	5.75
2032	275,000	6.00
2033	300,000	6.25
2034	325,000	6.50
2035	350,000	6.75
2036	375,000	7.00
2037	400,000	7.25

**IN CONNECTION WITH ANY PREPAYMENT OF THE BORROWER LOAN** pursuant to Section 3.07 of the Loan Agreement, Issuer shall have the right to prepay the Issuer Loan (and shall do so if requested by the Borrower), in full or in part from time to time, on July 1, 2025 or any date thereafter, without penalty or prepayment charge.

**UNLESS THE ISSUER SHALL BE IN DEFAULT** under the Loan Agreement (in which case the amounts paid hereon shall be applied first to the payment of the amount of such default), all sums paid hereon shall be applied first to the satisfaction of interest, and the balance to the unpaid principal amount of this Note.

**THIS NOTE** is the Note referred to in the Loan Agreement as the “Issuer Note,” and is subject to all of the terms, conditions, and provisions thereof, including those respecting the prepayment and the acceleration of maturity hereof.

**THIS NOTE** is payable solely from the sources and funds provided in the Loan Agreement and from no other source. The holder of this Note shall have no recourse against the Issuer or any of its assets other than those provided in the Loan Agreement.

**THE HOLDER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.**

**THIS NOTE** is a contract made under and shall be construed in accordance with and governed by the laws of the State.

**CITY OF SHAVANO PARK, TEXAS HIGHER  
EDUCATION FACILITIES CORPORATION**

By: \_\_\_\_\_  
President, Board of Directors

Exhibit D

Construction Loan Agreement is omitted at this point as it appears in executed forms elsewhere in the Transcript of Proceedings.



CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS            §  
  §  
COUNTY OF BEXAR            §  
  §  
CITY OF SHAVANO PARK        §

I, the undersigned officer of the Board of Directors (the "Board") of the City of Shavano Park, Texas Higher Education Facilities Corporation (the "Corporation") do hereby certify as follows:

1. That the Board of Directors of the Corporation convened in special session on the 23<sup>rd</sup> day of March, 2015 at the regular meeting place of the Corporation; and the roll was called of the duly constituted officers and members of said Board, to-wit:

A. David Marne	President
Michele Bunting Ross	Vice President
Allan Barrier	Director
Mary Ann Hisel	Director
Bob Heintzelman	Director
Vicky Maisel	Director
_____	Director

and all of said persons were present except \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting: a written

RESOLUTION ACCEPTING APPLICATION RELATING TO A TAX-EXEMPT LOAN TO THE MONTESSORI SCHOOL OF SAN ANTONIO; AUTHORIZING SUCH LOAN AND THE INCURRENCE OF A TAX-EXEMPT LOAN IN THE SAME PRINCIPAL AMOUNT FROM JEFFERSON BANK (OR AN AFFILIATE) FOR THAT PURPOSE; AUTHORIZING THE LOAN AGREEMENT AND THE NOTES ASSOCIATED WITH SUCH LOANS; AUTHORIZING A PUBLIC HEARING, APPOINTING A HEARING OFFICER THEREFOR AND AUTHORIZING AND RATIFYING THE PUBLICATION OF NOTICE OF PUBLIC HEARING; AND AUTHORIZING OTHER MATTERS RELATING THERETO

was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried by a vote of \_\_\_\_ ayes, \_\_\_\_ noes, and \_\_\_\_ abstentions.

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at the meeting, and each of the officers and members

consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

SIGNED this 23<sup>rd</sup> day of March, 2015.

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Secretary, Board of Directors

TAX-EXEMPT  
LOAN AGREEMENT

by and among

CITY OF SHAVANO PARK, TEXAS HIGHER EDUCATION FACILITIES CORPORATION,

THE MONTESSORI SCHOOL OF SAN ANTONIO

and

JEFFERSON BANK

Dated as of

April \_\_, 2015

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TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01	Definitions.....	2
Section 1.02	Interpretative Matters.....	8

ARTICLE II

THE ISSUER LOAN; REPAYMENT OF THE ISSUER LOAN

Section 2.01	Financing the Issuer Loan.....	9
Section 2.02	Conditions to Closings.....	9
Section 2.03	Issuer Loan.....	10
Section 2.04	Periodic Advances of the Issuer Loan.....	11
Section 2.05	Issuer Loan Payments.....	12
Section 2.06	Issuer Loan Payments Due on Business Days.....	12
Section 2.07	Prepayment of Issuer Loan.....	12
Section 2.08	Limitation on Interest.....	12
Section 2.09	Payment of Issuer Loan; Limited Obligation.....	12
Section 2.10	Security; Agreement as Security Agreement.....	13
Section 2.11	Title.....	14

ARTICLE III

THE BORROWER LOAN; REPAYMENT OF THE BORROWER LOAN

Section 3.01	Financing the Borrower Loan.....	14
Section 3.02	Conditions to Closings.....	14
Section 3.03	Borrower Loan.....	15
Section 3.04	Flow of Funds at Closing; Payments of Issuance Costs.....	17
Section 3.05	Borrower Loan Payments.....	17
Section 3.06	Borrower Loan Payments Due on Business Days.....	17
Section 3.07	Prepayment of Borrower Loan.....	17
Section 3.08	Nature of Obligations of the Borrower.....	18

ARTICLE IV

REPRESENTATIONS

Section 4.01	Representations and Warranties of the Lender.....	18
Section 4.02	Representations and Warranties of the Issuer.....	18
Section 4.03	Representations and Warranties of the Borrower.....	20

ARTICLE V

REMEDIES

Section 5.01	Remedies Available .....	25
Section 5.02	Application of Money Collected.....	25
Section 5.03	Non-Exclusive Remedies.....	25
Section 5.04	Delays .....	26
Section 5.05	Limitation on Waivers .....	26

ARTICLE VI

DISCHARGE

Section 6.01	Discharge by Payment .....	26
--------------	----------------------------	----

ARTICLE VII

MODIFICATION OF DOCUMENTS

Section 7.01	Amendments Require Consent of the Lender.....	26
--------------	---	----

ARTICLE VIII

COVENANTS OF THE BORROWER

Section 8.01	Indemnification .....	26
Section 8.02	Reporting Requirements .....	29
Section 8.03	Additional Indebtedness.....	29
Section 8.04	Reserved as Placeholder .....	30
Section 8.05	Reserved as Placeholder .....	30
Section 8.06	Limitation on Liens.....	30
Section 8.07	Existence; Disposal of Assets; Consolidation and Mergers .....	30
Section 8.08	Taxes and Claims.....	30
Section 8.09	Compliance with Laws .....	30
Section 8.10	Compliance with Agreements.....	30
Section 8.11	Further Assurances.....	30
Section 8.12	Inspection of the Project and the Property .....	30
Section 8.13	Maintenance and Use.....	31
Section 8.14	Notices to the Lender .....	31
Section 8.15	No Establishment and No Impairment of Religion.....	31
Section 8.16	Tax Covenants .....	31

ARTICLE IX

MISCELLANEOUS

Section 9.01	Qualified Tax-Exempt Obligations.....	39
--------------	---------------------------------------	----

Section 9.02	Term of Agreement.....	40
Section 9.03	No CUSIP, Rating or Registration.....	40
Section 9.04	Notices .....	40
Section 9.05	Binding Effect; Assignment.....	41
Section 9.06	Entire Agreement; Conflict.....	41
Section 9.07	Severability .....	41
Section 9.08	Counterparts.....	41
Section 9.09	Applicable Law .....	41
Section 9.10	USA Patriot Act .....	41
Section 9.11	Issuer Note .....	41
Section 9.12	Limitation of Liability.....	41
SCHEDULE 1 PRINCIPAL PAYMENT SCHEDULE.....		S-1
EXHIBIT A	- FORM OF BORROWER NOTE .....	A-1
EXHIBIT B	- FORM OF ISSUER NOTE.....	B-1

## TAX-EXEMPT LOAN AGREEMENT

This TAX-EXEMPT LOAN AGREEMENT (this “Agreement”) dated as of April \_\_, 2015 is by and among CITY OF SHAVANO PARK, TEXAS HIGHER EDUCATION FACILITIES CORPORATION (the “Issuer”), THE MONTESSORI SCHOOL OF SAN ANTONIO (the “Borrower”), a Texas non-profit corporation, and JEFFERSON BANK (the “Lender”).

### WITNESSETH

WHEREAS, the Issuer has been created and organized pursuant to and in accordance with the provisions of the Chapter 53A, Texas Education Code, as amended (the “Act”); and

WHEREAS, the Borrower, (formerly known as the Judson Montessori School with respect to the 1999 Bond between the Borrower and Terrell Hills Higher Education Facilities Corporation), as evidence of certain outstanding loans from the Bank, has issued a bond to the Bank dated March 1, 1999 in the original principal amount of \$3,500,000, (the “1999 Bond”); and

WHEREAS, a total of approximately \$1,290,000 remains outstanding on the 1999 Bond; and

WHEREAS, certain proceeds of the 1999 Bond were used to finance costs of the Project (hereinafter defined), and the Borrower deems it desirable to repay the remaining outstanding amount of the 1999 Bond in full and finance certain costs of the Project with proceeds derived by the Borrower under this Agreement; and

WHEREAS, the Act authorizes the Issuer to issue obligations and lend funds to accredited primary and secondary schools for the purpose of financing educational facilities; and

WHEREAS, the Borrower has applied to the Issuer for a loan to be used to finance and refinance a portion of the costs of the Project (hereinafter defined); and

WHEREAS, the Borrower has further requested the Lender to make a loan to the Issuer, as authorized by the Act, for the purpose of providing funds to the Issuer to be used to make a loan to the Borrower for the purpose described above; and

WHEREAS, the Lender is willing to make such loan to the Issuer for the benefit of the Borrower, on the terms and conditions hereinafter set forth; and

WHEREAS, the Issuer is willing to loan the proceeds of such loan to the Borrower on the terms and conditions set forth herein;

WHEREAS, the Issuer has determined, based upon representations of the Borrower, that the funds provided to the Borrower hereunder will be used in furtherance of the public purposes of the Act to finance and refinance educational facilities to be used by an accredited primary or secondary school; and



NOW, THEREFORE, in consideration of the premises and other good and valuable consideration and the mutual benefits, covenants and agreements set forth below, the parties agree as follows:

## ARTICLE I

### DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01 Definitions. In addition to the words and terms defined elsewhere herein, the following capitalized words and terms are defined terms under this Agreement. When used herein, such words and terms shall have the meanings given to them by the language employed in this Article I defining such words and terms, unless the context clearly indicates otherwise. References to any party herein include such party and its permitted successors and assigns. Reference to any document or agreement means that document or agreement as amended or supplemented from time to time in accordance with this Agreement or such other document or agreement.

“*Advance Period*” means that 18 month period commencing on the Closing Date in which the Borrower will submit Borrower Requests for Periodic Advances, attached hereto as Exhibit C, to the Lender.

“*Affiliate*” of any Person means any other Person directly or indirectly controlling, controlled by, or under common control with, such Person.

“*Agreement*” means this Tax-Exempt Loan Agreement and any amendments hereto.

“*Applicable Rate*” means the respective interest rate applicable to each maturity of the Borrower Notes and associated principal Installment Payment of the issuer Note; provided, however, that if an Event of Default occurs and the Lender declares that he Loans, or any part thereof, shall be immediately due and payable, the Applicable Interest Rate shall be the Default Rate.

“*Authorized Representative*” means an officer or authorized representative of the Borrower, acting in such capacity.

“*Bond Counsel*” means Bracewell & Giuliani LLP or any other firm of attorneys of nationally-recognized expertise with respect to tax-exempt obligations of political subdivisions or other governmental entities, selected by the Borrower and acceptable to the Lender.

“*Borrower Documents*” means this Agreement, the Construction Loan Agreement, the Deed of Trust, the Account Security Pledge Agreement, the Disbursement Request and Authorization, Assignment of Construction Contract, Assignment of Plans and Specs, and all other documents executed by the Borrower in connection with the Loans.

“*Borrower Loan*” means the loan made on the Closing Date from the Issuer to the Borrower in the Principal Amount, payable under the terms provided in Article III hereof as evidenced by the Borrower Notes.

“*Borrower Loan Payments*” means the payments required to be made on each Interest Payment Date and on each Principal Payment Date by the Borrower in payment of the principal plus interest on the Borrower Loan.

“*Borrower Notes*” means the Borrower’s serial promissory notes delivered to the Issuer by the Borrower to evidence the Borrower Loan, substantially in the form attached hereto as Exhibit A and all extensions, renewals, and replacements thereof.

“*Borrower Request*” means a request, in the form of Exhibit C attached hereto made by the Borrower asking that a Periodic Advance be made under the provisions of the Loans.

“*Business Day*” means a day, other than a Saturday, Sunday, or other day on which the Lender and commercial banks in Shavano Park, Texas are authorized to be closed.

“*Closing*” means the delivery into escrow under the Escrow Agreement on the Closing Date of: (i) the documents required pursuant to Sections 2.02 and 3.02 hereof and (ii) the delivery of funds under the Issuer Loan and the Borrower Loan as described herein.

“*Closing Date*” means April \_\_, 2015.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time and the corresponding provisions, if any, of any successor internal revenue laws of the United States.

“*Construction Loan Agreement*” means the Construction Loan Agreement dated as of April \_\_\_\_\_, 2015 between the Lender and the Borrower identifying the terms and conditions for each Periodic Advance under this Agreement

“*Cost of Issuance*” means the costs and expenses incurred by the Issuer with respect to the authorization, execution and delivery of the Issuer Documents and all documentation and fees of legal counsel related thereto, the costs and expenses incurred by the Borrower with respect to the authorization, execution and delivery of the Borrower Documents and all documentation and fees of legal counsel related thereto, including the Issuer’s fee to be paid to the Issuer, and the costs and expenses incurred by the Bank with respect to the authorization, execution and delivery of the Issuer Documents and all documentation and fees of legal counsel related thereto, which costs and expenses are described in Section 147(g) of the Code.

“*Debt Service*” means the amounts needed to pay scheduled principal and interest on all Indebtedness during a fiscal year (or other period of time, as applicable).

“*Debtor Relief Laws*” means any applicable Laws pertaining to liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization, receivership, composition, extension or adjustment of debt, or similar Laws, domestic or foreign, affecting the rights or remedies of creditors generally, in effect from time to time.

“*Deed of Trust*” means the Deed of Trust, Security Agreement and Financing Statement, dated as of April \_\_, 2015 from the Borrower for the benefit of the Lender.

“*Default Rate*” means the maximum interest rate now or hereafter permitted by Chapter 1204, Texas Government Code, as amended.

“*Determination of Taxability*” means a final judgment or order of a court of original jurisdiction, a final order of any other court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on either or both of the Loans is not excludable from the gross income of the owners thereof for federal income tax purposes. With respect to the foregoing, a judgment or order of a court or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed and the time for filing such appeal or action has expired.

“*Event of Default*” means, unless waived in writing by the Lender, the occurrence of any of the following:

(a) the failure of the Issuer to make any payment required to be made hereunder or under the Issuer Note within five days after such payment becomes due;

(b) the failure of the Borrower to make any payment required to be made hereunder or under the Borrower Notes within five days after such payment becomes due;

(c) the failure of the Issuer or the Borrower to comply with any other covenant, condition, or agreement under the Issuer Documents, the Borrower Documents or the Loan Documents, respectively, or any other document related to or in connection with the Loans, and the continuation of such failure, if such failure is capable of being cured, for a period of 30 days after the date that is the earlier of the date on which the Issuer or the Borrower acquired actual knowledge of such failure or received written notice of such failure, given to the Issuer or the Borrower by the Lender;

(d) any representation, warranty, certification or statement made by the Borrower in any Loan Document shall prove to have been incorrect in any material respect when made or deemed made;

(e) the Borrower: (i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; (ii) generally is not paying its debts as such debts become due; (iii) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of the assets of such party, either in a proceeding brought by such party or in a proceeding brought against such party and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; (iv) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar Laws (all of the foregoing hereinafter collectively called “Applicable Bankruptcy Law”) or an involuntary

petition for relief is filed against such party under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming such party is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; (v) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon any property of such party; or (vi) fails to pay within thirty (30) days any final money judgment against such party;

(f) the liquidation, dissolution, merger or consolidation of the Borrower (except for any merger or consolidation permitted under this Agreement or consented to by the Lender); or

(g) any Loan Document or any provision thereof ceases to be in full force and effect; or the Borrower or the Issuer contests the validity or enforceability of any Loan Document or any provision thereof; or the Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document or any provision thereof.

“GAAP” or “generally accepted accounting principles” means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the Borrower.

“*Governing Body*” of any specified Person means the board of directors of board of trustees of such Person or any duly authorized committee of that board or if there be no board of trustees or board of directors, then the person or body which, pursuant to law or the organizational documents of such Person, is vested with powers similar to those vested in a board of trustees or board of directors. In the case of the Borrower, “*Governing Body*” means board of directors.

“*Indebtedness*” means obligations issued or incurred by the Borrower (whether secured or unsecured) for borrowed money, guarantees of the payment of money, capital leases which would appear as a liability on the Borrower’s balance sheet, installment purchase agreements for real or personal property, or other similar obligations and liabilities which, under GAAP, is or will be required to be capitalized on the books of the Borrower; provided, however, that “*Indebtedness*” shall not include trade accounts payable or legally defeased Indebtedness.

“*Interest Payment Date*” means each January 1, April 1, July 1, and October 1, commencing July 1, 2015.

“*Issuer Documents*” means, collectively, this Agreement, the Issuer Resolution and the Issuer Note.

“*Issuer Loan*” means the loan made on the Closing Date from the Lender to the Issuer in the Principal Amount, payable under the terms provided in Article II hereof as evidenced by the Issuer Note.

“*Issuer Loan Payments*” means the payments to be made on each Interest Payment Date and on each Principal Payment Date by the Issuer in payment of the principal plus interest on the Issuer Loan.

“*Issuer Note*” means the promissory note delivered to the order of the Lender by the Issuer to evidence the Issuer Loan, substantially in the form attached hereto as Exhibit B and all extensions, renewals, and replacements thereof.

“*Issuer Resolution*” means the resolution of the Board of Directors of the Issuer authorizing the execution and delivery of this Agreement and addressing other matters related thereto, and any amendments or supplements thereto.

“*Laws*” means all constitutions, treaties, statutes, laws, ordinances, codes, regulations, rules, orders, decisions, writs, injunctions, or decrees of the United States of America or any other Tribunal, now in effect and as hereafter amended, issued, promulgated or otherwise coming into effect.

“*Legal Requirements*” means all Laws, and all recorded or unrecorded agreements, covenants, restrictions, easements or conditions (including any requirement of any insurance or surety company or any board of fire underwriters), as now in effect and as hereafter amended, issued, promulgated or otherwise coming into effect.

“*Lien*” means any lien, security interest, mortgage, tax lien, financing statement, pledge, charge assignment, preference, priority or other encumbrance of any kind of nature, whether arising by contract, operation of law or otherwise.

“*Loan Documents*” means this Agreement, the Issuer Documents, the Borrower Documents, the Notes, all documents executed in connection therewith, and all other documents now or hereafter pertaining to the Loans, as amended from time to time.

“*Loans*” means the Issuer Loan and the Borrower Loan.

“*Material Adverse Effect*” means an effect resulting from any circumstance or event of whatever nature which does, or could reasonably be expected to, (i) adversely affect the validity or enforceability of any Loan Document, (ii) materially and adversely affect the financial condition, operations, business or assets of the Borrower, (iii) impair the ability of the Borrower to fulfill any material obligation under the Loan Documents, or (iv) cause an Event of Default.

“*Maturity Date*” means for the Issue, Note July 1, 2037 and for the Borrower Notes July 1 in of each years 2016 through 2037.

“*Notes*” means the Borrower Notes and the Issuer Note.

“*Obligations*” means (i) the unpaid principal balance of the Loans, together with all accrued unpaid interest thereon, (ii) all other outstanding indebtedness, fees, costs, expenses, charges, covenants, and obligations payable or performable under any Loan Document, and (iii) all renewals, extensions, amendments, modifications, increases and supplements thereof.

“*Opinion of Bond Counsel*” means an opinion of Bond Counsel that (i) upon issuance of the Bonds, the interest on the Bonds will be exempt from gross income of the owner for federal income taxation purposes; and (ii) in any other case, shall mean that the contemplated action to be taken with respect to the Bonds shall not in itself adversely affect such exemption.

“*Outstanding Balance*” means, with respect to either of the Loans, the unpaid principal thereof and interest accrued thereon.

“*Patriot Act*” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

“*Periodic Advance*” means an advance of funds on a Loan made under the terms of this Agreement as described in the Construction Loan Agreement.

“*Permitted Liens*” means (i) Liens existing as of the date hereof; (ii) purchase money Liens on personal property; and (iii) Liens consented to by the Lender which consent shall not be unreasonably withheld.

“*Person*” means firms, associations, partnerships (including limited partnerships), joint ventures, trusts, corporations, and other legal entities, including public or governmental bodies, agencies or instrumentalities, as well as natural persons.

“*Potential Default*” means any condition or event which after notice and/or lapse of time would constitute an Event of Default.

“*Principal Amount*” means \$5,200,000.

“*Principal Payment Date*” means each of the principal payment dates set forth on Schedule 1 hereto.

“*Project*” means the acquisition, construction, repair, renovation, improvement and/or equipping of educational facilities located or to be located on the campus of the Borrower at 17722 Rogers Ranch Parkway, San Antonio, Texas 78258, including but not limited to a facility to be used as a new middle school and gymnasium.

“*Regulations*” means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code, or to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“*Revenues*” means all unrestricted revenues, including but not limited to all gross receipts of the Borrower from any and all sources such as tuition, student fees, activity fees, unrestricted gifts, investment income on unrestricted funds, and other payments to the Borrower to be derived by the Borrower from its educational facilities, including but not limited to the Project and all other facilities of the Borrower, including but not limited to dormitories, snack bars, athletic facilities, dining rooms and bookstores. However, “Revenues” shall not include any restricted

revenues or funds, including restricted endowment funds, restricted gifts, or the restricted income therefrom.

“*Sponsoring Entity*” means the City of Shavano Park, Texas.

“*State*” means the State of Texas.

“*Taxable Rate*” means an interest rate, to be adjusted for the period during which the Taxable Rate is to be in effect hereunder, based upon the following formula: the Applicable Rate multiplied by \_\_\_; provided that, such Taxable Rate shall never exceed the maximum interest rate now or hereafter permitted by Chapter 1204, Texas Government Code, as amended.

“*Tribunal*” means any state, commonwealth, county, municipal, federal, foreign, territorial or other governmental body, court, administrative department, commission, board, bureau, district, authority, agency, or instrumentality, or any arbitration authority.

Section 1.02 Interpretative Matters. (a) Whenever the context requires:

(i) references in this Agreement of the singular number shall include the plural and vice versa; and

(ii) words denoting gender shall be construed to include the masculine, feminine, and neuter; and

(iii) references to any agreement or law shall mean that agreement or law as in effect from time to time; and

(iv) reference to any Person shall mean such person and its permitted successors and assigns.

(b) The table of contents and the titles given to any article or section of this Agreement are for convenience of reference only and are not intended to modify the meaning of the article or section.

## ARTICLE II

### THE ISSUER LOAN; REPAYMENT OF THE ISSUER LOAN

Section 2.01 Financing the Issuer Loan. Subject to the terms and conditions set forth in this Agreement, including without limitation the conditions set forth in Section 2.02, and for and in consideration of the payment by the Issuer of its obligations under this Agreement and the covenants and agreements herein contained, the Lender agrees to advance the Issuer the Issuer Loan to the Issuer up to the Principal Amount, in Periodic Advances, for the exclusive purpose of providing funds for the Issuer Loan to the Borrower to finance and refinance costs of the Project (which costs may include the acquisition, construction, enlarging, extending, repair, renovation, or otherwise improvement of the Project, as permitted by the Act: and to pay the Costs of Issuance.

Section 2.02 Conditions to Closings. The obligation of the Lender to make the Issuer Loan pursuant to Section 2.01 hereof shall be subject to the following conditions:

(a) On or prior to the Closing Date, the Lender shall have received each of the following documents:

- (i) a fully executed copy of this Agreement;
- (ii) the Issuer Resolution;
- (iii) an executed general certificate of the Issuer;
- (iv) the physical original executed Issuer Note to be held in possession by the Lender;
- (v) a physical original of each of the executed Borrower Notes endorsed by the Issuer to the Lender, to be held in possession by the Lender;
- (vi) a fully executed Construction Loan Agreement;
- (vii) a fully executed Deed of Trust;
- (viii) a fully executed Account Security Pledge Agreement;
- (ix) a fully executed Disbursement Request and Authorization;
- (x) a fully executed Assignment of Construction Contract;
- (xi) a fully executed Assignment of Plans and Specs;



(xii) an opinion of Bond Counsel addressing the exclusion of interest on the Issuer Loan from gross income for federal tax purposes and other matters; and

(xiii) an executed no-arbitrage tax certificate and IRS Form 8038 of the Issuer.

(b) The satisfaction of all conditions necessary to the closing of the Borrower Loan as set forth in Section 3.02 of this Agreement.

Section 2.03 Issuer Loan. (a) The Issuer Loan shall be evidenced by the Issuer Note. The Issuer Note shall be dated the Closing Date. Principal on the Issuer Loan shall be payable over a twenty-two (22) year period in annual principal installments specified below on each Principal Payment Date.

(b) Interest on the Issuer Loan shall accrue on the Outstanding Balance of the Issuer Loan from latter of the Closing Date or the most recent Interest Payment Date for which interest has been paid or duly provided for, until the earlier of the Maturity Date or the date that the Issuer Loan has been paid in full. Interest shall accrue at the same Applicable Rate as the Borrower Loan and shall be payable on each Interest Payment Date, on the Maturity Date and on any prepayment date of the Loans. Interest shall be calculated on the basis of a 360 day year for the actual number of days elapsed. The Lender shall give notice to the Borrower of the amount of the interest payment due on the next Interest Payment Date at least five (5) business days prior to such Interest Payment Date.

(c) The Issuer Loan shall mature on the Maturity Date, and any unpaid amounts of principal or accrued interest shall become due and payable on the respective Maturity Dates, in the respective Principal Installments, and at the respective applicable Interest Rates as set forth in the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
July 1, 2016	200,000	2.00
July 1, 2017	100,000	2.25
July 1, 2018	125,000	2.50
July 1, 2019	175,000	2.75
July 1, 2020	200,000	3.00
July 1, 2021	200,000	3.25
July 1, 2022	175,000	3.50
July 1, 2023	175,000	3.75
July 1, 2024	200,000	4.00
July 1, 2025	200,000	4.25
July 1, 2026	200,000	4.50
July 1, 2027	225,000	4.75
July 1, 2028	225,000	5.00
July 1, 2029	250,000	5.25
July 1, 2030	250,000	5.50

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
July 1, 2031	275,000	5.75
July 1, 2032	275,000	6.00
July 1, 2033	300,000	6.25
July 1, 2034	325,000	6.50
July 1, 2035	350,000	6.75
July 1, 2036	375,000	7.00
July 1, 2037	400,000	7.25

(d) Any payment made in an amount less than the full amount then due and payable shall be deemed to constitute a payment of interest to the extent of all accrued interest then due and payable and the remainder of such payment, if any, shall be applied to the reduction of the outstanding principal amount of the Issuer Loan.

(e) In the event the Issuer shall fail to make, when due, any of the Issuer Loan Payments required in this Section 2.03, the payment so in default shall bear interest at the Default Rate and continue at such rate until the amount in default shall have been fully paid.

(f) Upon the occurrence of a Determination of Taxability, the Borrower shall give prompt written notice thereof to the Lender and the Issuer. Upon the occurrence of a Determination of Taxability, the Loans shall no longer bear interest at the Applicable Rate but instead shall bear interest at the Taxable Rate retroactive to the date that interest is determined by the Internal Revenue Service to be includible in the gross income of the Lender.

(g) The Issuer will duly and punctually pay the principal and interest on the Issuer Loan in accordance with the terms of this Agreement; provided, however, that the Issuer Loan and the other obligations of the Issuer provided for herein shall be secured by and payable solely from a lien on, assignment and pledge of the Issuer's right, title and interest to the Borrower Loan Payments paid by the Borrower under this Agreement and the Borrower Note.

#### Section 2.04 Periodic Advances of the Issuer Loan.

(a) The Lender shall fund the Issuer Loan by advancing it in Periodic Advances. To facilitate the delivery of funds under the Loans, the Issuer hereby directs the Lender to advance each Periodic Advance of the Issuer Loan directly to or for the benefit of the Borrower, in the amounts specified in the Borrower Request and upon satisfaction of the terms and conditions of the Construction Loan Agreement; provided that the sum of all Periodic Advances shall never exceed the Principal Amount.

(b) The Bank shall not be obligated to advance Periodic Advances of the Bank Loan unless:

(i) a Borrower Request has been submitted to and approved by the Bank in accordance with the terms and conditions provided in the Construction Loan Agreement described in Section 3.04; and

- (ii) no Event of Default exists.

The making of such advances of such amounts by the Lender directly to or for the benefit of the Borrower pursuant to the above conditions shall be deemed to be the making of such advances by the Lender to the Issuer under the Issuer Loan and an advance of the same amount by the Issuer to the Borrower under the Borrower Loan.

Section 2.05 Issuer Loan Payments. The Issuer has assigned the Borrower Note to the Lender, and in connection therewith, the Issuer, the Borrower and the Lender have agreed that the Borrower will make Borrower Loan Payments directly to the Lender in satisfaction of both the Borrower's obligations under the Borrower Loan and the Issuer's obligations under the Issuer Loan.

Section 2.06 Issuer Loan Payments Due on Business Days. If the regularly scheduled due date for any Issuer Loan Payment is not a Business Day, the due date for such payment shall be the next succeeding Business Day, and payment made on such succeeding Business Day shall have the same force and effect as if made on the regularly scheduled due date.

Section 2.07 Prepayment of Issuer Loan.

(a) In connection with any prepayment of the Borrower Loan pursuant to Section 3.07, Issuer shall have the right to prepay the Issuer Loan (and shall do so if requested by the Borrower), in full or in part from time to time, on July 1, 2025 or any date thereafter, without penalty or prepayment charge.

(b) Written notice given to the Lender by the Borrower under Section 3.07 of this Agreement shall serve as adequate notice to the Lender of prepayment of the Issuer Loan.

Section 2.08 Limitation on Interest. All agreements contained herein and in the Notes and all other agreements between the Lender, the Borrower and the Issuer, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand, prepayment, or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid under either of the Loans exceed maximum permissible under Chapter 1204, Texas Government Code, as now or hereafter amended. If, from any circumstances whatsoever, interest on the Loans would otherwise be payable to the payee in excess of the maximum lawful amount, then the interest so payable shall be reduced to the maximum amount permitted under applicable law; and if from any circumstances the payee shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal of the applicable Loan and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the applicable Loan, such excess shall be refunded to the payor. All interest paid or agreed to be paid on the Loans to the payee shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full period of the Loan until payment in full of the principal so that the interest on the Loan for such full period shall not exceed the maximum amount permitted by applicable law. This paragraph shall control all agreements between the Lender, the Issuer and the Borrower.

Section 2.09 Payment of Issuer Loan; Limited Obligation.

(a) It is recognized that the Issuer's only source of funds with which to make the Issuer Loan Payments is from Borrower Loan Payments received from the Borrower pursuant to the Borrower Loan. Subject to such proviso, the Issuer shall make payments required hereunder from such sources without abatement, diminution or deduction (whether taxes or otherwise) regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Issuer may have or assert against the Lender or any other person. The Issuer Loan shall never be payable out of any other funds of the Issuer except revenues received by the Issuer from the Borrower as Borrower Loan Payments hereunder or under the Borrower Note.

(b) Until such time as the Issuer Loan is fully paid, the Issuer:

(i) will not suspend or discontinue any Issuer Loan Payment, or permit the suspension or discontinuance of any Borrower Loan Payments;

(ii) will perform and observe all of its other agreements contained in this Agreement; and

(iii) except by full payment and retirement of the Issuer Loan, will not terminate this Agreement for any cause.

(c) The Issuer shall have no right, title or interest in or to the Project. The Issuer shall not be responsible in any manner for any claims, losses, damages, penalties, costs, taxes, or fines with respect to the acquisition, construction, equipping, installation, operation, maintenance or ownership of the Project. The Issuer shall have no duties or responsibilities whatsoever with respect to the operation or maintenance of the Project or the performance of the Project for its designated purposes.

#### Section 2.10 Security; Agreement as Security Agreement.

(a) As security for the repayment of the Issuer Loan, the Issuer hereby assigns to the Lender, and grants to the Lender a security interest in, the Borrower Note and assigns to the Lender, and grants to the Lender a security interest in, the Issuer's right under this Agreement to receive the Borrower Loan Payments. An executed copy of this Agreement shall constitute a security agreement pursuant to applicable law, with the Lender as the secured party. The lien, pledge, and security interest in favor of the Lender created in this Agreement shall become effective immediately upon the Closing, and the same shall be continuously effective for so long as any portion of the Issuer Loan remains unpaid.

(b) A fully executed copy of this Agreement and the proceedings authorizing it shall be filed as a security agreement among the permanent records of the Issuer. Such records shall be open for inspection to any member of the general public and to any person proposing to do or doing business with, or asserting claims against, the Issuer, at all times during regular business hours. The security interest in favor of the Lender created hereby shall be effective upon the Closing Date until the earlier of the Maturity Date or upon prior payment in full of the Loans made hereunder.

(c) The provisions of this Section are prescribed pursuant to the Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, and other applicable laws of the State. If any other applicable law, in the opinion of counsel to the Issuer or in the opinion, reasonably exercised, of counsel to the Bank, requires any filing or other action additional to the filing pursuant to this Section in order to preserve the priority of the lien, pledge and security interest of the Bank created by this Agreement, the Issuer shall diligently make such filing or take such other action to the extent required by law to accomplish such result.

Section 2.11 Title. The Issuer shall have no right, title, or interest in and to the Project. Except for making the Issuer Loan to the Borrower from the source and in the manner provided in this Agreement, the Issuer shall not be responsible or liable in any manner for any claims, losses, damages, penalties, costs, taxes, or fines with respect to the acquisition, construction, equipping, furnishing, installation, operation, maintenance, or ownership of the Project. It is understood and agreed that the Issuer shall have no duties or responsibilities whatsoever with respect to the operation or maintenance of the Project, or the performance of the Project for its designed purposes.

### ARTICLE III

#### THE BORROWER LOAN; REPAYMENT OF THE BORROWER LOAN

Section 3.01 Financing the Borrower Loan. Subject to the terms and conditions set forth in this Agreement, including without limitation the conditions set forth in Section 3.02, and for and in consideration of the payment by the Borrower of its obligations under this Agreement and the covenants and agreements herein contained, the Issuer agrees to advance to and for the sole use and benefit of the Borrower the Borrower Loan up to the Principal Amount, in Periodic Advances, to finance and refinance costs of the Project (which costs may include the acquisition, enlarging, extending, repair, renovation, or otherwise improvement of the Project as permitted by the Act) and to pay the Costs of Issuance. The Borrower Loan shall amortize, mature and be due and payable on the same dates and in the same amounts as the Issuer Loan. Proceeds of the Borrower Loan shall be advanced as provided in Section 2.04 and Section 3.04 below.

Section 3.02 Conditions to Closings. The obligation of the Issuer to make the Borrower Loan pursuant to Section 3.01 hereof shall be subject to the following conditions:

(a) On the Closing Date, the Issuer shall have received each of the following documents:

- (i) a fully executed copy of this Agreement;
- (ii) a fully executed copy of the Construction Loan Agreement;
- (iii) an executed general certificate of the Borrower;
- (iv) a physical original of each of the executed Borrower Notes to be endorsed by the Issuer to the order of the Lender and to be delivered to the Lender;

- (v) a tax certificate of the Borrower;
- (vi) an opinion of counsel to the Borrower;
- (vii) a resolution of the governing body of the Borrower;
- (viii) a fully executed Deed of Trust;
- (ix) a fully executed Account Security Pledge Agreement;
- (x) a fully executed Disbursement Request and Authorization;
- (xi) a fully executed Assignment of Construction Contract; and
- (xii) a fully executed Assignment of Plans and Specs.

(b) The Lender shall have made the Issuer Loan to the Issuer in the Principal Amount to or at the direction of the Borrower.

(c) The satisfaction of all conditions necessary to the closing of the Issuer Loan as set forth in Section 2.02 of this Agreement.

Section 3.03 Borrower Loan. (a) The Borrower Loan shall be evidenced by the Borrower Notes in the aggregate principal amount equal to the Principal Amount of the Issuer Note, and numbered consecutively from R-1 upward. The Borrower Notes shall mature and be payable serially on July 1 in each of the years and in the respective principal amounts as set forth below. The Borrower Notes shall be dated the Closing Date. Principal on the Borrower Loan shall be payable on each Principal Payment Date. The respective Maturity Date, Principal Installments and Applicable Interest Rates for the Borrower Notes are set forth in the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
July 1, 2016	200,000	2.00
July 1, 2017	100,000	2.25
July 1, 2018	125,000	2.50
July 1, 2019	175,000	2.75
July 1, 2020	200,000	3.00
July 1, 2021	200,000	3.25
July 1, 2022	175,000	3.50
July 1, 2023	175,000	3.75
July 1, 2024	200,000	4.00
July 1, 2025	200,000	4.25
July 1, 2026	200,000	4.50
July 1, 2027	225,000	4.75

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
July 1, 2028	225,000	5.00
July 1, 2029	250,000	5.25
July 1, 2030	250,000	5.50
July 1, 2031	275,000	5.75
July 1, 2032	275,000	6.00
July 1, 2033	300,000	6.25
July 1, 2034	325,000	6.50
July 1, 2035	350,000	6.75
July 1, 2036	375,000	7.00
July 1, 2037	400,000	7.25

(b) Interest on the Borrower Loan shall accrue at the same rate and under the same terms as set forth for the Issuer Loan under Section 2.03(b).

(c) The Borrower Loan shall mature on each respective Maturity Date, and any unpaid amounts of principal or accrued interest shall become due and payable on such date.

(d) Any payment made in an amount less than the full amount then due and payable shall be deemed to constitute a payment of interest to the extent of all accrued interest then due and payable and the remainder of such payment, if any, shall be applied to the reduction of the outstanding principal amount of the Borrower Loan.

(e) In the event the Borrower shall fail to make, when due, any of the payments required in this Section 3.03, the payment so in default shall bear interest at the Default Rate and continue at such rate as an obligation of the Borrower until the amount in default shall have been fully paid.

(f) Upon the occurrence of a Determination of Taxability, the Borrower shall give prompt written notice thereof to the Lender and the Issuer. Upon the occurrence of a Determination of Taxability, the Loans shall no longer bear interest at the Applicable Rate but instead shall bear interest at the Taxable Rate retroactive to the date that interest is determined by the Internal Revenue Service to be includible in the gross income of the Lender.

(g) If the Lender determines after the Closing Date that any change in applicable laws, rules or regulations regarding capital adequacy, or any change in the interpretation or administration thereof by any appropriate governmental agency, or compliance with any request or directive to the Lender regarding capital adequacy (whether or not having the force of law) of any such agency, increases the capital required to be maintained with respect to the Issuer Loan and therefore reduces the rate of return on the Lender's capital below the level the Lender could have achieved but for such change or compliance, then the Borrower will pay to the Lender from time to time, within 30 days of the Lender's request, any additional amount required to compensate the Lender for such reduction. The Lender will request any additional amount by delivering to the Borrower a notice setting forth the amount necessary to compensate the Lender and in reasonable detail setting forth the basis for the computation of such amount (including the reason therefor). Such notice from the Lender will be conclusive and binding, absent manifest

error. The Lender may make any assumptions, and may use any allocations of costs and expenses and any averaging and attribution methods, which are reasonable.

Section 3.04 Flow of Funds at Closing; Payments of Issuance Costs.

(a) The Issuer shall fund each Periodic Advance of the Bank Loan to the Borrower from proceeds derived from the corresponding advances of Periodic Advances of the Bank Loan from the Bank.

(b) To facilitate funding Periodic Advances to the Borrower, the Issuer has directed the Bank, in Section 2.04, to cause each Periodic Advance of the Bank Loan to be funded directly to or for the benefit of the Borrower pursuant to the applicable Borrower Request and to the terms and conditions described in the Construction Loan Agreement. Pursuant to Section 2.04, the Lender agrees on the Closing Date and on the date of each Periodic Advance to deposit all proceeds of the loans in the amount of each Periodic Advance into a designated account of the Borrower (which account shall be a deposit account maintained by the Lender with account number \_\_\_\_\_ as agreed by Lender and Borrower. Such deposit shall be deemed to be the making of both the Issuer Loan and the Borrower Loan.

(c) The Borrower shall use such proceeds solely for payment of costs of the Project (including reimbursement to the Borrower for costs of the Project previously incurred). The Borrower further agrees to pay all costs of issuance in connection with the Loans from other available funds of the Borrower, including the reasonable fees of the Issuer, the Lender, Bond Counsel, and counsel to the Lender.

Section 3.05 Borrower Loan Payments. All Borrower Loan Payments shall be made when due on the applicable Interest Payment Date and Principal Payment Date and shall be paid by the Borrower directly to the Lender as the assignee of the Issuer and as holder of the Borrower Note at the Lender's designated place of payment. Borrower Loan Payments may be automatically debited by the Lender from a designated account of the Borrower.

Section 3.06 Borrower Loan Payments Due on Business Days. If the regularly scheduled due date for any Borrower Loan Payment is not a Business Day, the due date for such payment shall be the next succeeding Business Day, and payment made on such succeeding Business Day shall have the same force and effect as if made on the regularly scheduled due date.

Section 3.07 Prepayment of Borrower Loan. (a) The Borrower shall have the right to prepay the Borrower Loan, in full or in part from time to time, on July 1, 2025 or any date thereafter, without penalty or prepayment charge. In connection with any such prepayment, the Issuer Loan shall be prepaid on the same date and in the same amount.

(b) Notice of any such prepayment shall be given in writing by the Borrower to the Lender and the Issuer at least two Business Days prior to such prepayment. In connection with any prepayment, a payment made by the Borrower directly to the Lender shall be deemed a prepayment in such amount of both the Issuer Loan and the Borrower Loan.



Section 3.08 Nature of Obligations of the Borrower. The Borrower agrees that its obligations to make payments hereunder shall be absolute and unconditional, irrespective of any rights of set-off, diminution, abatement, recoupment or counterclaim the Borrower might otherwise have against any Person, and the Borrower will perform and observe all its payment obligations and covenants, representations and warranties hereunder without suspension and will not terminate the Borrower Documents for any cause. The Borrower covenants not to seek and hereby waives to the extent permitted by applicable law, the benefits of any rights which it may have at any time to any stay or extension of time for performance or to terminate, cancel or limit its liability under the Borrower Loan except through payment or deemed payment of the Borrower Loan as provided in the Borrower Documents.

The preceding paragraph shall not be construed to release the Issuer from the performance of any of its agreements contained in this Agreement, or except to the extent provided in this Section and Section 8.01, prevent or restrict the Borrower, at its own cost or expense, from prosecuting or defending any action or proceeding against or by third parties or taking any other action to secure or protect its rights in connection with the Project and its rights under the Borrower Documents.

#### ARTICLE IV

#### REPRESENTATIONS

Section 4.01 Representations and Warranties of the Lender. The Lender represents and warrants to the Issuer and the Borrower, the following, as of the date hereof:

(a) The Lender is duly organized and existing under the laws of the state of its incorporation, and has all necessary power and authority to enter into and perform its obligations under this Agreement.

(b) The Lender has taken all actions and received all approvals required to authorize and execute this Agreement and to perform its obligations hereunder. The execution, delivery and performance by the Lender of and compliance with the provisions of this Agreement will not conflict with any existing law, regulation, rule, decree or order or any agreement or other instrument by which the Lender is bound.

(c) This Agreement has been duly authorized and executed by the Lender, and is a legally valid and binding obligation of the Lender enforceable against the Lender in accordance with its terms, except as such enforceability may be affected by bankruptcy, insolvency or other creditors' rights or by application of equitable principles.

Section 4.02 Representations and Warranties of the Issuer. The Issuer represents and warrants to the Lender and the Borrower as follows, as of the date hereof:

(a) The Issuer is a non-profit corporation duly incorporated, organized, validly existing under the Act and is empowered to act as such on behalf of the Sponsoring Entity.

(b) The Issuer has all requisite power, authority and legal right to execute and deliver the Issuer Documents and all other instruments and documents to be executed and delivered by

the Issuer pursuant thereto, to perform and observe the provisions thereof and to carry out the transactions contemplated by the Issuer Documents. All corporate action on the part of the Issuer which is required for the execution, delivery, performance and observance by the Issuer of the Issuer Documents has been duly authorized and effectively taken, and such execution, delivery, performance and observance by the Issuer do not contravene applicable law or any contractual restriction binding on or affecting the Issuer.

(c) The Issuer has duly approved the borrowing of funds from the Lender and the lending of funds to the Borrower; no other authorization or approval or other action by, and no notice to or filing with any governmental authority or regulatory body (other than any filings or notices previously made or provided) is required as a condition to the performance by the Issuer of its obligations under any of the Issuer Documents.

(d) The Issuer Documents have been duly authorized and executed by the Issuer, and is a legally valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, except as such enforceability may be affected by bankruptcy, insolvency or other creditors' rights or by application of equitable principles.

(e) There is no pending or, to the knowledge of the Issuer, threatened action or proceeding before any court, governmental agency or department or arbitrator (i) to restrain or enjoin the execution or delivery of, or performance by the Issuer of its obligations under, the Issuer Documents, or (ii) in any way contesting or affecting the authority for the execution and delivery or the validity of the Issuer Documents.

(f) The execution and delivery of the Issuer Documents do not violate any provision of any instrument or agreement to which the Issuer is a party or by which it is bound.

(g) Tax Covenants.

(i) The Issuer covenants and agrees that until the final Maturity (as defined in Section 8.16(p) of this Agreement) of the Loans, based upon the Borrower's covenants in Section 8.16 of the Agreement, it will not use any money on deposit in any fund or account maintained in connection with the Loans, whether or not such money was derived from the proceeds of Loans or from any other source, in a manner that would cause the Loans to be arbitrage bonds, within the meaning of Section 148 of the Code.

(ii) The Issuer shall not knowingly use, or permit to the extent of its control the use, of any proceeds of the Loans or any other funds of the Issuer, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in the Loans being treated other than as an obligation described in Section 103(a) of the Code.

(iii) The Issuer will not knowingly use any portion of the proceeds of the Loans, including any investment income earned on such proceeds, directly or indirectly, to make or finance loans to persons who

are not Exempt Persons (as defined in Section 8.16(p) of this Agreement). For purposes of the preceding sentence, a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, constitutes a loan to a person who is not an Exempt Person.

(iv) The Issuer will not knowingly take any action, or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Issuer Loan, and in the event of such action or omission will promptly, upon receiving knowledge thereof, take all lawful actions, based on advice of counsel and at the expense of the Borrower, as may rescind or otherwise negate such action or omission.

(v) The Issuer will not take any action which would result in all or any portion of the Issuer Loan being treated as federally guaranteed within the meaning of Section 149(b)(2) of the Code.

(vi) For purposes of this Section, the Issuer's compliance shall be based solely on acts or omissions by the Issuer, and no acts, omissions or directions of the Borrower, the Lender or any other Persons shall be attributable to the Issuer.

All officers, employees and agents of the Issuer are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Issuer as of the Closing Date of the Loans. In complying with the foregoing covenants, the Issuer may rely from time to time upon an opinion of Bond Counsel to the effect that any action by the Issuer or reliance upon any interpretation of the Code or the Regulations contained in such opinion will not cause interest on the Issuer Loan to be includable in gross income for federal income tax purposes under existing law.

To the extent that published rulings of the Internal Revenue Service, or amendments to the Code or the Regulations require the modification of the covenants of the Issuer which are set forth in this Agreement or which are necessary for interest on the Issuer Loan to be excludable from gross income for federal income tax purposes in the opinion of Bond Counsel, the Issuer will cooperate with such modifications by agreeing to amendments to this Agreement.

Section 4.03 Representations and Warranties of the Borrower. The Borrower represents and warrants to the Lender and the Issuer as follows, as of the date hereof:

(a) The Borrower is a non-profit corporation duly incorporated, organized and validly existing under the laws of the State.

(b) The Borrower has all requisite power, authority and legal right to execute and deliver the Borrower Documents and all other instruments and documents to be executed and delivered by the Borrower pursuant thereto, to perform and observe the provisions thereof and to

carry out the transactions contemplated by the Borrower Documents. All corporate action on the part of the Borrower which is required for the execution, delivery, performance and observance by the Borrower of the Borrower Documents has been duly authorized and effectively taken, and such execution, delivery, performance and observation by the Borrower do not contravene applicable law, the Borrower's articles of incorporation or bylaws, or any contractual restriction binding on or affecting the Borrower.

(c) The Borrower has duly approved the borrowing of funds from the Issuer and the Lender; no other authorization or approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required as a condition to the performance by the Borrower of its obligations under any of the Borrower Documents.

(d) The Borrower Documents have been duly authorized and executed by the Borrower, and are legally valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be affected by bankruptcy, insolvency or other creditors' rights or by application of equitable principles.

(e) There is no default of the Borrower in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been incurred which does or could affect the validity and enforceability of the Borrower Documents or the ability of the Borrower to perform its obligations thereunder, and no event has occurred and is continuing under the provisions of any such instrument or agreement which constitutes or, with the lapse of time or the giving of notice, or both, would constitute such a default.

(f) The Borrower is an accredited primary or secondary school within the meaning of the Act.

(g) The execution and delivery of the Borrower Documents do not violate any provisions of any instrument or agreement to which the Borrower is a party or by which it is bound.

(h) Representations Regarding the Project.

(i) The Borrower intends to finance all or part of the Project during the term of this Agreement and will expend the proceeds of the Borrower Loan solely to finance the Project. The principal amount of the Borrower Loan is based upon the Borrower's most reasonable estimate of financing the Project as of the date hereof, which estimates are based upon sound engineering and accounting principles.

(ii) The Project is in furtherance of the public purposes of the Act to finance educational facilities to be used by an accredited primary or secondary school.

(iii) The Borrower has obtained or will obtain all permits and other governmental approvals necessary with respect to construction, and operation, and ownership of the Project.

(iv) The Borrower will not sell or otherwise dispose of the Project in a transaction resulting in the receipt by the Borrower of cash or other compensation unless the Borrower first obtains an opinion of Bond Counsel that such sale or other disposition will not adversely affect the exclusion from gross income of the Lender for federal income tax purposes of interest on the Issuer Loan.

(i) Certain Federal Tax Matters.

(i) The Borrower is an organization exempt from federal income taxation as provided in Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code;

(ii) The purposes, character, activities and methods of operation of the Borrower are not materially different from the purposes, character, activities and methods of operation at the time of its determination by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code (the “Determination”) or otherwise at the time of its organization as an exempt organization within the meaning of Section 501(c)(3) of the Code, or have been disclosed to the Internal Revenue Service and the Borrower has received confirmation that such activities or methods of operation do not materially adversely affect the status of the Determination;

(iii) The Borrower has not diverted a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes (a) for which it is organized or operated or (b) disclosed to the Internal Revenue Service in connection with the Determination;

(iv) The Borrower has not operated during its five most recent fiscal years or the current fiscal year, as of the date hereof, in a manner that would result in it being classified as an “action” organization within the meaning of Section 1.501(c)(3)-(1)(c)(3) of the Regulations including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

(v) With the exception of the payment of compensation (and the payment or reimbursement of expenses) which is not excessive and is for personal services which are reasonable and necessary to carrying out the purposes of the Borrower, no individual who would be a “foundation manager” within the meaning of Section 4946(b) of the Code with respect to the Borrower, nor any Person controlled by any such individual or individuals or any of their Affiliates, nor any Person having a personal or

private interest in the activities of the Borrower has acquired or received, directly or indirectly, any income or assets, regardless of form, of the Borrower during its current fiscal year and the five fiscal years preceding the current fiscal year, other than as reported to the Internal Revenue Service by the Borrower.

(vi) The Borrower is not a “private foundation” within the meaning of Section 509(a) of the Code;

(vii) The Borrower has not received any indication or notice whatsoever to the effect that its exemption under Section 501(a) of the Code by virtue of being an organization described under Section 501(c)(3) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

(viii) The Borrower has timely filed with the Internal Revenue Service all requests for determination, reports and returns required to be filed by it and such requests for determination, reports and returns have not omitted or misstated any material fact and has timely notified the Internal Revenue Service of any changes in its organization and operation since the date of the application for the Determination;

(ix) The Borrower has not devoted more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code;

(x) The Borrower has not taken any action, nor does it know of any action that any other Person has taken, nor does it know of the existence of any condition which would cause the Borrower to lose its exemption from taxation under Section 501(a) of the Code or cause interest on the Issuer Loan to be includable in the income of the recipients thereof for federal income tax purposes;

(xi) Taking into account the Issue Price (as defined in Section 8.16(p) of this Agreement) of the various maturities of the Issuer Loan, the average term of each of the Issuer Loan does not exceed 120 percent of the average reasonably expected economic life of the Project to be financed by such Loans, weighted in proportion to the respective cost of each item comprising the property the cost of which has been or will be financed, directly or indirectly, with the Net Proceeds (as defined in Section 8.16(p) of this Agreement) of such Issuer Loan. For purposes of the preceding sentence, the reasonably expected economic life of property shall be determined as of the later of (A) the Closing Date for the Issuer Loan or (B) the date on which such property is placed in service (or expected to be placed in service). In addition, land shall not be taken into account in determining the reasonably expected economic life of property, except

that, in the event 25 percent or more of the collective Net Proceeds of the Loans, directly or indirectly, have been expended for land, such land shall be treated as having an economic life of 30 years and shall be taken into account for purposes of determining the reasonably expected economic life of such property; and

(xii) All of the documents, instruments and written information supplied by or on behalf of the Borrower, which have been reasonably relied upon by Bond Counsel in rendering their opinion with respect to the exclusion from gross income of the interest on the Issuer Loan for federal income tax purposes or counsel to the Borrower in rendering their opinion with respect to the status of the Borrower under Section 501(c)(3) of the Code, are true and correct in all material respects, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to be stated therein to make the information provided therein, in light of the circumstances under which such information was provided, not misleading.

(j) Financial Statements. All financial statements and other financial information regarding the Borrower furnished by or on behalf of the Borrower to the Lender in connection with the Loan Documents and the Loans are true, correct, and complete as of the dates specified therein and fully and accurately present the financial condition of the Borrower as of the dates specified, all financial statements have been prepared in accordance with GAAP. No change has occurred in the Borrower's financial condition reflected therein since the respective dates of the financial statements for such Person delivered to the Lender which constitutes a Material Adverse Effect. The Borrower is solvent after giving effect to all loans and guaranties contemplated in the Loan Documents. The Borrower will keep accurate books and records in accordance with GAAP in which full, true and correct entries shall be promptly made with respect to the Project and the operation thereof. The Borrower shall permit the Lender, at all reasonable times, to examine and copy the books and records of the Borrower pertaining to the Project.

(k) Litigation. There is no pending or, to the knowledge of the Borrower, threatened action or proceeding before any court, governmental agency or department or arbitrator (i) to restrain or enjoin the execution or delivery of the Borrower Documents, or (ii) in any way contesting or affecting the authority for the execution and delivery or the validity of the Borrower Documents or (iii) in any way contesting the powers of the governing body of the Borrower. Except as disclosed in writing by the Borrower to the Lender prior to the Closing Date, there is no pending (or, to the knowledge of the Borrower, threatened) litigation (i) to restrain or enjoin the execution or delivery of this Agreement, (ii) in any way contesting or affecting the authority of the Borrower to execute and deliver the Borrower Documents or in any way contesting or affecting the validity of the Borrower Documents, (iii) involving or affecting the Project, the Borrower, the validity, enforceability, or priority of any of the Loan Documents, or (iv) which constitutes a Material Adverse Effect.

(l) Use of Funds. The Borrower shall use the proceeds of the Borrower Loan only for the specific purposes provided in Article II and IV hereunder.

(m) Other Representations and Warranties. Any certificate with respect to factual or financial matters signed by an officer or other authorized representative of the Borrower and delivered to the Issuer shall be deemed a representation and warranty by the Borrower as to the statements made therein.

Each of the foregoing representations and warranties shall be deemed to have been made as of the date of this Agreement.

## ARTICLE V

### REMEDIES

Section 5.01 Remedies Available. (a) Upon the occurrence of any Event of Default and at any time thereafter for so long as the Event of Default has not been cured, the Lender may take any action at law or in equity to collect all amounts then due under this Agreement and to enforce compliance with any other obligation of the Issuer or the Borrower under this Agreement.

(b) In addition to the remedies provided in subsection (a) of this Section, the Lender shall, to the extent permitted by law, be entitled to recover from the Borrower the costs and expenses, including attorney's fees and court costs, incurred by the Lender in the proceedings authorized under subsection (a) of this Section.

(c) Should an Event of Default occur, the Lender may but without any obligation to do so, at its option and at any time, and without presentment, demand, or protest, notice of default, dishonor, demand, non-payment, or protest, notice of intent to accelerate all or any part of the Loans, notice of acceleration of all or any part of the Loans, or notice of any other kind, all of which the Issuer and the Borrower hereby expressly waive, except for any notice required by applicable statute which cannot be waived: (i) declare the Loans, or any part thereof, immediately due and payable, whereupon the same shall be due and payable; (ii) reduce any claim to judgment; and/or (iii) exercise any and all rights and remedies afforded by any of the Borrower Documents, Issuer Documents, or by law or equity or otherwise, as the Lender deems appropriate.

(d) Upon the occurrence of any Event of Default and at any time thereafter for so long as the Event of Default has not been cured, the Loans shall bear interest at the Default Rate rather than the Applicable Rate. For the avoidance of doubt, the imposition of the Default Rate as a result of the occurrence of an Event of Default shall be in addition to all other rights and remedies of the Lender related thereto, at law or in equity, or under this Agreement.

Section 5.02 Application of Money Collected. Any money collected as a result of the taking of remedial action pursuant to this Article V, including money collected as a result of foreclosing the liens of this Agreement, shall be applied to the payment of the Loans.

Section 5.03 Non-Exclusive Remedies. No remedy conferred upon or reserved to the Lender by this Agreement is intended to be exclusive of any other available remedy, and each such remedy shall be in addition to any other remedy given under this Agreement or the other Issuer Documents or Borrower Documents or now or hereafter existing at law or in equity.



Section 5.04 Delays. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or be construed to be a waiver thereof, and all such rights and powers may be exercised as often as may be deemed expedient.

Section 5.05 Limitation on Waivers. If an Event of Default is waived, such waiver shall be limited to the particular Event of Default so waived and shall not be deemed a waiver of any other Event of Default; provided, that no waiver of an Event of Default shall be effective unless such waiver is made in writing by the Lender.

## ARTICLE VI

### DISCHARGE

Section 6.01 Discharge by Payment. When the Issuer Loan and the Borrower Loan have been paid in full (including all interest that has accrued thereon or that may accrue to the date of maturity or prepayment, as applicable), and all other amounts payable by the Issuer and the Borrower under this Agreement have been paid, the liens of this Agreement shall be discharged and released, and the Lender, upon receipt of a written request by the Borrower and the payment by the Borrower of the reasonable expenses with respect thereto, shall discharge and release the lien of this Agreement and execute and deliver to the Borrower such releases or other instruments as shall be requisite to release the lien hereof.

## ARTICLE VII

### MODIFICATION OF DOCUMENTS

Section 7.01 Amendments Require Consent of the Lender. The Issuer and the Borrower may not amend, or agree or consent to amendment of, the Issuer Documents or the Borrower Documents except in writing signed by both parties and with the prior written consent of the Lender. The Borrower and the Lender may agree to any amendment or waiver of any of the provisions contained in Article VIII (except Section 8.01 and 8.16) without the consent of the Issuer; such provisions having been made for the exclusive benefit of the Lender. The Borrower will provide prompt written notice to the Issuer of any such amendment.

## ARTICLE VIII

### COVENANTS OF THE BORROWER

Section 8.01 Indemnification.

(a) Agreements to Indemnify. **THE BORROWER AGREES THAT IT WILL AT ALL TIMES INDEMNIFY AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES AGAINST ANY AND ALL LOSSES, INCLUDING LOSSES AS A RESULT OF THE NEGLIGENT ACTS OR OMISSIONS OR THE STRICT LIABILITY OF ANY INDEMNIFIED PARTY, OTHER THAN LOSSES RESULTING FROM GROSS NEGLIGENCE, FRAUD, WILLFUL MISCONDUCT OR THEFT ON THE PART OF THE INDEMNIFIED PARTY CLAIMING INDEMNIFICATION.**

(b) Release. **NONE OF THE INDEMNIFIED PARTIES SHALL BE LIABLE TO THE BORROWER FOR, AND THE BORROWER HEREBY RELEASES EACH OF THEM FROM, ALL LIABILITY TO THE BORROWER FOR, ALL INJURIES, DAMAGES OR DESTRUCTION TO ALL OR ANY PART OF ANY PROPERTY OWNED OR CLAIMED BY THE BORROWER OR ANY ECONOMIC LOSSES CLAIMED BY THE BORROWER THAT DIRECTLY OR INDIRECTLY RESULT FROM, ARISE OUT OF OR RELATE TO THE DESIGN, CONSTRUCTION, OPERATION, USE, OCCUPANCY, MAINTENANCE OR OWNERSHIP OF ANY PROJECT OR ANY PART THEREOF, EVEN IF SUCH INJURIES, DAMAGES OR DESTRUCTION DIRECTLY OR INDIRECTLY RESULT FROM, ARISE OUT OF OR RELATE TO, IN WHOLE OR IN PART, ONE OR MORE ACTS OR OMISSIONS, INCLUDING ACTS OR OMISSIONS CONSTITUTING NEGLIGENCE OR THE STRICT LIABILITY ON THE PART OF ANY INDEMNIFIED PARTY (BUT NOT INCLUDING ACTS OR OMISSIONS CONSTITUTING FRAUD, WILLFUL MISCONDUCT OR THEFT ON THE PART OF THE INDEMNIFIED PARTY CLAIMING RELEASE) IN CONNECTION WITH THE ISSUANCE OF THE LOANS OR IN CONNECTION WITH THE PROJECT.**

(c) Subrogation. Each Indemnified Party, as appropriate, shall reimburse the Borrower for payments made by the Borrower pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any other source (but not from the proceeds of any claim against any other Indemnified Party) with respect to any Loss to the extent necessary to prevent a multiple recovery by such Indemnified Party with respect to such Loss. At the reasonable request and expense of the Borrower, each Indemnified Party shall claim or prosecute any such rights of recovery from other sources (other than any claim against another Indemnified Party) and such Indemnified Party shall assign its rights to such rights of recovery from other sources (other than any claim against another Indemnified Party), to the extent of such required reimbursement, to the Borrower.

(d) Notice. In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the Borrower, such Indemnified Party promptly shall notify the Borrower in writing.

(e) Defense. The Borrower shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the Borrower, in writing, (ii) the Borrower has failed after receipt of notice of such Claim to assume the defense and to employ counsel, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the Borrower, and the Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Borrower (in which case, if such Indemnified Party notifies the Borrower in writing that it elects to employ separate counsel at the Borrower's expense, the Borrower shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that

the Borrower shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by the Indemnified Parties).

(f) Cooperation; Settlement. Each Indemnified Party shall cooperate with the Borrower in the defense of any action or Claim. The Borrower shall not be liable for any settlement of any action or Claim without the Borrower's consent but, if any such action or Claim is settled with the consent of the Borrower or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the Borrower shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment to the extent provided in Subsection (a).

(g) Survival; Right to Enforce. The provisions of this Section shall survive the termination of this Agreement, and the obligations of the Borrower hereunder shall apply to Losses or Claims under Subsection (a) whether asserted prior to or after the termination of this Agreement. In the event of failure by the Borrower to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Section. The obligations of the Borrower under this Section shall not be affected by any assignment or other transfer by the Issuer of its rights, titles or interests under this Agreement and will continue to inure to the benefit of the Indemnified Parties after any such transfer. The provisions of this Section shall be cumulative with and in addition to any other agreement by the Borrower to indemnify any Indemnified Party.

(h) Definitions. The following terms have the meanings assigned to them below whenever they are used in this Agreement:

“Claims” shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action or impleader) any Indemnified Party, even if groundless, false, or fraudulent, so long as the claim, lawsuit, cause of action or other legal action or proceeding is alleged or determined, directly or indirectly, to arise out of, to result from, to relate to or to be based upon, in whole or in part: (a) the making of the Loans, (b) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the making, administration or enforcement of the Loans, or the obligations of the various parties arising under the Borrower Documents or the Issuer Documents, or (c) the duties, activities, acts or omissions (even if negligent) of any Person in connection with the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Project or any part thereof.

“Indemnified Party” shall mean one or more of the Issuer, the Sponsoring Entity, the Lender, Jefferson Bank (an affiliate of the Lender), and any of their respective officers, directors, councilpersons, commissioners, officials,

consultants, agents, servants and employees, and any successor to any of such Persons.

“Losses” means losses, costs, damages, expenses, judgments, and liabilities of whatever nature (including, but not limited to, reasonable attorney’s, accountant’s and other professional’s fees, litigation and court costs and expenses, amounts paid in settlement and amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other Person under any arrangement providing for indemnification of that Person) directly or indirectly resulting from arising out of or relating to one or more Claims.

Section 8.02 Reporting Requirements. Borrower will deliver to the Lender:

(a) Annual Financial Statements. Within 150 days after the end of each fiscal year of Borrower, a copy of the annual audited financial statements of Borrower for such fiscal year, prepared in accordance with generally accepted accounting principles and certified by independent certified public accountants of recognized standing acceptable to the Lender.

(b) Quarterly Financial Statements. Within 45 days after the end of each fiscal quarter of the Borrower, a copy of the unaudited financial statements of Borrower as of the end of such fiscal quarter and for the portion of the fiscal year then ended, containing balance sheets and statements of income, in each case setting forth in comparative form the figures for the corresponding period of the preceding fiscal year, all in reasonable detail and certified (subject to normal year-end adjustments) by an officer of the Borrower to fairly and accurately present the financial condition and results of operations of Borrower at the date and for the periods indicated therein.

(c) Quarterly Compliance Statements.

Within 45 days after the end of each second fiscal quarter of the Borrower and within 150 days after the end of each fiscal year of the Borrower, a certificate of an officer of the Borrower: (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 8.04 and 8.05 as of the last date of the applicable fiscal quarter or fiscal year and (ii) stating that no Event of Default exists on the date of such certificate or, if any Event of Default does then exist, setting forth the details thereof.

(d) Quarterly Capital Campaign Summary. Within 45 days after the end of each fiscal quarter of the Borrower, a capital campaign summary in form and substance satisfactory to the Lender.

(e) Other Information. Such other financial or reporting information of the Borrower as the Lender reasonably requests in writing from time to time.

Section 8.03 Additional Indebtedness. After the date of this Agreement, the Borrower will not incur any additional Indebtedness secured by a pledge of Revenues on parity basis with the pledge of Revenues securing the Borrower Note without the prior written consent with the Lender.

Section 8.04 Reserved as Placeholder.

Section 8.05 Reserved as Placeholder.

Section 8.06 Limitation on Liens. The Borrower will not incur, create, assume or permit to exist any Liens upon the Project or any portion thereof without the consent of the Lender, except for (a) liens in favor of the Lender, (b) purchase money Liens securing Indebtedness permitted by Section 8.03, (c) Permitted Liens, (d) encumbrances consisting of minor easements, zoning restrictions or other restrictions on the use of real property that do not (individually or in the aggregate) materially affect the value of the assets encumbered thereby or materially impair the ability of Borrower to use such assets in its business, and none of which is violated in any material aspect by existing or proposed structures or land use, (e) Liens for taxes, assessments or other governmental charges which are not delinquent or which are being contested in good faith, for which adequate reserves have been established and with respect to which no Lien has been filed of record, and (f) Liens of mechanics, materialmen, warehousemen, carriers or other similar statutory Liens securing obligations that are not yet due and are incurred in the ordinary course of business.

Section 8.07 Existence; Disposal of Assets; Consolidation and Mergers. Borrower, during the term of this Agreement, will maintain its corporate existence, will not dissolve or dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it without prior written consent of the Lender, which consent will not be unreasonably withheld.

Section 8.08 Taxes and Claims. Borrower will pay or discharge, at or before maturity or before becoming delinquent, all taxes, levies, assessments and governmental charges imposed on it or its income or profits or any of its property (including the Project) and all lawful claims for labor, material and supplies, which, if unpaid, might become a Lien upon any of its property (including the Project); provided, however, that Borrower shall not be required to pay or discharge any tax, levy, assessment or governmental charge with respect to which no Lien has been filed of record, which is being contested in good faith by appropriate proceedings diligently pursued and for which adequate reserves have been established.

Section 8.09 Compliance with Laws. Borrower will comply in all material respects with all applicable laws, rules, regulations and orders of any court, governmental authority or arbitrator.

Section 8.10 Compliance with Agreements. Borrower will comply in all material respects with all material agreements, contracts and instruments binding on it or affecting its properties or business.

Section 8.11 Further Assurances. Borrower will execute and deliver such further instruments as may be requested by the Lender to carry out the provisions and purposes of this Agreement and to preserve and perfect the Liens of the Lender.

Section 8.12 Inspection of the Project and the Property. With reasonable prior notice, the Lender and its representatives may enter upon the Project to inspect the Project at all reasonable times. The Borrower will cooperate and assist in such inspections.

Section 8.13 Maintenance and Use. The Borrower will maintain the Project in good condition and cause all necessary repairs to be made in an expedient manner. The Borrower will maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by organizations engaged in the same or similar businesses operating in the same or similar locations.

Section 8.14 Notices to the Lender. The Borrower shall promptly notify the Lender in writing of any of the following events, specifying in each case the action, if any, the Borrower has taken or proposes to take with respect thereto: (a) the existence of any Event of Default, (b) the occurrence of a Determination of Taxability, or (c) an event that could have a Material Adverse Effect on the Borrower.

Section 8.15 No Establishment and No Impairment of Religion. The parties intend that the Loans will be made in strict compliance with all applicable laws and constitutional provisions of the United States of America and the State of Texas. The Borrower agrees that to the full extent required from time to time by applicable laws and the Constitution of the United States of America and/or by applicable laws and the Constitution of the State of Texas in order for the Loans and the transaction contemplated by this Agreement to be made and effected in compliance with such applicable laws and provisions, no part of the Project financed with proceeds of the Borrower Loan shall be used primarily for sectarian instruction or primarily as a place of religious worship or as a facility primarily used in connection with any part of a program (a) of a school or department of divinity for any religious denomination, or (b) for the training of priests, ministers, rabbis, or other similar persons in the field of religion. Provided however that to the extent that any of the foregoing restricted set forth in this section shall at any time not be required in order for the Borrower Loan and other transaction under this Agreement to be made and effected in compliance with the applicable laws and constitutional provisions, then such restrictions shall, to that extent, be without any force and effect.

Section 8.16 Tax Covenants. The Borrower will not knowingly take, or omit to take, any action that will adversely affect the exclusion from gross income for federal income tax purposes of interest paid on the Issuer Loan, and, in the event of such action or omission, it will promptly upon having such brought to its attention, take such reasonable actions based upon advice of counsel and, in all cases, at the sole expense of the Borrower as may rescind or otherwise negate such action or omission. Certain terms used in this Section are defined in subsection (p) below. With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees that prior to the final Maturity of the Loans, and, with respect to subsection (g) hereof for 60 days past the final Maturity of the Loans, unless it has received and filed with the Issuer and the Lender an opinion of Bond Counsel to the effect that failure to comply with any such covenant or agreement, in whole or in part, will not adversely affect the exclusion from gross income for federal income tax purposes of interest paid or payable on Issuer Loan.

(a) Maintenance of Exempt Status. The Borrower will (i) conduct its operations in a manner that will result in its continued qualification as an organization described in Section 501(c)(3) of the Code as described in Sections 4.03(k)(i) through 4.03(k)(ii), inclusive, of this Agreement, and (ii) timely file or cause to be filed all materials, returns, reports and other documents which are required to be filed with the Internal Revenue Service.

(b) Diversion of Funds for Unrelated Purposes. The Borrower will not divert any substantial part of its corpus or income for a purpose or purposes other than those for which it is organized and operated as described in Sections 4.03(k)(i) through 4.03(k)(x), inclusive of this Agreement.

(c) Ownership of Project. All of the property financed with the Net Proceeds of the Loans will, at all times prior to final Maturity of the Loans, be owned or utilized for federal income tax purposes by the Borrower or by another Exempt Person.

(d) Limit on Costs of Issuance. The Sale Proceeds of the Loans will be expended for the purposes set forth in this Agreement and no portion thereof in excess of 2 percent of the proceeds of the Loans, within the meaning of Section 147(g) of the Code, will be expended to pay Costs of Issuance with respect to the Loans.

(e) Use of Net Proceeds. The Borrower will not use or permit to be used, directly or indirectly, in any trade or business carried on by any person who is not an Exempt Person more than 5 percent of the Net Proceeds of the Loans. For purposes of the preceding sentence, (i) use of Net Proceeds by an organization described in Section 501(c)(3) of the Code with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute a use by an Exempt Person; (ii) use of any property financed with the Net Proceeds of the Loans constitutes use of such Net Proceeds to the extent of the cost of such property financed with such Net Proceeds; (iii) any use of the Net Proceeds of the Loans in any manner contrary to the guidelines set forth in Revenue Procedure 97-13, 1997-1 C.B. 632 (as modified by Revenue Procedure 2001-39, 2001-2 C.B. 38) shall constitute the use of such proceeds in the trade or business of a Person who is not an Exempt Person; and (iv) any use of Net Proceeds of the Loans to pay Costs of Issuance shall constitute the use of such proceeds in the trade or business of one who is not an Exempt Person.

(f) Loans of Sale Proceeds. The Borrower will not use or permit the use of any portion of the Sale Proceeds of the Loans, directly or indirectly, to make or finance loans to Persons who are not Exempt Persons. For purposes of the preceding sentence, (i) a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute a loan to an Exempt Person and (ii) any transaction which constructively transfers ownership of property financed with Sale Proceeds of the Loans for federal income tax purposes constitutes a loan of such Sale Proceeds.

(g) Rebate. The Borrower agrees to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code, including:

(i) Delivery of Documents and Money on Computation Dates.  
The Borrower shall deliver to the United States Treasury, within 55 days after each Computation Date,

(A) a statement, signed by an officer of the Borrower, stating the Rebate Amount as of such Computation Date; and

(B) (1) if such Computation Date is an Installment Computation Date, an amount which, together with any amount then held for the credit of a rebate fund, is equal to at least 90 percent of the Rebate Amount in respect of such Issuer Loan as of such Installment Computation Date, less any prior payments made to the United States for rebatable arbitrage in respect of the Issuer Loan, (2) if such Computation Date is the Final Computation Date, an amount which, together with any amount then held for the credit of a rebate fund in respect of the Issuer Loan, is equal to the Rebate Amount as of such Final Computation Date, less any prior payments made to the United States for rebatable arbitrage in respect of the Issuer Loan, or (3) if such Computation Date is an Expenditure Date, an amount which, together with any amount then held for the credit of a rebate fund in respect of the Issuer Loan, is equal to the Rebate Amount in respect of the Issuer Loan as of such Expenditure Date; and

(C) an Internal Revenue Service Form 8038 T completed as of such Computation Date.

(ii) Correction of Underpayments. If the Borrower shall discover or be notified as of any date that any payment paid to the United States Treasury of an amount described in subsection (g)(i)(B) above shall have failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Borrower or the Issuer), the Borrower shall (A) pay to the United States Treasury, together with any penalty and/or interest due, as specified in Section 1.148-3(h) of the Regulations, within 175 days after any discovery or notice and (B) deliver to the United States Treasury an Internal Revenue Service Form 8038-T completed as of such date. If such Rebate Amount, together with any penalty and/or interest due, is not paid to the United States Treasury in the amount and manner and by the time specified in the Regulations the Borrower shall take such steps as are necessary to prevent the Issuer Loan from becoming an arbitrage bond, within the meaning of Section 148 of the Code.

(iii) Records. The Borrower shall retain all of its accounting records relating to the Loans, and all calculations made in preparing the statements described in this subsection (g) for at least six years after the later of the final Maturity of the Loans or the first date on which the Loans are no longer outstanding.

(iv) Fees and Expenses. The Borrower agrees to pay all of the fees and expenses of a nationally-recognized bond counsel, a certified



public accountant and any other necessary consultant employed by the Borrower or the Issuer in connection with computing the Rebate Amount.

(v) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Loans that is not purchased at fair market value or includes terms that the Borrower would not have included if the Issuer Loan was not subject to Section 148(f) of the Code.

(vi) Modification of Requirements. If at any time during the term of this Agreement the Issuer, the Lender, or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section, such Person shall be permitted to take such action if it shall first obtain and provide to the other Persons named herein an opinion of Bond Counsel to the effect that such action shall not adversely affect the exclusion of interest on the Issuer Loan from gross income of the holders thereof for federal income tax purposes and shall be in compliance with the laws of the State of Texas and the terms of this Agreement.

(h) Limit on Nonhospital Bonds. At least 95 percent of the Net Proceeds will be used to finance capital expenditures incurred after August 5, 1997 such that the \$150,000,000 limitation on nonhospital bonds imposed under Section 145(b) of the Code will not apply to the Issuer Loan.

(i) “Federally Guaranteed” Obligations. The Borrower will not cause the Issuer Loan to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(j) Prohibited Facilities. None of the Proceeds of the Loans will be used to provide any airplane, sky-box or other private luxury box, facility primarily used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(k) Information Reporting Requirements. The Borrower will comply with the information reporting requirements of Section 149(e)(2) of the Code requiring certain information regarding the Issuer Loan to be filed with the Internal Revenue Service within prescribed time limits.

(l) Yield on Investment of Gross Proceeds. The Borrower will restrict the cumulative, blended Yield on the investment of the Gross Proceeds of the Loans, to the Yield of such Loans, other than amounts (i) not subject to yield restriction due to any applicable temporary period under Section 148(c) of the Code, deposit in a Reasonably Required Reserve or Replacement Fund, a rebate fund, a bona fide debt service fund, or as a minor portion, or (ii) invested at a restricted yield by virtue of being invested in obligations described in Section 103(a) of the Code that are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Code to the extent required by the Code or the Regulations.

(m) Notification of the Internal Revenue Service. The Borrower will timely notify the Internal Revenue Service of any changes in its organizational documents or method of operations to the extent that the Internal Revenue Service does not already have knowledge of any such changes.

(n) No Arbitrage. The Borrower will not use or invest the Proceeds of the Loans such that the Loans become arbitrage bonds within the meaning of Section 148 of the Code, and as evidence of this intent, a representative of the Borrower has reviewed the no-arbitrage certificate prepared in connection with the Loans and the Borrower understands, and will take (or request the Issuer to take), the actions described therein.

(o) Loans are Not Hedge Bonds. The Borrower covenants and agrees that not more than 50 percent of the proceeds of the Loans will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Borrower reasonably expects that at least 85 percent of the spendable proceeds of the Loans will be used to carry out the governmental purposes of the Loans within the three-year period beginning on the Closing Date.

(p) Definitions. The following terms have the meanings assigned to them below whenever they are used in this Agreement:

“Computation Date” means each Installment Computation Date and the Final Computation Date, and if the Issuer Loan is a Construction Bond Issue, in addition, with respect to which the penalty set forth in Section 148(f) of the Code has been elected, each Expenditure Date.

“Construction Bond Issue” means any issue of obligations (or any portions thereof elected by the Issuer in accordance with Section 148(f)(C)(v) of the Code) of which at least 75 percent of the “available construction proceeds, within the meaning of Section 148(f)(C)(iv) of the Code, of such portion of the issue are to be used for construction expenditures (including expenditures for reconstruction and rehabilitation) with respect to property that is or will be owned by an Exempt Person.

“Costs of Issuance” means issuance costs with respect to the Loans within the meaning of Section 147(g) of the Code.

“Exempt Person” means a state or local governmental unit or an organization exempt from federal income taxation under Section 501(a) of the Code by reason of being described in Section 501(c)(3) of the Code.

“Expenditure Date” means, with respect to any portion of the Issuer Loan that is a Construction Bond Issue, each six-month anniversary of the Closing Date.

“Expenditure Delay Penalty” means, with respect to any portion of the Issuer Loan that is a Construction Bond Issue, an amount equal to (i) the amount calculated under Section 1.148-3 of the Regulations (i.e.,

the Rebate Amount calculated as if no part of the Issuer Loan is a Construction Bond Issue) or (ii) with respect to a Construction Bond Issue for which an election has been made to pay the penalty in lieu of rebate, one and one half percent of the Unexpended Required Amount on each Expenditure Date, all in accordance with Section 148(f)(4)(C)(vii) of the Code.

“Final Computation Date” means the final Maturity of the Loans.

“Gross Proceeds” means any Proceeds and any Replacement Proceeds.

“Installment Computation Date” means the last day of the fifth and each succeeding fifth Loan Year.

“Investment Proceeds” means any amounts actually or constructively received from investing Proceeds.

“Investment Property” means (i) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code), (ii) any obligation, (iii) any annuity contract, (iv) any investment-type property, or (v) in the case of a bond other than a private activity bonds, any residential rental property for family units which is not located within the jurisdiction of the issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

“Issue Price” means “issue price” as defined in Sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the aggregate initial offering price to the public (excluding bond houses, brokers and other intermediaries acting in the capacity of wholesalers or underwriters) at which a substantial number of each Maturity of the Loans is sold.

“Loan Year” means each one-year period that ends at the close of business on the day selected by the Borrower. The first and last Loan Years may be short periods. If no day is selected by the Borrower before the earlier of the final Maturity of the Loans or the date that is five years after the Closing Date, Loan Years end on each anniversary of the Closing Date and on the date of final Maturity.

“Maturity” when used with respect to any indebtedness means the date on which the principal of such indebtedness and any installment thereof becomes due and payable as therein or herein provided.

“Net Proceeds” means any Net Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Loans.

“Net Sale Proceeds” means Sale Proceeds less any Sale Proceeds deposited into a Reasonably Required Reserve or Replacement Fund.

“Nonpurpose Investments” means any Investment Property within the meaning of Section 148(b) of the Code, acquired with the Gross Proceeds of such Loans.

“Proceeds” means Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Loans.

“Qualifying Costs” means the Project Costs that will be used, directly or indirectly in any trade or business carried on by any Person who is an Exempt Person. For purposes of the preceding sentence, (i) use by an organization described in Section 501(c)(3) of the Code with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, does not constitute use by an Exempt Person, and (ii) any use in any manner contrary to the guidelines set forth in Revenue Procedure 97-13, 1997-1 C.B. 632 (as modified by Revenue Procedure 2001-39, 2001-2 C.B. 38), or the Regulations promulgated under Section 141 of the Code, shall constitute use in the trade or business of one who is not an Exempt Person.

“Reasonably Required Reserve or Replacement Fund” means any fund described in Section 148(d) of the Code provided that the amount thereof allocable to the Issuer Loan invested at a Yield materially higher than the Yield on the Issuer Loan does not exceed the lesser of (i) maximum annual debt service on the Loans, (ii) 125 percent of average annual debt service on the Loans or (iii) 10 percent of the proceeds of the Issuer Loan, within the meaning of Section 1.148-2(f)(ii) of the Regulations.

“Rebate Amount” has the meaning ascribed in Section 1.148-3 of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments, all as determined in accordance with Section 1.148-3 of the Regulations. In the case of any Temporary Period Issue, the “Rebate Amount” as of any Computation Date shall be limited to the “Rebate Amount” attributable to any Reasonably Required Reserve or Replacement Fund. For any Construction Bond Issue, the “Rebate Amount” as of any Computation Date shall be the Expenditure Delay Penalty plus (in the case of a Computation Date other than an Expenditure Date) the “Rebate Amount” attributable to any Reasonably Required Reserve or Replacement Fund.

“Replacement Proceeds” has the meaning set forth in Section 1.148-1(c) of the Regulations.

“Required Amount” means for any Construction Bond Issue (i) 10 percent of the “available construction proceeds,” within the meaning of Section 148(f) of the Code, on the Expenditure Date that falls on the six-month anniversary of the Closing Date, (ii) 45 percent of the “available construction proceeds,” within the meaning of Section 148(f) of the Code, on the Expenditure Date that falls on the one-year anniversary of the Closing Date, (iii) 75 percent of the “available construction proceeds,” within the meaning of Section 148(f) of the Code, on the Expenditure Date that falls on the 18-month anniversary of the Closing Date, and (iv) 100 percent of the “available construction proceeds,” within the meaning of Section 148(f) of the Code, on any Expenditure Date that falls on or after the two-year anniversary of the Closing Date.

“Sale Proceeds” means any amounts actually or constructively received from the sale (or other disposition) of any portion of the Issuer Loan, including amounts used to pay underwriters’ discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any portion of the Issuer Loan, as described in Section 1.148-4(b)(4) of the Regulations, and certain amounts received upon termination of certain hedges, as described in Section 1.148-4(h)(5) of the Regulations.

“Temporary Period Issue” means any issue of obligations that meets either the six-month exception or the 18-month exception set forth in Section 1.148-7 of the Regulations.

“Transferred Proceeds” means, with respect to the portion of the Issuer Loan that is a refunding issue, proceeds that have ceased to be proceeds of a refunded issue and are transferred proceeds of the refunding issue by reason of Section 1.148-9 of the Regulations.

“Unexpended Required Amount” means, for any Construction Bond Issue, the Required Amount on any Expenditure Date less the percentage of “available construction proceeds,” within the meaning of Section 148(f) of the Code, actually expended on and prior to such Expenditure Date; provided, however, that in the case of any Expenditure Date that falls on or after the two-year anniversary of the Closing Date, “available construction proceeds,” within the meaning of Section 148(f) of the Code, actually expended shall include a reasonable retainage (not in excess of 5 percent of “available construction proceeds,” within the meaning of Section 148(f) of the Code) if such retainage is expended prior to the three-year anniversary of the Closing Date.

“Yield” means yield as determined in accordance with Section 148(h) of the Code, and generally, is the yield which when used in computing the present worth of all payments of principal and interest to be

paid on an obligation produces an amount equal to the Issue Price of such obligation.

To the extent that published rulings of the Internal Revenue Service, or amendments to the Code or the Regulations modify the covenants of the Borrower that are set forth in this Section or which are necessary to preserve the excludability from gross income of interest on the Loans for federal income tax purposes, the Borrower and the Issuer will comply with such modifications.

Section 8.17. Other Covenants. In the event that the Borrower shall enter into any credit agreement, standby bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) under which, directly or indirectly, any Person or Persons undertakes to make loans or extend credit or liquidity to, or directly purchase bonds or notes from the Borrower (each such agreement referred to herein as a “Bank Agreement”), which such Bank Agreement provides such Person with more restrictive or different covenants or events of default than are provided to the Lender in this Agreement, the Borrower shall provide the Lender with a copy of the covenant and default provisions contained within each such Bank Agreement, and such more restrictive or different covenants or events of default shall automatically be deemed to be incorporated into this Agreement and the Lender shall have the benefits of such more restrictive or different covenants or events of default (for as long as such more restrictive or different covenants or events of default remain effective) as if specifically set forth herein. Upon the request of the Lender, the Borrower agrees to enter into an amendment to this Agreement to include such more restrictive or different covenants or events of default (provided that the Lender shall have the benefit of such more restrictive or different covenants or events of default (for as long as such more restrictive or different covenants or events of default remain effective) even if the parties hereto do not enter into such amendment).

## ARTICLE IX

### MISCELLANEOUS

Section 9.01 Qualified Tax-Exempt Obligations. The Issuer hereby designates the Notes as “qualified tax-exempt obligations” for purposes of section 265(b) of the Code. In connection therewith, the Issuer represents that (a) the aggregate amount of tax-exempt obligations issued by the Issuer during calendar year 2015, including the Notes, that have been designated as “qualified tax-exempt obligations” under section 265(b)(3) of the Code does not exceed \$10,000,000, and (b) the reasonably anticipated amount of tax-exempt obligations that will be issued by the Issuer during calendar year 2015, including the Notes, will not exceed \$10,000,000. For purposes of this Section, the term “tax-exempt obligation” does not include “private activity bonds” within the meaning of section 141 of the Code, other than (i) “private activity bonds” within the meaning of section 141 of the Code, other than “qualified 501(c)(3) bonds” within the meaning of section 145 of the Code or (ii) obligations issued to currently refund any obligation to the extent that the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation. In addition, for purposes of this Section, the Issuer includes all entities that are aggregated with the Issuer under the Code.

Section 9.02 Term of Agreement. This Agreement shall become effective upon the Closing and shall continue in full force and effect until all obligations of the Issuer and the Borrower under this Agreement and the Notes have been fully paid.

Section 9.03 No CUSIP, Rating or Registration. The Lender, the Issuer and the Borrower agree that the Issuer Loan and the Borrower Loan shall not be registered, shall not be assigned a CUSIP number and shall not be assigned a rating by any rating agency.

Section 9.04 Notices. (a) All notices, certificates, or other communications required by or made pursuant to this Agreement shall be in writing (including facsimile communication or email), and shall be sent by first-class mail or overnight delivery or by email or facsimile, and shall be deemed received as follows: (i) if by first class mail, five (5) days after mailing; (ii) if by overnight delivery, on the next Business Day; and (iii) if by facsimile or email, when confirmation of receipt is obtained. All notices shall be sent to the applicable party at the following address or in accordance with the last unrevoked written direction from such party to the other parties hereto:

(i) if to the Lender:

Jefferson Bank  
2900 Fredericksburg Road  
San Antonio, Texas 78201-0190  
Attention: Mitchell Walker  
Facsimile: (210) 545-2630  
Email: [mwalker@jeffersonbank.com](mailto:mwalker@jeffersonbank.com)

(ii) if to the Issuer:

City of Shavano Park, Texas Higher Education Facilities Corporation  
c/o Bracewell & Giuliani LLP  
300 Convent Street, Suite 1500  
San Antonio, Texas 78205  
Attention: President, Board of Directors

(iii) if to the Borrower:

The Montessori School of San Antonio  
17722 Rogers Ranch Parkway  
San Antonio, Texas 78258  
Attention: Ralph Huber, Business Manager  
Facsimile: 210-492-3484  
Email: [rhuber@montessorisa.org](mailto:rhuber@montessorisa.org)

(b) The Issuer, the Lender, and the Borrower may designate any further or different addresses to which subsequent notices shall be sent.

(c) Except as otherwise provided by this Agreement, any communication delivered by mail in compliance with this section is deemed to have been given as of the date of deposit in the mail.

(d) A provision of this Agreement that provides for a specific method of giving notice or otherwise conflicts with this Section supersedes this Section to the extent of the conflict.

Section 9.05 Binding Effect; Assignment. This Agreement shall (i) be binding upon the Issuer, its successors and assigns and the Borrower, its successors and assigns, and (ii) inure to the benefit of and be enforceable by the Lender and its successors and assigns; provided that the neither Issuer nor the Borrower may assign all or any part of this Agreement without the prior written consent of the Lender.

Section 9.06 Entire Agreement; Conflict. THE ISSUER DOCUMENTS AND THE BORROWER DOCUMENTS CONTAIN THE ENTIRE AGREEMENT AMONG THE PARTIES, AND THERE ARE NO OTHER REPRESENTATIONS, ENDORSEMENTS, PROMISES, AGREEMENTS, OR UNDERSTANDINGS, ORAL OR WRITTEN, EXPRESS OR IMPLIED, AMONG THE ISSUER, THE BORROWER, AND THE LENDER. In the event of a conflict between the provisions of this Agreement and any other Issuer Document or Borrower Document, the terms of this Agreement shall control.

Section 9.07 Severability. If any part of this Agreement is ruled invalid or unenforceable by a court of competent jurisdiction, the invalidity or unenforceability thereof shall not affect the remainder of this Agreement.

Section 9.08 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same document.

Section 9.09 Applicable Law. This Agreement shall be governed in all respects, whether as to validity, construction, performance, or otherwise, by the laws of the State of Texas and, if applicable, federal law.

Section 9.10 USA Patriot Act. The Lender hereby notifies the Borrower that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Patriot Act. The Borrower hereby agrees that it shall promptly provide such information upon request by the Lender.

Section 9.11 Issuer Note. The Lender acknowledges that the Issuer Note will not be registered and is non-negotiable and non-transferrable.

Section 9.12 Limitation of Liability. Regardless of any other provision contained herein:

(a) The Issuer Loan is a nonrecourse loan, except for the Borrower Note and this Agreement.



(b) Neither the Issuer, Sponsoring Entity, nor their respective officers, directors, employees, agents, and representatives shall have any personal liability for any claims, in contract, tort, or otherwise, directly or indirectly related to this transaction, or to any act, omission, or condition directly or indirectly related to this transaction.

(c) No assets or funds of Issuer, Sponsoring Entity, or their respective officers, directors, employees, agents, and representatives shall be subject to liability in connection with any of said claims, except for Issuer's right, title, and interest in this Agreement, the Borrower Loan Payments, the Borrower Note, and the collateral therefor.

(d) NEITHER THE STATE, THE CITY OF SHAVANO PARK, TEXAS ("THE SPONSORING ENTITY"), NOR ANY POLITICAL SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE BORROWER NOTE, THE ISSUER NOTE, OR THE INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE SPONSORING ENTITY, OR ANY OTHER POLITICAL SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BORROWER NOTE OR THE ISSUER NOTE.

(e) In the event of any conflict of terms between this Section and any other provision in this transaction, the provision providing the greatest restriction of liability shall govern and control.

*[Signature pages follow]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their respective duly authorized officers as of the date first above written.

JEFFERSON BANK

By: \_\_\_\_\_  
Name: Mitchell Walker  
Title: Authorized Signer

CITY OF SHAVANO PARK, TEXAS HIGHER  
EDUCATION FACILITIES CORPORATION

By: \_\_\_\_\_  
President, Board of Directors

THE MONTESSORI SCHOOL OF SAN ANTONIO

By: \_\_\_\_\_  
Name: Abigail Ottmers  
Title: President

## SCHEDULE 1

### PRINCIPAL AND INTEREST PAYMENT SCHEDULE

\*Note: Payment Dates are adjusted for weekends and holidays (non-Business Days)

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
July 1, 2016	200,000	2.00
July 1, 2017	100,000	2.25
July 1, 2018	125,000	2.50
July 1, 2019	175,000	2.75
July 1, 2020	200,000	3.00
July 1, 2021	200,000	3.25
July 1, 2022	175,000	3.50
July 1, 2023	175,000	3.75
July 1, 2024	200,000	4.00
July 1, 2025	200,000	4.25
July 1, 2026	200,000	4.50
July 1, 2027	225,000	4.75
July 1, 2028	225,000	5.00
July 1, 2029	250,000	5.25
July 1, 2030	250,000	5.50
July 1, 2031	275,000	5.75
July 1, 2032	275,000	6.00
July 1, 2033	300,000	6.25
July 1, 2034	325,000	6.50
July 1, 2035	350,000	6.75
July 1, 2036	375,000	7.00
July 1, 2037	400,000	7.25

EXHIBIT A

FORM OF BORROWER NOTES

No. R- \_\_\_\_\_ PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

**PROMISSORY NOTE**

NEITHER THE STATE OF TEXAS (THE "STATE"), THE CITY OF SHAVANO PARK, TEXAS (THE "SPONSORING ENTITY"), NOR ANY POLITICAL, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THIS NOTE OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE SPONSORING ENTITY, OR ANY OTHER POLITICAL SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS NOTE.

INTEREST RATE:    MATURITY DATE:    DATE OF SERIES:

\_\_\_\_\_ %                      July 1, \_\_\_\_\_                      April \_\_, 2015

**FOR VALUE RECEIVED, THE MONTESSORI SCHOOL OF SAN ANTONIO** (the "Borrower"), does hereby promise to pay to the order of the **CITY OF SHAVANO PARK, TEXAS HIGHER EDUCATION FACILITIES CORPORATION** (the "Issuer"), or, if the right to receive payment hereof has been assigned by the Issuer in accordance with the terms of the Tax-Exempt Loan Agreement (the "Loan Agreement") dated as of April \_\_, 2015, by and among the Issuer, the Borrower, and **JEFFERSON BANK** (the "Lender"), to such assignee, in lawful money of the United States of America, the Principal Amount set forth above, or such lesser amount as may have been advanced pursuant to the Loan Agreement, together with interest accrued thereon from the date of each advance, at the interest rate per annum in an amount equal to the Applicable Rate set forth above, Taxable Rate, or Default Rate (as defined in the Loan Agreement), as applicable, as set forth in the Loan Agreement, on the dates for payment set forth in the Loan Agreement. All unpaid principal and interest shall be due and payable on the Maturity Date (as defined in the Loan Agreement) or such earlier dates as are provided for pursuant to the terms of the Loan Agreement.

**UNLESS THE BORROWER SHALL BE IN DEFAULT** under the Loan Agreement (in which case the amounts paid hereon shall be applied first to the payment of the amount of such default), all sums paid hereon shall be applied first to the satisfaction of interest, and the balance to the unpaid principal amount of this Note.

**THIS NOTE** is one of a series of the Borrower's Notes referred to in the Loan Agreement as the "Borrower Notes," and is subject to all of the terms, conditions, and provisions thereof, including those respecting the prepayment and the acceleration of maturity hereof.

**THE BORROWER SHALL HAVE THE RIGHT TO PREPAY** the Borrower Loan, in full or in part from time to time, on July 1, 2025 or any date thereafter, without penalty or

prepayment charge. In connection with any such prepayment, the Issuer Loan shall be prepaid on the same date and in the same amount.

**THE BORROWER** hereby acknowledges that, pursuant to the Loan Agreement, the Issuer is assigning to JEFFERSON BANK all of the Issuer's rights, title, and interest in and to this Note as security for payment of the principal and interest due and unpaid on the Issuer Note of even date herewith.

**THE HOLDER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.**

**THIS NOTE** is a contract made under and shall be construed in accordance with and governed by the laws of the State.

THE MONTESSORI SCHOOL OF SAN ANTONIO

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

Name: Abigail Ottmers

Title: President



**ENDORSEMENT**

Pay to the order of Jefferson Bank (the “Lender”) for the Loans made pursuant to the Loan Agreement, without recourse or warranty, except warranty of good title, warranty that the Issuer has not assigned this Note to a party other than the Lender, and warranty that the original stated principal amount hereof remains unpaid.

**THE LENDER SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY MONEY RAISED OR TO BE RAISED BY TAXATION.**

**CITY OF SHAVANO PARK, TEXAS HIGHER  
EDUCATION FACILITIES CORPORATION**

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

FORM OF SCHEDULE OF ADVANCES

**SCHEDULE OF ADVANCES**

<u>Date of Advance</u>	<u>Principal Amount Advanced</u>	<u>Remaining Principal Balance</u>	<u>Name and Title of Authorized Officer Making Entry</u>	<u>Signature of Authorized Officer</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

EXHIBIT B

FORM OF ISSUER NOTE

No. T-1 PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

**TAX-EXEMPT NOTE**

NEITHER THE STATE OF TEXAS (THE "STATE"), THE CITY OF SHAVANO PARK, TEXAS (THE "SPONSORING ENTITY"), NOR ANY POLITICAL SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THIS NOTE OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE SPONSORING ENTITY, OR ANY OTHER POLITICAL SUBDIVISION, OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS NOTE.

INTEREST RATE:    MATURITY DATE:    DATE OF SERIES:

As Shown Below      As Shown Below      April \_\_, 2015

**FOR VALUE RECEIVED, CITY OF SHAVANO PARK, TEXAS HIGHER EDUCATION FACILITIES CORPORATION** (the "Issuer"), does hereby promise to pay to the order of the **JEFFERSON BANK** (the "Lender"), in lawful money of the United States of America, the Principal Amount set forth above, or such lesser amount as may have been advanced pursuant to the Loan Agreement, in the respective Principal Installments set forth below, together with interest accrued thereon from the date of each advance, at the interest rate per annum in an amount equal to the Applicable Rate, Taxable Rate, or Default Rate (as defined in the Tax-Exempt Loan Agreement dated as of March 23, 2015, by and among the Issuer, The Montessori School of San Antonio and the Lender (the "Loan Agreement"), as applicable, as set forth in the Loan Agreement, on the dates for payment set forth in the Loan Agreement. All unpaid principal and interest shall be due and payable on the Maturity Date (as defined in the Loan Agreement) or such earlier dates as are provided for pursuant to the terms of the Loan Agreement. The respective Principal Payment Dates, Principal Installments and Interest Rate for this Note are set forth in the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
July 1, 2016	200,000	2.00
July 1, 2017	100,000	2.25
July 1, 2018	125,000	2.50
July 1, 2019	175,000	2.75
July 1, 2020	200,000	3.00
July 1, 2021	200,000	3.25
July 1, 2022	175,000	3.50
July 1, 2023	175,000	3.75
July 1, 2024	200,000	4.00

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
July 1, 2025	200,000	4.25
July 1, 2026	200,000	4.50
July 1, 2027	225,000	4.75
July 1, 2028	225,000	5.00
July 1, 2029	250,000	5.25
July 1, 2030	250,000	5.50
July 1,2031	275,000	5.75
July 1,2032	275,000	6.00
July 1,2033	300,000	6.25
July 1, 2034	325,000	6.50
July 1, 2035	350,000	6.75
July 1, 2036	375,000	7.00
July 1, 2037	400,000	7.25

**IN CONNECTION WITH ANY PREPAYMENT OF THE BORROWER LOAN** pursuant to Section 3.07 of the Loan Agreement, Issuer shall have the right to prepay the Issuer Loan (and shall do so if requested by the Borrower), in full or in part from time to time, on July 1, 2025 or any date thereafter, without penalty or prepayment charge.

**UNLESS THE ISSUER SHALL BE IN DEFAULT** under the Loan Agreement (in which case the amounts paid hereon shall be applied first to the payment of the amount of such default), all sums paid hereon shall be applied first to the satisfaction of interest, and the balance to the unpaid principal amount of this Note.

**THIS NOTE** is the Note referred to in the Loan Agreement as the “Issuer Note,” and is subject to all of the terms, conditions, and provisions thereof, including those respecting the prepayment and the acceleration of maturity hereof.

**THIS NOTE** is payable solely from the sources and funds provided in the Loan Agreement and from no other source. The holder of this Note shall have no recourse against the Issuer or any of its assets other than those provided in the Loan Agreement.

**THE HOLDER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.**

**THIS NOTE** is a contract made under and shall be construed in accordance with and governed by the laws of the State.

**CITY OF SHAVANO PARK, TEXAS HIGHER  
EDUCATION FACILITIES CORPORATION**

By: \_\_\_\_\_  
President, Board of Directors

EXHIBIT C  
FORM OF BORROWER REQUEST

Request No.: \_\_\_\_\_  
\_\_\_\_\_, 20\_\_

Jefferson Bank  
2900 Fredericksburg Road  
San Antonio, Texas 78201-0190  
Attention: Mitchell Walker

Ladies and Gentlemen:

This Borrower Request is provided to you pursuant to Section 3.04 of the Loan Agreement, dated as of March 23, 2015 (the "Loan Agreement"), between City of Shavano Park, Texas Higher Education Facilities Corporation and Jefferson Bank. The capitalized terms used in the Borrower Request have the same meanings given such terms in the Loan Agreement.

On behalf of the Borrower, the undersigned hereby certifies as follows:

(i) The representations and warranties made by the Borrower, as contained in the Loan Agreement and in all other Borrower Documents, are true and correct in all material respects as of the date of this Borrower Request.

(ii) No Event of Default under the Loan Agreement or Borrower Documents has occurred and is continuing.

(iii) The covenants made by the Borrower to the Issuer, as contained in the Loan Agreement and in other Borrower Documents, have been fully complied with.

(iv) The disbursement requested below, in combination with other Periodic Advances, does not exceed the Principal Amount.

(v) All funds previously advanced by the Bank have been used for construction of the Project or related Project costs.

The Borrower hereby requests that the Bank disburse a Periodic Advance in the amount of \$\_\_\_\_\_. The Requested Periodic Advance shall be payable to the parties listed upon and for the purposes shown on the attached schedule.

THE MONTESSORI SCHOOL OF SAN  
ANTONIO

By: \_\_\_\_\_  
Authorized Representative

## EXHIBIT D

### THE PROJECT

The Project consist of financing and refinancing of a portion of the costs of the acquisition, construction, repair, renovation, improvement and/or equipping of certain educational facilities and land related thereto of the Borrower, including a 9,290 square foot type IIB fully sprinkled, single-story, pre-engineered metal building framed middle school and gymnasium addition with associated site work to include underground utilities and landscaping, all located on to be located at 17722 Rogers Ranch Parkway, San Antonio, Texas 78258.