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**NEW HAMPSHIRE**  
**BUSINESS FINANCE AUTHORITY**

September 4, 2013

Her Excellency, Governor Margaret Wood Hassan  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

Dear Governor and Councilors:

**REQUESTED ACTION**

Holding a public hearing and passage of a Resolution entitled: "A RESOLUTION UNDER RSA 162-I:9 WITH RESPECT TO THE FINANCING OF EDUCATIONAL FACILITIES BY THE BUSINESS FINANCE AUTHORITY FOR PORTSMOUTH CHRISTIAN ACADEMY IN DOVER". (For the text of the requested resolution see Tab No. 1 below this letter of transmittal).

The Authority respectfully requests that you hold a hearing, and, if you consider such action appropriate, make the statutory findings under RSA 162-I:9 with respect to the proposed issuance of up to \$9,440,000 Revenue Bonds (the "Bonds") by the Authority and the loan of the proceeds to Portsmouth Christian Academy (the "Borrower") to refinance educational facilities, acquire capital assets, and related expenditures in Dover, New Hampshire. The Authority recommends your favorable action and submits in support thereof the following materials with item numbers the same as the tab numbers for the attached documents.

1. A suggested form of resolution for adoption by the Governor and Council;
2. A letter from Hinckley, Allen & Snyder, LLP, bond counsel, explaining this transaction;
3. Materials with respect to the Borrower and the facility consisting of (1) Form BFA-1 dated July 9, 2013, submitted by the Borrower related to the financing, and (ii) the Borrower's financial statements for the period ending July 31, 2012, audited by Cummings, Lamont & McNamee, P.A.;
4. The Proposed LOAN AND SECURITY AGREEMENT;
5. The letter of interest from Bank of New Hampshire, as to its purchase of the Bonds;

FINANCING FOR NEW HAMPSHIRE'S FUTURE

2 PILLSBURY STREET, SUITE 201  
CONCORD, NEW HAMPSHIRE 03301-4954  
603-415-0190 • FAX: 603-415-0194



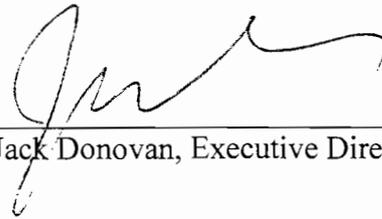
6. Information from the New Hampshire Employment Security, Economic and Labor Market Information Bureau as to unemployment in the Dover area;
7. The resolution adopted by the Authority with respect to the issuance of the Bonds; and
8. A summary of required statutory findings of the Governor and Council with reference to the materials supporting each finding.

The Authority will be glad to furnish any additional documentation and information which you may request.

Respectfully Submitted,

BUSINESS FINANCE AUTHORITY OF THE  
STATE OF NEW HAMPSHIRE

By:



---

Jack Donovan, Executive Director



11 South Main Street, Suite 400  
Concord, NH 03301-4646  
p: 603-225-4334 f: 603-224-8350  
hinckleyallen.com

August 16, 2013

Her Excellency Governor Maggie Hassan  
and  
The Honorable Executive Council

Dear Governor and Councilors:

(BFA-Portsmouth Christian Academy)

In this transaction the Business Finance Authority of the State of New Hampshire (the "Authority") will lend up to \$9,440,000 of revenue bond proceeds (the "Bonds") to Portsmouth Christian Academy (the "Borrower"), for the purpose of: (i) refinancing the acquisition of a 45 acre parcel of land with a building thereon, and the construction, renovation, remodeling and expansion of the Borrower's independent school facilities located in Dover, including the construction of a new high school academic building and a new high school academic support building; and (ii) financing routine capital expenditures in the Borrower's capital budget over the next three years.

The Bonds will be issued and the loan will be made pursuant to a Loan and Security Agreement (the "Agreement"). The Bonds will be privately purchased by Bank of New Hampshire (the "Bank"). The Bonds will bear interest initially for a ten year period at a fixed rate of 4.15%, with a second ten year interest rate period based on the 10-year Federal Home Loan Bank Boston Long-Term Classic Advance CDA (Community Development Advance) rate plus 170 basis points.

The Authority's obligation to pay the Bonds is actually to be performed by the Borrower, which is unconditionally responsible for that performance. As in all transactions under RSA 162-I, neither the Authority's money nor other public funds will or can be used to pay the Bonds. Provisions appropriate to achieving this result, as required by RSA 162-I, are contained in the Agreement.

In summary, the details of this transaction are essentially the same as in many prior BFA bond issues, and there is nothing new or unusual involved.

A handwritten signature in cursive script that reads "Hinckley, Allen &amp; Snyder LLP".

HINCKLEY, ALLEN & SNYDER LLP

▶ ALBANY ▶ BOSTON ▶ CONCORD ▶ HARTFORD ▶ NEW YORK ▶ PROVIDENCE

HINCKLEY, ALLEN & SNYDER LLP, ATTORNEYS AT LAW

A RESOLUTION UNDER RSA 162-I:9 WITH RESPECT TO THE FINANCING OF  
EDUCATIONAL FACILITIES BY THE BUSINESS FINANCE AUTHORITY FOR  
PORTSMOUTH CHRISTIAN ACADEMY IN DOVER

WHEREAS, the Governor and Council have received from the Business Finance Authority (the "Authority") its written recommendation that the Governor and Council make certain findings and a determination pursuant to RSA 162-I:9 with respect to the refinancing of educational facilities and the acquisition of capital assets (the "Facilities") for Portsmouth Christian Academy (the "Academy") in Dover, by the Authority's issue of Revenue Bonds (Portsmouth Christian Academy Issue) Series 2013 (the "Bonds") in an amount not to exceed an aggregate of \$9,440,000 under RSA 1624 (the "Act");

WHEREAS, the Governor and Council have received all the documentation and information with respect to the transaction which they have requested; and

WHEREAS, further action by the Authority with respect to the transaction is subject to the passage of this resolution and cannot be taken until after its passage;

IT IS HEREBY RESOLVED THAT;

Section 1. Findings. On the basis of the Authority's recommendation and the documentation and information received by the Governor and Council, and after a public hearing, the Governor and Council find:

(a) Special Findings:

- (1) The Bonds will be used to: (i) current refund the outstanding New Hampshire Health and Education Facilities Authority Revenue Bonds, Portsmouth Christian Academy Issue, Series 2002, which were used to acquire, renovate and expand the school campus located at 20 Seaborn Drive, Dover, NH; (ii) finance the acquisition of certain capital assets; and (iii) pay certain costs associated with the issuance of the Bonds.
- (2) The operation of the Facilities will create and preserve employment opportunities directly and indirectly within the State of New Hampshire (the "State").

(b) General Findings:

- (1) The Project (described in the Authority's recommendation) and the proposed refinancing thereof are feasible;
- (2) The Academy has the skills and financial resources necessary to operate the Facilities successfully;

- (3) The Agreement contains provisions so that under no circumstances will the Authority be obligated directly or indirectly to pay Project costs, debt service or expenses of operation, maintenance and upkeep of the Facilities except from proceeds of the Bonds or from funds received under the Agreement, exclusive of funds received thereunder by the Authority for its own use;
- (4) The Agreement does not purport to create any debt of the State with respect to the Facilities, other than a special obligation of the Authority acting on behalf of the State under the Act; and
- (5) The proposed refinancing of the Project by the Authority and the operation and use of the Facilities will serve one or more needs and implement one or more purposes set forth in RSA 162-1:1, will preserve or increase the social or economic prosperity of the State and one or more of its political subdivisions, and will promote the general welfare of the State's citizens.

Section 2. Ultimate Finding and Determination. The Governor and Council find that the proposed refinancing, operation and use of the Facility will serve a public use and provide a public benefit, and the Governor and Council determine that the Authority's refinancing of the Project will be within the policy of, and the authority conferred by, the Act,

Section 3. Approval. The Governor and Council approve the Authority's taking such further action under the Act with respect to the transaction as may be required.

Section 4. Effective Date. This resolution shall take effect upon its passage. Passed and Agreed to September 4, 2013.

\_\_\_\_\_  
Governor Margaret Wood Hassan

\_\_\_\_\_  
Councilor Raymond S. Burton

\_\_\_\_\_  
Councilor Colin Van Ostern

\_\_\_\_\_  
Councilor Christopher T. Sununu

\_\_\_\_\_  
Councilor Christopher C. Pappas

\_\_\_\_\_  
Councilor Debora B. Pignatelli

### APPLICATION FOR OFFICIAL INTENT

\*If you have any questions about this application or the BFA's bond program, please call the BFA's offices at (603) 415-0190. If you need more space for any question, please attach additional sheets.

Name of Applicant: Portsmouth Christian Academy  
 Address: 20 Seaborne Drive  
 City, State, Zip: Dover, NH 03820  
 Contact: Dennis Runey Title: Head of School Phone: 603-742-3617 x101  
 Name and address of owner of project (if different): N/A

Name and address of lessees of project (if any): N/A

Amount of bond issue \$ 9,200,000

Address of project site: N/A

Briefly describe the project:  
Refinance series 2002 bonds and provide funds for capital expenditures. The 2002 bonds were used to build 2 academic buildings and gymnasium and refinance loans used to purchase the campus.

	ESTIMATED COST	SIZE	
Land Acquisition	\$ _____	_____	acres
Building Acquisition	\$ _____	_____	sq. ft.
Building Construction	\$ _____	_____	sq. ft.
Building Renovation	\$ _____	_____	sq. ft.
Equipment Acquisition	\$ <u>165,247</u>	_____	
Cost of Bond Issuance	\$ <u>256,000</u>	_____	
Refinance Existing Debt	\$ <u>9,683,000</u>	_____	
Other (describe):	_____		

Describe the effect of the project on the environment: None. The capital expenditures are intended for routine capital needs

When do you expect the project to begin? N/A completed? N/A

How many jobs will be created or preserved by the facility? Created N/A Preserved N/A

Describe the types of jobs created or preserved, their wage and salary levels and, if applicable, when the jobs will be created:  
Jobs created or preserved are not applicable, as this is a refinancing  
92 employees

Names and Addresses of contractors and subcontractors for the project: N/A

Describe the Applicant (and if applicable the owner and the lessees). Include a brief history of the Applicant, its principal products, and its consumers: PCA is New England's largest non-denominational Christian School. It teaches grades Pre-K through 12. Founded in 1992. 2013 enrollment of 621 students.

Briefly describe the background of the Applicant's (and if applicable the owner's and lessees') key management personnel:  
Dennis Runey, Col. Ret. MBA 15 yrs. as Head of School; (runey@k12nh.gov), Ed.D. 20 years at PCA; Gretchen Nadeau, MA 15 yrs. at PCA; Sarah Leavitt, BS/HR, 14 yrs at PCA.

Is the Applicant an equal opportunity employer? Yes\*, the owner? N/A, the lessee? N/A

Please provide any other information of which you believe the BFA should be aware in considering this application:  
\*within the constraints of any statement of faith  
NONE

The applicant will promptly advise the BFA of any change in the foregoing information, or of any additional information that may become available as plans for the project progress.

Date: 7/9/13

Authorized Officer of Applicant Dennis Runey, Head of School

**Portsmouth Christian Academy  
Board of Directors  
02-0465448**

**Mark Gell, Board Chair**  
124 Heritage Drive  
Rollinsford, NH 03869-5117  
Term Expires: June 2012

**April Mason**  
21 Patriots Road  
Stratham, NH 03885

**Kristi Friebus-Wykle, Fin. Cmte Chair**  
439 Exeter Road  
Hampton, NH 03842

**Kerry Pope, Vice Chair**  
3 Elizabeth Lane  
Rye, NH 03870

**Austin Catalano**  
53 Caughlin Hill Road  
Lyman, ME 04002

**Brian Barrington, Secretary**  
35 Noble Street  
Somersworth, NH 03878  
Term Expires: June 2012

**Robert LeClair**  
7 Roaring Rock Point  
York, ME 03909

**John Carpentier**  
53 Durrells Woods Rd  
Arundel, ME 04046

**Waldemar Kohl**  
29 Stowcroft Drive  
Hampton, NH 03842

Captain (P) Bryant Fuller, USN  
Quarters A  
Portsmouth Naval Shipyard  
Portsmouth, NH 03804



PORTSMOUTH  
CHRISTIAN  
ACADEMY

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

PORTSMOUTH CHRISTIAN ACADEMY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

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INDEPENDENT AUDITORS' REPORT

December 11, 2012

To the Board of Directors  
Portsmouth Christian Academy, Inc.  
Dover, New Hampshire

We have audited the accompanying statement of financial position of Portsmouth Christian Academy, Inc. as of July 31, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Academy's July 31, 2011 financial statements and, in our report dated November 30, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portsmouth Christian Academy, Inc. as of July 31, 2012 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Cummings, Lamont & McNamee, P.A.*

Certified Public Accountants  
Portsmouth, New Hampshire

PORTSMOUTH CHRISTIAN ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION

JULY 31, 2012

WITH COMPARATIVE TOTALS FOR JULY 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	July 31, 2011 Total (Memorandum Only)
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 807,805	\$ 30,704	\$ 10,004	\$ 848,513	\$ 626,727
Investments	360,717	-	78,489	439,206	705,884
Accounts receivable, net of allowance for doubtful accounts of \$48,000	348,313	-	-	348,313	244,994
Other receivables	7,820	-	-	7,820	7,820
Current pledges receivable	-	43,410	-	43,410	81,955
Prepaid expenses	6,668	-	-	6,668	13,110
<b>Total Current Assets</b>	<b>1,531,323</b>	<b>74,114</b>	<b>88,493</b>	<b>1,693,930</b>	<b>1,680,490</b>
<b>PROPERTY AND EQUIPMENT</b>					
Land and land improvements	1,219,559	-	-	1,219,559	1,219,559
Buildings	9,822,922	-	-	9,822,922	9,820,024
Furniture and fixtures	1,092,187	-	-	1,092,187	1,026,057
Athletic facilities	347,559	-	-	347,559	344,809
Vehicles	76,871	-	-	76,871	76,871
Software and intellectual property	73,616	-	-	73,616	73,616
	12,632,714	-	-	12,632,714	12,560,936
Less Accumulated Depreciation	(4,160,033)	-	-	(4,160,033)	(3,764,748)
<b>Total Property and Equipment, Net</b>	<b>8,472,681</b>	<b>-</b>	<b>-</b>	<b>8,472,681</b>	<b>8,796,188</b>
<b>OTHER ASSETS</b>					
Deposits with Bond Trustee	830,923	-	-	830,923	830,923
Pledges receivable, less current portion	-	20,000	-	20,000	40,000
Bond issuance costs, net of amortization	847,436	-	-	847,436	888,943
<b>Total Other Assets</b>	<b>1,678,359</b>	<b>20,000</b>	<b>-</b>	<b>1,698,359</b>	<b>1,759,866</b>
<b>Total Assets</b>	<b>\$ 11,832,363</b>	<b>\$ 94,114</b>	<b>\$ 88,493</b>	<b>\$ 11,864,970</b>	<b>\$ 12,236,544</b>

See Notes to Financial Statements

PORTSMOUTH CHRISTIAN ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION

JULY 31, 2012

WITH COMPARATIVE TOTALS FOR JULY 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	July 31, 2011 Total (Memorandum Only)
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 8,540	\$ -	\$ -	\$ 8,540	\$ 41,144
Accrued interest	47,956	-	-	47,956	47,898
Accrued payroll and related expenses	77,420	-	-	77,420	75,066
Current portion of long-term debt	260,000	-	-	260,000	250,000
Current portion of capital lease obligation	6,347	-	-	6,347	-
Deferred revenue	1,960,283	-	-	1,960,283	1,843,215
<b>Total Current Liabilities</b>	<b>2,360,546</b>	<b>-</b>	<b>-</b>	<b>2,360,546</b>	<b>2,257,323</b>
<b>LONG-TERM LIABILITIES</b>					
Bonds payable	9,615,000	-	-	9,615,000	9,875,000
Capital lease obligation	11,761	-	-	11,761	-
Bond premium, net of amortization	14,809	-	-	14,809	15,535
<b>Total Long-term Liabilities</b>	<b>9,641,570</b>	<b>-</b>	<b>-</b>	<b>9,641,570</b>	<b>9,890,535</b>
<b>Total Liabilities</b>	<b>12,002,116</b>	<b>-</b>	<b>-</b>	<b>12,002,116</b>	<b>12,147,858</b>
<b>NET ASSETS</b>					
Unrestricted	(319,753)	-	-	(319,753)	(140,149)
Temporarily restricted	-	94,114	-	94,114	140,342
Permanently restricted	-	-	88,493	88,493	88,493
<b>Total Net Assets</b>	<b>(319,753)</b>	<b>94,114</b>	<b>88,493</b>	<b>(137,146)</b>	<b>88,686</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,682,363</b>	<b>\$ 94,114</b>	<b>\$ 88,493</b>	<b>\$ 11,864,970</b>	<b>\$ 12,236,544</b>

See Notes to Financial Statements

PORTSMOUTH CHRISTIAN ACADEMY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2012

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	July 31, 2011 Total (Memorandum Only)
<b>REVENUE, GAINS AND OTHER SUPPORT</b>					
Tuition and fees	\$ 4,176,294	\$ -	\$ -	\$ 4,176,294	\$ 4,187,561
Contributions	283,361	7,000	-	290,361	238,885
Auxiliary programs	568,502	-	-	568,502	549,515
Fundraisers	104,349	-	-	104,349	102,126
Student activities	42,966	8,715	-	51,681	44,513
Investment income	5,145	-	-	5,145	20,914
Gain (loss) on investments	(59,156)	-	-	(59,156)	107,482
Other income	-	-	-	-	1,050
Net assets released from restrictions	61,943	(61,943)	-	-	-
<b>Total Revenue, Gains and Other Support</b>	<b>5,183,404</b>	<b>(46,228)</b>	<b>-</b>	<b>5,137,176</b>	<b>5,252,046</b>
<b>EXPENSES</b>					
Academic programs	3,391,380	-	-	3,391,380	3,448,484
Auxiliary programs	434,795	-	-	434,795	393,047
Fundraisers	26,415	-	-	26,415	25,713
Student activities	58,008	-	-	58,008	62,431
Operation and maintenance of plant	370,359	-	-	370,359	433,684
Depreciation and amortization	441,887	-	-	441,887	460,990
Interest	576,605	-	-	576,605	585,548
Other expenses	63,559	-	-	63,559	90,046
<b>Total Expenses</b>	<b>5,363,008</b>	<b>-</b>	<b>-</b>	<b>5,363,008</b>	<b>5,499,943</b>
<b>CHANGE IN NET ASSETS</b>	<b>(179,604)</b>	<b>(46,228)</b>	<b>-</b>	<b>(225,832)</b>	<b>(247,897)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(140,149)</b>	<b>140,342</b>	<b>88,493</b>	<b>88,686</b>	<b>336,583</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ (319,753)</b>	<b>\$ 94,114</b>	<b>\$ 88,493</b>	<b>\$ (137,146)</b>	<b>\$ 88,686</b>

See Notes to Financial Statements

PORTSMOUTH CHRISTIAN ACADEMY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JULY 31, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2011

		July 31, 2011 <u>(Memorandum Only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (225,832)	\$ (247,897)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	441,887	460,990
Bond premium amortization	(726)	(726)
Net realized and unrealized (gains) losses on investments	(59,156)	(107,482)
Change in allowance for doubtful accounts	7,000	7,000
Changes in operating assets and liabilities:		
Accounts receivable	(110,319)	(44,021)
Other receivables	-	6,889
Pledges receivable	58,545	(69,356)
Prepaid expenses	6,442	11,558
Accounts payable	(32,604)	24,232
Accrued interest	58	(979)
Accrued payroll and related expenses	2,354	(5,027)
Deferred revenue	117,068	(19,461)
	<u>204,717</u>	<u>15,720</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfers to operating	230,270	300,000
Proceeds from sales of investments	797,633	264,000
Purchases of investments	(702,069)	(284,184)
Payments under capital lease obligation	(6,012)	-
Purchases of property and equipment	(52,753)	(107,331)
	<u>267,069</u>	<u>172,485</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of bonds payable	(250,000)	(235,000)
	<u>(250,000)</u>	<u>(235,000)</u>
Net cash provided by (used in) financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	221,786	(46,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,457,650</u>	<u>1,504,445</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,679,436</u>	<u>\$ 1,457,650</u>

See Notes to Financial Statements

PORTSMOUTH CHRISTIAN ACADEMY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JULY 31, 2012  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2011

July 31, 2011  
(Memorandum Only)

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Income taxes paid (refunded)	\$ -	\$ -
Interest expense paid	\$ 576,547	\$ 586,527

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Purchases of property and equipment	\$ (24,120)	\$ -
Capital lease obligation	24,120	-
	\$ -	\$ -

There were no noncash investing activities for the year ended July 31, 2012.

Cash and cash equivalents at July 31, 2012:

Unrestricted cash and cash equivalents	\$ 807,805
Temporarily restricted cash and cash equivalents	30,704
Permanently restricted cash and cash equivalents	10,004
Deposits with Bond Trustee	850,923
	<u>\$ 1,679,436</u>

See Notes to Financial Statements

PORTSMOUTH CHRISTIAN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

Note 1 - Nature of Organization

Portsmouth Christian Academy, Inc. (the "Academy"), a nonprofit corporation, was incorporated on September 16, 1993 under the laws of the State of New Hampshire. The Academy operates a private preschool, elementary and high school in Dover, New Hampshire.

Note 2 - Summary of Significant Accounting Policies

Significant accounting policies of the Academy are as described below:

**Method of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation** - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under this statement, the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows.

Unrestricted net assets include assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met by actions and/or the passage of time. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets include accumulated donations which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with those restrictions imposed by the donor.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Academy considers all unrestricted cash and highly liquid debt instruments with an original maturity date of three months or less, not held for investment, to be cash and cash equivalents.

**Investments** - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statement of financial position. Gains and losses are included in the change in net assets.

**Accounts Receivable** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considers accounts receivable to be delinquent based on the date of unpaid invoices. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to accounts receivable. The Academy does not require collateral when extending credit.

**Pledges Receivable** - Pledges receivable represent amounts unconditionally promised to the Academy. No allowance for uncollectible amounts has been established on these receivables.

PORTSMOUTH CHRISTIAN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment - Property and equipment is stated at cost or at fair market value if received by donation. The Academy capitalizes acquisitions and improvements, while expenditures for maintenance and repairs that do not extend the useful lives of the assets are charged to operations as incurred. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Academy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Academy reclassifies temporarily restricted net assets to unrestricted net assets at that time. The provision for depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation expense was \$400,330 for the year ended July 31, 2012.

Deferred Revenue - Tuition and related fees collected during the current fiscal year for the next school year are recorded as deferred revenue.

Contributions - The Academy recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor or time stipulations that limit the use of the support. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Contributed Services - The Academy records various types of non-cash donations, including services, supplies and materials. Donated non-cash goods and services are recognized as contributions in accordance with Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. Non-cash goods are valued at the estimated fair value at the date of gift and services are similarly valued if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Academy. During the year ended July 31, 2012 the Academy did not record any contributed services that met this criteria.

Advertising - Advertising costs are expensed as incurred. Advertising expense was \$16,017 for the year ended July 31, 2012.

Income Taxes - The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy is classified as other than a private foundation.

The federal and State of New Hampshire tax returns of the Academy are subject to examination, generally for three years after they were filed. The Academy does not believe that there are any uncertain tax positions taken in preparation of the tax returns that would impact these financial statements.

Accounting Estimates and Assumptions - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could differ from those estimates.

Note 3 - Fair Values of Assets

Effective August 1, 2008, the Academy adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard requires that

PORTSMOUTH CHRISTIAN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

Note 3 - Fair Values of Assets (continued)

valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- 1) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
- 2) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- 3) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

For the year ended July 31, 2012, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table sets forth by level, within the fair value hierarchy, the Academy's assets at fair value at July 31, 2012.

<u>Description</u>	<u>Fair Values</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 444,260	\$ 444,260	\$ -	\$ -
Cash - money market fund	302,778	302,778	-	-
Deposit with Bond Trustee	<u>830,923</u>	<u>830,923</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,577,961</u>	<u>\$ 1,577,961</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 4 - Investments

Investments consist of the following as of July 31, 2012:

	<u>Cost</u>	<u>Fair Value</u>
Cash and money market funds	\$ 5,051	\$ 5,054
Stocks	3,848	7,782
Mutual funds	<u>427,157</u>	<u>431,424</u>
Total	<u>\$ 436,056</u>	<u>\$ 444,260</u>

PORTSMOUTH CHRISTIAN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

Note 4 - Investments (continued)

Net investment income consisted of the following for the year ended July 31, 2012:

Interest and dividend income	\$ 5,145
Realized and unrealized gain (loss) on investments	<u>(59,156)</u>
Total	<u>\$ (54,011)</u>

Note 5 - Deposits with Bond Trustee

The Academy maintains a balance in a money market account with a designated bond trustee as required by the bond agreement (See Note 7). The amount deposited with the bond trustee at July 31, 2012 was \$830,923. The money market account is not insured by the Federal Deposit Insurance Corporation or Security Investors Protection Corporation. However, the money market account invests in U.S. Treasury securities and other investments backed by the U.S. Government and bears minimal risk.

Note 6 - Bond Issuance Costs

Costs incurred in issuing the Series 2002 bonds are reported in noncurrent assets and are being amortized over the 30 year life of the bond. Amortization expense for the year ended July 31, 2012 was \$41,507.

Note 7 - Long-Term Debt

Long-term debt consisted of the following at July 31:

New Hampshire Health and Education Facilities Authority Revenue Bonds, Portsmouth Christian Academy Issue Series 2002. The Bonds were issued on December 1, 2002 in the amount of \$11,350,000 and will mature on July 1, 2033. Interest is payable semiannually on January 1 and July 1 at rates varying from 3.65% to 5.85%. The bonds are subject to mandatory redemption prior to maturity by application of Sinking Fund requirements commencing July 1, 2004 and annually thereafter. Sinking Fund installments range from \$45,000 in 2004 to \$785,000 in 2033.	\$ 9,875,000
Less Current portion	<u>260,000</u>
Long-Term Debt	<u>\$ 9,615,000</u>

The Bonds are dated December 1, 2002 and are a general obligation of the Academy under terms of an agreement and note with the New Hampshire Health and Education Facilities Authority. The bond indenture requires the Academy to make deposits to restricted accounts for the periodic payment of bond interest and retirement of bond principal. Interest on the bonds in the amount of \$287,389 will be paid on January 1, 2012 and July 1, 2012. The bonds are secured by a mortgage on the real estate, equipment and fixtures as well as gross receipts of the Academy.

PORTSMOUTH CHRISTIAN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

Note 7 - Long-Term Debt (continued)

The premium on the bonds received at issuance by the Academy amounted to \$21,801. The premium is being amortized over the 30 year term of the bonds using the straight line method. Amortization for the year ended July 31, 2012 was \$726.

Total interest paid on the bond for the year ended July 31, 2012, net of the amortization of the bond premium, was \$576,605.

Scheduled long-term debt maturities are as follows for the years ending July 31:

2013	\$	260,000
2014		275,000
2015		290,000
2016		300,000
2017		320,000
Thereafter		<u>8,430,000</u>
	\$	<u>9,875,000</u>

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds from donor restricted contributions, fundraising activities, and pledges receivable that are not yet available for use. These funds support various curricular and co-curricular activities including student government, construction of a new deck, support for graduating classes and alumni, and the arts.

Note 9 - Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions which have been permanently restricted by the donor for endowment. Interest earned on these amounts is unrestricted. Permanently restricted net assets consist of the following as of July 31, 2012:

Educate for Eternity	\$	28,490
Financial Aid Fund		<u>60,003</u>
	\$	<u>88,493</u>

The Educate for Eternity fund was an extension of the original financial aid drive. Money received for this purpose is to be used to create an endowment, the income from which can be used to provide financial aid to those in need.

The Financial Aid Fund represents gifts given in prior years from donors to form an endowment for providing financial aid to those in need. Only the interest from this endowment is to be used to provide financial aid.

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management

PORTSMOUTH CHRISTIAN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

Note 9 - Permanently Restricted Net Assets (continued)

of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (the "Staff Provision"). The Staff Provision provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Provision also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Academy's endowment investing policy's objective is to grow the fund over time to support future scholarships. The fund will meet this objective by investing endowment funds in fixed income and equity investments. The allocation of these investments will maintain a target of 80% equity and 20% fixed income or cash. The investment allocation is reviewed on a regular basis. The Academy has no formal spending policy for endowment funds at July 31, 2012, and has not appropriated any amounts for expenditure.

Note 10 - Flexible Benefits Plan

The Academy maintains a flexible benefits plan for its employees. All full-time employees are eligible to participate. There is no contribution required from the Academy to this plan other than administrative costs.

Note 11 - Retirement Plan

Effective September 1, 2002, the Academy adopted a voluntary contributory 403(b) plan for its employees. All employees who work 20 or more hours per week are eligible to participate in the plan immediately. Historically, the Academy has provided a dollar-for-dollar matching contribution, up to \$250 annually, for those employees who both participated in the Academy's 403(b) Plan and met the Plan's requirements for entitlement to share in the matching contribution. Employer contributions are fully vested after the completion of 3 years of service. The School did not make a matching contribution for the year ended July 31, 2012.

Note 12 - Operating Leases

The Academy leases certain office equipment under the terms of two operating leases which expire in August 2013 and April 2017.

Future minimum lease payments under the terms of the above leases are as follows for the years ending July 31,

2013	\$ 9,016
2014	9,180
2015	9,180
2016	9,180
2017	<u>6,885</u>
	<u>\$ 43,441</u>

Rent expense for the year ended July 31, 2012 was \$6,279.

PORTSMOUTH CHRISTIAN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2012

Note 13 - Capital Leases

Equipment under capital leases consist of three copiers and one scrubber with a combined capitalized value of \$24,120. A lease for a second scrubber was signed during 2012, but the asset was not placed in service until after July 31, 2012. Accumulated depreciation in the statement of financial position included \$3,995 relating to these leased assets. Depreciation expense reported in the statement of activities and changes in net assets includes \$3,995 for the equipment under these capital leases. The leases include \$1 purchase options at the end of the lease periods. Future minimum lease payments are as follows for the years ending July 31,:

2013	\$ 7,818
2014	7,818
2015	2,789
2016	<u>2,789</u>
Total minimum lease payments	21,214
Less amount representing interest	<u>(3,106)</u>
Present value of minimum lease payments	<u>\$ 18,108</u>

Imputed interest paid under capital leases was \$1,806 for the year ending July 31, 2012.

Note 13 - Concentration of Credit Risk

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of cash deposits and investments. Cash deposits are held at two financial institutions and are insured up to \$250,000 by the Federal Deposit Insurance Corporation as of July 31, 2012. Cash balances in excess of insured limits totaled \$545,485 as of July 31, 2012.

The Academy also has several mutual funds and other investments that are not insured, including deposits held by its designated Bond Trustee. The balance of uninsured funds with various investment companies was \$1,275,182 as of July 31, 2012.

Note 14 - Functional Expenses

The expenses of providing various program and supporting services have been summarized below on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Allocations may be direct or indirect according to the type of expense incurred.

For the year ended July 31, 2012, expenses were incurred in the following functional areas:

Program services	\$ 4,247,140
Management and general	995,688
Fundraising	<u>120,180</u>
	<u>\$ 5,363,008</u>

Note 15 - Subsequent Events

Subsequent events have been evaluated by management through December 11, 2012, which is the date the financial statements were available to be issued. There were no material subsequent events at December 11, 2012 that require disclosure in the financial statements.

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LOAN AND SECURITY AGREEMENT

Among

BANK OF NEW HAMPSHIRE,  
as Purchaser

and

BUSINESS FINANCE AUTHORITY  
OF THE STATE OF NEW HAMPSHIRE,  
as Issuer,

and

PORTSMOUTH CHRISTIAN ACADEMY,  
as Borrower

Dated as of September 1, 2013

[\$9,200,000]

Business Finance Authority of the  
State of New Hampshire Revenue Bonds  
(Portsmouth Christian Academy Issue)  
Series 2013

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**[\$9,200,000]**  
**Business Finance Authority of the State of New Hampshire**  
**Revenue Bonds**  
**(Portsmouth Christian Academy Issue) Series 2013**

**LOAN AND SECURITY AGREEMENT**

THIS LOAN AND SECURITY AGREEMENT dated as of September 1, 2013 (with any supplements, modifications or amendments hereto, including all exhibits and schedules hereto, the "Agreement") among Bank of New Hampshire, as bond purchaser and disbursing agent (with its successors and assigns, sometimes hereinafter referred to as the "Purchaser" or the "Disbursing Agent."), Business Finance Authority of the State of New Hampshire, a body politic and corporate and a public instrumentality duly organized and validly existing under the laws of the State of New Hampshire (the "State"), as the issuer (together with its successors and assigns, the "Issuer"), and Portsmouth Christian Academy, a non-profit voluntary corporation organized under the laws of the State of New Hampshire (the "Borrower").

**RECITALS**

WHEREAS, the Issuer is authorized by law, including New Hampshire RSA Chapter 162-I (referred to herein as the "Act") to enter into financing documents and security documents with respect to indebtedness of the Issuer to be used to finance eligible projects as described in the Act; and

WHEREAS, the Borrower is a non-profit voluntary corporation, is an organization described in Section 501(c)(3) of the Code (defined below) and is authorized to lease, sublease, purchase and hold real and personal property and to borrow money to finance or refinance the same; and

WHEREAS, in furtherance of the purpose of the Act, the Issuer proposes to refinance the renovation and construction of the Property (as hereinafter defined) by the Borrower pursuant to this Agreement by selling the Bonds (as hereinafter defined) to the Purchaser and lending the proceeds thereof to the Borrower; and

WHEREAS, the Borrower proposes to borrow the proceeds of the sale of the Bonds from the Issuer upon the terms and conditions set forth herein to: (i) refinance the renovation and construction of the Property by refunding the Refunded Bonds; (ii) fund certain miscellaneous capital expenditures; and (iii) pay costs of issuance relating to the Bonds; and

WHEREAS, the Borrower shall make Debt Service Payments (as hereinafter defined) to the Purchaser as assignee of the Issuer.

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in consideration of the premises contained in this Agreement, the Purchaser, the Issuer and the Borrower agree as follows:

## **ARTICLE I DEFINITIONS**

Section 1.01. Definitions. The following terms used herein will have the meanings indicated below unless the context clearly requires otherwise:

“Accounts Receivable” means any and all rights of the Borrower to payment for services rendered or for goods sold or leased which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

“Act” means New Hampshire RSA Chapter 162-I, as in effect from time to time, and any successor statute.

“Additional Payments” shall have the meaning ascribed to such term in Section 4.03 hereof.

“Agreement” means this Agreement, including all exhibits and schedules hereto, as any of the same may be supplemented or amended from time to time in accordance with the terms hereof.

“Bonds” means the \$[9,200,000] Business Finance Authority of the State of New Hampshire Revenue Bonds (Portsmouth Christian Academy Issue), Series 2013 issued by the Issuer and purchased by the Purchaser pursuant to this Agreement, which shall constitute “Bonds” within the meaning of Section 162-1:2 of the Act, in the form of Exhibit C hereto, and any bond or bonds duly issued in exchange or replacement therefor.

“Bond Counsel” means Hinckley, Allen & Snyder LLP or other nationally recognized bond counsel selected by the Issuer and satisfactory to the Purchaser.

“Bondowners” means the registered owners of the Bonds from time to time. The initial Bondowner is Bank of New Hampshire, as the Purchaser.

“Bond Payments” shall have the meaning set forth in Section 2.03 of this Agreement.

“Bond Proceeds” means the total amount of money to be paid pursuant to Section 2.01 hereof by the Purchaser to the Issuer on behalf of the Borrower, in accordance with this Agreement.

“Borrower” means Portsmouth Christian Academy.

“Borrower’s Representatives” means the Chairman of the Board of Directors, the Head of School or the Chief Financial Officer, each of whom may act singly, or an alternate or successor appointed by the Borrower with notice to the Disbursing Agent.

“Business Day” means a day other than a Saturday or Sunday on which banks are generally open for business in New York, New York and New Hampshire and on which the Purchaser also is open for business.

“Closing” means the issuance of the Bonds and the purchase of the Bonds by the Purchaser.

“Closing Date” means the date on which the Closing occurs.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral Assignment of Leases and Rents” means the Collateral Assignment of Leases and Rents dated as of near or even date herewith from the Borrower to the Purchaser.

“Date of Taxability” means the date upon which Interest became includable in the Purchaser’s gross income for federal tax purposes as a result of an Event of Taxability.

“Debt Service” means the total of Interest Expense and all scheduled payments payable with respect to Long-Term Indebtedness of the Borrower, including without limitation, Debt Service Payments, during the measured period.

“Debt Service Coverage Ratio” shall mean for any Fiscal Year of the Borrower the ratio established by dividing (a) Income Available for Debt Service for such period, by (b) Debt Service for such period, as the foregoing shall appear in the annual audited financial statements of the Borrower in accordance with Section 7.01 of this Agreement.

“Debt Service Payments” means the payments payable by the Borrower pursuant to the provisions of this Agreement in accordance with the schedule of principal payments as specifically set forth in Exhibit A hereto. As provided in Article II hereof, Debt Service Payments shall be payable by the Borrower to the Purchaser, as assignee of the Issuer, in the amounts and at the times as set forth in Article II, in the form of the Bonds and in accordance with Exhibit A hereto.

“Default” means an event that, with giving of notice or passage of time or both, would constitute an Event of Default (defined below) as provided in Article XIII hereof.

“Determination of Taxability” means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion of counsel qualified in such matters obtained by the Purchaser, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when the Borrower files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred; or

(b) the effective date of any federal legislation enacted after the date of this Agreement or promulgation of any income tax regulation or ruling by the Treasury Department or the Internal Revenue Service that causes an Event of Taxability after the date of this Agreement.

“Environmental Compliance and Indemnity Agreement” means the Environmental Compliance and Indemnity Agreement dated as of near or even date herewith from the Borrower to the Purchaser.

“Event of Default” shall have the meaning ascribed to such term in Section 12.01 hereof.

“Event of Taxability” means an event upon the occurrence of which Interest is or becomes includable in the Purchaser’s gross income for federal income tax purposes (except where the Purchaser is a “substantial user” of the facilities refinanced with the Bond Proceeds pursuant to the terms of the Agreement or a “related person” within the meaning of Section 147 of the Code), as the result of any act, failure to act or use of the Bond Proceeds, a change in use of the Property or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement by the Issuer or the Borrower or the enactment of any federal legislation after the date of this Agreement or the promulgation of any income tax regulation or ruling by the Internal Revenue Service after the date of this Agreement.

“Expense Fund” shall have the meaning ascribed to such term in Section 2.08 hereof.

“Fiscal Year” of the Borrower means the twelve months ending on July 31 in any calendar year, or such other twelve month period as the Borrower adopts as its fiscal year in the future.

“GAAP” shall mean generally accepted accounting principles and practices in the United States.

“Gross Receipts” means all current and future receipts, revenues, income and other moneys received by or on behalf of the Borrower, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of the Property, including insurance and condemnation proceeds with respect to the Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, Accounts Receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness of the Borrower) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

“Gross-Up Rate” means, with respect to any Interest payment (including payments made prior to an Event of Taxability), an additional payment in an amount sufficient such that the sum of the Interest payment plus the additional payments would, after reduction by the federal tax (including interest and penalties) actually imposed thereon, equal the amount of the Interest payment.

“Hedge Agreement” means an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant

to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Indebtedness.

“Income Available for Debt Service” means the Borrower’s net operating income, plus depreciation, amortization, Interest Expense and taxes, as reported in the Borrower’s financial statements, all as determined in accordance with GAAP.

“Indebtedness” means, as to any Person, all obligations, contingent and otherwise, which in accordance with generally accepted accounting principles consistently applied should be classified upon such Person's balance sheet as liabilities, but in any event including, without limitation, liabilities secured by any mortgage, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired by such Person whether or not the liability secured thereby shall have been assumed, letters of credit open for account, obligations under acceptance facilities, capitalized lease obligations and all obligations on account of guaranties, endorsements and any other contingent obligations in respect of the Indebtedness of others whether or not reflected on such balance sheet or in a footnote thereto.

“Initial Interest Rate” means 4.15%.

“Initial Interest Rate Period” means the period from the Closing Date through (and including) \_\_\_\_\_, 2023.

“Institution Counsel” means Hinckley, Allen & Snyder LLP.

“Interest” means the portion of any payment from the Issuer to the Purchaser on the Bonds in an amount equal to the portion of the payment from the Borrower to the Issuer designated as the interest component as shown in Exhibit A hereto.

“Interest Expense” shall mean interest expense paid by the Borrower with respect to Short-Term Indebtedness and Long-Term Indebtedness (including letter of credit fees, if any, and expenses plus or minus net payments (exclusive of termination or unwind payments) on interest rate Hedge Agreements, less interest paid through Bond Proceeds.

“Interest Rate” shall mean an interest rate established in accordance with Section 2.02 of this Agreement. The Interest Rate on the Bonds during the initial Interest Rate Period shall be the Initial Interest Rate.

“Interest Rate Period” shall mean each period during which an Interest Rate is in effect. After the Initial Interest Rate Period, the Interest Rate Period shall be any period from and including the day next succeeding the end of the prior Interest Rate Period to and including any day not later than the maturity date of the Bonds, all in accordance with Section 2.02 of this Agreement.

“Issuer” means the Business Finance Authority of the State of New Hampshire, acting as the issuer under this Agreement, and its successors.

“Issuer’s Tax Certificate” means the No Arbitrage Certificate of the Issuer of even date herewith.

“Liens” shall have the meaning ascribed to such term in Section 6.05 hereof.

“Loan” means the loan of the Bond Proceeds from the Issuer to the Borrower pursuant to this Agreement.

“Long-Term Indebtedness” shall mean all Indebtedness, other than Short-Term Indebtedness, for any of the following:

(i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the Borrower for a period from the date originally incurred, of longer than one year;

(ii) Payments under leases which are capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; and

(iii) Payments under installment purchase contracts having an original term in excess of one year.

“Mortgage” means the mortgage agreement dated as of even or near date herewith from the Borrower to the Purchaser with respect to the Real Property.

“Permitted Liens” shall have the meaning ascribed to such term in Article III paragraph (J).

“Person” means an individual, corporation, partnership, joint venture, association, estate, joint stock company, trust, organization, business or a government or agency or political subdivision thereof.

“Personal Property” means all properties, assets and rights of the Borrower, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof, including, but not limited to, the following: all goods (including inventory, equipment, accessions to inventory and equipment, timber to be cut, and as-extracted collateral), fixtures, instruments (including promissory notes), documents, Gross Receipts, accounts, accounts receivable, chattel paper (whether tangible or electronic), letter of credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, insurance claims and proceeds, and all general intangibles, including, without limitation, all payment intangibles, payment applications, trademarks, trademark applications, trade names, copyrights, copyright applications, software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, agreements of any kinds and nature pursuant to which the Borrower possesses, uses, or has authority to possess or use property (whether tangible or intangible) of others, or others possess, use or have authority to possess or use property (whether tangible or intangible) of the Borrower, and all recorded data of any kind or nature, regardless of the medium of recording, including, without limitation, all software, writings, plans, specifications and

schematics; *provided, however*, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Personal Property; and *provided further*, that Personal Property shall not include cash, cash equivalents, investment securities or endowment funds on hand from time to time with the Borrower.

“Principal” means the portion of any Debt Service Payment designated as and comprising principal as set forth in Exhibit A hereto.

“Projects” means (A) the projects financed with the Refunded Bonds, namely: (1) refinancing certain of the Borrower’s then-existing debt, then outstanding in the approximate principal amount of \$4,165,000, the proceeds of which were used to finance: (a) the purchase of the real property located at 1 Seaborn Drive, Dover, New Hampshire consisting of 45 acres of land and an approximately 64,000 square foot building located thereon, (b) the furnishing, fixturing and renovation of the aforementioned 64,000 square foot building, and (c) the construction of a gymnasium addition to the aforementioned building containing approximately 8,000 square feet; (2) financing the construction of a new high school building containing approximately 22,000 square feet containing primarily academic classrooms (approximately \$2,000,000); (3) financing the construction of a new high school academic support building containing approximately 20,000 square feet containing science laboratories, art and music facilities, classrooms, a multi-purpose room and library (approximately \$1,750,000); (4) constructing a gymnasium annex containing approximately 6,000 square feet to provide additional space for indoor athletics, physical education and assembly (approximately \$500,000); (5) financing miscellaneous renovations and capital equipment acquisitions during the three years following issuance of the Refunded Bonds; (6) financing capitalized interest with respect to a portion of the Refunded Bonds and a debt service reserve fund; and (7) paying certain costs of issuing the bonds including credit enhancement with respect thereto, all of which projects are being refinanced with the Bonds; (B) financing the costs of miscellaneous capital expenditures of the Borrower during the three years following issuance of the Bonds; and (C) financing costs of issuance with respect to the Bonds.

“Project Costs” means capital expenditures of the Borrower to be paid with Bond Proceeds and the costs of issuing the Bonds which may be paid from Bond Proceeds under the Act. Project Costs also shall be limited to costs which are permitted to be paid or reimbursed from Bond Proceeds under the Tax Certificate.

“Project Fund” shall have the meaning ascribed to such term in Section 2.07 hereof.

“Property” means, collectively, the Real Property, the Personal Property and the Projects as defined herein.

“Purchaser” means (i) Bank of New Hampshire, as purchaser and initial registered owner of the Bonds, and (ii) any successor registered owner of the Bonds.

“Real Property” means (i) the real estate located in Dover, Strafford County, New Hampshire, as more particularly described in the Mortgage dated as even or near date herewith, all rights and easements appurtenant thereto, and all buildings, structures, fixtures and improvements now or hereafter located thereon, and (ii) all proceeds of the foregoing, including proceeds of insurance, eminent domain or sale.

“Refunded Bonds” shall mean the New Hampshire Health and Education Facilities Authority Revenue Bonds, Portsmouth Christian Academy Issue, Series 2002.

“Short-Term Indebtedness” means all Indebtedness, other than Long-Term Indebtedness, for any of the following:

(i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the Borrower for a period from the date originally incurred, of one year or less;

(ii) Payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) Payments under installment purchase contracts having an original term of one year or less.

“State” means the State of New Hampshire.

“Tax Certificate” means, collectively, the Borrower’s Tax Certificate and Certificate as to Arbitrage, both dated as of the Closing Date.

“Transaction Documents” means and refers to this Agreement, the Mortgage, the Collateral Assignment of Leases and Rents, the Environmental Compliance and Indemnity Agreement and the Tax Certificate.

“UCC” means the Uniform Commercial Code as adopted and in effect in the State.

“Unassigned Rights” means the rights of the Issuer and its directors, officers, employees and agents to payments and rights of indemnification under Sections 4.06, 7.03, 7.06(d) and 12.02; the right to give and receive notices, consents and approvals; and the right to enforce the same.

“Unmatured Event of Default” means any occurrence, act or event that, with the giving of notice, the passage of time, or both, would constitute and Event of Default.

Section 1.02. Rules of Construction. (a) The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(b) Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivision of this Agreement as originally executed. The words “hereof,” “wherein,” “hereunder” and words of similar import refer to this Agreement as a whole.

(c) The headings or titles of the several articles and sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

(d) Combined Documents. This Agreement and the exhibits hereto together constitute the financing document and the security document under the Act, and as evidence of indebtedness, this Agreement and the exhibits hereto constitute a Bond under the Act.

## ARTICLE II

### ISSUANCE OF THE BONDS AND TERMS OF LOAN

Section 2.01. Bond Purchase and Issuance; Loan to the Borrower; Application of Loan Proceeds. The Issuer hereby agrees, subject to the terms and conditions of this Agreement, to issue the Bonds in the amount of \$\_\_\_\_\_ on the Closing Date. The Purchaser hereby agrees, subject to the terms and conditions of this Agreement, to tender \$\_\_\_\_\_ to the Issuer to purchase the Bonds on the Closing Date. The Issuer hereby agrees, subject to the terms and conditions of this Agreement, to lend the Bond Proceeds to the Borrower on the Closing Date. The Issuer assigns and pledges to the Purchaser its rights, as set forth in Section 2.03 herein, on the Closing Date. The Borrower hereby agrees to borrow such amount from the Issuer on the Closing Date and to make payments to the Purchaser in accordance with the terms and conditions of this Agreement.

The provisions of Section 2.02 of this Agreement shall govern the interest rates per annum and payment terms of the Bonds. The Bonds shall bear interest at the Interest Rate during each Interest Period. The Bonds shall mature, subject to prepayment as set forth in Section 2.06 of this Agreement, on September \_\_, 2043.

Upon fulfillment of the conditions set forth in Article III hereof, the Purchaser shall deposit the Bond Proceeds on behalf of the Issuer as follows:

(i) the amount of \$\_\_\_\_\_ shall be deposited in the Project Fund with the Disbursing Agent and disbursed for the payment of Project Costs as provided in this Agreement;

(ii) any remaining amounts shall be deposited in the Expense Fund to be held and disbursed as provided in this Agreement.

The Borrower’s obligation to make Debt Service Payments, which the Issuer hereby is assigning to the Purchaser, and which shall be the sole source of interest and principal payments on the Bonds, shall commence, and Interest shall begin to accrue, on the date on which the Bonds are issued, as set forth on the Bonds as issued.

Neither the Purchaser nor the Issuer shall have any ownership interest in the Property after the Closing Date and by this Agreement each is merely financing and refinancing the acquisition, construction and site development thereof by the Borrower. The Issuer has not been in the chain of title of the Property, the Purchaser and the Issuer shall not operate, control or have possession of the Property and the Purchaser and the Issuer have no control over the Borrower or the Borrower's operation, use or maintenance of the Property. The Borrower is solely responsible for the selection of the Property, and is solely responsible for the use, maintenance and operation of the Property. The Borrower will indemnify, defend and hold the Purchaser and the Issuer and their respective directors, officers, employees and agents (each, an "Indemnified Person") harmless from and against any claims, loss or damage, including reasonable attorneys' fees, to which an Indemnified Person may be subjected as a result of the designation of any Indemnified Person as the owner of the Property solely by virtue of the Loan, the Bonds or any transaction contemplated pursuant to this Agreement. This indemnification shall survive the payment in full of the Bonds and the Loan.

By executing this Agreement, the Borrower irrevocably covenants to pay and shall pay to the Purchaser, as assignee of the Issuer, all Debt Service Payments, including each and every payment due with respect to the Bonds and any other payment due from the Borrower hereunder, other than payments due directly to the Issuer with respect to any Unassigned Rights, which the Borrower hereby irrevocably covenants to pay and shall pay to the Issuer.

Section 2.02. Interest. (a) The principal portion of the Bonds outstanding from time to time shall bear interest (computed on the basis of actual days elapsed in a 360 day year) at the Interest Rate during the Interest Rate Period established by the Borrower with notice to the Issuer. The Interest Rate for the Initial Interest Rate Period shall be the Initial Interest Rate. If the Borrower elects to have the Bonds continue to be held by the Purchaser for the ten (10) year period following the end of the Initial Interest Rate Period, the Interest Rate for the Bonds during such subsequent ten (10) year Interest Rate Period shall be a rate based on the 10-year Federal Home Loan Bank Boston Long-Term Classic Advance CDA (Community Development Advance) rate plus 170 basis points. If the Borrower does not elect to have the Purchaser continue to hold the Bonds for a ten (10) year period following the Initial Interest Rate Period, the Bonds shall be remarketed at par by a remarketing agent selected by the Borrower and reasonably acceptable to the Issuer. Such remarketing may be for any period from the end of the Initial Interest Rate Period through the final maturity of the Bonds and may carry Interest based on a fixed rate, a variable rate or a combination of a fixed rate and a variable rate. In addition, if the Borrower does not elect to have the Purchaser continue to hold the Bonds for a ten (10) year period following the Initial Interest Rate Period, then for the immediately succeeding and each further Interest Rate Period, the Bonds may only be remarketed if the Borrower provides the Issuer with an opinion of nationally recognized bond counsel that Interest on the Bonds during each such subsequent Interest Rate Period shall be excluded from gross income for federal income tax purposes. Interest accruing on the principal balance outstanding from time to time on the Bonds shall be payable as provided in the Bonds, as set forth on Exhibit C and upon earlier demand in accordance with the terms hereof and the Bonds.

(b) Upon the occurrence of a Determination of Taxability, the Borrower shall, with respect to future interest payments, begin making Debt Service Payments (and the Bond

Payments will be made) with the interest component calculated to equal the sum of the then applicable Interest Rate and the Gross-Up Rate. In addition, whether or not the Determination of Taxability occurs before or after the Bonds and the Loan are paid in full, the Borrower shall, upon demand of the Purchaser, make a payment to the Purchaser sufficient to pay the difference between all prior Debt Service Payments and related Bond Payments at the then applicable Interest Rate and the Gross-Up Rate from the Date of Taxability to the date of the Determination of Taxability. Notwithstanding the foregoing, in no event shall the Borrower be required to pay a Gross-Up Rate for any period of time for which the statute of limitations with respect to recovery of taxable interest has run.

Section 2.03. Payments. The Borrower shall pay to the Purchaser principal, premium, if any, and Interest (“Bond Payments”), on the Bonds in such amounts and on such dates as the Borrower shall be required to pay the Debt Service Payments, as and when due under this Agreement. The Borrower hereby agrees to pay the Debt Service Payments and shall pay to the Purchaser, as assignee of the Issuer, the Debt Service Payments in the amounts and on the dates set forth on Exhibit A hereto and in the Bonds or in accordance with Sections 2.02, 2.06 or 12.02 of this Agreement. As security for its obligation to pay principal, premium, if any, and any and all interest in accordance with the terms of this Agreement, the Issuer assigns to and pledges to the Purchaser all of the Issuer’s right to receive Debt Service Payments from the Borrower hereunder, all of the Issuer’s rights hereunder to amounts in the Expense Fund, and with the exception of the Unassigned Rights and all of the Issuer’s right, title and interest in and to the Property, the Issuer irrevocably constitutes and appoints the Purchaser and any present or future officer or agent of the Purchaser as its lawful attorney, with full power of substitution and resubstitution, and in the name of the Issuer or otherwise, to collect the Debt Service Payments and any other payments due hereunder except payments relating to the Unassigned Rights and to sue in any court for such Debt Service Payments or other payments due hereunder, except with respect to payments due with respect to the Unassigned Rights, to exercise all rights hereunder except Unassigned Rights with respect to the Property, and to withdraw or settle any claims, suits or proceedings pertaining to or arising out of this Agreement except those relating to the Unassigned Rights upon any terms. The Purchaser and the Borrower agree to such assignment. The Issuer hereby directs the Borrower, and the Borrower hereby agrees, to pay to the Purchaser, as assignee of the Issuer, Debt Service Payments, which payments, upon receipt by the Purchaser shall constitute Bond Payments, in the amounts and on the dates set forth in Exhibit A hereto and on the Bonds or in accordance with Sections 2.02, 2.06 or 12.02 and other payments due hereunder or pursuant to the Bonds, except with respect to payments relating to the Unassigned Rights. Such payments shall be made by the Borrower directly to the Purchaser, as the Issuer’s assignee, and all Debt Service Payments shall be credited against the Issuer’s Bond Payments and any other payment obligations hereunder.

No provision, covenant or agreement contained in this Agreement or any obligation herein imposed on the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer any pecuniary liability or a charge upon the general credit or taxing powers of the State or any political subdivision thereof. The Issuer has no taxing powers. In making the agreements, provisions and covenants set forth in this Agreement, the Issuer has not obligated itself except with respect to the Property as and to the extent provided in this Agreement, and the application

of the Debt Service Payments to be paid by the Borrower hereunder, as and to the extent provided in this Agreement.

All amounts required to be paid hereunder shall be paid in lawful money of the United States of America in immediately available funds. No recourse shall be had by the Purchaser or the Borrower for any claim based on this Agreement against the Issuer, the State or any director, officer, employee or agent of the Issuer or of the State alleging personal liability on the part of such person, unless such claim is based on the willful dishonesty of or intentional violation of law by such person.

Section 2.04. Payment on Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, but such extension of time shall not be included in the computation of interest or the fees hereunder, as the case may be.

Section 2.05. Debt Service Payments To Be Unconditional. The obligations of the Borrower to make the Debt Service Payments required under this Article II and to make other payments hereunder and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason, including (without limitation) any accident, condemnation, destruction or unforeseen circumstances. Notwithstanding any dispute between the Borrower and any of the Issuer, the Purchaser or any other person, the Borrower shall make all Debt Service Payments when due and shall not withhold any Debt Service Payments pending final resolution of such dispute, nor shall the Borrower assert any right of set-off or counterclaim against its obligation to make such payments required under this Agreement, each of which rights is hereby affirmatively waived by the Borrower.

Section 2.06. Prepayments.

(a) Unless the original Purchaser or a subsequent purchaser of the Bonds continues to hold the Bonds, the Borrower shall cause repayment of the amounts owing to the original Purchaser or such subsequent purchaser in full immediately and without demand or notice on the last day of each Interest Period.

(b) The Borrower shall prepay the Bonds in full immediately upon demand of the Purchaser after the occurrence of an Event of Default, which is not cured within any applicable grace or cure period, by paying all amounts due hereunder and under any other Transaction Document and under any Hedge Agreement, if applicable.

(c) Upon any prepayment in part of the Bonds, the prepayment shall be applied to the Debt Service Payments and any other amounts due hereunder.

(d) Notwithstanding anything herein to the contrary, if the Borrower refinances the Bonds with a lender other than the Purchaser during the Initial Interest Rate Period, the Bonds shall be prepayable at the following prepayment prices expressed as percentages of the principal amount prepaid:

[____], 2013 through [____], 2018, inclusive	103%
[____], 2019 through [____], 2023, inclusive	102

(e) Notice of Payment. Except for the mandatory prepayment set forth in Section 2.06(a), the Borrower shall give the Purchaser written notice of any prepayment in whole or in part at least thirty (30) days before the prepayment date specifying the date and amount of prepayment and the amount of accrued interest and premium, if any. If less than all the principal of the Bonds are to be prepaid on any date, the installments of principal shall be prepaid in chronological order. Upon any subsequent transfer or exchange of a Bond upon which a prepayment is made, the Issuer will make an appropriate notation on the Bond showing the prepaid installment or installments.

Section 2.07. Project Fund.

(a) Establishment and Purpose. A Project Fund is hereby established with the Disbursing Agent for the account of the Borrower (the “Project Fund”). Immediately after the sale of the Bonds and the deposits with the trustee for the Refunded Bonds pursuant to Section 2.01(i) hereof, \$\_\_\_\_\_ shall be deposited in the Project Fund to pay Project Costs. The moneys in the Project Fund shall be held in trust and, except as otherwise provided in this Agreement, shall be applied by the Disbursing Agent solely to the payment or reimbursement of Project Costs in accordance with Article IX.

(b) Disbursement Requirements. During the period commencing on the Closing Date through September \_\_, 2016, (the “Draw Period”), the Borrower shall requisition the proceeds of the Loan attributable to the Project Costs to pay for capital expenditures of the Borrower. In order to request the Issuer’s and the Purchaser’s approval of a Disbursement, the Borrower shall submit to the Issuer and the Purchaser a requisition in the form attached hereto as Exhibit [\_\_], in each instance signed by the Borrower’s Representative, together with a completed written disbursement request in such form and detail as required by Issuer and the Purchaser. Each such requisition must be submitted to the Issuer and the Purchaser at least fifteen (15) days prior to the proposed disbursement date and shall certify in detail, acceptable to the Issuer and the Purchaser, the cost of any labor that has been performed and any materials that relate to such capital expenditures, and shall be accompanied by such supporting data as the Issuer and the Purchaser may require, including, without limitation, receipts, vouchers, invoices, and such other information and documents as may be requested by the Issuer or the Bond Purchaser.

(c) Excess in Project Fund. All moneys in the Project Fund (including moneys earned thereon by investment) remaining after the earlier of completion of the Projects or September \_\_, 2016 shall promptly at the written direction of a Borrower’s Representative be applied to the next Debt Service Payment.

Section 2.08. Expense Fund.

(a) Establishment and Purpose. An Expense Fund is hereby established with the Disbursing Agent for the account of the Borrower (the “Expense Fund”). Immediately after the

sale of the Bonds and the deposits with the trustee for the Refunded Bonds pursuant to Section 2.01(i) hereof, the remaining proceeds shall be deposited in the Expense Fund. The moneys in the Expense Fund shall be held in trust and, except as otherwise provided in this Agreement, shall be applied by the Disbursing Agent solely to the payment or reimbursement of costs of issuance of the Bonds in accordance with Article IX; provided that if any funds remain in the Expense Fund twelve months after the Closing Date, such funds shall be transferred to the Project Fund.

(b) Excess in Expense Fund. All moneys in the Expense Fund (including moneys earned thereon by investment) remaining after payment or provision for payment in full of the costs referred to in this Section 2.07 which are then due and payable shall promptly at the written direction of a Borrower's Representative be applied to the next Debt Service Payment.

Section 2.08. Investment of Moneys in Fund. Pending their use under this Agreement, moneys in the Expense Fund shall be held uninvested by the Disbursing Agent.

Section 2.09. Tax-Exempt Status of Bonds. The Borrower will perform its obligations and agreements contained in the Tax Certificate as if they were set forth herein. The Issuer will cooperate with the Bondowner to the extent deemed necessary or permitted by law in the opinion of bond counsel to the Issuer in order to preserve the exclusion of interest on the Bond from gross income for federal income tax purposes.

### ARTICLE III

#### CONDITIONS PRECEDENT

The Purchaser's agreement to purchase the Bonds from the Issuer hereunder and to disburse the Bond Proceeds as provided herein shall be subject to the condition precedent that the Purchaser shall have received all of the following, each in form and substance satisfactory to the Purchaser. The Issuer's agreement to accept the Bond Proceeds and to make the Loan to the Borrower hereunder and the Purchaser's agreement to deliver the Bond Proceeds to the Borrower, shall be subject to the condition precedent that the Purchaser and the Issuer shall have received all of the following, each in form and substance satisfactory to the Purchaser and the Issuer:

(a) This Agreement, properly executed on behalf of the Issuer, the Borrower and the Purchaser, and each of the Exhibits hereto properly completed.

(b) The other Transaction Documents, properly executed on behalf of the respective parties thereto.

(c) A Bond properly issued to the Purchaser as registered owner thereof, in the principal face amount of \$ \_\_\_\_\_ and duly executed by the Issuer, dated the Closing Date.

(d) A certificate of the Secretary or an Assistant Secretary of the Borrower, certifying as to (i) the resolutions of the board of directors and, if required, the members of the Borrower, authorizing the execution, delivery and performance of this Agreement and the Tax Certificate and any related documents, (ii) the bylaws of the Borrower, and (iii) the signatures of the officers

or agents of the Borrower authorized to execute and deliver this Agreement and the Tax Certificate and other instruments, agreements and certificates on behalf of the Borrower.

- (e) Currently certified copies of the Articles of Agreement of the Borrower.
- (f) A Certificate of Good Standing issued as to the Borrower by the Secretary of the State of the state of the Borrower's incorporation, not more than thirty (30) days prior to the date hereof.
- (g) Certificates of the insurance required hereunder, approved by the Purchaser.
- (h) A completed and executed Form 8038 or evidence of filing thereof with the Secretary of Treasury.
- (i) A resolution or evidence of other official action taken by or on behalf of the Issuer to authorize the transactions contemplated hereby.
- (j) Financing statements naming the Borrower, as debtor, and the Purchaser, as secured party, with respect to the Personal Property.
- (k) Current searches of appropriate filing offices showing that (i) no state or federal tax liens have been filed and remain in effect against the Borrower, (ii) no mortgage or financing statements have been filed and remain in effect against the Borrower relating to the Property except those mortgage or financing statements filed by the Borrower and the security interests set forth on Exhibit B attached hereto (the "Permitted Liens"), (iii) the Borrower has duly filed all mortgage deeds, collateral assignments of lease and rents and financing statements necessary to perfect the security interests and mortgage liens on the Property created pursuant to this Agreement and the Mortgage and (iv) the Borrower has duly filed all financing statements necessary to perfect the transfer of the Issuer's interest in this Agreement and the Debt Service Payments.
- (l) An opinion of Institution Counsel, addressed to the Purchaser, and the Issuer, in a form acceptable to the Purchaser.
- (m) An opinion of Bond Counsel, addressed to the Issuer, together with a reliance letter addressed to the Purchaser.
- (n) The Issuer's Tax Certificate.
- (o) Payment of the Purchaser's fees, commissions and expenses required by Section 13.01 hereof.
- (p) Payment of the Issuer's fees, commissions and expenses required by Section 4.03 hereof.

(q) Certifications from an appropriate officer of the Borrower that the representations and warranties of the Borrower contained in Article V hereof are correct on and as of the Closing Date.

(r) Certifications from an appropriate officer of the Borrower that no event has occurred and is continuing, or would result from the issuance of the Bonds or making the Loan, which constitutes a Default or an Event of Default.

(t) A resolution of the Governor and Council of New Hampshire making the findings required by the Act.

(u) An appraisal with respect to the Borrower's property, with a loan to value ratio acceptable to the Purchaser.

(v) The Borrower shall have established and shall maintain its primary deposit relationship and its merchant card services (if any) with the Purchaser.

(w) An environmental site assessment with regard to the Real Property which is acceptable to the Purchaser.

(x) Such policies and amounts of hazard insurance (specifying all-risks or extended coverage and containing a builders' risk completed value endorsement), rental value insurance, flood insurance (if the Property or any part thereof is in an area that has been identified as an area having special flood hazards), liability insurance, workmen's' compensation insurance, and such other insurance as the Purchaser may request.

(y) A full title search on the Real Property and lender's title insurance policy from a title company acceptable to the Purchaser, insuring that the Borrower has good, clear and marketable title to the Real Property and insuring the validity and first priority of the Mortgage. The lender's title insurance policy shall remove the mechanics' lien exception and will be accompanied by such endorsements and affirmation coverage as the Purchaser may require.

(z) A receipt and certificate from Wells Fargo Bank, N.A. regarding the refunding of the Refunded Bonds.

(aa) [A verification report with respect to the escrow to be used to refund the Refunded Bonds].

(bb) Any other documents or items required by the Purchaser, the Issuer or Bond Counsel.

## ARTICLE IV

### LIMITED OBLIGATION OF THE ISSUER; RIGHTS OF THE ISSUER; COVENANTS OF THE ISSUER

Section 4.01. Limited Obligation. Under no circumstances shall the Issuer be obligated directly or indirectly to pay Project Costs, principal of or premium, if any, and interest on the Bonds or the Loan, or expenses of operation, maintenance and upkeep of the Property except from Bond Proceeds, exclusive of funds received hereunder by the Issuer for its own use. This Agreement does not create any debt of the State with respect to the Property other than a special obligation of the Issuer acting on behalf of the State pursuant to the Act. Nothing contained herein shall in any way obligate the State to raise any money by taxation or use other public funds for any purpose in relation to the Property. Neither the State nor the Issuer shall pay or promise to pay any debt or meet any financial obligation to any Person at any time in relation to the Property except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Issuer's rights hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Agreement shall be construed to require or authorize the Issuer to use or operate the Property or to conduct any business enterprise in connection therewith. The Issuer makes no representation or warranty that interest on the Bonds is or will continue to be excludable from gross income for federal income tax purposes or exempt for state income tax purposes.

#### Section 4.02. Rights and Duties of the Issuer.

(a) Remedies of the Issuer. Notwithstanding any contrary provision in this Agreement, the Issuer shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Issuer and for collection or reimbursement from sources other than moneys or property held under this Agreement or subject to the lien hereof. The Issuer may enforce its rights under this Agreement which have not been assigned to the Purchaser by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Issuer under this Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(b) Limitations on Actions. The Issuer shall not be required to monitor the financial condition of the Borrower or the physical condition of the Property and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Issuer shall not be required to take notice of any breach or default except when given notice thereof by the Borrower. The Issuer shall not be responsible for the payment of any rebate to the United States under Code § 148(f). The Issuer shall not be required to take any action (other than the giving of notice) unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein. The Issuer, upon written request of the Purchaser, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Purchaser to exercise any power granted to the Purchaser by this Agreement. The Issuer shall be entitled to

reimbursement pursuant to Section 4.03 to the extent that it acts without previously obtaining full indemnity.

(c) Responsibility. The Issuer shall be entitled to the advice of counsel (who may be counsel for any party to this Agreement) and shall be wholly protected as to any action taken or omitted to be taken in reliance thereon or on any other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Issuer shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Issuer is called for by this Agreement, the Issuer may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Issuer shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Borrower or the Purchaser for any claim based on this Agreement against any director, officer, employee or agent of the Issuer unless such claim is based upon the bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Issuer contained in this Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Issuer in his or her individual capacity, and no person executing this Agreement shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 4.03. Costs and Expenses of the Issuer. The Borrower shall prepay or reimburse the Issuer within thirty (30) days after notice for all expenses (including reasonable attorney's fees) incurred by the Issuer in connection with the execution, delivery, performance and enforcement under this Agreement and all expenses reasonably incurred or advances reasonably made in the exercise of the Issuer's rights or its performance of its obligations hereunder (collectively, the "Additional Payments"). Any fees, expenses, reimbursements or other charges which the Issuer may be entitled to receive from the Borrower hereunder, if not paid within thirty (30) days of when they are due, shall bear a late charge equal to 5% of the amount overdue, and if not paid within sixty (60) days, shall bear interest at 12% per annum; such late charges shall be in addition to any late charges due to the Purchaser hereunder.

Section 4.04. Matters to be Considered by the Issuer. In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement, the Issuer may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto; provided, however, nothing herein shall be construed as conferring on any person other than the other parties hereto any right to notice, hearing or participation in the Issuer's consideration, and nothing in this section shall be construed as conferring on any of them

any rights additional to those conferred elsewhere herein. Subject to the foregoing, the Issuer will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 4.05. Actions by the Issuer. Any action which may be taken by the Issuer hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman, its Vice Chairman or its Executive Director or by any other director, officer or agent whom it may designate from time to time.

Section 4.06. Indemnification by the Borrower. The Borrower, regardless of any agreement to maintain insurance, shall indemnify and save harmless, to the fullest extent permitted by law, the Issuer and its directors, officers, employees and agents from and against (a) any and all claims by or on behalf of any person arising out of (1) any condition of the Property, or (2) the acquisition, or operation of the Property or any work or anything whatsoever done or omitted to be done on or about the Property, or (3) any accident, injury or damage whatsoever to any person occurring on or about the Property, or (4) any breach or default by the Borrower or in any of its obligations hereunder, or (5) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees, or (6) the offering, issuance, sale or any resale of this Agreement or the Loan, but only to the extent permitted by law, and (b) any and all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Issuer or any such director, officer, employee or agent by reason of any such claim, the Borrower upon notice from the affected party shall resist or defend such action or proceeding. Subject to the foregoing, the Issuer shall cooperate and join with the Borrower, at the expense of the Borrower, as may be required in connection with any action or defense by the Borrower.

Section 4.07. Covenants of the Issuer.

The Issuer covenants for the benefit of the Purchaser, as follows:

(a) The Issuer will not pledge, mortgage or assign this Agreement (except for the pledge, mortgage or assignment of rights or privileges not assigned to the Purchaser) or its duties and obligations hereunder to any person, firm or corporation, except as provided under the terms hereof.

(b) The Issuer will submit or cause to be submitted to the IRS an IRS Form 8038 Information Return for Tax-Exempt Private Activity Bond Issues (or other information reporting statement) at the time and in the form required by the Code.

**ARTICLE V**  
**REPRESENTATIONS, WARRANTIES AND COVENANTS OF**  
**THE BORROWER**

The Borrower represents, warrants and covenants for the benefit of the Purchaser and the Issuer, as follows:

(a) The Borrower is a nonprofit voluntary corporation duly organized, validly existing and in good standing under the laws of the State, has power to enter into this Agreement and by proper corporate action has duly authorized the execution and delivery of the Transaction Documents. The Borrower is in good standing and is duly licensed or qualified to transact business in the State and in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary.

(b) The Borrower has been fully authorized to execute and deliver the Transaction Documents, and the Tax Certificate under the terms and provisions of the resolution of its board of directors, or by other appropriate official approval, and further represents, covenants and warrants that all requirements have been met, and procedures have occurred in order to ensure the enforceability of the Transaction Documents and the Transaction Documents have been duly authorized, executed and delivered.

(c) The officer of the Borrower executing the Transaction Documents and any related documents has been duly authorized to execute and deliver the Transaction Documents and such related documents under the terms and provisions of a resolution of the Borrower's board of directors.

(d) The Transaction Documents constitute valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to, or affecting the enforcement of creditors rights.

(e) The execution and delivery of the Transaction Documents, the consummation of the transactions contemplated hereby and the fulfillment of the terms and conditions hereof do not and will not violate any law, rule, regulation or order, conflict with or result in a breach of any of the terms or conditions of the articles of agreement or bylaws of the Borrower or of any corporate restriction or of any agreement or instrument to which the Borrower is now a party and do not and will not constitute a default under any of the foregoing or result in the creation or imposition of any liens, charges or encumbrances of any nature upon any of the property or assets of the Borrower contrary to the terms of any instrument or agreement.

(f) The authorization, execution, delivery and performance of the Transaction Documents by the Borrower does not require submission to, approval of, or other action by any governmental authority or agency, which action with respect to the Transaction Documents has not been taken and which is final and non-appealable.

(g) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower, challenging the Borrower's authority to enter into, execute and deliver the Transaction Documents or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of any of the Transaction Documents or the exclusion of the Interest from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement.

(h) The Property is properly zoned for its current and anticipated use and the use of the Property will not violate any applicable zoning, land use, environmental or similar law or restriction. The Borrower has all material licenses and permits to use the Property. The Borrower has obtained all permits, licenses and other authorizations which are required under federal, state and local laws relating to emissions, discharges, releases of pollutants, contaminants, hazardous or toxic materials, or wastes into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or wastes ("Environmental Laws") at the Borrower's facilities or in connection with the operation of its facilities. Except as previously disclosed to the Purchaser in writing, the Borrower and all activities of the Borrower at its facilities comply in all material respects with all Environmental Laws and with all terms and conditions of any required material permits, licenses and authorizations applicable to the Borrower with respect thereto. Except as previously disclosed to the Purchaser in writing, the Borrower is also in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in Environmental Laws or contained in any plan, order, decree, judgment or notice of which the Borrower is aware. Except as previously disclosed to the Purchaser in writing, the Borrower is not aware of, nor has the Borrower received notice of, any events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere with or prevent continued compliance with, or which may give rise to any liability under, any Environmental Laws.

(i) To the Borrower's knowledge, the Property is of the type authorized and permitted to be financed under the Act.

(j) The Borrower intends to use the Property, or cause the Property to be used, as a "project," within the meaning of the Act, until the date on which the Bonds have been paid in full and are no longer outstanding and all of the Debt Service Payments have been fully paid.

(k) The Borrower has paid or caused to be paid to the proper authorities when due all federal, state and local taxes required to be withheld by it. The Borrower has filed all federal, state and local taxes returns which are required to be filed, and the Borrower has paid or caused to be paid to the respective taxing authorities all taxes as shown on said returns or on any assessment received by it to the extent such taxes have become due.

(l) The Borrower has or will have good and absolute title to the Property and all proceeds thereof, free and clear of all mortgages, security interest, liens and encumbrances except

for the mortgage lien and security interest created pursuant to this Agreement, the Mortgage and the Permitted Liens.

(m) All financial and other information provided to the Purchaser by or on behalf of the Borrower in connection with the Borrower's request for the Loan contemplated hereby is true and correct in all material respects and, as to projections, valuations or pro forma financial statements, present a good faith opinion as to such projections, valuations and pro forma condition and results.

(n) The Borrower has provided to the Purchaser financing statements in the appropriate form for due filing as a financing statement with the office of the New Hampshire Secretary of State, (the "Filing Office") pursuant to the New Hampshire Uniform Commercial Code. The filing of the Financing Statement in the office of the Filing Office will perfect a security interest in the Personal Property with respect to those items of personal property in which a security interest may be perfected by filing in the Filing Office. When such financing statements are filed in the offices noted therein and to the extent the Borrower has rights in the Personal Property, the Purchaser, as assignee of the Issuer, will have a valid and perfected security interest in the Personal Property and, pursuant to the Mortgage, a mortgage lien in the Real Property, subject to no other mortgage, security interest, assignment, lien or encumbrance (other than Permitted Liens).

(o) The representations contained in the Tax Certificate are true and correct as of the date hereof. The Borrower will comply fully at all times with the Tax Certificate, and the Borrower will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Borrower's obligations under the Tax Certificate.

(p) No part of the Bond Proceeds will be used to refinance inventory or rolling stock or will be used for working capital.

(q) To the best knowledge of the Borrower, the Projects are of the character subject to the allowance for depreciation under Section 167 of the Code; the Borrower has verified the representation contained in this subsection (q) with a duly qualified, independent, certified public accountant and, based on that consultation and on other facts known to the Borrower, the Borrower has no reason to believe that the Property is *not* property of the character subject to the allowance for depreciation under Section 167 of the Code.

(r) No person other than the Borrower is in occupancy or possession of any portion of the Real Property except as set forth in the Permitted Liens.

(s) All approvals of and authorization or other action by any federal or state governmental authority that, to the best knowledge of the Borrower, are required to be obtained by the Borrower in connection with the execution, delivery or performance of this Agreement and the transactions contemplated hereby, have been obtained.

## ARTICLE VI

### TITLE TO PROPERTY; MORTGAGE AND SECURITY INTEREST

Section 6.01. Title to the Property. The Borrower has legal title to the Property. The Borrower will at all times protect and defend, at its own cost and expense, its title from and against all claims, liens and legal processes of creditors of the Borrower, and will keep the Property free and clear of all such claims, liens and processes except for Permitted Liens.

Section 6.02. Security Interest in Personal Property. This Agreement is intended to constitute a security agreement within the meaning of the UCC. As security for the Borrower's payment to the Purchaser, as assignee of the Issuer, of Debt Service Payments and all other amounts payable to the Purchaser hereunder or under any other document or agreement related to the Loan or the Bonds or any Hedge Agreement, the Borrower hereby grants to the Purchaser, a security interest and lien on all its Gross Receipts and Personal Property. The security interest in the Gross Receipts and Personal Property, including all repairs, replacements, substitutions and modifications thereto or thereof and all proceeds of the foregoing, constitutes the only lien on the Gross Receipts and Personal Property, with the exception of Permitted Liens. The Issuer and the Borrower agree to execute such additional documents, including financing statements, assignments, affidavits, notices and similar instruments, in form satisfactory to the Purchaser, and take such other actions that the Purchaser deems necessary or appropriate to establish, maintain and terminate, as the case may be, the security interests created by this Section.

Section 6.03 Further Assurance. The Issuer and the Borrower agree to execute such additional documents, including financing statements, assignments, affidavits, notices and similar instruments, in form satisfactory to the Purchaser, and take such other actions that the Purchaser deems necessary or appropriate to establish, maintain and terminate, as the case may be, the security interests created by Section 6.02.

Section 6.04. Change in Name, Corporate Structure or State of Organization of the Borrower; Change in Location of the Borrower's Principal Place of Business. The Borrower's chief executive office is located at the address set forth herein, and all of the Borrower's [current] records relating to its business are kept at such location. The Borrower hereby agrees to provide written notice to the Purchaser and the Issuer of any change or proposed change in its name, corporate structure, state of organization, place of business or chief executive office or change or proposed change in the location of the Personal Property. Such notice shall be provided in writing thirty (30) days in advance of the date that such change or proposed change is planned to take effect. The Borrower currently does business, and has done business, under the name(s) of Portsmouth Christian Academy.

Section 6.05. Liens and Encumbrances to Title. The Borrower shall not directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property (together, "Liens") other than the respective rights of the Purchaser and the Issuer as herein provided and Permitted Liens. The Borrower shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such Lien except for Permitted Liens.

Section 6.06. Personal Property. The parties hereby agree that the Personal Property is, and during the period this Agreement is in force will remain, personal property and, when subjected to use by the Borrower hereunder, will not be or become fixtures; provided, however, that if contrary to the parties' intent any part of the Personal Property is or may be deemed to be a fixture, the Borrower shall cause filings to be made with the applicable government officials or filing offices to create and preserve for the Purchaser as assignee of the Issuer a perfected security interest in such Personal Property, subject to Permitted Liens.

Section 6.07. Agreement as Financing Statement. To the extent permitted by applicable law, a carbon, photographic or other reproduction of this Agreement or of any financing statements authorized by the Borrower is sufficient as a financing statement in any state to perfect the security interests granted in this Agreement to the extent that the Borrower has rights in the Property.

## ARTICLE VII

### AFFIRMATIVE COVENANTS OF THE BORROWER

So long as the Loan and the Bonds shall remain unpaid, the Borrower will comply with the following requirements, unless the Purchaser shall otherwise consent in writing:

Section 7.01. Reporting Requirements. The Borrower will deliver, or cause to be delivered, to the Purchaser each of the following, which shall be in form and detail acceptable to the Purchaser:

(a) as soon as available, and in any event within one hundred twenty (120) days after the end of the fiscal year of the Borrower, audited financial statements of the Borrower prepared by independent certified public accountants selected by the Borrower and acceptable to the Purchaser, which annual financial statements shall include the balance sheet of the Borrower as at the end of such fiscal year and the related statements of income, net assets and cash flows of the Borrower for the fiscal year then ended, all in reasonable detail and prepared in accordance with generally accepted accounting principles together with (i) a report of such accountants stating that in making the investigations necessary for their audit report they obtained no knowledge, except as specifically stated, of any Default or Event of Default hereunder and (ii) a certificate of the chief financial officer of the Borrower stating that such financial statements have been prepared in accordance with generally accepted accounting principles and that, to the best of such officer's knowledge, there has not occurred any Default or Event of Default hereunder; or if such a Default or Event of Default has occurred, stating in reasonable detail the facts with respect thereto;

(b) as soon as available, and in any event within one hundred twenty (120) days after the end of the fiscal year of the Borrower, a copy of the Borrower's signed federal income tax return as filed with the Internal Revenue Service and prepared by the Borrower's independent certified public accountants;

(c) as soon as available, and in any event within one hundred twenty (120) days after the end of the fiscal year of the Borrower, (i) a schedule of student enrollment compared to the prior two school years and segmented by Preschool, grades Kindergarten through grade 8 and grades 9 through 12 with related income and expense reporting per student and (ii) results of fundraising activities compared to the prior two fiscal years of the Borrower;

(d) as promptly as practicable (but in any event not later than ten (10) Business Days) after an officer of the Borrower obtains knowledge of the occurrence of any event that constitutes a Default or an Event of Default hereunder, notice of such occurrence, together with a detailed statement by a responsible officer of the Borrower of the steps being taken by the Borrower to cure the effect of such Default or Event of Default;

(e) promptly upon knowledge thereof, notice of any material loss or destruction of or damage to the Property or of any material adverse change in the Property;

(f) promptly after the amending thereof, copies of any and all material amendments to its certificate of incorporation, articles of association or bylaws; and

(g) promptly upon knowledge thereof, notice of any material violation by the Borrower of any law, rule or regulation.

(h) such other financial or statistical information or reports as the Purchaser may reasonably request.

Section 7.02. Books and Records; Inspection and Examination. The Borrower will keep accurate books of record and account for itself pertaining to the Property and pertaining to the Borrower's business and financial condition and such other matters as the Purchaser may from time to time request in which true and complete entries will be made in accordance with GAAP and, upon request of the Purchaser, will permit any officer, employee, attorney or accountant for the Purchaser to audit, review, make extracts from, or copy any and all corporate and financial books, records and properties of the Borrower at all times during ordinary business hours and following reasonable notice to the Borrower, and to discuss the affairs of the Borrower with any of its directors, officers, employees or agents. The Borrower will permit the Purchaser, or its employees, accountants, attorneys or agents, to examine and copy any or all of its records and to examine and inspect the Property at any time during the Borrower's business hours, following reasonable notice to the Borrower. Nothing in this section shall violate student or educational confidentiality laws and regulations.

Section 7.03. Compliance with Laws; Environmental Indemnity. The Borrower will (a) comply with the requirements of applicable laws and regulations, the non-compliance with which would materially and adversely affect its business or its financial condition, (b) comply with all applicable environmental, hazardous waste or substance, toxic substance and underground storage laws and regulations and obtain any permits, licenses or similar approvals required by any such laws or regulations, and (c) use the Property, and will require that others use the Property, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance. The Borrower shall secure all permits and licenses, if any, necessary for the use and

operation of the Property. The Borrower shall comply in all material respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations involving any component of the Property may extend and of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of the Property or its interest or rights under this Agreement. The Borrower will indemnify, defend and hold the Purchaser and the Issuer harmless from and against any claims, loss or damage to which the Purchaser or the Issuer may be subjected as a result of any past, present or future existence, use, handling, storage, transportation or disposal of any hazardous waste or substance or toxic substance by the Borrower on property owned, leased or controlled by the Borrower. This indemnification shall survive the termination of this Agreement and payment of the Indebtedness hereunder.

Section 7.04. Payment of Taxes and Other Claims. The Borrower will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon its income or profits, upon any properties belonging to it (including, without limitation, the Property) or upon or against the creation, perfection or continuance of the security interest created pursuant to this Agreement, prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien or charge upon any properties of the Borrower; provided, that the Borrower shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings; provided further, sufficient funds are reserved by the Borrower or escrowed with the Purchaser to pay such obligations if the Borrower's contest is unsuccessful. The Borrower will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Property, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property; provided, that the Borrower shall not be required to pay any such tax, assessment or charge whose amount; provided further, sufficient funds are reserved by the Borrower or escrowed with the Purchaser to pay such obligations if the Borrower's contest is unsuccessful, while applicability or validity is being contested in good faith by appropriate proceedings. Notwithstanding the foregoing, the Borrower shall be required to pay the tax, assessment or charge (even if it is being contested in good faith) if the applicable taxing authority exercises any right to seize or otherwise encumber the Property.

Section 7.05. Maintenance of Property. (a) The Borrower shall, at its own expense, maintain, preserve and keep the Property in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Property in such condition, and in compliance with state and federal laws, ordinary wear and tear excepted. In the event that any parts or accessories forming part of any item or items of Personal Property become worn out, lost, destroyed, damaged beyond repair or otherwise rendered unfit for use, the Borrower, at its own expense and expeditiously, will replace or cause the replacement of such parts or accessories by replacement parts or accessories free and clear of all liens and encumbrances and with a value and utility at least equal to that of the parts or accessories being replaced (assuming that such replaced parts and accessories were otherwise in good working order and repair). All such replacement parts and accessories shall be deemed to be incorporated

immediately into and to constitute an integral portion of the Personal Property and, as such, shall be subject to the terms of this Agreement. Neither the Purchaser nor the Issuer shall have any responsibility in any of these matters, or for the making of improvements or additions to the Property.

(b) The Borrower will defend the Property against all claims or demands of all Persons (other than the Purchaser) claiming the Property or any interest therein.

(c) The Borrower will keep the Property free and clear of all mortgage, security interests, liens and encumbrances except the security interest created pursuant to this Agreement and the Permitted Liens.

Section 7.06. Insurance. (a) The Borrower shall, at its own expense, procure and maintain continuously in effect: (i) commercial general liability insurance for personal injuries, death or damage to or loss of property arising out of or in any way relating to the Property, with a coverage limit of not less than \$1,000,000 per occurrence, (ii) insurance against such hazards as the Purchaser may reasonably require, including, but not limited to, all-risk casualty and property insurance, in an amount equal to the full replacement cost of the Property; and (iii) an umbrella policy in the amount of \$[5,000,000].

(b) If required by State law, the Borrower shall carry workers compensation insurance covering all of its employees on, in, near or about the Property, and upon request, shall furnish to the Purchaser certificates evidencing such coverage.

(c) All insurance policies required by this Article shall be taken out and maintained with responsible and reputable insurance companies authorized to transact business in the State, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least thirty (30) days before the cancellation or revision becomes effective. All insurance policies required by this Article shall not be subject to any co-insurance clause. Each insurance policy required by this Article shall name the Purchaser as lenders loss payee with respect to any policy related to Personal Property and as mortgagee, its successor and/or assigns, as their interest may appear with respect to Real Property. All such insurance policies will provide for twenty (20) days advance notice of cancellation, non-removal or any material change. Prior to the execution and delivery of this Agreement, the Borrower shall provide the Purchaser with evidence of such insurance and, prior to the expiration thereof, shall provide the Purchaser evidence of all renewals or replacements thereof.

(d) As among the Purchaser, the Borrower and the Issuer, the Borrower assumes all risks and liabilities from any cause whatsoever, whether or not covered by insurance, for loss or damage to any of the Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the Borrower or of third parties, and whether such property damage be to the Borrower's property or the property of others. Whether or not covered by insurance, the Borrower hereby assumes responsibility for and agrees to reimburse the Purchaser and the Issuer for and will indemnify, defend and hold the Purchaser and the Issuer harmless from and against all liabilities, obligations, losses, damages,

penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Purchaser or the Issuer that in any way relate to or arise out of this Agreement, the transactions contemplated hereby and the Property, including but not limited to, (i) the selection, manufacture, purchase, acceptance or rejection of the Property or the ownership of the Property, (ii) the delivery, lease, possession, maintenance, use, condition, return or operation of the Property, (iii) the condition of the Property sold or otherwise disposed of after possession by the Borrower, (iv) any patent or copyright infringement, (v) the conduct of the Borrower, its officers, employees and agents, (vi) a breach of the Borrower of any of its covenants or obligations hereunder, and (vii) any claim, loss, cost or expense involving alleged damage to the environment relating to the Property, including, but not limited to, investigation, removal, cleanup and remediation costs. All amounts payable by the Borrower pursuant to the immediately preceding sentence shall be paid immediately upon demand of the Issuer or the Purchaser, as the case may be. This provision shall survive the termination of this Agreement.

Section 7.07. Preservation of Corporate Existence and Tax Exempt Status. The Borrower will preserve and maintain its corporate existence and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business; shall maintain its status as an organization exempt from taxation and described in Code Section 501(c)(3); and shall conduct its business in an orderly, efficient and regular manner.

Section 7.08. Debt Service Coverage Ratio. The Borrower shall maintain a minimum Debt Service Coverage Ratio of 1.00 to 1.00. This ratio will be tested annually, commencing with receipt of the July 31, 2014 financial statements delivered pursuant to Section 7.01(b) of this Agreement.

## ARTICLE VIII

### NEGATIVE COVENANTS OF THE BORROWER

The Borrower hereby covenants and agrees that from the date hereof until satisfaction in full of the Loan and the Bonds, it will not do any one or more of the following without first obtaining the written consent of the Purchaser:

#### Section 8.01. Liens and Additional Indebtedness.

(a) The Borrower will not create, incur or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, assignment or transfer upon or of any of the Property, except for (i) the mortgage and security interests created pursuant to this Agreement and the Mortgage, (ii) Permitted Liens, and (iii) liens arising in connection with workers' compensation, unemployment insurance, or social security obligations.

(b) The Borrower will not create, assume, guarantee, or otherwise become or remain directly or indirectly liable with respect to any additional Indebtedness other than (a) Indebtedness to the Purchaser; (b) Indebtedness obtained with the prior written consent of the Purchaser; (c) Indebtedness arising under this Agreement; and (d) Indebtedness, capital leases or purchase money notes which does not exceed \$ \_\_\_\_\_ in any one Fiscal Year, provided the same

is made on an unsecured basis or secured only with the item being financed; provided, however, that the Purchaser hereby consents to additional Indebtedness or capital leases or other purchase money notes in excess of \$\_\_\_\_\_ in any Fiscal Year if (i) the Borrower gives the Purchaser fifteen (15) days prior written notice of the Borrower's intent to incur additional Indebtedness including the amount and terms of the same, and (ii) the Purchaser determines that (A) no Event of Default or Unmatured Event of Default has occurred or is existing under this Agreement, and (B) the Borrower is then in compliance with the Debt Service Coverage Ratio set forth in Section 7.08 hereof, and (C) the Borrower shall remain in compliance with the Debt Service Coverage Ratio set forth in Section 7.08(a) based upon the financial statements for the most recent fiscal year, when the proposed additional indebtedness of the Borrower is added to all of the Long-Term Indebtedness of the Borrower then outstanding.

Section 8.02. Sale or other Disposition of Assets. The Borrower will not sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets or the Real Property or any of the Personal Property or any interest therein (whether in one transaction or in a series of transactions) except that the Borrower may replace worn or obsolete Personal Property with property of equal or greater value and utility. [The Borrower will not lease any of the Real Property having annual rental payments greater than \$50,000, without the Purchaser's consent, not to be unreasonably withheld or delayed.]

Section 8.03. Consolidation and Merger. The Borrower will not consolidate with or merge into any Person, or permit any other Person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all the assets of any other Person.

Section 8.04. Accounting. The Borrower will not adopt, permit or consent to any material change in accounting principles other than as required by GAAP. The Borrower will not adopt, permit or consent to any change in its fiscal year, without providing prior written notice of such change to the Purchaser.

Section 8.05. Tax Exemption. The Borrower will not take any action or permit any action within its control to be taken that would cause any Interest to become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or a deliberate action within the meaning of Treas. Reg. § 1.141-2(d)(3)), and the Borrower will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that such Interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

## **ARTICLE IX**

### **PAYMENT OF COSTS OF ISSUANCE**

The Borrower will pay (subject, however, to the limitations set forth in the Tax Certificate) from the Expense Account established under Section 2.07 via requisition from the

Borrower the costs of issuing the Bonds including the fees and expenses of bond counsel, the Issuer, the Purchaser, Purchaser's counsel, Borrower's counsel and advisors and any recording or similar fees, in accordance with this Agreement.

## ARTICLE X

### DAMAGE TO OR DESTRUCTION OR TAKING OF THE PROPERTY

#### Section 10.01. Recovery of Insurance Proceeds.

In the event of material damage to or destruction of all or any part of the Property, the parties will cooperate in order to recover any applicable proceeds of insurance under Section 7.06. After the happening of any casualty causing material damage to the Projects, the Borrower shall give prompt written notice thereof to the Purchaser, and there shall be no abatement or reduction in the payments required to be made by the Borrower under this Agreement. Material Damage in this context shall mean either (a) damages to any property in excess of \$250,000 or (b) damages that will materially adversely affect continuing operations.

In the event of the destruction of any part of the Projects or any damage thereto, all proceeds in excess of \$50,000 of insurance (after payment of any costs of collection) shall be paid to the Borrower and held in a separate account and, so long as no Default or Event of Default under this Agreement shall have occurred and be continuing and such proceeds shall be applied for the restoration of the Projects by the Borrower. If such proceeds are insufficient for such restoration, the Borrower will provide for payment of the costs of completion from its own moneys. Any insurance proceeds remaining after payment of all such costs shall, so long as no Default or Event of Default under this Agreement shall have occurred and be continuing, be paid to the Borrower. However, if within ninety (90) days after the damage or destruction, the Borrower determines in good faith that (i) the Projects cannot be reasonably restored within a period of twelve (12) months from the date of such damage or destruction, or (ii) the Borrower is thereby prevented from carrying on its normal operation of the Property for a period of six (6) months from the date of such damage or destruction and the Borrower so notifies the Purchaser in writing, the Borrower shall not be obligated to restore the Property and the net insurance proceeds shall be used as directed by the Purchaser.

Section 10.02. Eminent Domain. Should the Projects or any material part thereof be taken or damaged by reason of any public improvement or condemnation proceeding or in any other manner (a "Taking"), or should the Borrower receive any notice or other information regarding such proceeding, the Borrower shall give prompt written notice thereof to the Purchaser and there shall be no abatement or reduction in the payments required to be made by the Borrower under this Agreement. A Material Taking in this context shall mean either (a) condemnation to any property in excess of \$250,000 or (b) condemnation that will materially adversely affect the Borrower's continuing operations.

In the event of any such Material Taking in excess of \$250,000 so long as no Default under this Agreement shall have occurred and be continuing, the Borrower shall repair or reconstruct the Property to make the Property adequate for the continuance of the Borrower's

business operations at the sites of the Projects. The compensation, awards, damages, rights of action and proceeds awarded to the Borrower in connection with such Taking, net of costs of collection, if any (the "Proceeds"), shall be deposited by the Borrower in a separate account with the Disbursing Agent. Upon the completion of such restoration, the Disbursing Agent shall, so long as no Default or Event of Default under this Agreement shall have occurred or be continuing, release the balance, if any, of the Proceeds to the Borrower, provided, however, that if, in the event of any Taking, the Borrower is not permitted to restore the Property or the Borrower fails to restore the Property within twelve (12) months of such election, the Proceeds shall promptly be deposited or transferred as directed by the Purchaser.

Section 10.03. During Default. If an Event of Default exists the Purchaser may take all action necessary to recover the proceeds of insurance and of a Taking, including settling any claims with the insurers or taking authority, and any such proceeds shall be paid directly to the Purchaser.

## ARTICLE XI

### ASSIGNMENT AND SELLING

Section 11.01. Transfer and Assignment by the Purchaser. This Agreement, and the right to receive payments hereunder, may be assigned and reassigned in whole to any assignee or subassignee by the Purchaser at any time subsequent to its execution, upon transfer of the Bonds by the Purchaser to a subsequent registered owner of the Bonds. No such transfer and assignment or reassignment shall be effective unless and until the Issuer and the Borrower shall have received notice of the transfer and assignment or reassignment disclosing the name and address of the assignee or subassignee and unless and until the Issuer shall have issued a new Bond, naming the transferee and assignee as registered owner (which the Issuer shall have no obligation to do unless and until the Issuer has first received a canceled Bond naming the Purchaser as registered owner). Upon receipt of notice of assignment, the Borrower shall, with the assistance of the Issuer, furnish a new Bond to the transferee and assignee upon receipt of a cancelled Bond from the Purchaser and a duly executed assumption of the Purchaser's obligations under this Agreement by the transferee and assignee, and the Borrower shall thenceforth make all payments to the transferee and assignee designated in the notice of assignment, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Agreement or otherwise) that the Issuer and the Borrower may from time to time have against the Purchaser or the assignee. Upon any such transfer and assignment, the Purchaser shall indemnify the Issuer and hold the Issuer harmless from and against all liabilities of the Issuer arising in connection with the cancellation of the Bond naming the Purchaser as registered owner and the issuance of a new Bond naming the transferee as registered owner. Subject to the foregoing, the Issuer and the Borrower agree to execute all documents, including notices of assignment and financing statements, which may be reasonably requested by the Purchaser or its assignee to protect their interest in the Property and in this Agreement; provided, however, that the Issuer and the Borrower shall be reimbursed by the Purchaser for all costs incurred by the Issuer in connection therewith.

Section 11.02. No Sale or Assignment by the Borrower. This Agreement and the interest of the Borrower in the Property may not be sold, assumed, assigned or encumbered by the Borrower without the prior written consent of the Purchaser, except in the cases of (i) Permitted Liens, (ii) obsolete equipment and facilities, (iii) items abandoned or replaced in the ordinary course of business; or (iv) Property not having a value in excess of \$50,000 in any Fiscal Year..

### **EVENTS OF DEFAULT AND REMEDIES**

Section 12.01. Events of Default. The following constitute “Events of Default” or singularly an “Event of Default” under this Agreement:

(a) failure by the Borrower to pay to the Purchaser, as assignee of the Issuer, any Debt Service Payment or to pay any other payment required to be paid hereunder, in any case, within five (5) days of when due;

(b) failure by the Borrower to maintain insurance on the Property in accordance with Section 7.06 hereof;

(c) failure by the Borrower to observe, comply with and/or perform the covenants, conditions and agreements set forth in Article VIII hereof;

(d) failure by the Borrower or the Issuer to observe and perform any other covenant, condition or agreement of the Borrower or the Issuer, respectively, contained herein, in the other Transaction Documents or in any other document or agreement executed in connection herewith on its part to be observed or performed for a period of thirty (30) days after written notice is given to the Borrower or the Issuer, as the case may be, specifying such failure and requesting that it be remedied; provided, however, that, if the failure stated in such notice cannot be corrected within such 30-day period, the Purchaser will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower or the Issuer, as the case may be, within the applicable period and diligently pursued until the default is corrected;

(e) initiation by the Issuer of a proceeding under any federal or state bankruptcy or insolvency law seeking relief under such laws concerning the indebtedness of the Issuer;

(f) the Borrower shall be or become insolvent, or admit in writing its inability to pay its debts as they mature, or make an assignment for the benefit of creditors; or the Borrower shall apply for or consent to the appointment of any receiver, trustee or similar officer for them or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of the Borrower (and shall not have been dismissed within sixty (60) days); or the Borrower shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to them under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against the Borrower (and shall not have been dismissed within sixty (60) days); or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a

substantial part of the property of the Borrower (and shall not have been dismissed within sixty (60) days);

(g) any material representation or warranty made by the Borrower or the Issuer herein, in the Tax Certificate, or in any other document executed in connection herewith was untrue in any material respect when made;

(h) any representation or warranty made by the Borrower herein or in any certificate, agreement, statement or document simultaneously herewith or hereafter furnished to the Purchaser in connection herewith, including without limitation, any financial information disclosed to the Purchaser, shall prove to be materially false or incorrect in any material respect;

(i) the Borrower shall terminate its existence by merger, consolidation, sale of substantially all of its assets or otherwise;

(j) any event of default or breach of any of the Borrower's covenants or obligations to the Purchaser or any of the Purchaser's affiliates under any documents evidencing or securing any other loans from the Purchaser to the Borrower; or

(k) any event of default under any Hedge Agreement.

The Borrower shall promptly notify the Purchaser and the Issuer of the occurrence of any Event of Default or the occurrence or existence of any event or condition which, upon the giving of notice of lapse of time, or both, may become an Event of Default.

Section 12.02. Remedies on Default. Whenever any Event of Default shall have occurred and be continuing, the Purchaser may take any one or any combination of the following remedial steps insofar as the same are available to mortgagees under Chapter 479 of the New Hampshire Revised Statutes Annotated (or successor statute) and/or secured parties under Article 9 of the UCC in effect in the State from time to time and which are otherwise accorded to the Purchaser by applicable law:

(a) by notice to the Borrower and the Issuer, declare the entire unpaid principal amount of the Bonds and the Loan then outstanding, all interest accrued and unpaid thereon and all amounts payable under this Agreement to be forthwith due and payable, whereupon the Bonds and the Loan, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower;

(b) proceed by appropriate court action to enforce specific performance by the Issuer or the Borrower of the applicable covenants of this Agreement or to recover for the breach thereof, including the payment of all amounts due from the Borrower. The Borrower shall pay or repay to the Purchaser and the Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees; and

(c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights with respect to the Property. The Borrower shall pay or repay to the Purchaser

or the Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees.

In addition, notwithstanding any contrary provision in this Agreement, the Issuer and its directors, officers, employees and agents shall have the right to take any action not prohibited by law or make any decision not prohibited by law with respect to proceedings for indemnity against the liability of such party and for collection or reimbursement of moneys due to such party under this Agreement. The Issuer and its directors, officers, employees and agents may enforce the Unassigned Rights by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Issuer under this Agreement, including, without limitation, any amounts required to be paid by the Borrower pursuant to Sections 4.03 and 13.01 hereof and court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations. The Borrower hereby waives to the extent permitted by applicable law the application of the doctrine of marshaling with regard to Property securing the Loan and any Hedge Agreement.

Section 12.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in this Agreement, it shall not be necessary to give any notice other than such notice as may be required by this Agreement. All remedies herein conferred upon or reserved to the Issuer shall survive the termination of this Agreement.

Section 12.04. Late Charge. Any Debt Service Payment not paid by the Borrower within five (5) days of the due date thereof shall, to the extent permissible by law, bear a late charge equal to seven percent (7.00%) of the amount of the payment, and the Borrower shall be obligated to pay the same immediately upon receipt of the Purchaser's written invoice therefor.

## MISCELLANEOUS

Section 13.01. Costs and Expenses of the Purchaser. The Borrower shall pay to the Purchaser an upfront fee of six-thousandths of one percent (0.006%) of the amount of the Loan, due and payable at origination and shall pay such amounts in each year as shall be required by the Purchaser in payment of any reasonable costs and expenses incurred by the Purchaser in connection with the execution, performance or enforcement of this Agreement and the other Transaction Documents, including but not limited to payment of all reasonable fees, costs and expenses and all administrative costs of the Purchaser in connection with the Property, the Bonds and the Loan (including, without limitation, reasonable attorneys' fees and disbursements, fees of auditors or attorneys, insurance premiums not otherwise paid hereunder and all other direct and necessary administrative costs of the Purchaser or charges required to be paid by it in order to comply with the terms of, or to enforce its rights under, this Agreement, but not including general

administrative or overhead expenses of the Purchaser). Such costs and expenses shall be billed to the Borrower by the Purchaser from time to time, together with a statement certifying that the amount so billed has been paid by the Purchaser for one or more of the items above described, or that such amount is then payable by the Purchaser for such items. Amounts so billed shall be due and payable by the Borrower within thirty (30) days after receipt of the bill by the Borrower.

Section 13.02. Disclaimer of Warranties. THE PURCHASER AND THE ISSUER MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY, OR ANY OTHER WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT HERETO. In no event shall the Purchaser or the Issuer be liable for any loss or damage in connection with or arising out of the Bonds, this Agreement, the Property or the existence, furnishing, functioning or the Borrower's use of any item or products or services provided for in this Agreement.

Section 13.03. Notices. All notices, certificates, certifications, requests, demands and other communications provided for hereunder or under the other Transaction Documents shall be in writing and shall be (a) personally delivered, (b) sent by first class United States mail, (c) sent by overnight courier of national reputation, or (d) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth above and, if telecopied, transmitted to that party at its telecopier number set forth above or, as to each party, at such other address or telecopier number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall be effective upon receipt. If notice to the Borrower of any intended disposition of the Property or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Section) at least ten (10) calendar days prior to the date of intended disposition or other action.

Section 13.04. Further Assurance and Corrective Instruments. The Issuer and the Borrower hereby agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further acts, instruments, conveyances, transfers and assurances, as the Purchaser reasonably deems necessary or advisable for the implementation, correction, confirmation or perfection of this Agreement or the other Transaction Documents and any rights of the Purchaser hereunder or thereunder.

Section 13.05. Binding Effect: Time of the Essence. This Agreement shall inure to the benefit of and shall be binding upon the Purchaser, the Issuer, the Borrower and their respective successors and assigns.

Section 13.06. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.07. Amendments. To the extent permitted by law, the terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Section 13.08. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 13.09. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 13.10. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 13.11. Entire Agreement. The Transactions Documents, and the exhibits hereto and thereto constitute the entire agreement among the Purchaser, the Issuer, as applicable, and the Borrower. There are no understandings, agreements, representations or warranties, express or implied, not specified herein or in such documents regarding this Agreement or the Property financed or refinanced hereby.

Section 13.12. Usury. It is the intention of the parties hereto to comply with any applicable usury laws; accordingly, it is agreed that, notwithstanding any provisions to the contrary in this Agreement, in no event shall this Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum permitted by applicable law.

Section 13.13. Waiver of Jury Trial. EACH OF THE PURCHASER, THE ISSUER AND THE BORROWER HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, ANY OF THE TRANSACTION DOCUMENTS, ANY DEALINGS AMONG THE PURCHASER, THE ISSUER OR THE BORROWER RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED AMONG THE PURCHASER, THE ISSUER AND THE BORROWER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER MAY NOT BE MODIFIED ORALLY AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO

THE TRANSACTIONS CONTEMPLATED BY THE TRANSACTION DOCUMENTS OR ANY RELATED TRANSACTIONS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

Section 13.14. No Personal Liability or Accountability. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be the covenant, stipulation, obligation or agreement of any present, past or future director, member, officer, agent or employee of the Issuer in his or her individual capacity, and the directors, officers, employees or agents of the Issuer and any official of the Issuer executing any of the documents referred to in this sentence shall not be liable personally with respect to such documents or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

Section 13.15. Termination. When all Debt Service Payments have been made in accordance with the terms of this Agreement and all other amounts owed to the Purchaser or the Issuer or their respective directors, officers, employees and agents have been paid or provided for to the satisfaction of the Purchaser and the Issuer, this Agreement (but not the provisions of Sections 2.01 and 4.06 and 13.17 and any other provisions which are to survive termination hereof) shall terminate and the Purchaser or the Issuer, at the request and expense of the Borrower, shall execute such documents or instruments as may be reasonably requested by the Borrower to defease any Lien created by the Purchaser or the Issuer under this Agreement upon the Property.

Section 13.16. Survival of Covenants, Etc. All covenants, agreements, representations and warranties made herein and in certificates delivered in connection herewith shall be deemed to have been relied on by the Purchaser and the Issuer, notwithstanding any investigation made by the Purchaser or the Issuer, or in their behalf, and shall survive the execution and delivery of this Agreement until payment in full of the Loan. All such covenants, agreements, representations and warranties shall inure to the benefit of the Borrower's and the Purchaser's and the Issuer's successors and assigns, whether so expressed or not.

Section 13.17. Indemnification of the Purchaser by the Borrower. The Borrower, regardless of any agreement to maintain insurance, shall indemnify and save harmless, to the fullest extent permitted by law, the Purchaser and its directors, officers, employees and agents from and against (a) any and all claims by or on behalf of any person arising out of (1) any condition of the Property, or (2) the acquisition, or operation of the Property or any work or anything whatsoever done or omitted to be done on or about the Property, or (3) any accident, injury or damage whatsoever to any person occurring on or about the Property, or (4) any breach or default by the Borrower of or in any of its obligations hereunder, or (5) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees, or (6) the offering, issuance, sale or any resale of this Agreement or the Loan, but only to the extent permitted by law, and (b) any and all costs, reasonable counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Purchaser or any of its directors, officers, employees or agents by reason of any such claim, the Borrower, upon notice from the affected party, shall resist or defend such action or proceeding. Subject to the foregoing, the Purchaser shall cooperate and join with the Borrower, at the expense of the Borrower, as may be

required in connection with any action or defense by the Borrower. This indemnification shall survive the termination or defeasance of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective corporate names by their duly authorized officers, all as of the date first written above.

BANK OF NEW HAMPSHIRE  
("Purchaser")

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BUSINESS FINANCE AUTHORITY OF  
THE STATE OF NEW HAMPSHIRE  
("Issuer")

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PORTSMOUTH CHRISTIAN ACADEMY  
("Borrower")

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

DEBT SERVICE PAYMENTS

EXHIBIT B  
PERMITTED LIENS

EXHIBIT C  
BOND FORM





**Bank of  
New Hampshire**

*New Hampshire's local bank*

June 25, 2013 - Revised

Mr. Dennis Runey, Headmaster  
Portsmouth Christian Academy  
20 Seaborn Drive  
Dover, NH 03820

Dear Mr. Runey;

I am pleased to inform you that Bank of New Hampshire ("Bank") has approved your request for financing, subject to the following provisions;

BORROWER:

Portsmouth Christian Academy  
20 Seaborn Drive  
Dover, NH 03820

BOND ISSUER:

New Hampshire Business Finance Authority ("NHBFA")  
2 Pillsbury Street – Suite 201  
Concord, NH 03301

BANK COUNSEL:

Devine, Millimet and Branch PA  
11 Amherst Street  
Manchester, NH 03101

FACILITY TYPE:

Tax-Exempt Revenue Bonds, Series 2013  
direct purchase by:  
Bank of New Hampshire  
62 Pleasant Street  
Laconia, NH 03246

PAR AMOUNT:

Nine Million Five Hundred Thirteen Thousand Dollars (\$9,513,000.00) or less;

USE OF PROCEEDS:

Refinance NHHEFA Series 2002 bond, finance capital expenditures not greater than \$100,000, and finance all or some costs of issuance;



### OPTION 1

INTEREST RATE: Interest rate shall be fixed at **3.25%** for the first 5-years and will thereafter be subject to an adjustment every 5-years based upon the 5-year Federal Home Loan Bank Boston Long-Term Classic Advance CDA (Community Development Advance) rate **plus 200 basis points**. The proposed interest rate is conditioned upon NHBFA's agreement to issue the subject bond and the Bank's receipt of a legal opinion from a qualified law firm confirming that the subject bond is a qualified tax exempt obligation. Interest shall be calculated on the Bank Method, also known as the actual/360 or the 365/360 method;

AMORTIZATION AND MATURITY: Subject bond will be amortized over a thirty (30) year period of time. Borrower has the option of selecting approximate principal and interest payments of \$125,124.00 to be paid quarterly or \$250,851.00 to be paid semi-annually. The subject bond will mature in twenty (20) years, when the outstanding principal balance and any accrued interest shall be due and payable;

PREPAYMENT PREMIUM: In connection with the 5-year fixed rate, if the subject bond is prepaid by refinancing through another financial institution during the first five (5) years the Borrower agrees to remit a prepayment premium calculated on the then outstanding balance equal to 3%, with no penalty thereafter;

### OPTION 2

INTEREST RATE: Interest rate shall be fixed at **4.15%** for the first 10-years and will thereafter be subject to an adjustment for the next 10-years based upon the 10-year Federal Home Loan Bank Boston Long-Term Classic Advance CDA (Community Development Advance) rate **plus 170 basis points**. The proposed interest rate is conditioned upon NHBFA's agreement to issue the subject bond and the Bank's receipt of a legal opinion from a qualified law firm confirming that the subject bond is a qualified tax exempt obligation. Interest shall be calculated on the Bank Method, also known as the actual/360 or the 365/360 method;

AMORTIZATION AND MATURITY: Subject bond will be amortized over a thirty (30) year period of time. Borrower has the option of selecting approximate principal and interest payments of \$139,945.00 to be paid quarterly or \$280,623.00 to be paid semi-annually. The subject bond will mature in twenty (20) years, when the outstanding principal balance and any accrued interest shall be due and payable;

PREPAYMENT PREMIUM: In connection with the 10-year fixed rate, if the subject bond is prepaid by refinancing through another financial institution during the first ten (10) years the Borrower agrees to remit a prepayment premium calculated on the then outstanding balance equal to 3% in years 1 through 5 and equal to 2% in years 6 through 10;

ISSUE DATE:

Tentatively August 15, 2013;

AVAILABILITY:

Bond proceeds shall be disbursed within 24-hours of Bank's receipt of all properly executed documentation, legal opinions and evidence of collateral interests being perfected, subject to the provisions of the Loan Agreement to be executed on or before the Issue Date;

LATE CHARGES:

Borrower agrees to pay a late charge of seven (7%) percent of the payment amount if any payment is not received by Bank within five (5) calendar days of the due date;

RATING:

Subject bond will not be rated by a bond rating agency;

OPINION OF COUNSEL:

Legal counsel representing the Borrower shall deliver to the Bank an opinion confirming that the Borrower is duly organized, validly existing under the laws of the State of New Hampshire, authorized to enter into the bond transaction; that there is no pending litigation or claims existing or threatened against the Borrower which may affect title to the premises or the ability of the Borrower to perform; that the transaction herein contemplated is not prohibited and is not likely to result in a violation of the law, statute, rule or regulation of the State of New Hampshire or any document or agreement of the Borrower, and that the officers of the Borrower who will be executing the documents are fully authorized to execute the documents for and on behalf of the Borrower. Such legal opinion of Borrower's counsel shall be presented to Bank not less than fifteen (15) calendar days prior to the Issue Date;

COLLATERAL:

Borrower agrees to provide a first mortgage and first assignment of leases and rents on the real estate known as Portsmouth Christian Academy situated at 20 Seaborn Drive in Dover, NH.

Borrower also agrees to provide a first security interest in all tangible and intangible business assets; Borrower further agrees to pledge gross revenues and provide a negative pledge of its endowment accounts;

INSPECTION:

Borrower hereby grants Bank permission to enter upon and inspect all collateral prior to commitment and from time to time during the term of the subject bond, as requested by the Bank, the condition of which must be satisfactory to the Bank in all respects. The Bank reserves the right to deem any property unacceptable for use as collateral;

REAL ESTATE APPRAISAL:

Borrower acknowledges that Bank approval is conditioned upon the Bank's receipt of a conforming, independent commercial real estate appraisal certifying a present fair market value that is such that the ratio of loan to fair market value ("LTV") shall not exceed 80%. The cost for said appraisal and the cost for an independent third-party appraisal review shall be borne by the Borrower;

HAZARDOUS MATERIAL:

Borrower agrees to provide the Bank with a fully-completed Environmental Questionnaire and copies of any reports, such as the Phase 1 report of 1/20/99, and other information, in a form and substance satisfactory to the Bank, to evidence that no hazardous material is present on the subject real estate. If for any reason the Bank deems it necessary to obtain one or more professional Environmental Site Assessments, the Borrower agrees to pay the cost of such Assessments. Should the result of an Environmental Site Assessment indicate the need for further investigation, the Bank will review options and costs with the Borrower prior to engaging in additional investigation. Notwithstanding the results of the Environmental Site Assessment or further investigations being acceptable to the Bank, the Borrower shall indemnify the Bank from any hazardous waste condition at the subject property whether existing or occurring in the future.

COSTS AND FEES:

Borrower agrees to pay an origination fee to the Bank. Such fee shall be calculated by multiplying the par amount of the subject bond by .006. Borrower agrees to remit the origination fee to the Bank when the subject bond is issued;

Borrower agrees that the subject bond will be issued without cost to the Bank. Borrower also agrees to reimburse Bank for any out-of-pocket expenses that the Bank may incur related to the subject bond. Once accrued any such expenses are to be paid by the Borrower even if the subject transaction is not finalized;

Borrower agrees that within five (5) calendar days of acceptance of the commitment the Borrower shall remit \$20,000.00 to the Bank to establish an "expense fund" from which the Bank will withdraw monies to satisfy expenses, related to the subject bond, on behalf of the Borrower. The Borrower agrees to replenish said expense fund within five (5) calendar days of the Bank's request to do so. On or before the Issue Date the Bank will provide an accounting to the Borrower indicating how funds withdrawn from the expense fund were utilized. Said expense fund shall be closed within 90-days of the bond Issue Date at which time any monies therein will be returned to Borrower;

GENERAL INSURANCE:

Borrower agrees to maintain fire and extended coverage insurance on all collateral securing the bond in an amount acceptable to the Bank. Borrower shall provide evidence of said insurance listing Bank of New Hampshire as "mortgagee" and "loss payee" as well as include a Lender's

Loss Payee Endorsement. Evidence of said insurance in the form of a binder is to be presented to Bank not less than five (5) calendar days prior to the Issue Date;

Borrower also agrees to maintain sufficient comprehensive insurance that includes bodily injury, death and property damage liability against all claims. Borrower also agrees to maintain statutory workers compensation insurance for any employees with respect to any work on, about or regarding the subject real estate. Evidence of said insurance is to be presented to Bank not less than five (5) calendar days prior to the Issue Date;

FLOOD INSURANCE:

If the collateral is located in a federally designated flood hazard area, Borrower agrees to maintain statutory flood insurance in an amount equal to or greater than the outstanding principal balance of the bond, or the maximum limit of coverage available, and that a properly completed and signed Certificate of Flood Insurance be presented to the Bank at or prior to closing. If at any time throughout the life of the bond the collateral is determined to be located in a federally designated flood hazard area, Borrower agrees to purchase sufficient flood insurance. Because the Bank's flood determination service reports that at least some of the subject real estate is presently situated within a flood hazard area, evidence of sufficient insurance is to be presented to Bank not less than five (5) calendar days prior to the Issue Date. If the Borrower disputes this finding, the Bank's flood determination service will need to inspect the subject real estate to confirm whether or not some of the improvements are in danger of flooding, the cost for which shall be borne by the Borrower.

TITLE INSURANCE:

Borrower agrees to provide a generally accepted title insurance commitment or binder covering the real estate, which will secure the loan insuring free and clear title to the Bank as their interest may appear must be presented to the Bank not less than five (5) days prior to loan closing. Such title insurance must meet the approval of the Bank's attorney. Borrower may purchase owner's title insurance from the same title insurance provider at an additional cost;

BANKING RELATIONSHIP:

Borrower agrees that not less than fifteen (15) calendars days prior to issuance of the subject bond, the Borrower shall move its primary operating accounts to the Bank and shall move its Merchant Credit Card processing to the Bank (if Borrower accepts credit cards). Borrower further agrees to exclusively maintain and use said accounts and services of the Bank throughout the term of the subject bond. The Bank maintains a full service office at 845 Central Avenue in Dover, NH.

FINANCIAL REPORTING:

Borrower agrees to provide the following information to the Bank within one hundred twenty (120) days following the close of each fiscal year:

- Accountant-prepared, audited, comparative financial statement with full disclosure;
- Accountant-prepared, signed, federal income tax return;
- Student enrollment compared to the prior two-years and segmented by Preschool, grades K through 8, and grades 9 through 12, and reporting per student income and expense;
- Results of fundraising activities compared to the prior two-years;

Bank reserves the right to require the submission of additional information from time to time, and the Borrower hereby agrees to provide such information in a timely manner to the Bank's satisfaction;

DEBT SERVICE COVERAGE:

Borrower agrees that throughout the term of the subject bond, the Borrower shall maintain a minimum Debt Service Coverage ratio of 1:1, or not less than breakeven, based on the Net Operating Income ("NOI") reported at fiscal year end, calculated before depreciation and amortization, interest expense, and taxes, divided by all principal and interest payments paid or due in the year of calculation;

ASSUMABILITY:

Borrower agrees that neither this commitment letter nor any existing or future bonds or loans are assumable;

ESCROW:

Escrowing is not required for real estate taxes or insurance, however, Borrower agrees that Bank may require such in the future;

DOCUMENTATION:

Borrower agrees that all documents related to the subject bond are subject to the review and approval of the Bank's attorney. The Bank reserves the right to require other documents which it may deem appropriate. In the event there is any difference between this commitment letter and the final documents signed by the parties, then the provisions of the final documents prevail.

Bank's commitment to lend is conditioned upon the signing of all documents required by, and in the form and containing such provisions as are required by, Bank's counsel. Borrower acknowledges that the documents will contain terms, conditions, warranties, covenants, events of default, definitions and other provisions of a substantive nature that are in addition to the terms set forth in this commitment letter. Furthermore, the Borrower understands that if it chooses not to sign any document required by, and in the form required by Bank's counsel, then Bank shall have no obligation pursuant to this commitment or otherwise to lend any money to Borrower;

TERMINATION:

Bank shall have no obligation to fund the subject bond if any of the following occur prior to the date of issue:

- Borrower shall have been adjudicated bankrupt, insolvent, or a trustee or a receiver shall have been reported for all, or any portion of the property of the Borrower; or
- Borrower shall have filed a petition of bankruptcy or same has been filed against it; or
- There shall have been a material misrepresentation or omission or failure to disclose made by the Borrower herein or in the Borrower's request for financing proposal or a material adverse change in either the financial condition or ownership of any Borrower or a material adverse change in the value or condition of the proposed security for the subject bond;
- Terms and conditions as outlined herein have not been met by the Borrower in full compliance and satisfaction of the Bank, at its sole discretion;

EXPIRATION:

Borrower agrees that unless this commitment has been accepted or otherwise extended in writing, by the Bank, this commitment shall expire within thirty (30) calendar days of the date of this letter;

RATE LOCK:

Upon Borrower's acceptance of this commitment, the Bank agrees to lock, or otherwise hold, the Interest Rate Option that the Borrower has selected for ninety (90) calendar days from the date of Borrower's acceptance;

PARTICIPATION:

Borrower agrees that Bank has the right to sell or otherwise convey all or some of its ownership interest in the subject bond to other financial institutions;

PUBLICITY RELEASE:

Borrower hereby grants Bank permission to use its name, photograph images, illustrations, logo and details about the subject financing for advertising and marketing purposes. Borrower acknowledges that it will receive no compensation for the Bank's use of the aforementioned and that once information is released to the general public the Bank will not be able to control or limit the extent of its publication, exposure, republication use or redistribution;



## Not Seasonally Adjusted Estimates by Place of Residence

### Labor Force Estimates

New Hampshire	Jun-13	May-13	Jun-12
Total Civilian Labor Force	749,550	741,370	749,920
Employed	711,290	703,830	707,290
Unemployed	38,260	37,540	42,630
Unemployment Rate	5.1%	5.1%	5.7%

United States (# in thousands)	Jun-13	May-13	Jun-12
Total Civilian Labor Force	157,089	155,734	156,385
Employed	144,841	144,432	143,202
Unemployed	12,248	11,302	13,184
Unemployment Rate	7.8%	7.3%	8.4%

### Unemployment Rates by Region

Not Seasonally Adjusted	Jun-13	May-13	Jun-12
United States	7.8%	7.3%	8.4%
Northeast	7.8%	7.5%	8.4%
New England	7.3%	7.0%	7.4%
Connecticut	8.2%	8.1%	8.7%
Maine	6.8%	6.8%	7.1%
Massachusetts	7.4%	6.7%	6.9%
New Hampshire	5.1%	5.1%	5.7%
Rhode Island	8.5%	9.2%	10.3%
Vermont	4.8%	4.2%	5.2%
Mid Atlantic	8.0%	7.7%	8.8%
New Jersey	9.0%	8.7%	9.8%
New York	7.6%	7.4%	8.7%
Pennsylvania	7.9%	7.4%	8.3%

### Unemployment Rates by Area

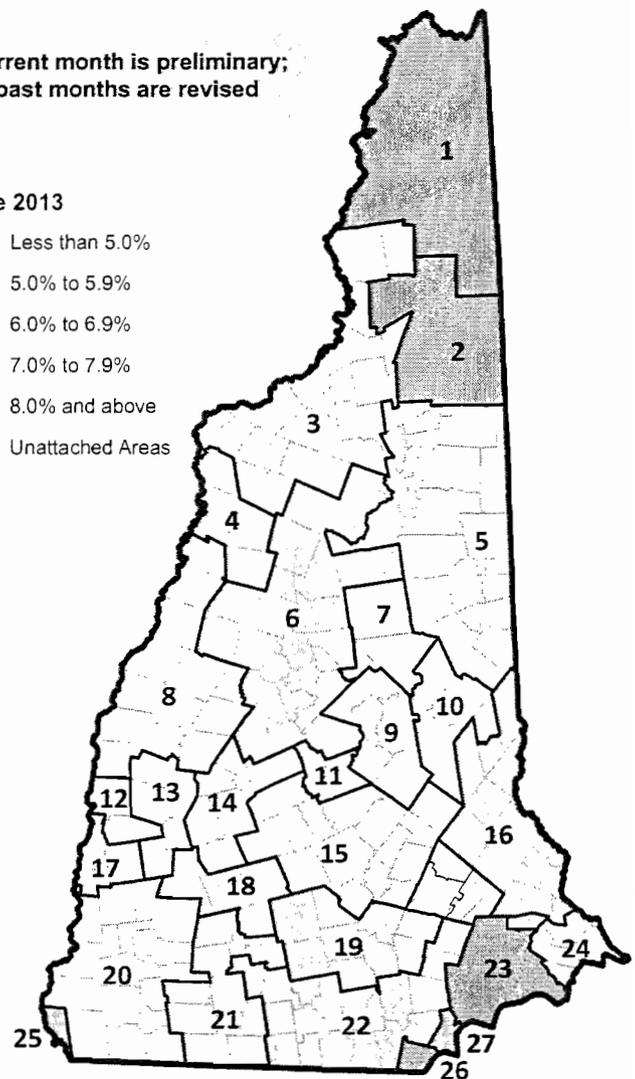
Counties	Jun-13	May-13	Jun-12
Belknap	4.7%	4.8%	5.2%
Carroll	4.5%	4.8%	4.9%
Cheshire	5.0%	5.0%	5.6%
Coos	5.8%	6.4%	7.8%
Grafton	4.4%	4.3%	4.9%
Hillsborough	5.3%	5.2%	5.9%
Merrimack	4.6%	4.6%	5.2%
Rockingham	5.5%	5.4%	6.0%
Strafford	5.0%	5.0%	5.8%
Sullivan	4.3%	4.3%	5.0%

Map Key	Labor Market Areas	Jun-13	May-13	Jun-12
1	Colebrook NH-VT LMA, NH Portion	6.3%	7.6%	8.3%
2	Berlin NH MicroNECTA	6.5%	7.0%	8.9%
3	Littleton NH-VT LMA, NH Portion	4.2%	4.5%	5.4%
4	Haverhill NH LMA	5.2%	5.2%	5.5%
5	Conway NH-ME LMA, NH Portion	4.8%	5.2%	5.3%
6	Plymouth NH LMA	5.1%	5.4%	5.6%
7	Moultonborough NH LMA	3.3%	3.4%	3.5%
8	Lebanon NH-VT MicroNECTA, NH Portion	3.7%	3.5%	4.2%
9	Laconia NH MicroNECTA	4.8%	5.0%	5.3%
10	Wolfeboro NH LMA	4.2%	4.4%	4.6%
11	Franklin NH MicroNECTA	4.8%	4.8%	5.3%
12	Claremont NH MicroNECTA	4.4%	4.1%	4.9%
13	Newport NH LMA	4.9%	5.0%	5.6%
14	New London NH LMA	4.5%	4.7%	5.2%
15	Concord NH MicroNECTA	4.6%	4.5%	5.0%
16	Rochester-Dover NH-ME MetroNECTA, NH Portion	5.0%	5.0%	5.8%
17	Charlestown NH LMA	4.4%	4.4%	5.1%
18	Hillsborough NH LMA	5.5%	5.5%	6.3%
19	Manchester NH MetroNECTA	5.0%	4.9%	5.7%
20	Keene NH MicroNECTA	4.8%	4.8%	5.4%
21	Peterborough NH LMA	5.5%	5.4%	6.1%
22	Nashua NH-MA NECTA Division, NH Portion	5.4%	5.3%	5.9%
23	Exeter Area, NH Portion, Haverhill-N. Andover-Amesbury MA-NH NECTA Division	6.2%	5.8%	6.4%
24	Portsmouth NH-ME MetroNECTA, NH Portion	4.5%	4.5%	4.8%
25	Hinsdale Town, NH Portion, Brattleboro VT-NH LMA	6.8%	5.9%	6.3%
26	Pelham Town, NH Portion, Lowell-Billerica-Chelmsford MA-NH NECTA Division	6.8%	6.6%	7.2%
27	Salem Town, NH Portion, Lawrence-Methuen-Salem MA-NH NECTA Division	7.4%	7.3%	8.2%

Current month is preliminary;  
past months are revised

June 2013

- Less than 5.0%
- 5.0% to 5.9%
- 6.0% to 6.9%
- 7.0% to 7.9%
- 8.0% and above
- Unattached Areas



New Hampshire unemployment and labor force estimates are calculated using a regression model which depends on Current Population Survey (CPS) estimates. Labor Market Area estimates are calculated using the Bureau of Labor Statistics "Handbook Method" and then adjusted to the State levels.

A RESOLUTION AUTHORIZING UP TO \$9,440,000 BONDS FOR REFUNDING  
OUTSTANDING BONDS OF THE PORTSMOUTH CHRISTIAN ACADEMY IN DOVER,  
NEW HAMPSHIRE AND TO FINANCE CERTAIN CAPITAL EXPENDITURES

WHEREAS, Portsmouth Christian Academy (the "Academy") has by submission of Form BFA-1 notified the Business Finance Authority of the State of New Hampshire (the "Authority") of its desire to refinance certain educational facilities as described in Exhibit A hereto (the "Facilities") and to finance the acquisition of certain capital assets described in Exhibit B, and has requested the Authority to issue one or more series of Revenue Bonds (Portsmouth Christian Academy Issue), Series 2013 (the "Bonds") in an aggregate principal amount not to exceed \$9,440,000 under RSA 162-1 (the "Act"), and to loan the proceeds to the Academy in order to refinance costs of the Projects and finance the costs of capital assets to the extent it qualifies as a "qualified 501(c)3 bond" within the meaning of Section 145(a) of the Internal Revenue Code of 1986, as amended.

WHEREAS, the Authority has been furnished with (a) information and materials about the Academy, the Projects and unemployment in the Dover area, (b) evidence that Bank of New Hampshire (the "Bank") is willing to purchase the Bonds, (c) the proposed form of the MORTGAGE, SECURITY, AND LOAN AGREEMENT among the Authority, the Academy and the Bank which is a combined financing and security document which will secure the Bonds (the "Agreement"), and (d) other information, materials and assurances deemed relevant by the Authority;

IT IS HEREBY RESOLVED THAT:

Section 1. Findings. On the basis of the information, materials and assurances received by the Authority and considered by it at an open meeting, the Authority finds:

(a) Special Findings:

- (1) The Bonds will be used to: (i) current refund the New Hampshire Health and Educational Facilities Authority Revenue Bonds, Portsmouth Christian Academy, Series 2002, which were used to acquire, renovate and expand the school campus located at 20 Seaborn Drive, Dover, NH; (ii) finance the cost of acquiring certain capital assets, and (iii) pay certain costs associated with the issuance of the Bonds.
- (2) The operation of the Facilities will create and preserve employment opportunities directly and indirectly within the State of New Hampshire (the "State").

(b) General Findings:

- (1) The Projects (as defined in Exhibit A hereto) and the proposed refinancing thereof are feasible;

- (2) The Academy has the skills and financial resources necessary to operate the Facilities successfully;
- (3) The Loan and Security Agreement (the "Agreement") contains provisions so that under no circumstances will the Authority be obligated directly or indirectly to pay Project costs, debt service or expenses of operation, maintenance and upkeep of the Facilities except from proceeds of the Bonds or from funds received under the Agreement, exclusive of funds received thereunder by the Authority for its own use;
- (4) The Agreement does not purport to create any debt of the State with respect to the Facilities, other than a special obligation of the Authority acting on behalf of the State under the Act; and
- (5) The proposed refinancing of the Projects by the Authority and the operation and use of the Facilities will serve one or more needs and implement one or more purposes set forth in RSA 162-1:1, will preserve or increase the social or economic prosperity of the State and one or more of its political subdivisions, and will promote the general welfare of the State's citizens.

Section 2. Determination and Recommendation. The Authority finds that the proposed refinancing, operation and use of the Facilities will serve a public use and provide a public benefit and determines that the Authority's refinancing of the Projects will be within the policy of, and the authority conferred by, the Act. The Authority recommends to Her Excellency the Governor and The Honorable Council that they make findings and a determination similar to those set forth above, and for that purpose the Executive Director is directed to transmit to the Governor and Council copies of this resolution, the materials received by the Authority with respect to the Projects and any other documentation and information the Governor and Council may request.

Section 3. Authorization of the Agreement. The Authority shall be a party to the Agreement, and the Chairman, Vice Chairman, Treasurer and Executive Director are each authorized to execute and deliver the Agreement on behalf of the Authority substantially in the form presented to this meeting, but subject to such changes as the person so signing may approve, his or her signature being conclusive identification of the documents as the Agreement (with approved changes, if any) authorized by this resolution.

Section 4. Authorization and Sale of the Bonds. The Authority shall issue the Bonds in one or more series in the aggregate amount of up to \$9,440,000 as provided in the Agreement; the Chairman, or the Vice Chairman, or the Treasurer, and any other member of the Board or the Executive Director, are authorized to execute the Bonds by either manual or facsimile signature; and the sale of the Bonds to the Bank at the price of par is hereby authorized and approved.

Section 5. Actions Not to Be Taken Until After Approval by Governor and Council. The actions authorized by Sections 3 and 4 above (meaning specifically the execution of the Agreement and the issuance of the Bonds), shall not be taken until such time as the Governor and Council have made the findings and determination required by Section 9 of the Act, it being the intent of the Authority that the various actions on its behalf which are authorized above are subject to the action of the Governor and Council as required by the Act.

Section 6. Bond Proceeds. The proceeds of the Bonds shall be deposited and expended in accordance with the Agreement, and checks, if any, for such Bond proceeds may be appropriately endorsed by the Chairman, Vice Chairman, Treasurer or the Executive Director.

Section 7. Approval of Projects. The establishment of the Projects, all in accordance with the provisions of the Agreement, has been approved for the purposes of, and to the extent required by, the Act.

Section 8. Other Actions by Officers. The Chairman, Vice Chairman, Treasurer and the Executive Director are each authorized to take all other actions and execute, deliver or receive such instruments or certificates as they determine are necessary on behalf of the Authority in connection with the transactions authorized by the preceding sections of this resolution, but subject in all events to Sections hereof Without limiting the generality of the foregoing, such officers may execute and deliver: receipts; financing statement forms under the U.C.C; certificates as to facts, estimates and circumstances; information returns for governmental bond issues for the purposes of federal income taxes; and certificates as to proceedings taken, incumbency of officers or any other facts for any other purposes.

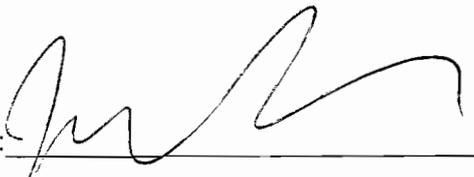
Section 9. Discharge of Lien. The Chairman, Vice Chairman, Treasurer or Executive Director, whenever requested by the owners of the Bonds may join in the release and final discharge of the lien of the Agreement.

Section 10. Authorization of Change of Dates. Without limiting any other discretion conferred in this resolution, the date of the Agreement and the date the Bonds are executed may be any date or dates acceptable to the Academy, the Bank and the officers of the Authority executing such Agreement and the Bonds.

Section 11. Effective Date. This resolution shall take effect upon its passage.

Passed: August 19, 2013.

Attest:



Jack Donovan, Clerk

SUMMARY OF REQUIRED STATUTORY FINDINGS OF THE  
GOVERNOR AND COUNCIL UNDER RSA 162-I

The material appearing in quotations below are extracts from RSA 162-I:9. Dots indicate deleted provisions relating to matters which are not relevant to this transaction.

\* \* \*

Special Findings

“(1) For any project, the Governor and Council shall specify the type of facility and shall find that the project to be financed is within the definition of the (type of facility) and may be financed under this chapter;”

The project consists of (A) refinancing the \$9,615,000 outstanding principal amount of New Hampshire Health and Education Facilities Authority Revenue Bonds, Portsmouth Christian Academy Issue, Series 2002 (“Series 2002 Bonds”), the proceeds of which were used to: (1) refinance certain of the Academy’s then-existing debt, then outstanding in the approximate principal amount of \$4,165,000, the proceeds of which were used to finance (a) the purchase of the real property located at 1 Seaborne Drive, Dover, New Hampshire consisting of 45 acres of land and an approximately 64,000 square foot building located thereon, (b) the furnishing, fixturing and renovation of the aforementioned 64,000 square foot building, and (c) the construction of a gymnasium addition to the aforementioned building containing approximately 8,000 square feet; (2) finance the construction of a new high school building containing approximately 22,000 square feet containing primarily of academic classrooms (approximately \$2,000,000); (3) finance the construction of a new high school academic support building containing approximately 20,000 square feet containing science laboratories, art and music facilities, classrooms, a multi-purpose room and library (approximately \$1,750,000); (4) construct a gymnasium annex containing approximately 6,000 square feet to provide additional space for indoor athletics, physical education and assembly (approximately \$500,000); (5) finance miscellaneous renovations and capital equipment acquisitions during the three years following issuance of the Series 2002 Bonds; (6) finance capitalized interest with respect to a portion of the Series 2002 Bonds and a debt service reserve fund; and (7) pay certain costs of issuing the Series 2002 Bonds including credit enhancement with respect thereto; (B) financing miscellaneous construction, renovation, furnishing and equipping of the Academy’s educational facilities; and (C) paying costs of issuance with respect to the Bonds.

The Project is within the definition of “commercial facility” in the Act and may be financed under the Act; and

\* \* \*

“(2) If the facility is a commercial facility, the governor and council shall find that the establishment and operation of the facility will either create or preserve employment opportunities directly or indirectly within the state and will likely be of general benefit to the community as a whole;”

The Borrower expects the project to enable it to preserve existing jobs and to create a general benefit to the community as a whole by providing educational options (Form BFA-1 under Tab #3). The information from the New Hampshire Employment Security, Economic and Labor Market Information Bureau (Tab #6) shows that there is unemployment in the Dover area.

General Findings

“For any project, the Governor and Council shall find that:

(1) The project and proposed financing of the project are feasible;”

Bank of New Hampshire has agreed to purchase the bonds (Tab #6). The application of the Borrower, including financial statements, also supports the finding (Tab #3).

\* \* \*

“(2) The proposed user has the skills and financial resources necessary to operate the facility successfully;”

The Materials relating to the Borrower under Tab #3 support this finding.

\* \* \*

“(3) the financing and security documents contain provisions so that under no circumstances will the authority be obligated directly or indirectly to pay project costs, debt service or expenses of operation, maintenance and upkeep of the facility except from bond proceeds or from funds received under the financing or security documents, exclusive of funds received under the documents by the authority for its own use;”

The LOAN AND SECURITY AGREEMENT (the “Agreement”) (Tab #4) is a combined financing and security document. Section 4.01 of the Agreement contains an express statement to the effect required; Section 2.05 of the Agreement obligates the Borrower to pay all debt service on the Bonds when due; and Section 7.04 and Section 7.05 require the Borrower to pay taxes and costs of operation, maintenance and upkeep.

\* \* \*

“(4) Neither the financing document nor the security document purports to create any debt of the state with respect to the facility, other than a special obligation of the authority acting on behalf of the state under this chapter; and”

Express language to this effect is found in the Agreement under Tab #4 in Section 4.01.

\* \* \*

“(5) The proposed financing of the project by the authority and the proposed operation and use of the facility will serve one or more needs and implement one or more purposes set forth in RSA 162-I:1, will preserve or increase social or economic prosperity of the state and one or more of its political subdivisions, and will promote the general welfare of the state’s citizens.”

This finding can be based on all the materials as well as facts which are matters of general knowledge.

\* \* \*

Ultimate Finding and Determination Required by the  
First Paragraph of RSA 162-I:9

“... the proposed financing, operation and use of the facility will serve a public use and provide a public benefit and ... the authority’s financing of the project will be within the policy of, and the authority conferred by, this chapter.”

The materials and information furnished and the preliminary findings described above support, and enable the making of, the ultimate finding and determination.