

NOTICE OF MEETING OF THE SAN LUIS FACILITY DEVELOPMENT CORPORATION

In accordance with section 38-431.01 of the Arizona Revised Statutes of the State of Arizona, notice is hereby given to the Members of San Luis Facility Development Corporation and to the general public that the Board Members of the San Luis Facility Development Corporation will hold a **Regular Meeting at 5:00 p.m. Thursday, September 19th**. The meeting will take place at City Hall in **Council Chambers**, located at 1090 E. Union Street, San Luis, Arizona, 85349. Everyone from the public is invited to attend the open meeting.

In accordance with the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973, the City of San Luis does not discriminate on the basis of disability in the admission of or access to, or treatment of employment in its programs, activities, or services. For information regarding rights and provisions of the ADA or Section 504, or to request reasonable accommodations for participation in City programs, activities or services contact: ADA/Section 504 Coordinator, City of San Luis Human Resources Department, 1090 E. Union Street, San Luis, Arizona, 85349; (928) 341-8520.

Notice is hereby given that pursuant to A.R.S. §1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council are audio and/or video recorded, and, as a result, proceedings in which children are present may be subject to such recording. Parents in order to exercise their rights may either file written consent with the City Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. §1-602.A.9 have been waived.

THIS NOTICE IS APPROVED BY:

/s/ Kay M. Macuil, Attorney for the San Luis Facility Development Corporation

AVISO DE JUNTA DE LA CORPORACIÓN

De acuerdo con los Estatutos del Estado de Arizona "A.R.S § 38-431.01", se le informa a los miembros de la Corporación San Luis Facility Development Corporation y al público en general que los miembros de la Corporación San Luis Facility Development Corporation, tendrán una **Junta Regular el día Jueves, Septiembre 19 a las 5:00 p.m.** La junta se llevará a cabo en el **Salón Del Cabildo** ubicada en el 1090 E. Union Street, San Luis, Arizona 85349. El público está cordialmente invitado a la junta.

De acuerdo con el Acta de Americanos con Discapacidades y la Sección 504 del Acta de Rehabilitación del 1973, la Ciudad de San Luis, Arizona no discrimina por causa de discapacidad la admisión y acceso a sus programas, actividades, servicios o en el trato en cuanto a empleo. Para más información referente a derechos y provisiones del Acta de Americanos con Discapacidades o Sección 504, o para solicitar adaptaciones que sean razonables para la participación en programas, actividades o servicios de la Ciudad, contactar al: Coordinador del Acta de Americanos con Discapacidades/Sección 504, Departamento de Recursos Humanos de la Ciudad de San Luis, Arizona, ubicada en el 1090 E. Union Street, San Luis, Arizona, 85349; (928) 341-8520.

Por medio de este aviso y de acuerdo con los Estatutos del Estado de Arizona "A.R.S § 1-602.A.9", sujeto a ciertas excepciones reglamentarias, los padres de familia tienen el derecho de dar el consentimiento ante el Estado o cualquiera de sus subdivisiones políticas para hacer una grabación de audio o video de su hijo menor de edad. Las juntas del Cabildo se graban en audio y/o video y como resultado, el hecho de que haya menores presentes puede ser sujeto a que sean grabados. Para que los padres de familia puedan ejercer sus derechos pueden dar el consentimiento por escrito con la Secretaria de la Ciudad a tal grabación, o tomar acción personal para asegurarse que su hijo menor no esté presente cuando la grabación se lleve a cabo. Si un menor de edad está presente en el momento de la grabación, la Ciudad asumirá que los padres de familia están cediendo los derechos sobre una posible grabación de acuerdo con los Estatutos del Estado de Arizona "A.R.S. §1-602.A.9."

ESTE AVISO ES APROBADO POR:

/f/ Kay M. Macuil, Abogada de la San Luis Facility Development Corporation

AGENDA
SAN LUIS FACILITY DEVELOPMENT CORPORATION
San Luis Council Chambers
1090 E. Union Street
San Luis, Arizona 85349
SEPTEMBER 19, 2024
5:00 p.m.

PLEASE TAKE NOTICE THAT BOARD MEMBERS MAY ATTEND THE MEETING BY TELEPHONIC COMMUNICATION

PLEASE TAKE NOTICE: *The Chair or Acting Chair may change the order of the items.*

PLEASE TAKE NOTICE: *If authorized by law and by a majority vote of a present quorum of the Board of Directors, an executive session will be held immediately following the vote in accordance with A.R.S. §38-431.03(A) and the meeting will be temporarily recessed while the Board retires to executive session which will not be open to the public.*

1. CALL TO ORDER/ROLL CALL

2. CONSENT AGENDA

All matters are considered to be routine by the Commission and will be enacted by one motion. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

- 2. A.** Minutes of
- Regular meeting held September 3, 2024

3. DISCUSSION AND POSSIBLE ACTION ITEMS:

- 3. A.** Discussion and possible action on any and all matters regarding extending the Operating and Management Agreement with LaSalle Corrections. **(Kay Marion Macuil, General Counsel)**

- 3. B.** Discussion and possible action on any and all matters regarding a non-binding forbearance term sheet. **(Kay Marion Macuil, General Counsel)**

4. ADJOURNMENT

Suggested adjournment by President: "Since we have come to the end of the items on the agenda and there is no further business, the meeting is adjourned."

San Luis Facility Development Corporation

2. A.

Meeting Date: 09/19/2024

Summary

Minutes of

- Regular meeting held September 3, 2024

Attachments

Minutes 2024-09-03

MINUTES
SAN LUIS FACILITY DEVELOPMENT CORPORATION
San Luis Council Chambers
1090 E. Union Street
San Luis, Arizona 85349
September 3, 2024
5:00 p.m.

1. CALL TO ORDER/ROLL CALL President Jenny Torres called the meeting to order at approximately 5:00 p.m.

THOSE PRESENT:

Director Maria Gonzalez
Director Marco Pinzon
President Jenny Torres

THOSE NOT PRESENT:

Director Joe Harper
Director Eulogio Vera

OTHERS PRESENT:

Kay Marion Macuil, City Attorney, Attorney for the Corporation
Janet Taylor, Legal Secretary, Clerk of the Board
David Rivas, Warden, LaSalle Corrections
Thomas Carroll, Assistant Warden, LaSalle Corrections
Jose Antonio Maldonado, Multimedia Productions & Operations Specialist

2. CONSENT AGENDA

All matters are considered to be routine by the Commission and will be enacted by one motion. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

2.A. MINUTES OF:

- Regular meeting held July 7, 2024

MOTION: Director Marco Pinzon and Director Maria Gonzalez approved the minutes from the July 7, 2024 meeting. **Motion passed unanimously.**

The vote was as follows:

Director Maria Gonzalez	Aye
President Jenny Torres	Aye
Director Marco Pinzon	Aye

3. DISCUSSION AND POSSIBLE ACTION ITEMS:

3.A. Discussion and possible action on any and all matters regarding an amendment to the operating and management agreement with LaSalle Corrections to extend the expiration date. **(Kay Marion Macuil, General Counsel)**

Ms. Macuil greeted everyone and stated that the item is pretty self-explanatory, but the contract is being extended to try to reduce the amount paid into the bank to keep the operations going.

She stated that she also, took advantage of the amendment to update the addresses on the notice section of the contract.

President Jenny Torres commented that; LaSalle, the warden and his staff met with the City Council, gave a brief overview of some of the situation at the detention center.

I think our goal continues to be the same, you know, keep the operations going, keep the employees in place. And I think LaSalle is doing everything within their power to be able to try to get more detainees at the center.

And we're coming in and helping with this amendment to try to look at other financial options as well.

President Jenny Torres asked the board if they had any questions or comments and said that Warden Rivas was present along with his staff.

Ms, Gonzalez asked if they thought maybe after the elections this is going to pick up.

Warden Rivas replied; that is what we are hoping on. We see some increases already taking place for whatever reason, politically or not, in the last month. In fact, we had some pull out and go to the flight line yesterday, last night and they're starting to replace those detainees already. I don't know where they're coming from, but they're coming from somewhere. In addition to the arrests made by the US Marshals in Arizona. I saw a very promising increase this weekend.

Again, I think the purpose of what we hope to see from this extension, see what happens with the political year and see what we can do to increase accounts otherwise one way or the other and work on improving our finances, rather than throw the towel in.

Director Pinzon stated, it's good to be proactive and get things going before it is too late and then we have to make some drastic changes.

President Torres asked if there were any more questions. There were none. She then asked for a motion.

Director Pinzon read the motion.

MOTION: Director Pinzon and Director Gonzalez approved the motion approving the amendment to the operating and management agreement with LaSalle Corrections.

Motion passed unanimously.

The vote was as follows:

Director Maria Gonzalez	Aye
President Jenny Torres	Aye
Director Marco Pinzon	Aye

ADJOURNMENT President Torres stated that since there was no further business the meeting was adjourned.

Meeting adjourned at approximately 5:05 p.m.

PENDING APPROVAL

San Luis Facility Development Corporation

3. A.

Meeting Date: 09/19/2024

Department Head: Kay Macuil, City Attorney, Attorney's Office

Submitted By: Janet Taylor, Legal Secretary, Attorney's Office

ITEM:

Discussion and possible action on any and all matters regarding extending the Operating and Management Agreement with LaSalle Corrections. **(Kay Marion Macuil, General Counsel)**

SUMMARY:

The Operating and Management Agreement with LaSalle Corrections expires November 30, 2024. Due to the low number of detainees which leads to fewer dollars for the operations, LaSalle gave notice that it was not renewing the contract. Since then, LaSalle and SLFDC staff have been working on solutions to preserve the contract.

The proposed first amendment that this Board approved on September 3 had a definite end date and LaSalle did not sign it, so it never became effective.

This second amendment extends the contract indefinitely but allows for termination upon 75 days' notice. This gives the both SLFDC and LaSalle maximum flexibility given the timing of improved revenues from the federal agencies is uncertain in an election year.

RECOMMENDATION / SUGGESTED MOTION:

I MOVE TO APPROVE THE SECOND AMENDMENT EXTENDING THE CONTRACT WITH 75 DAYS' NOTICE FOR TERMINATION.

Attachments

2nd Amendment to O&M

Ack. 2nd Amend to O & M

SECOND AMENDMENT TO
FACILITY OPERATION AND MANAGEMENT AGREEMENT

This Second Amendment to Facility Operation and Management Agreement (this “2nd Amendment”) is effective and entered into on this ____ day of September 2024 between:

San Luis Facility Development Corp. 1090 East Union Street P.O. Box 1170 San Luis, Arizona 85349, an Arizona nonprofit corporation (“MPC”) and	LaSalle Corrections West, L.L.C. 26228 Ranch Road 12 (Domicile Address) Dripping Springs, Texas 78620-4903 192 Bastille Lane (Principal Address) Suite 200 Ruston, Louisiana 71270, a Louisiana limited liability company (“Operator”).
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RECITALS

WHEREAS, this 2nd Amendment amends the Facility Operation and Management Agreement between the above-named Parties first effective on December 1, 2019 (“Operating Agreement”) for the operation of the San Luis Regional Detention and Support Center; and

WHEREAS, under Section 18.01 of the Operating Agreement, the Operating Agreement may be amended only by a written instrument specifically purporting to amend the Operating Agreement and executed by all Parties; and

WHEREAS, the daily Midnight Census Reports for the number of detainees have been low for many months; and

WHEREAS, on July 2, 2024, the San Luis Facility Development Corporation Board (“Facility”) unanimously approved renewing the Operating Agreement with LaSalle Corrections, L.L.C.; and

WHEREAS, on August 2, 2024, LaSalle Corrections, L.L.C. gave notice of nonrenewal of the Operating Agreement; and

WHEREAS, on September 3, 2024, the MPC approved a 1st Amendment to the

Operating Agreement, which the Operator never signed and never became effective;

WHEREAS, on September 11, 2024, representatives of the Parties, the Trustee under the Indenture, and the Trustee's attorneys met through video conferencing to discuss potential solutions to avoid the loss of services of the Operator and a potential shutdown of the Project; and

WHEREAS, due to the heightened uncertainty of the future conditions affecting the Project, in a presidential election year, the Parties need maximum flexibility to extend the Primary Term of the Operating Agreement; and

WHEREAS, the Operator needs at a minimum sixty (60) calendar days' notice to comply with Title 20 Chapter V, Part 639 of the U.S. Code of Regulation if such compliance becomes a factor;

WHEREAS, the Parties' purpose of this 2nd Amendment is to extend the Primary Term of the Operating Agreement in order to give the Project the best opportunity to succeed by affording time to facilitate negotiations with the federal agencies using the Facility for detainees;

NOW, THEREFORE, in consideration of the mutual rights, benefits, and obligations exchanged to extend the Operating Agreement, the Parties agree and bind themselves to the forgoing Recitals, and as follows:

1. **Incorporation by Reference:** The above Recitals and the Operating Agreement are incorporated by reference and made a part of this 2nd Amendment as if fully set forth herein.
2. **Restate Section 2.01:** The Parties restate **Section 2.01** of the Operating Agreement to extend the Primary Term to read as follows:

The MPC retains the Operator exclusively, and the Operator accepts this engagement for the operation, management, and maintenance of the Facility of this Operating Agreement. The term of this Operating Agreement shall begin on the Effective Date, **December 1, 2019, and shall be automatically extended after November 30, 2024, and shall continue in full force and effect until terminated by either Party upon a minimum of seventy-five (75) days' prior written notice to the other Party** ("Primary Term"). At the termination of the Primary Term, the Parties may mutually agree to two (2) five-year renewal terms, which can be exercised by the mutual agreement of the MPC and the Operator. The first Renewal Term shall expire on **November 30, 2029**. If the Parties have not mutually agreed to any such renewal by the deadline required by Section

2.02, this Agreement shall terminate upon the expiration of the then-current Term. By this 2nd Amendment, the Parties have mutually agreed to extend the Primary Term and waive any deadline required by Section 2.02 for extending the Primary term.

3. **Replace Contact information for the Notice Section 16.01:** The Parties replace the first and last paragraph in Section 16.01 to read as follows:

Notice to the MPC Shall be delivered or sent to:	San Luis Facility Development Corporation 1090 East Union Street (Delivery) P.O. Box 1170 (By U.S. Postal Service) San Luis, Arizona 85349 Attention: Board President Jenny Torres Copy to: Board General Counsel Kay Marion Macuil Copy to: Board Finance Adviser Roula Encinas
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Notice to the Trustee Shall be delivered or sent to:	U.S. BANK TRUST COMPANY NATIONAL ASSOCIATION (successor Trustee for USBank) 5715 Burlington Lane Olive Branch, Mississippi 38654 Attention: Charles S. Hodges, Vice President
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4. **Execution Authority:** By his or her signature below, each signatory individual certifies that he or she is the properly authorized agent or officer of the applicable Party hereto and has the necessary authority to execute this 2nd Amendment on behalf of such Party and each Party hereby certifies to the other that any required documents to create such authority have been duly passed and are now in full force and effect.

5. **Performance of 2nd Amendment:** The performance of the obligations under this 2nd Amendment shall be deemed to be the performance of the obligations under the original Operating Agreement. All reference to the Operating Agreement in any document or instrument shall be deemed to refer to the Operating Agreement as amended by this 2nd Amendment.

[Intentionally left blank. Signature page follows.]

This 2nd Amendment shall inure to the benefit of and bind the respective Parties' heirs, legal representatives, and successors. The Parties have executed this 2nd Amendment on the day and year set forth above, the day the last Party approved this 2nd Amendment.

<p>Attest:</p> <p>_____</p> <p>Maria Gonzalez, Secretary</p>	<p>San Luis Facility Development Corporation</p> <p>_____ _____</p> <p>Jenny Torres, President Date</p> <p>Approved As to Form:</p> <p>_____</p> <p>Kay Marion Macuil, General Counsel</p> <p>LaSalle Corrections West, L.L.C.</p> <p>_____ _____</p> <p>Tim Kurpiewski, C.F.O. Date</p>
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ACKNOWLEDGMENT

The undersigned, as successor Trustee for the San Luis Facility Development Corporation Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014 and 2014A, hereby acknowledges that certain Second Amendment to Facility Operation and Management Agreement dated as of September __, 2024 between the San Luis Facility Development Corporation (land and San Luis Regional Detention Center owner) and LaSalle Corrections West, LLC (San Luis Regional Detention Center operator and manager of the facility).

Acknowledged by:

**U.S. BANK TRUST COMPANY
NATIONAL ASSOCIATION**

(solely in its capacity as successor Trustee)
5715 Burlington Lane
Olive Branch, Mississippi 38654

Charles S. Hodges, V.P.

Date

San Luis Facility Development Corporation

3. B.

Meeting Date: 09/19/2024

Department Head: Kay Macuil, City Attorney, Attorney's Office

Submitted By: Kay Macuil, City Attorney, Attorney's Office

ITEM:

Discussion and possible action on any and all matters regarding a non-binding forbearance term sheet. **(Kay Marion Macuil, General Counsel)**

SUMMARY:

The attached term sheet is not binding and is for discussion purposes. The idea presented in the term sheet is that starting September 1, 2024, and ending April 30, 2025 (8 months), revenue from the federal agencies for the detainees will go to LaSalle's operational cost plus 6% of that cost. Revenue would not go to the interest and principal payments on the debt service of the bonds during the 8 months.

At the end of the 8 months, any excess received during this 8-month period will go to debt service, and the payments on the debt would resume, including the amounts that were part of the forbearance. The forbearance could end earlier if the Parties mutually agree to end it or the bondholders direct the Trustee to terminate the forbearance after 75 days' notice from the trustee.

To make this arrangement,

- the operating agreement would need to be extended (which the 2nd Amendment does),
- LaSalle's notice of non-renewal would be rescinded,
- bondholders would be notified,
- a binding forbearance agreement would need to be in place,
- the Trustee at U.S. Bank would file a trust instruction petition ("TIP") in a specialized court in Minnesota, and
- once a Court order issues, the forbearance would be in place. (Although it is highly unlikely, it is possible that the Court does not order the forbearance.)

RECOMMENDATION / SUGGESTED MOTION:

I MOVE TO APPROVE GOING FORWARD WITH THE CONCEPTS OF THE "TERM SHEET FOR TEMPORARY FORBEARANCE WITH RESPECT TO SAN LUIS FACILITY DEVELOPMENT CORPORATION BONDS" AS PRESENTED.

Attachments

Non-binding Temporary Forbearance Term Sheet

TERM SHEET FOR TEMPORARY FORBEARANCE WITH RESPECT TO SAN LUIS FACILITY DEVELOPMENT CORPORATION BONDS

This term sheet is for discussion purposes only and is intended to set forth the potential terms of a forbearance arrangement relating to those certain Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014 issued as of April 1, 2014, in the original aggregate principal amount of \$26,090,000 and the Senior Lien Taxable Refunding Revenue Bonds (San Luis Regional Detention Center Project) Series 2014-A issued as of July 1, 2014 in the original aggregate principal amount of \$20,835,000 (together, the “Bonds”) in accordance the terms of that certain Trust Indenture dated as of October 1, 2005 (as amended or supplemented from time to time, the “Indenture”), between San Luis Facility Development Corporation (the “Issuer”) which entity was organized and its board members are appointed by the City of San Luis, Arizona (the “City”) and U.S. Bank Trust Company, National Association in its capacity as successor indenture trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture or in the Operating Agreement (as defined below).

Background. The Project consists of a detention facility located in San Luis, Arizona, and certain related property rights as set forth in the Indenture and related documents. The Project is currently managed and operated by LaSalle Corrections West, L.L.C. (the “Operator”) under the terms of that certain Facility Operation and Management Agreement dated as of December 1, 2019 (as amended from time to time, the “Operating Agreement”) entered into by the Operator and the Issuer. The Indenture and related agreements provide that all Project Revenues must be delivered to the Trustee for application to interest and principal payments on the Bonds (and certain other uses) in accordance therewith before any such Project Revenues may be paid to the Operator and the Issuer to first reimburse the Operator for its Operation and Maintenance Costs (or to pay any incentive payments or other amounts, including General and Administrative Expenses) incurred by it in accordance with the Operating Agreement in the operation of the Project and thereafter to pay the Operator and the City (on behalf of the Issuer) certain additional fees as set forth in the Operating Agreement.

Events of Default under the Indenture have occurred and are continuing at this time. The Operator has indicated that, due to low population levels over an extended period of time, it has suffered material losses in the operation of the Project which are not covered by current Project Revenues and as a result has sent a Notice of Non-Renewal (the “Notice of Non-Renewal”) notifying the Issuer that it will not renew the term of the Operating Agreement when it expires by its terms on November 30, 2024.

Terms Under Discussion. Section 5.06 of the Indenture provides for the deposit of all Project Revenues into the Trustee’s General Account and for subsequent transfer and application thereof, including transfers to the Bond Fund, the Reserve Funds, the Operating Account, the Operator Fee Account, the Operating Reserve/Repair/Contingency Account and the Surplus Account. Under Subsection 5.06(b) of the Indenture, the Trustee is required to use Project Revenues to fund the following payments (1) first, 1/6th of the Bond interest due on the next semi-annual interest payment date, (2) second, 1/12th of the Bond principal due on the next annual payment date, and (3) third, required installments necessary to replenish the Reserve Funds (if necessary), before any

Project Revenues are available under Subsection 5.06(c) for transfer to the Operating Account to be used to pay Operating and Maintenance Costs incurred by the Operator in running the Project. Under Section 8.11 of the Indenture, the Trustee holds a first lien on Project Revenues for payment of its fees and expenses.

In an effort to avoid the loss of the services of the Operator and a potential shutdown of the Project on November 30, 2024 and in order to give the Operator and Issuer a period of time to seek improved long-term contractual arrangements (and thereby improved Project Revenues) with the U.S. Government (and specifically with the federal agencies of U.S. Immigration and Customs Enforcement and U.S. Marshals Service) that is the primary provider of detainees/inmates to the Project, the parties are considering a temporary forbearance arrangement that would involve making certain Project Revenues available to the Operator during the term of the forbearance for the payment of its Operating and Maintenance Costs (including certain of its Operator Fees). Upon reaching a definitive agreement, the Trustee would promptly send a notice to all Bondholders seeking their consent and approval and also promptly seek court approval of it as further referenced below. The parties propose a forbearance arrangement during the "Forbearance Period" (defined below) as follows:

- A. The Operator would rescind its Notice of Non-Renewal and would agree to an 8-month extension of the Operating Agreement, subject to certain termination rights as further provided below. The Operator would use best efforts during the Forbearance Period to secure modified contracts with ICE and the U.S. Marshals Service at improved per diem rates and/or improved minimum inmate/detainee populations and the Operator shall provide bi-monthly updates (or more frequently upon request) to the Issuer and Trustee on the progress of negotiations.
- B. Amounts owed to the Trustee under the Indenture, including for its fees and expenses (inclusive of attorneys' fees), would continue to be paid as a first charge on Project Revenues (without regard to timing of receipt) before any other transfers are made under Section 5.06.
- C. Notwithstanding any contrary terms of the Indenture (including Section 5.06 thereof), Project Revenues actually received by and deposited with the Trustee each month (each a "Revenue Deposit Month") during the Forbearance Period (hereinafter the "Subject Project Revenues") would, subject to the prior payment of amounts owing to the Trustee in Subparagraph B above, be available to be paid to the Operator (such amounts, the "Protective Advances") in an amount equal to the Operation and Maintenance Costs (excluding any amounts owing to the Issuer or City) that accrue in such Revenue Deposit Month during the Forbearance Period (or partial month if the Forbearance Period ends or is terminated prior to any month end), provided that such costs shall not include any Operator Fees for such month in excess of 6% of the amount the other Operation and Maintenance Costs owing to the Operator (such amounts paid to the Operator above herein referred to as the "Operator Payments"). The Operator will use reasonable efforts to minimize the incurrence of Operation and Maintenance Costs during the Forbearance Period in accordance with sound and customary practice. Any excess Project Revenues deposited with the Trustee in a Revenue Deposit Month during the Forbearance

Period that were not previously paid to the Operator shall be held and to the extent needed, be made available to pay permitted Operation and Maintenance Costs accruing in a subsequent Revenue Deposit Month occurring during the Forbearance Period. For the avoidance of doubt, the only source of funds for payment of the Protective Advances would be the Subject Project Revenues deposited with the Trustee during the Forbearance Period, and Trustee would not be required to advance monies from any other funds or source for payment of the Operator Payments. At the end of the Forbearance Period, any excess or remaining Subject Project Revenues not used to make Operator Payments or pay amounts owing to the Trustee shall be applied to catch up any missed principal and interest deposits under Subsections 5.06(b)(i) and 5.06(b)(ii) that were not made during the Forbearance Period.

- D. The Protective Advances used to make the Operator Payments would constitute additional obligations owing to the trust created under the Indenture for the benefit of the Holders of the Bonds and shall be secured by the Indenture, the Deed of Trust and other bond documents. Such Protective Advances, less any portions of the excess Subject Project Revenues remaining at the end of the Forbearance Period and not used to make Operator Payments, shall be repaid from the first Project Revenues, net of fees, expenses and other amounts owing to the Trustee, becoming available after the Forbearance Period.
- E. The Forbearance Period would begin on September 1, 2024 (the “Effective Date”) and would (unless extended or continued in writing by the parties) continue until the earlier of (i) April 30, 2025, (ii) 75 days after the Trustee sends a notice to the Operator (with a copy to the Issuer) in writing that a Termination Event has occurred, and (iii) the cessation or suspension of operations at the Project by the Operator or the termination date of the Operating Agreement. A “Termination Event” would mean any of (a) the Trustee receives Bondholder directions to terminate or objections to the forbearance arrangement in an amount that the Trustee deems sufficient under the Bond Documents or for which it exposes the Trustee to unacceptable risks or liability in its discretion, or (b) the Trustee did not receive the TIP Court Order (hereinafter defined) approving the proposed forbearance and related Definitive Forbearance Documents (hereinafter defined) and/or other events mutually agreed to by the parties. Upon the occurrence of a Termination Event, the Trustee may send written notice to the Operator (with a copy to the Issuer) of such occurrence and its intention to terminate the Forbearance Period, and such termination would be effective 75 days after the date such notice is sent to the Operator. To the extent of available Subject Project Revenues, the Operator would be entitled to Protective Advances for all permitted Operation and Maintenance Costs incurred during the term of the Forbearance Period to the extent set forth in Section C above. If the Forbearance Period ends on a day other than on the last day of a Revenue Receipt Month, the Operation and Maintenance Costs and Operator Payments payable to the Operator would be prorated through the last day of the Forbearance Period.

- F. The Operating Agreement shall be amended in form acceptable to the parties to, among other things, extend the expiration or termination date to April 30, 2025 and the Operator's minimum notice of non-renewal shall be reduced to **[75]** days.
- G. The Definitive Forbearance Documents would contain such other and additional terms and conditions as the parties may agree upon, including an agreement by the Trustee to forbear from the exercise of remedies for any existing Events of Default.
- H. Except as modified, the terms of the Indenture and related documents would remain in effect.
- I. The Trustee will use reasonable efforts to file a trust instruction petition within ten (10) days of the execution of the Definitive Forbearance Documents seeking a court order in form acceptable to the Trustee (the "TIP Court Order") approving the Definitive Forbearance Documents and authorizing the Trustee performance of the forbearance arrangements set forth therein. During the pendency of the court proceeding, the Trustee would nonetheless perform its obligations under the definitive agreement during the Forbearance Period. The Trustee would be able to evaluate its duties in light of the positions taken by any objecting Bondholders or any directions that it may receive under the Indenture.

(Balance of page blank)

By executing this term sheet in the spaces provided below the parties are agreeing to work together to draft definitive agreements mutually acceptable to them evidencing the final forbearance terms and provisions mutually acceptable to the parties (the “Definitive Forbearance Documents”). Nothing herein is binding upon, nor enforceable by, the Trustee, the Issuer or the Operator. Nothing herein shall affect, limit or impair the rights and remedies of the Trustee, the Issuer or the Operator, or constitute a waiver by the Issuer, Operator, Trustee or Bondholders of any rights or remedies under the Indenture or any other documents relating thereto or under applicable law.

Dated: September __, 2024

LaSalle Corrections West, L.L.C.,
as Operator

By: _____

Its: _____

San Luis Facility Development Corporation,
as Issuer

By: Kay Marion Maciel

Its: General Counsel

U.S. Bank Trust Company, National Association,
solely in its capacity as Indenture Trustee

By: _____

Its: _____