

Re: Thomas Jefferson School of Law – Consent and Forbearance Agreement #10

Disclosure Type: **EVENT FILING**

Other Event-based Disclosures: **Consent and Forbearance Agreement #10**

Issue: **130795**

Securities: **130795XZ5, 130795YA9, 130795YB7, 130795YC5**

Thomas Jefferson School of Law (the “TJSL”) and a requisite approving percentage of bondholders have entered into that certain Consent and Forbearance Agreement No. 10 (“Consent No. 10”) dated as of September 5, 2014 in which TJSL acknowledges and agrees that it has failed to make the payments in full required to be made on or about June 26, 2014 under Section 4.1 of the Loan Agreement (the “Required Payment”) which constitutes a Loan Default Event under the Loan Agreement and that, in light of the ongoing negotiations with the directing Bondholders and the intention to reach a reasonable restructuring of TJSL’s obligations under the Loan Agreement, TJSL will not make the payments required to be made on or about September 26, 2014 under Section 4.1 of the Loan Agreement. The directing Bondholders agree in Consent No. 10 that, (1) with respect to Section 4.1 of the Loan Agreement and pursuant to Section 8.2 of the Loan Agreement and Section 7.05 of the Indenture, the Trustee is directed to take no remedial or enforcement action of any sort against TJSL for failure to make the Required Payment until the earliest of (a) 5:00 p.m. prevailing Eastern Time on October 17, 2014, and (b) the breach by TJSL of its covenants in paragraph 3 of Consent No. 10, and (2) with respect to any other event of default under the Loan Agreement or the Indenture or any other documents executed in connection therewith, including, without limitation, all prior consents, the directing Bondholders shall not revoke consent for any reason, including, without limitation TJSL’s performance under certain provisions of Consent No. 2, and the Trustee is directed to take no remedial or enforcement action of any sort against TJSL for such events of default, for the same period of time described above. Among other things, paragraph 3 of Consent No. 10 requires payment by TJSL of an additional \$2 million to be applied to the Required Payment (which payment has been made), and includes provisions regarding the granting of a security interest in and deposit of certain operating funds held by TJSL in a bank account pursuant to a Deposit Account and Control Agreement. Paragraph 3 includes other provisions regarding the restructuring effort being pursued by TJSL and the Trustee and its advisors, including commitment to payment of certain fees of the Trustee and its advisors associated with the restructuring effort and sharing of certain accounting advice being obtained by TJSL.

The signing Bondholders in Consent No. 10 agree that during the term of this forbearance they shall diligently continue to engage and work in good faith to diligently negotiate a reasonable restructuring of TJSL’s obligations under the Loan Agreement that will enable TJSL to remain in operation.

A complete copy of Consent No. 10 is attached to this filing and made a part hereof. Investors should read the entire text of Consent No. 10.

CONSENT AND FORBEARANCE AGREEMENT NO. 10

\$96,715,000

California Statewide Communities Development Authority
Revenue Bonds (Thomas Jefferson School of Law)
Series 2008A

and

\$36,675,000

California Statewide Communities Development Authority
Revenue Bonds (Thomas Jefferson School of Law)
Series 2008B (Federally Taxable) (together, the "Bonds")

This Consent and Forbearance Agreement No. 10 ("Consent") is made as of the 5th day of September, 2014. Reference is made to (i) that certain Indenture dated as of August 1, 2008 (the "Indenture") between the California Statewide Communities Development Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to which the Bonds were issued, (ii) that certain Loan Agreement dated as of August 1, 2008 (the "Loan Agreement") between the Authority and Thomas Jefferson School of Law ("TJSL"), pursuant to which the proceeds of the Bonds were loaned to TJSL, (iii) that certain Consent and Agreement dated as of August 2, 2012 (the "First Consent") previously executed by TJSL and certain holders of the Bonds, (iv) that certain Consent and Agreement No. 2 dated as of September 30, 2013 (the "Second Consent") previously executed by TJSL and certain holders of the Bonds, (v) that certain Consent and Agreement No. 3 dated as of June 23, 2013 (the "Third Consent") previously executed by TJSL and certain holders of the Bonds, (vi) that certain Consent and Forbearance Agreement No. 4 dated as of July 9, 2014 (the "Fourth Consent"), (vii) that certain Consent and Forbearance Agreement No. 5 dated as of July 18, 2014 (the "Fifth Consent"), (viii) that certain Consent and Forbearance Agreement No. 6 dated as of July 25, 2014 (the "Sixth Consent"), (ix) that certain Consent and Forbearance Agreement No. 7 (the "Seventh Consent") dated as of August 1, 2014, (x) that certain Consent and Forbearance Agreement No. 8 (the "Eighth Consent") dated as of August 15, 2014, and (xi) that certain Consent and Forbearance Agreement No. 9 (the "Ninth Consent") dated as of August 29, 2014. Capitalized terms not otherwise defined herein shall have the meanings given thereto in the Indenture.

1. The undersigned (the "Bondholder") hereby certifies that it is, or has the capacity to act on behalf of, the beneficial owner(s) of the principal amount of the Bonds set forth under its signature below. It is understood and agreed that this Consent and the terms herein shall be binding only if holders (or those acting on behalf of holders) of Bonds and Tax-Exempt Bonds comprising in the aggregate a majority in principal amount of the beneficial owner(s) of Bonds and Tax-Exempt Bonds, respectively, have signed this Consent.

2. TJSL acknowledges and agrees that it has failed to make the payments required to be made on or about June 26, 2014 under Section 4.1 of the Loan Agreement (the "Required Payment"). TJSL further acknowledges that, in light of the ongoing negotiations with the undersigned Bondholders and the intention to reach a reasonable restructuring of TJSL's

obligations under the Loan Agreement, TJSJ will not make the payments required to be made on or about September 26, 2014 under Section 4.1 of the Loan Agreement. TJSJ requests that the Bondholders continue to forbear from exercising their rights and remedies in connection therewith, and in consideration thereof, TJSJ hereby covenants in favor of the Trustee and Bondholders that it will work in good faith to diligently negotiate a reasonable restructuring of its obligations under the Loan Agreement that will enable TJSJ to remain in operation.

3. As consideration for this Consent, TJSJ further covenants and agrees that:

(a) TJSJ shall grant the Trustee a security interest (the “Security Interest”) in all funds in TJSJ’s possession, including for the avoidance of doubt, those funds received from the Department of Education pursuant to Title IV of the Higher Education Act, and shall immediately deposit such funds into the Gross Revenues Fund (as defined in the Loan Agreement), and any funds received by TJSJ on or before December 31, 2014 shall immediately be placed in the Gross Revenues Fund upon receipt; *provided, however*, that TJSJ makes no representations or warranties herein regarding its authority to grant the Security Interest free and clear of other interests;

(b) on or before September 12, 2014, TJSJ shall (i) execute the notice of assignment and (ii) request the signature of Torrey Pines Bank (“TPB”) with respect to such notice of assignment, with respect to that certain Deposit Account Control Agreement (“DACA”) covering the Gross Revenues Fund dated August 28, 2008 and entered into among TJSJ, The Bank of New York Mellon Trust Company, N.A., and TPB, as prepared and directed by the Bondholders; *provided, however*, that if TPB is unwilling or unable to sign such notice of assignment, TJSJ shall either (i) enter into a new DACA with TPB covering the Gross Revenues Fund or (ii) transfer the Gross Revenues Fund to an alternative financial institution that is willing to enter into a DACA satisfactory in form and substance to the Trustee and the undersigned Bondholders;

(c) on or before September 8, 2014, TJSJ shall pay the Trustee \$2,000,000.00 (the “Consent Payment”), which payment shall be applied towards the Required Payment. For the avoidance of doubt, an amount equal to the Required Payment less the Consent Payment plus any prior payments made towards the Required Payment shall remain due and owing to the Bondholders under the Loan Agreement and the Consent Payment shall become property of the Trustee to be held for the benefit of the Bondholders;

(d) on or before September 12, 2014, TJSJ shall provide the Trustee’s advisors with the information and advice received from McGladrey, as special accounting consultants to TJSJ, with respect to the accounting treatment of the currently contemplated deed-in-lieu restructuring transaction and provide the Trustee’s advisors with access to McGladrey to discuss any such information or advice;

(e) TJSJ shall, in the ordinary course of business and in accordance with the 30-week cash flow, pay to the Trustee all of the Trustee’s reasonable fees and expenses incurred in connection with the restructuring through the later of (i) October 31, 2014 or (ii) the closing of any restructuring transaction, which amounts shall be distributed by the

Trustee to the professionals, as applicable, plus the fees and expenses of TJSL's professionals incurred in connection with the restructuring through the later of (i) October 31, 2014 or (ii) the closing of any restructuring transaction; *provided, however* that nothing herein shall limit the Trustee's rights to seek further reimbursement of its fees and expenses in connection with this transaction or otherwise; and

(f) failure by TJSL to complete any of the items set forth in this paragraph 3 in accordance with the terms set forth herein shall result in an immediate termination of this Consent; *provided, however* that in the event of a default by TJSL with respect to the covenants set forth herein, this Consent or any other default whether monetary or otherwise under the Loan Agreement, the Indenture or any other documents executed in connection therewith, TJSL shall be permitted to continue to pay operating expenses from the Gross Revenue Fund in the ordinary course of business through the end of the fall 2014 academic semester in accordance with that certain 30-week cash flow analysis prepared by TJSL and agreed to by the Trustee and the undersigned Bondholders, subject to an agreed upon variance to be determined by TJSL and the Trustee and undersigned Bondholders.

4. Based on the foregoing and the representations and agreements set forth herein, the undersigned Bondholder consents to and agrees that:

(a) With respect to Section 4.1 of the Loan Agreement and pursuant to Section 8.2 of the Loan Agreement and Section 7.05 of the Indenture, the Trustee is hereby directed to take no remedial or enforcement action of any sort against TJSL for failure to make the Required Payment until the earliest of (a) 5:00 p.m. prevailing Eastern Time on October 17 2014 and (b) the breach by TJSL of its covenants in paragraph 3 of this Consent.

(b) With respect to any other Event of Default under the Loan Agreement or the Indenture or any other documents executed in connection therewith, including, without limitation, all prior consents, such Bondholder shall not revoke consent for any reason, including, without limitation TJSL's performance under Sections 5(a), (e), (f) or (g) thereof and with respect to Section 7 of Consent No.2, and the Trustee is hereby directed to take no remedial or enforcement action of any sort against TJSL for such Events of Default until the earliest of (a) 5:00 p.m. prevailing Eastern Time on October 17, 2014 and (b) the breach by TJSL of its covenant in paragraph 3 of this Consent.

5. TJSL hereby agrees that each Bondholder, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents, will constitute an "Indemnified Party" for purposes of Section 7.3 of the Loan Agreement and shall be entitled to the protections of such Section 7.3 as if such section were fully set forth herein. TJSL agrees that no failure to exercise and no delay in exercising, on the part of Trustee or any Bondholder, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The

rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

6. The undersigned Bondholders agree and direct TJSL to use \$257,919.09 from the Project Fund toward resolution of the LePatner lawsuits.

7. The Bondholders and TJSL authorize the Trustee to rely on this Consent for purposes of Section 8.2 of the Loan Agreement and Section 7.05 of the Indenture.

8. The undersigned Bondholders agree that during the term of this forbearance they shall diligently continue to engage and work in good faith to diligently negotiate a reasonable restructuring of TJSL's obligations under the Loan Agreement that will enable TJSL to remain in operation.

9. No amendment or modification of the Indenture, the Loan Agreement or any other document securing the foregoing or TJSL's obligations on the Bonds has been affected hereby, except as expressly provided above.

10. TJSL represents and warrants that it has duly authorized, executed and delivered this Consent and that this Consent is valid, binding and enforceable against it.

11. This Consent may be executed in any number of counterparts, each of which shall constitute one and the same instrument, and any party hereto may execute this Consent by signing such counterpart.