

---

**BANK LOAN AGREEMENT**

dated \_\_\_\_\_, 20\_\_

between

[BANK]

and

**CALIFORNIA SCHOOL FINANCE AUTHORITY**

---

**TABLE OF CONTENTS**

ARTICLE 1 DEFINITIONS ..... 1

**Section 1.1. Definitions.**..... 1

ARTICLE 2 LOAN TO AUTHORITY; ASSIGNMENT ..... 2

**Section 2.1. Bank Loan.**..... 2

**Section 2.2. Approval of Financing Arrangements.** ..... 2

**Section 2.3. Use of Bank Loan Proceeds.**..... 2

**Section 2.4. Bank Loan Conditions.**..... 2

**Section 2.5. Assignment of Borrower Note.**..... 2

ARTICLE 3 FINDINGS; REPRESENTATIONS ..... 3

**Section 3.1. Authority Findings**..... 3

**Section 3.2. No Representations or Warranties.**..... 3

ARTICLE 4 AUTHORITY COVENANT ..... 3

**Section 4.1. Authority Tax Covenant.**..... 3

ARTICLE 5 LIMITED AUTHORITY OBLIGATION ..... 3

**Section 5.1. Limited Authority Obligation.**..... 3

**Section 5.2. No Personal Liability.**..... 4

ARTICLE 6 MISCELLANEOUS ..... 4

**Section 6.1. Term.**..... 4

**Section 6.2. Communications.**..... 4

**Section 6.3. Governing Law; Forum and Venue.**..... 4

**Section 6.4. Rules of Construction.** ..... 5

**Section 6.5. Amendments** ..... 5

**Section 6.6. Benefits of Agreement.**..... 5

**Section 6.7. Successors and Assigns.** ..... 5

**Section 6.8. Complete Agreement.** ..... 5

**Section 6.9. No Prevailing Party Provision.** ..... 5

DRAFT

## **BANK LOAN AGREEMENT**

This Bank Loan Agreement (this “Agreement”) is made on \_\_\_\_\_, 20\_\_\_\_, between the California School Finance Authority, a California public instrumentality (the “Authority”), and [BANK], a [\_\_\_\_\_] (the “Bank”).

### **INTRODUCTORY STATEMENT**

The California School Finance Authority Act (the “Act”) authorizes the Authority to receive and accept from any source loans for, or in aid of, the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities (as defined in the Act), to be financed or refinanced under the Act (each, a “Project”), and, pursuant to an agreement between the Authority and a participating party (as defined in the Act), including a charter school established pursuant to the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the Education Code) (the “Charter School Law”), and any person, company, association, state or municipal government entity, partnership, firm, or other entity or group of entities that undertakes the financing or refinancing of a Project pursuant to the Act in conjunction with a charter school, make loans to a participating party to finance or refinance a Project in an amount not to exceed the total cost (as defined in the Act) of the Project, as determined by the participating party and approved by the Authority.

The Borrower owns and operates educational facilities in California.

The Authority will borrow [\$\_\_\_\_\_] from the Bank under this Agreement (the “Bank Loan”), and loan the proceeds of the Bank Loan to the Borrower.

The Borrower will expend the proceeds of the loan from the Authority (the “Authority Loan”) to [finance/refinance] the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of educational facilities located within the state of California.

Under the Depository Agreement, the Depository will hold proceeds of the Authority Loan in trust and facilitate repayment thereof.

Intending to be legally bound, the parties agree as follows.

### **ARTICLE 1**

#### **DEFINITIONS**

##### **Section 1.1. Definitions.**

Capitalized terms have the meanings given in the authority loan agreement, dated the date of this Agreement, between the Authority and the Borrower.

## ARTICLE 2

### LOAN TO AUTHORITY; ASSIGNMENT

#### Section 2.1. Bank Loan.

- (a) If the conditions in section 2.4 are satisfied, on the date of this Agreement:
  - (1) the Bank shall loan \$\_\_\_\_\_ to the Authority, and
  - (2) the Authority shall make and deliver the Authority Note to the Bank.
- (b) The Authority Note alone (1) evidences the Bank Loan and (2) governs repayment of the Bank Loan. Each and every term of the Authority Note, including each term set forth in Exhibit A to the Authority Note, is incorporated herein by this reference.
- (c) The Bank shall deliver the Bank Loan proceeds as the Authority directs. The Authority shall deliver the Authority Note as the Bank directs.

#### Section 2.2. Approval of Financing Arrangements.

The Bank hereby approves all of (1) the Borrower Note's terms, (2) delivery of the Borrower Note, the Authority Note, each Borrower Document, and each Authority Document, and (3) each transaction any of them contemplates.

#### Section 2.3. Use of Bank Loan Proceeds.

The Authority shall loan the Bank Loan proceeds to the Borrower as stated in the Authority Loan Agreement.

#### Section 2.4. Bank Loan Conditions.

Both the Authority's obligation and the Bank's obligation under sections 2.1(a) and 2.3 are subject to satisfaction of all of the following conditions:

- (d) that the conditions in section 2.4 of the Authority Loan Agreement are satisfied;
- (e) that the Authority receives an Owner Letter dated the Issue Date and signed by the Bank;
- (f) that each of the Authority and the Bank provides the directions under section 2.1(c).
- (g) [Additional Bank requirements, if any].

#### Section 2.5. Assignment of Borrower Note.

The Authority hereby assigns, without warranty and without recourse, to the Bank all of the Authority's rights, title and interest in the Borrower Note and pledges to the Bank all revenues

derived and to be derived from the Borrower under the Borrower Note for the purposes specified in Section 17193(a)(1), (2) and (3) of the Act.

### **ARTICLE 3**

#### **FINDINGS; REPRESENTATIONS**

##### **Section 3.1. Authority Findings.**

The Authority finds and determines all of the following:

- (a) that the Borrower is a “participating party” as defined in the Act; and
- (b) that the Authority Loan does not exceed the total cost (as defined in the Act) of the Project as determined by the Borrower.

##### **Section 3.2. No Representations or Warranties.**

The Authority makes no representation or warranty regarding any of the Borrower, the Borrower Note, the Borrower Documents, or otherwise. The Bank acknowledges the foregoing.

### **ARTICLE 4**

#### **AUTHORITY COVENANT**

##### **Section 4.1. Authority Tax Covenant.**

The Authority shall take every action permitted by law, this Agreement, the Tax Certificate, and the Depository Agreement that is necessary to exclude interest on the Authority Note from gross income for federal income tax purposes under sections 103 and 141 through 150 of the Code. The Authority shall not take any action that would result in loss of that exclusion under those Code sections. The Authority shall perform its obligations under the Tax Certificate.

### **ARTICLE 5**

#### **LIMITED AUTHORITY OBLIGATION**

##### **Section 5.1. Limited Authority Obligation.**

- (a) The Authority is not required to pay the principal of, or premium, if any, or interest on the Authority Note except from the assets assigned under this Agreement.
- (b) The Bank acknowledges that neither the State of California nor the Authority is obligated to pay the principal of, or premium, if any, or interest on the Authority Note, except from assets assigned under the Bank Loan Agreement, and neither the faith or credit, nor the taxing power of the State of California, or any political subdivision, is pledged to the payment of the principal of, or premium, if any, or interest on the Authority Note.

- (c) The Authority is not required to pay for any costs, expenses, losses, damages, claims, or actions, of any conceivable kind or any conceivable theory, connected to this Agreement, the Authority Note, or any other Authority Document, except from amounts the Borrower pays under the Borrower Note.
- (d) The Bank acknowledges that the only sources of money to pay the Authority Note will be (1) the Borrower payments under the Borrower Note and (2) certain funds and accounts held by the Depository under the Depository Agreement.

**Section 5.2. No Personal Liability.**

- (e) No Authority member, officer, official, agent, or employee and no Borrower director, officer, agent, or employee is
  - (1) liable personally to pay any principal of, or premium, if any, or interest on the Authority Note or any sum under this Agreement, or
  - (2) liable or accountable for entering into this Agreement.
- (f) This section does not relieve any Authority member, officer, official, agent, or employee from performing any official act required by this Agreement or any legal duty.

**ARTICLE 6**

**MISCELLANEOUS**

**Section 6.1. Term.**

This Agreement (1) is effective beginning on the Issue Date and (2) terminates when the Authority Note is fully discharged.

**Section 6.2. Communications.**

Communications required or permitted to be given under this Agreement must be in writing and signed by the sending party.

**Section 6.3. Governing Law; Forum and Venue.**

- (a) The laws of the State govern validity, interpretation, construction, performance, enforcement, and all other matters arising out of, or relating to, this Agreement.
- (b) Any legal proceeding arising out of, or relating to, this Agreement must be brought in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement. Each party agrees that the exclusive (subject to waiver as stated in this section) choice of forum stated in this section does not prohibit enforcement of any judgment obtained in that forum or any other forum. Each party hereby waives, to the extent permitted by law, all of the following: (1) all current and future objections to the

laying of venue of any legal proceeding arising out of, or relating to, this Agreement brought in the Sacramento County Superior Court, Sacramento, California, and (2) all claims that the proceeding has been brought in an inconvenient forum.

**Section 6.4. Rules of Construction.**

Each party acknowledges that it and its counsel have participated in the drafting and revision of this Agreement. The Authority is not deemed the drafting party of this Agreement for purposes of any rule of construction which disfavors the drafting party.

**Section 6.5. Amendments**

Any amendment of this Agreement must be made in writing and signed by the parties.

**Section 6.6. Benefits of Agreement.**

This Agreement does not create any rights of enforcement in any Person who is not a party to this Agreement.

**Section 6.7. Successors and Assigns.**

This Agreement binds and benefits the parties and their respective successors and assigns.

**Section 6.8. Complete Agreement.**

This Agreement is the entire agreement between the Bank and the Authority and supersedes any prior understandings between them.

**Section 6.9. No Prevailing Party Provision.**

Nothing in this Agreement provides for award of attorneys' fees and costs to the Authority or the Borrower or both for the enforcement of this Agreement as described in section 1717 of the Civil Code.

[Signature page follows.]



The parties are signing this Agreement on the date stated in the introductory clause.

CALIFORNIA SCHOOL FINANCE AUTHORITY

By: \_\_\_\_\_  
Deputy Treasurer  
For Chairman, State Treasurer [Name]

By: \_\_\_\_\_  
Executive Director

[BANK]

By: \_\_\_\_\_  
[Title]

The State Treasurer, as agent for sale, hereby approves this Agreement and the Authority Note.

TREASURER OF THE STATE OF CALIFORNIA

By: \_\_\_\_\_  
Deputy Treasurer For California State Treasurer [Treasurer's Name]

## EXHIBIT A

### Form of Owner Letter

The Honorable [TREASURER], Treasurer of the State of California  
Sacramento, California

California School Finance Authority  
Sacramento, California

[BORROWER]

Re: [AUTHORITY NOTE NAME], dated [DATE OF NOTE], made by the California  
School Finance Authority

Ladies and Gentlemen:

This letter relates to the purchase by the undersigned (the “Owner”) of the note referred to above (the “Authority Note”). Capitalized terms have the meanings given in the Authority Loan Agreement, dated [\_\_\_\_\_] (the “Authority Loan Agreement”), between the Authority and [BORROWER] (the “Borrower”).

The undersigned acknowledges that the Authority Note is delivered for the purpose of financing and/or refinancing the acquisition, construction, improvement and/or equipping of certain charter school facilities located in \_\_\_\_\_, California (collectively, the “Project”) by \_\_\_\_\_ (the “Borrower”), as more particularly described in the Authority Loan Agreement. The Owner delivers this letter and makes the following representations, upon which you may rely, in consideration of the registration of the Authority Note in its name, with the intent that the Owner be legally bound.

1. The Owner has authority and is duly authorized to purchase the Authority Note and to execute this letter and any other instruments and documents required to be executed by the Owner in connection with the purchase of the Authority Note.

2. The Owner is in the commercial banking business, is an “accredited investor” under Regulation D of the Securities Act of 1933 (the “1933 Act”), and therefore, has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the purchase of the Authority Note. The Owner can bear the economic risks of its Authority Note purchase.

3. The Authority Note is being acquired by the Owner for investment and not with a view to, or for resale in connection with, any distribution of the Authority Note, and the Owner intends to hold the Authority Note solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Authority Note. However, the Owner may sell the Authority Note at any time the Owner deems

appropriate subject to the transfer restrictions set forth in the Authority Note and applicable law. The Owner understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

4. The Owner understands that the Authority Note is not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Authority Note (a) is not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

5. The Owner acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information which it has requested from the Borrower, to which a reasonable investor would attach significance in making investment decisions, and the Owner has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project and the Authority Note and the security therefor so that, as a reasonable investor, the Owner has been able to make a decision to purchase the Authority Note. The Owner acknowledges that it has not relied upon any advice, counsel, representation or information of the Authority in connection with the Owner’s purchase of the Authority Note.

6. The Owner acknowledges that the obligations of the Authority under the Bank Loan Agreement are special, limited obligations payable solely from amounts paid to the Authority from the Borrower pursuant to the terms of the Authority Loan Agreement and the Authority shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority for amounts due under the Bank Loan Agreement. The Owner understands that the Authority Note is not secured by any pledge of any moneys received or to be received from taxation by the Authority (which has no taxing power), the State of California or any political subdivision or taxing district thereof; that the Authority Note will never represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal of, or premium, if any or interest on the Authority Note; and that the liability of the Authority and the State of California with respect to the Authority Note is subject to further limitations as set forth in the Authority Note and the Bank Loan Agreement.

7. The Owner has reviewed the documents executed in conjunction with the issuance of the Authority Note, or summaries thereof, including, without limitation, the Bank Loan Agreement, the Authority Loan Agreement and the Depository Agreement. The Owner acknowledges and agrees that the Authority takes no responsibility for, and makes no representation to the Owner, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Authority Note in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The Owner also acknowledges that, with respect to the Authority’s obligations and liabilities, the Owner is solely responsible for compliance with the sales restrictions on the Authority Note in connection with any subsequent transfer of the Authority Note made by the Owner.

8. The Owner has made its own inquiry and analysis with respect to the Authority Note and the security therefor, and other material factors affecting the security and payment of the Authority Note. The Owner is aware that the business of the Borrower involves certain economic and regulatory variables and risks that could adversely affect the security for the Authority Note.

9. The Owner agrees that it is bound by and will abide by the provisions of the Bank Loan Agreement, the restrictions noted on the face of the Authority Note and this Owner Letter. The Owner will comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Authority Note by the Owner.

10. The Owner agrees to indemnify and hold harmless the Authority and the Treasurer and their respective members, employees, officers and agents, with respect to any claim asserted against any of them that is based upon the Owner's sale, transfer, or other disposition in violation of the Authority Note or any inaccuracy in any statement made by the Owner in this letter other than any claim that is based upon the gross negligence or willful misconduct of the Authority or the Treasurer.

11. The Owner acknowledges that, in making the sale of the Authority Note to the Owner, the addressees are relying on the Owner's certifications, representations and warranties herein.

12. The Owner hereby waives any and all claims, actions, or causes of action which the Owner may have from and after the date hereof against the Authority and its members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Authority took or could have taken in connection with the authorization, execution, delivery, and sale of the Authority Note or the purchase of the Authority Note by the undersigned or in connection with any statements or representations which induced the undersigned to purchase the Authority Note.

13. The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

Dated: \_\_\_\_\_, 20\_\_

Very truly yours,

[OWNER]

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

Name: \_\_\_\_\_

TITLE:  
\_\_\_\_\_

SA2017106807  
41834275.doc

DRAFT