

FORBEARANCE AGREEMENT

This Forbearance Agreement (this "Agreement") dated as of August 6, 2014, is made by and between IOWA WESLEYAN COLLEGE, an Iowa nonprofit corporation (the "College"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association with a trust office in Minneapolis, Minnesota, in its capacity as trustee (the "Trustee").

RECITALS

WHEREAS, pursuant to that certain Indenture of Trust dated as of May 1, 2006, by and between Iowa Higher Education Loan Authority (the "Issuer") and the Trustee (the "Indenture"), the Issuer issued its Private College Facility Revenue Refunding Bond, Series 2006 (Iowa Wesleyan College Project) in the aggregate principal amount of \$5,750,000 (the "Bonds"); and

WHEREAS, pursuant to that certain Loan Agreement dated as of May 1, 2006, between the Issuer and the College (the "Loan Agreement"), the Issuer loaned the proceeds of the Bonds to the College for the purpose of (i) refunding the Authority's outstanding Private College Facility Revenue Bonds (Iowa Wesleyan Project), Series 2000, and (ii) financing the renovation and improvement of residence halls and various other buildings and various other campus improvements, including additional and improved parking; and

WHEREAS, pursuant to the Indenture, the Issuer assigned all of its rights and interests in the Loan Agreement (except for amounts payable to the Issuer under Sections 2.2(t), 5.3(b), 8.2 and 9.4 thereof) to the Trustee; and

WHEREAS, to secure its obligations under the Loan Agreement, including its obligation to make payments in amounts and at times sufficient to pay the principal of and premium, if any, and interest on the Bonds when due, the College executed and delivered to the Trustee that certain Real Estate Mortgage and Security Agreement dated as of May 1, 2006 (the "Mortgage") pursuant to which the College mortgaged to the Trustee certain of its real property as security and granted a security interest in certain of the College's personal property; and

WHEREAS, the College believes that upon receipt of its audited financial statements for the fiscal year ending May 31, 2014, it will be in default of its obligations under Section 7.15 of the Loan Agreement by reason of the College's failure to conduct its operations in a manner so as to provide a Debt Service Coverage Ratio (as such term is defined in the Loan Agreement) of at least 1.10 for the College's fiscal years ended May 31, 2012, 2013 and 2014 (the "Pending Default"); and

WHEREAS, the College believes that based upon its long-term plan that it has developed with an Independent Consultant, that it will continue to fail to meet the required Debt Service Coverage Ratio of at least 1.10 under the Loan Agreement for the College's fiscal years ending May 31, 2015, 2016 and 2017 (such failures collectively, the "Anticipated Defaults" and together with the Pending Default, the "Projected Defaults"); and

WHEREAS, upon the occurrence and continuation of an Event of Default under the Loan Agreement, the Trustee may (i) declare all amounts payable under the Bonds to be immediately due and payable, (ii) enforce the Mortgage and exercise the power of sale and other remedies provided therein, and/or (iii) take any action in law or equity which may be necessary or desirable to enforce the Loan Agreement, the Indenture or the Mortgage (collectively, such documents are hereinafter sometimes referred to as the "Bond Documents"); and

WHEREAS, the College has requested that the Trustee forbear from exercising its rights under the Bond Documents and applicable law in order to afford the College time to restructure its operations in a manner designed to allow it to achieve a Debt Service Coverage Ratio of at least 1.10 as required under the Loan Agreement; and

WHEREAS, the Trustee is willing to forbear from exercising its rights under the Bond Documents and applicable law regarding the Projected Defaults on and subject to the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the receipt and sufficiency of which is acknowledged, it is hereby agreed as follows:

Article I

Definitions, Recitals and College Acknowledgments

Section 1.01 Defined Terms. All capitalized terms used and not otherwise defined in this Agreement shall have the meanings given such terms in the Bond Documents.

Section 1.02 Recitals. The College acknowledges and agrees that the Recitals set forth above are true and correct statements of fact.

Section 1.03 Acknowledgments. The College acknowledges that (a) it is indebted to the Trustee under the Loan Agreement for the benefit of holders of the Bonds, (b) the Loan Agreement and the other Bond Documents are valid, binding, and fully enforceable against the College by the Trustee in accordance with their respective terms, all without defense, offset or counterclaim, (c) the Pending Default has not been waived by the Trustee and will not be cured by the release of the College's audited financial statements for the fiscal year ended May 31, 2014 and (d) absent the effectiveness of this Agreement, on and after the release of the College's audited financial statements for the fiscal year ended May 31, 2014, the Trustee is entitled to exercise any or all rights and remedies available to the Trustee under the Bond Documents and applicable law with respect to the Pending Default.

Article II

Forbearance and Actions by the Trustee

Section 2.01 Agreement to Forbear. Without waiving any of its rights or remedies under the Bond Documents or applicable law, subject to the provisions of this Agreement, the Trustee shall forbear from exercising its rights and remedies under the Bond Documents or applicable

law arising from the occurrence of a Projected Default until the Termination Date (as defined in Section 3.01). Upon the Termination Date, the Trustee's obligation to forbear under this Article II shall immediately and automatically end without notice to the College.

Section 2.02 Trustee's Right to Administer. Nothing in this Agreement shall constrain, limit or adversely affect the right, power and authority of the Trustee to perform its distribution, information, calculation and monitoring functions under the Bond Documents during the term of this Agreement for the benefit of the Bondholders.

Section 2.03 Bondholder Notice. The Trustee shall notify all Bondholders for which it has addresses, of the terms and conditions of this Agreement.

Section 2.04 Trust Instruction Proceeding. The Trustee shall prepare and promptly file a petition (the "Petition") with the District Court sitting in Hennepin County, Minnesota (the "District Court"), having jurisdiction over the trust estate administered by the Trustee, seeking the entry of an order (the "District Court Order") approving the Petition and the Trustee's execution and performance under this Agreement. The Trustee shall provide prompt notice to all Holders of the Petition filing and the hearing dates established by the District Court with respect to the Petition.

Section 2.05 No Waiver; Effect of Forbearance. The forbearance by the Trustee in the exercise of its remedies under the Bond Documents shall not constitute a waiver of any default or event of default thereunder nor shall such forbearance constitute a course of dealing that may be relied upon by the College in the future. Prior to the declaration of Termination Date and thereafter, the Bond Documents shall remain in full force and effect in accordance with their respective terms, and this Agreement shall not be construed to: (a) impair the validity, perfection or priority of any lien or security interest securing the College's obligations under the Bond Documents; (b) waive or impair any rights, powers or remedies of the Bondholders or the Trustee under the Bond Documents upon declaration of the Termination Date, with respect to any Default or Event of Default, including the Projected Defaults; (c) constitute an agreement by the Bondholders or the Trustee, or require the Bondholders or the Trustee to grant additional forbearance periods or extend the time for payment of any of the obligations under the Bond Documents; or (d) constitute a waiver of any right of the Bondholders or the Trustee to insist on strict compliance by the College with each and every term, condition and covenant of this Agreement and the Bond Documents (other than compliance with the Debt Service Coverage Ratio to the extent provided herein).

Article III

Conditions to Forbearance

Section 3.01 Termination of Forbearance by the Trustee. If any one or more of the following events occurs (each a "Termination Event"), then without any other notice or action, the Trustee shall be free to declare occurrence of the "Termination Date" and upon such declaration shall be free of any forbearance obligation or other limitation upon its exercise of any and all default remedies available under the Bond Documents or otherwise available to creditors at law or in equity, as and when the Trustee may determine:

(a) The College breaches or fails to perform any of its agreements, representations, warranties, covenants, obligations or undertakings set forth herein;

(b) any Event of Default shall occur under any of the Bond Documents, other than the Projected Defaults;

(c) a petition commencing a proceeding under the United States Bankruptcy Code or any similar state law is filed by or against the College, or a receiver, custodian, assignee, or trustee is appointed for the College or any of its assets;

(d) if, prior to the entry of a District Court Order, the Trustee receives in writing from holders of thirty-five percent of outstanding principal of the Bonds, objection to and/or direction not to proceed with the forbearance arrangements described herein;

(e) the Trustee fails to obtain the entry of a District Court Order reasonably acceptable to the Trustee within ninety (90) days of the filing of the Petition or the District Court Order is vacated or amended without the consent of the Trustee;

(f) Two Rivers Bank & Trust, as purchaser of the Private College Facility Revenue Bonds (Iowa Wesleyan College Project), Series 2011 (the "2011 Bonds") issued by the City of Mount Pleasant, Iowa (the "2011 Issuer") dated as of May 5, 2011, or any subsequent purchaser of the 2011 Bonds, (i) takes any action to enforce remedies which are permitted under the Assignment and Security Agreement between Two Rivers Bank & Trust and the 2011 Issuer dated April 1, 2011 or under any other documents related to the 2011 Bonds (collectively, the "2011 Bond Documents") or (ii) an Event of Default under the 2011 Bond Documents occurs, other than an Event of Default related to the College's failure to maintain its required Debt Service Coverage Ratio;

(g) the College fails to retain an Independent Consultant within the meaning of Section 7.15 of the Loan Agreement; or

(h) the College initiates any judicial, administrative, or arbitration proceeding against the Trustee.

Section 3.02 Declaration of Termination Date. Upon the occurrence of a Termination Event, the Trustee has the right, but not the obligation, to declare that the Termination Date has occurred. No delay or failure on the part of the Trustee to declare that the Termination Date has occurred in response to a Termination Event shall constitute a course of dealing or otherwise impact the Trustee's rights, powers or privileges under this Agreement or the Bond Documents; nor shall such delay or failure operate as a waiver of such Termination Event.

Section 3.03 Rights Upon Declaration of Termination Date. The Bondholders or the Trustee may, at their option, exercise all rights and remedies available to them under the Bond Documents upon the declaration of the Termination Date. The remedies contained in the Bond Documents are cumulative and not exclusive of any remedies provided by law. No delay on the part of the Bondholders or the Trustee in the exercise of any power or right after the occurrence

of a Termination Date shall operate as a waiver thereof nor shall any single or partial exercise of power or right preclude any other or further exercise thereof or the exercise of any power or right.

Article IV

College's Representations, Warranties and Acknowledgments

Section 4.01 Representations and Warranties. The College hereby represents and warrants to the Trustee as follows:

- (a) it has all requisite power and authority to execute this Agreement and to perform all of its obligations under this Agreement, and this Agreement and the other Bond Documents have been duly executed and delivered by the College and constitute the legal, valid and binding obligations of the College, enforceable in accordance with their respective terms;
- (b) the execution, delivery and performance by the College of this Agreement and the other Bond Documents have been fully authorized by all necessary corporate action and do not (i) require any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) violate any provision of any law, rule or regulation or of any order, writ, injunction or decree presently in effect having applicability to the College, or the organizational documents of the College, or (iii) result in a breach or constitute a default under any agreement, lease or other instrument to which the College is a party or by which it or its properties may be bound or affected;
- (c) as of the date hereof, there exists no other Defaults or Events of Default under the Bond Documents (other than with respect to the Projected Defaults); and
- (d) to the best of its knowledge, there are no actions, suits or proceedings pending or, to its knowledge, threatened against or affecting any of its properties before any arbitrator or any governmental authority which if determined adversely to it, would (i) have a materially adverse effect on the business, assets, value, operations or financial condition of the College, (ii) constitutes a material impairment of the ability of the College's to perform any material obligation under this Agreement, or (iii) materially impair any of the rights of or benefits available to the Trustee under any Bond Documents.

Section 4.02 Acknowledgments. The College acknowledges and agrees that no right of offset, recoupment, defense, counterclaim, claim, causes of action or objection of any kind or nature in favor of the College against the Trustee, exists arising out of or with respect to, (i) the forbearance hereunder, (ii) the validity and enforceability of this Agreement, the Bond Documents, or any of the Bondholders' or Trustee's rights and remedies thereunder, (iii) the validity, extent and priority of the liens and security interests granted to the Trustee under the Bond Documents, or (iv) any other documents now or heretofore evidencing, securing or in any way relating to the foregoing, and the College does hereby expressly waive, release and

relinquish any and all such offsets, recoupments, defenses, counterclaims, claims, causes of action or objections, if any, against the Bondholders and the Trustee.

Article V

College's Covenants

Section 5.01 Debt Service Coverage Ratio. The College shall proceed diligently to implement the strategies and take the actions for achieving and maintaining the required Debt Service Coverage Ratio. The College covenants that the Debt Service Coverage Ratio for each fiscal year of the College from 2014 through 2018 will be not less than the amounts shown in the following table:

<u>Fiscal Year</u>	<u>Debt Service Coverage Ratio</u> <u>(No lower than)</u>
2014	(2.33X)
2015	(1.55X)
2016	(0.38X)
2017	0.69X
2018	1.10X

The College shall provide to the Trustee an Officer's Certificate within 15 days of the receipt of its audited financial statements identifying the actual Debt Service Coverage Ratio as of the applicable period and indicating whether the College is in compliance with this covenant.

Section 5.02 Financial and Other Reporting. The College shall provide to the Trustee, as Dissemination Agent under the Continuing Disclosure Agreement with respect to the Bonds, the following information at the following times (in addition to the other information required under the Continuing Disclosure Agreement):

Financial Reporting:	Quarterly internal statement of activities and balance sheet not later than 45 days after quarter end.
Independent Consultant:	Continued reports of independent consultant not less than twice annually, including summaries of the latest statistics on applications, acceptances and deposits, in comparison to the same period in the prior year.

Upon request, the College further agrees to permit the Trustee and any agents designated by the Trustee to inspect its books and records, and facilities.

Section 5.03 Enrollment Covenant. The College covenants that it will maintain enrollment of full-time day students taking twelve or more credit hours (excluding any on-line or "Extended Learning" students) of not less than the number of students as specified below as of the dates specified below, and shall provide to the Trustee an Officer's Certificate within 15 days

of each date listed below identifying the actual number of full-time students as of the applicable date and indicating whether the College is in compliance with this covenant:

<u>Enrollment Test Date</u>	<u>Number of Students</u>
October 15, 2014	329
February 15, 2015	263
October 15, 2015	342
February 15, 2016	274
October 15, 2016	371
February 15, 2017	297
October 15, 2017	446
February 15, 2018	356

Section 5.04 Long Term Debt Liquidity Test. The College will not permit its Long Term Debt Liquidity Ratio, as of each Semi-Annual Measurement Date, to be less than 1.50 to 1.00. The College shall provide to the Trustee an Officer's Certificate within 15 days of the end of each Semi-Annual Measurement Date identifying the actual Long Term Debt Liquidity Ratio as of the applicable date and indicating whether the College is in compliance with this covenant.

The following capitalized terms used in this Section 5.04 shall be assigned the following meanings:

"Long Term Debt Liquidity Ratio" shall mean the amount determined by dividing (i) the sum of (A) Unrestricted Cash and Investment plus (B) undrawn amounts on committed lines of credit then available to the College from any of Two Rivers Bank & Trust, Wayland State Bank, Wells Fargo Bank, National Association, the Southeast Iowa Regional Planning Council or any other recognized financial lending institution by (ii) all payments coming due in the next ninety (90) days on Long-Term Indebtedness (as such terms are defined in the Loan Agreement).

"Semi-Annual Measurement Date" shall mean each August 31 and February 28 (or 29) of each year, commencing on August 31, 2014.

"Unrestricted Cash and Investments" shall mean cash, cash equivalents and investments of the College which are not subject to any lien and are available for payment to the Trustee or other holders of Long-Term Indebtedness; which shall include temporarily restricted investments which may be used to pay Long-Term Indebtedness.

Section 5.05 Payment of Costs, Expenses, Fees and Related Matters. The College hereby reaffirms its obligation under Section 9.5 of the Loan Agreement to pay the reasonable fees and expenses of the Trustee, including fees for extraordinary administration. Without limiting the generality of the foregoing, the College specifically agrees to promptly pay all extraordinary fees of the Trustee, and all fees and disbursements of counsel to the Trustee for the services performed in connection with the Projected Defaults, including without limitation the

preparation of this Agreement and the Petition, the prosecution of the Petition and the preparation of any documents and instruments incidental to the Projected Defaults, this Agreement or the Petition, even though no Event of Default may have yet occurred under the Bond Documents.

Article VI Miscellaneous

Section 6.01 Bond Documents Remain in Full Force and Effect. Except as expressly provided in this Agreement, the provisions of the Loan Agreement and the other Bond Documents shall remain in full force and effect. All representations, warranties and recitals on the part of the College contained in this Agreement, the Loan Agreement or in any other Bond Document or other agreement between the Trustee and the College shall survive the execution, delivery and performance of this Agreement.

Section 6.02 Release of Claims Against Trustee. After inquiry and as of the date of this Agreement, the College hereby absolutely and unconditionally releases and forever discharges the Trustee and any and all of its parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns, together with all of its present and former directors, officers, agents and employees from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which the College has had, now has or has made claim to have against any such party for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this Agreement, whether such claims, demands and causes of action are matured or unmatured or known or unknown.

Section 6.03 Entire Agreement; Amendments. This Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof. It cannot be waived, modified or amended except by a writing signed by the party against which enforcement is sought.

Section 6.04 Counsel and Advisors. The College acknowledges that it had the opportunity to consult with counsel and with other such expert advisors, as it deemed necessary in connection with the negotiation, execution and delivery of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring that it be construed more strongly against the party causing this Agreement or any part hereof to be drafted.

Section 6.05 Governing Law; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota without reference to any conflict-of-laws analysis. EACH OF THE PARTIES HERETO HEREBY, TO THE FULLEST EXTENT PERMITTED BY LAW, WAIVES TRIAL BY JURY IN ANY ACTION BROUGHT UNDER OR IN CONNECTION WITH THIS AGREEMENT.

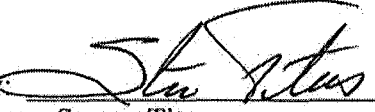
Section 6.06 Counterparts; Severability. This Agreement may be executed by facsimile and in counterparts, and all counterparts shall constitute but one and the same document. Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the

extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement.

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IN WITNESS HEREOF, the parties hereto have caused this Agreement to be executed and delivered effective as of the date written above.

IOWA WESLEYAN COLLEGE

By: 
Name: Steven Titus
Its: President

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee**

By: *Gil Hernandez*
Name: Gil Hernandez
Its: Vice President