

Loan Agreement
Borrower's Required Insurance Coverages

Basic Information

Date: August 10, 2017

Borrower: Arcoiris Daycare, LLC, a Texas corporation

Mailing address: 736 Ficus St., La Joya, Texas 78560

Type of entity: Corporation

State of organization: Texas

Lender: La Joya Economic Development Corporation

Mailing address: 101 N. Leo Ave., La Joya, Texas 78560

Guarantor: Silvia L. Ochoa

Mailing address: 736 Ficus St., La Joya, Texas 78560

Note

Date: August 10, 2017

Original principal amount: \$241,662

Interest: Five percent (5.0%)

Maturity date: August 10, 2036

Use of Loan Proceeds: Borrower shall use the Loan proceeds for the purpose of finishing the construction on its facility located in Lot TWO, La Joya I.S.D. Tabasco Elementary School Subdivision,

Collateral

Real Property:

TRACT 1:

Lot Twenty(20), OWASSA GARDENS MOBILE HOME SUBDIVISION, an addition to the City of Edinburg, Hidalgo County, Texas, as per map or plat thereof recorded in Volume 33, Page 148-A, Map Records, Hidalgo County, Texas.

TRACT 2:

A 0.360 ACRE TRACT OF LAND comprised of the east 31.63⁰ of LOT TWO (2) and the WEST 108.87 feet of LOT 3, La Joya I.S.D. Tabasco Elementary School Subdivision, an addition to the City of La Joya, Hidalgo County, Texas, as per map or plat thereof recorded in Volume 44, Page 140, Hidalgo County, Texas.

Prior liens: Loan Agreement dated April 14, 2016, entered into by Arcoiris Daycare, LLC, and the La Joya EDC.

The Loan

Subject to the terms and conditions of this agreement, Lender will lend Borrower the Original Principal Amount as represented by the Note (the "Loan"), and Borrower agrees to pay the Note.

Clauses and Covenants

A. Conditions Precedent to Loan

The obligation of Lender to make the Loan is conditioned on -

- A.1. the execution and delivery of the Loan Documents;
- A.2. the accuracy, in all material respects, of all representations and warranties in the Loan Documents;
- A.3. no default existing under the Loan Documents;
- A.4. payment of the Loan Commitment Fee and all expenses incurred by Lender in connection with the Loan Documents; and
- A.5. Lender's receipt, in a form acceptable to Lender, of -
 - a. opinion of Borrower's counsel as to Borrower's authority to execute and deliver the Loan Documents; the enforceability of the Loan Documents; and the nonusurious nature of the Loan;
 - b. certification from Borrower's authorized representative for any Borrower that is an entity attaching (i) a copy of Borrower's organizational documents, (ii) the approval of Borrower's governing authority for the execution and delivery of the Loan Documents, and (iii) specimen signatures from all Borrower representatives authorized to execute the Loan Documents;

- c. certification from governmental authorities for any Borrower that is an entity confirming Borrower's existence;
- d. appraisal of the Real Property;
- e. survey plat of the Real Property;
- f. environmental assessment of the Real Property;
- g. commitment for issuance of a loan policy of title insurance in the Original Principal Amount insuring the validity of Lender's lien on the Real Property and confirming that no liens exist on the Real Property other than those liens permitted by the Loan Documents;
- h. financing statement reports on the Personal Property issued by all applicable filing officers confirming no financing statements are filed on the Personal Property other than those financing statements permitted by the Loan Documents;
- i. financial statement on Borrower and financial statement on Guarantor; and
- j. proof of insurance required by the Loan Documents

together with all other documents, instruments, and certificates reasonably requested by Lender.

B. Borrower's Representations

To induce the Lender to enter into this agreement and to make the Loan, Borrower represents to Lender that -

B.1. Borrower -

- a. has the power and authority needed to execute and deliver the Loan Documents and to perform Borrower's obligations under the Loan Documents;
- b. possesses all permits, registrations, approvals, consents, licenses, trademarks, trademark rights, trade names, trade name rights, and copyrights needed to conduct Borrower's business;
- c. was validly formed and exists under the laws of the State of Organization;
- d. is in good standing under the laws of the State of Organization, and all other jurisdictions where the nature of Borrower's business makes qualification necessary; and

- e. is qualified to do business under the laws of the State of Organization, and all other jurisdictions where the nature of Borrower's business makes qualification necessary.

B.2. the execution, delivery, and performance of the Loan Documents executed by Borrower have been duly authorized and do not and will not (a) contravene or violate any legal requirement; (b) result in the breach of, or constitute a default under, any instrument to which Borrower is a party or by which any of Borrower's property may be bound or affected; or (c) result in a requirement to create any lien upon any of Borrower's property other than liens granted to Lender on the Collateral;

B.3. the Loan Documents are legal, valid, and binding obligations of the parties executing the documents;

B.4. Borrower has good and indefeasible title to the Real Property and has good title to the Personal Property, free and clear of all liens except (a) as disclosed in the Loan Documents; (b) liens for ad valorem taxes, general and special assessments, and other governmental charges not yet due or payable; and (c) liens granted to Lender;

B.5. Borrower's financial statements delivered to Lender fairly present the financial condition and the results of Borrower's operations as of the dates and for the periods indicated, and no material adverse change has occurred in the assets, liabilities, financial condition, or business of Borrower since the dates of the financial statements;

B.6. Borrower has no knowledge of any litigation or administrative claim, action, or proceeding, pending or threatened, against Borrower or directly involving the Collateral before or by any governmental authority that, if adversely determined, could have a material adverse effect on Borrower;

B.7. there is no outstanding adverse judgment, writ, order, injunction, award, or decree affecting Borrower or the Collateral;

B.8. Borrower is not in default under any agreement to which Borrower is bound or to which any of the collateral is subject that could have a material adverse effect on Borrower or the Collateral;

B.9. all information and documentation supplied to Lender and all statements made to Lender by or on behalf of Borrower are correct and complete in all material respects as of the date made;

B.10. Borrower has no knowledge of the Real Property's being used for the production, release, or disposal of hazardous wastes or materials;

B.11. the Real Property is taxed and billed separately from any other property for ad valorem tax purposes;

B.12. no part of the Real Property is located within a flood zone;

B.13. Borrower's financial records have been prepared and maintained in accordance with good accounting practices consistently applied and reflect all moneys due or to become due from or to Borrower; and

B.14. Borrower has filed all required tax returns and paid all taxes shown thereon to be due, except those for which extensions have been obtained and those that are being contested in good faith and for which appropriate reserves have been established and disclosed in writing to Lender.

C. Affirmative Covenants

Borrower will -

C.1. apply all proceeds from the sale, collection, or other disposition of the Collateral to amounts owing on the Note unless the Loan Documents authorize an alternate use of the proceeds;

C.2. comply with the Additional Loan Requirements;

C.3. comply with the Financial Covenants;

C.4. operate Borrower's business in accordance with all applicable legal requirements;

C.5. keep at Borrower's address, or such other place as Lender may approve, accounts and records reflecting the operation of Borrower's business and copies of all written contracts, leases, and other instruments that affect the Collateral;

C.6. prepare Borrower's financial records in compliance with good accounting practices consistently applied;

C.7. permit Lender to examine and make copies of Borrower's books, records, contracts, leases, and other instruments at any reasonable time;

C.8. deliver to Lender, at Lender's request from time to time, Borrower's tax returns and audited financial statements of Borrower prepared in accordance with good accounting practices consistently applied, in detail reasonably satisfactory to Lender and certified to be true and correct by Borrower;

C.9. deliver to Lender, at Lender's request from time to time, tax returns of Guarantor, and audited financial statements of Guarantor prepared in accordance with good accounting practices consistently applied, in detail reasonably satisfactory to Lender and certified to be true and correct by Guarantor;

C.10. execute, acknowledge as required, and deliver to Lender, at Lender's request from time to time, at Borrower's expense, any document needed by Lender to (a) correct any defect, error, omission, or ambiguity in the Loan Documents; (b) comply with Borrower's obligations under the Loan Documents; (c) make subject to and perfect the liens and security interests of the Loan Documents any property intended to be covered thereby; and (d) protect, perfect, or preserve the liens and the security interests of the Loan Documents against third persons or make any recordings, file any notices, or obtain any consents requested by Lender in connection therewith;

C.11. notify Lender promptly (a) on acquiring knowledge of the occurrence of any event of default under the Loan Documents; (b) if any of Borrower's property is surrendered in satisfaction of a debt or obligation or on acquiring knowledge that any of Guarantor's property was surrendered in satisfaction of a debt or obligation; and (c) of any litigation, arbitration, mediation, or proceedings before any governmental agency that could have a material adverse effect on Borrower or the Collateral or on acquiring knowledge of any litigation, arbitration, mediation, or proceedings before any governmental agency that could have a material adverse effect on Guarantor;

C.12. pay promptly on demand all expenses in connection with (a) the negotiation, preparation, execution, filing, recording, rerecording, modification, and supplementation of the Loan Documents; (b) the collection of the Note; (c) the protection of the Collateral; (d) the collection, enforcement, sale, or other disposition of the Collateral; and (e) the performance by Lender of any of Borrower's obligations under the Loan Documents;

C.13. use the Note proceeds for the purposes permitted in this agreement; and

C.14. do all things necessary to preserve Borrower's existence, qualifications, rights, and franchises in all jurisdictions where Borrower does business.

D. Negative Covenants

Borrower will not -

D.1. use or allow the use of the Collateral in any manner that (a) constitutes a public or private nuisance; (b) makes void, voidable, or cancelable, or increases the premium of, any insurance required by the Loan Documents; or (c) lessens the value of the Collateral, other than as a result of ordinary wear and tear from the Collateral's intended use;

D.2. purchase, acquire, or lease any property from, or sell, transfer, or lease any property to, any equity owner, manager, director, officer, agent, or employee of Borrower, or any person or entity controlled by, controlling, or under common control with Borrower, except on terms then customarily available between unrelated parties in substantially similar transactions;

E. Default and Remedies

E.1. A default exists if -

- a. Borrower fails to timely pay the Note;
- b. a party fails to perform any obligation or covenant in any of the Loan Documents;
- c. any representation made by a party in any of the Loan Documents is false in any material respect when made;
- d. a receiver is appointed for any party executing any of the Loan Documents, or for any of the Collateral;
- e. any Collateral is assigned for the benefit of creditors;
- f. a bankruptcy or insolvency proceeding is commenced by a party executing any of the Loan Documents;
- g. a bankruptcy or insolvency proceeding is commenced against a party executing any of the Loan Documents, and the proceeding continues without dismissal for sixty days, the party against whom the proceeding is commenced admits the material allegations of the petition against it, or an order for relief is entered;
- h. any of the following parties is terminated, begins to wind up its affairs, is authorized by its governing body or persons to terminate or wind up its affairs, or any event occurs or condition exists that permits the termination or winding up of the affairs of any of the following parties: Borrower, a partnership of which Borrower is a general partner, or any other obligated party executing any of the Loan Documents; or
- i. any Collateral is impaired by uninsured loss, theft, damage, or destruction, or by levy and execution, or by issuance of an official writ or order of seizure, unless it is promptly replaced with collateral of like kind and quality or restored to its former condition.

E.2. If a default exists, Lender may -

- a. declare the unpaid principal balance, earned interest, and any other amounts owed on the Note immediately due; and
- b. exercise against Borrower, the Collateral, and any other party executing the Loan Documents, any rights and remedies available to Lender under the Loan Documents.

E.3. Notwithstanding any other provision in the Loan Documents, in the event of a

default, before exercising any of Lender's remedies under the Loan Documents, Lender will first give Borrower notice of default and Borrower will have ten days after delivery of notice in which to cure the default. If the default is not cured within ten days after notice is delivered, Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

F. General Provisions

F.1. Any notice required or permitted under this agreement must be in writing. Any notice required by this agreement will be deemed to be delivered (whether actually received or not) when deposited with the United States Postal Service, postage prepaid, certified mail, return receipt requested, and addressed to the intended recipient at the address provided in this agreement. Notice may also be given by regular mail, personal delivery, courier delivery, facsimile transmission, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by notice delivered as provided herein.

F.2. The Loan Documents, including any of their exhibits and attachments, constitute the entire agreement of the parties. There are no representations, agreements, or promises by Lender pertaining to the Loan that are not in those documents.

F.3. This agreement may be amended only by an instrument in writing signed by the parties.

F.4. Borrower may not assign this agreement or any of Borrower's rights under it without Lender's prior written consent, and any attempted assignment is void. This agreement binds, benefits, and may be enforced by the parties and their successors in interest.

F.5. Borrower authorizes Lender to charge any amount due Lender under the Loan Documents against any of Borrower's deposit accounts with Lender.

F.6. Except as otherwise provided in the Loan Documents, Borrower waives all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

F.7. No remedy, right, or power conferred on Lender in this agreement is intended to be exclusive of any other remedy, right, or power now or hereafter existing at law, in equity, or otherwise, and all remedies, rights, and powers are cumulative.

F.8. This agreement will be construed under the laws of the state of Texas, without regard to choice-of-law rules of any jurisdiction. This agreement is to be performed where the Note is payable.

F.9. Interest on the Note will not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in

excess of that maximum amount will be credited on the principal of the Note or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any excess will be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the Note or, if the principal of the Note has been paid, refunded. This provision overrides other provisions in this and all other Loan Documents.

F.10. It is not a waiver of default if the nondefaulting party fails to declare immediately a default or delays taking any action. Pursuit of any remedies set forth in this agreement does not preclude pursuit of other remedies in the other Loan Documents or provided by law.

F.11. There are no third-party beneficiaries of this agreement.

F.12. If any provision of this agreement is determined to be invalid or unenforceable, the validity or enforceability of any other provision will not be affected.

F.13. The rule of construction that ambiguities in a document will be construed against the party who drafted it will not be applied in interpreting this agreement.

F.14. The parties' relationship is an ordinary commercial relationship, and the parties do not intend to create the relationship of principal and agent, partnership, joint venture, or any other special relationship. Lender in exercising Lender's rights and performing Lender's obligations under the Loan Documents owes no fiduciary duty to Borrower.

F.15. If this agreement is executed in multiple counterparts, all counterparts taken together will constitute this agreement.

F.16. If Lender agrees to waive or defer any of the requirements of this agreement as a condition precedent to the advance of the proceeds of the Note, Borrower will provide any deferred information or documentation within thirty days after the advance.

F.17. In the event of any conflict among the provisions of this Loan Agreement and any of the Loan Documents, the more restrictive provision will control.

F.18. When the context requires, singular nouns and pronouns include the plural.

F.19. The term *Note* includes all extensions and renewals of the Note.

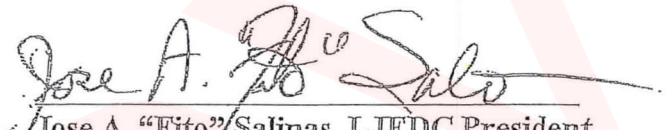
THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Signed on August 10, 2017.

LENDER:


La Joya Economic Development Corporation



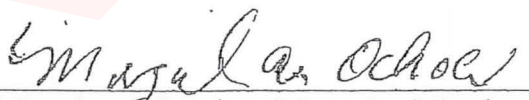
Jose A. "Fito" Salinas, LJEDC President

BORROWER:

Arcoiris Daycare, LLC
a Texas Limited Liability Company,



Silvia Ochoa, Managing Member



Miguel Angel Ochoa, Managing Member
Arcoiris Daycare, LLC,
A Texas Limited Liability Company