Magnolia Public Schools

Board Meeting

Date and Time
Thursday April 6, 2017 at 6:00 PM

Location
MSA 4: 11330 W. Graham Place Los Angeles, CA 90064 Rm: B6 & B7

AGENDA
Regular Meeting of the MPS Board of Directors

Access to the Board Meeting: Any interested parties or community members from remote locations may attend the meeting at the following school sites or the addresses where the Board members are joining the meeting from:

Remotely by dialing in to the numbers below:
Open Session- Dial: 1.844.572.5683 Code: 1948435
• MSA- San Diego: 6365 Lake Atlin Ave San Diego, CA 92119 (Dr. Salih Dikbas)
• MSA- Santa Ana: 2840 W. 1st St. Santa Ana, CA 92703 (Dr. Remzi Oten)
• 1363 Ridgecrest Rd Pinole CA 94564 (Mr. Orazov)
• 69-425 Waikoloa Beach Dr. Waikoloa Village, HI 96738 (Dr. Saken Sherkhanov)
• 940 Steward Dr. Sunnyvale, CA 94085 (Dr. Umit Yapanel)
• 449 36th St. Brooklyn NY 11232 (Mr. Nguyen Huynh)

Sites open to the public for remote participation:
• MSA- 3: 1254 E. Helmick St. Carson, CA 90746
• MSA- 7: 18355 Roscoe Blvd. Northridge, CA 91325
• MSA- San Diego: 6365 Lake Atlin Ave San Diego, CA 92119
• MSA- Santa Ana: 2840 W. 1st St. Santa Ana, CA 92703

In compliance with the Americans with Disabilities Act (ADA) and upon request, Magnolia Public Schools may furnish reasonable auxiliary aids and services to qualified individuals with disabilities. Individuals who require appropriate alternative modification of the agenda in order to participate in Board meetings are invited to contact the MPS central office. If you need special assistance to attend the meeting, please notify Barbara Torres at (213) 628-3634 x100 to make arrangements and accommodate your disability.

Any public records relating to an agenda item for an open session of the Board which are distributed to all, or a majority of all, of the Board members shall be available for public inspection at 250 East 1st Street Ste 1500 Los Angeles, CA 90012.

MPS Board Members:
Ms. Noel Russell- Unterburger, President
Dr. Umit Yapanel, Secretary
Mr. Serdar Orazov, Treasurer
Dr. Saken Sherkhanov
Dr. Salih Dikbas
Dr. Remzi Oten
Ms. Diane Gonzalez
Mr. Nguyen Huynh
Mr. Haim Beliak

CEO & Superintendent:
Dr. Caprice Young

Notice of Closed Session Agenda Items
Due to space limitations on the following pages of the agenda, notice of closed session agenda items is provided here.

V. 1 Conference with Legal Counsel—Anticipated Litigation
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) case

Agenda

	Purpose	Presenter	Duration
I. Opening Items			
A. Call the Meeting to Order			
B. Record Attendance and Guests			
C. Pledge of Allegiance			1
D. Public Comments			10
E. Approval of the Agenda	Vote		1
F. Approve Minutes of Regular Board Meeting; March 9, 2017	Approve Minutes		
G. Approve Minutes of Special Board Meeting- March 31, 2017	Approve Minutes		
II. Consent Agenda			
A. Approval of Imagine Etiquette as a Vendor for 2017-18 for Leadership/ Etiquette Programs	Vote	Kenya Jackson	
B. Approval of MyOn District-Wide Contract and MOU for 2017-18	Vote	Kenya Jackson	
C. Approval of Meals Plus- Food Service Management Software Agreement for all MPS for 2017-18	Vote	David Yilmaz & Nanie Montijo	
D. Approval of Ratified 2016-17 Arts in Action Charter School Agreement Contract for all MPS	Vote	David Yilmaz &	

		Nanie Montijo	
E. Approval of MSA 7 Facility Lease Contract for 2017-18	Vote	Frank Gonzalez	

III. Action Items

A. Prop 39 Clean Energy Funds Contract Award	Vote	Frank Gonzalez	5
B. MERF Capital Projects for MSA-1, SD, and SA incl. Resol. to Compl. 2017 Series B CSFA Bond Financing	Vote	John Phan & Nanie Montijo	15

IV. Discussion and Information Items

A. LCAP Stakeholder Engagement Update and Public Comment on the LCAP Progress	FYI	Alfredo Rubalcava	5
B. Financial Update- February 2017 Financials	Discuss	Kristin Dietz	10
C. Public Announcement of Closed Session Item(s)	FYI	Noel Russell-Unterburger	1

V. Closed Session

A. Conference with Legal Counsel—Anticipated Litigation	Discuss		10
B. Public Report of Action,If Any,Taken in Closed Session & Vote or Abstention of Board Members Present	FYI	Noel Russell-Unterburger	1

VI. Closing Items

A. Adjourn Meeting	Vote		

Agenda Cover Sheets

Section: **II. Consent Agenda**
Item: A. Approval of Imagine Etiquette as a Vendor for 2017-18 for Leadership/Etiquette Programs
Purpose: Vote
Key Result:
Submitted by:
Related Material: II A Ettiquette Vendor Approval.pdf

Section: **II. Consent Agenda**
Item: B. Approval of MyOn District-Wide Contract and MOU for 2017-18
Purpose: Vote
Key Result:
Submitted by:
Related Material:

BACKGROUND:
This item will be postponed until the May 2017 board meeting

Section: **II. Consent Agenda**
Item: C. Approval of Meals Plus- Food Service Management Software Agreement for all MPS for 2017-18
Purpose: Vote
Key Result:
Submitted by:
Related Material: II C Meal Plus Food Service Contract.pdf

Section: **II. Consent Agenda**
Item: D. Approval of Ratified 2016-17 Arts in Action Charter School Agreement Contract for all MPS
Purpose: Vote
Key Result:
Submitted by:
Related Material: II D Arts in Action Contract.pdf

Section: **II. Consent Agenda**
Item: E. Approval of MSA 7 Facility Lease Contract for 2017-18
Purpose: Vote
Key Result:
Submitted by:
Related Material: II E 2017-18 MSA 7 Lease Agreement.pdf

Section: **III. Action Items**
Item: A. Prop 39 Clean Energy Funds Contract Award
Purpose: Vote
Key Result:
Submitted by:
Related Material: III A MPS Clean Energy Awards.xlsx
III A Prop 39 Clean Energy Contract.pdf

Section: **III. Action Items**
Item: B. MERF Capital Projects for MSA-1, SD, and SA incl. Resol. to Compl. 2017 Series B CSFA Bond Financing
Purpose: Vote
Key Result:
Submitted by:
Related Material: III B Bond Financing for MSA SA, SD, 1.pdf
III B Part 2 .pdf
Updated Bond Resolution.pdf

Section: **IV. Discussion and Information Items**
Item: A. LCAP Stakeholder Engagement Update and Public Comment on the LCAP Progress
Purpose: FYI
Key Result:
Submitted by:
Related Material: IV A LCAP Stakeholder Engagement.pdf

Section: **IV. Discussion and Information Items**
Item: B. Financial Update- February 2017 Financials
Purpose: Discuss
Key Result:
Submitted by:
Related Material: IV B Feb Financials 2017.pdf

Magnolia Public Schools

Minutes

Regular Board Meeting

Date and Time
Thursday March 9, 2017 at 6:30 PM

Location
MSA Santa Ana: 2840 W. 1st Street Santa Ana, CA 92703 1st Floor Rm 120

AGENDA
Regular Meeting of the MPS Board of Directors
MPS Board Members:
Ms. Noel Russell- Unterburger, President
Dr. Umit Yapanel, Secretary
Mr. Serdar Orazov, Treasurer
Dr. Saken Sherkhanov
Dr. Salih Dikbas
Dr. Remzi Oten
Ms. Diane Gonzalez
Mr. Nguyen Huynh
Mr. Haim Beliak

CEO & Superintendent:
Dr. Caprice Young

Notice of Closed Session Agenda Items
Due to space limitations on the following pages of the agenda, notice of closed session agenda items is provided here.

IV. A Conference with Legal Counsel—Anticipated Litigation
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9

IV. B Public Performance Evaluation: Chief Executive Officer and Superintendent

---

Board Members Present

H. Beliak (remote), N. Huynh, N. Russell-Unterburger, R. Oten, S. Dikbas, S. Orazov, U. Yapanel

Board Members Absent
D. Gonzalez, S. Sherkhanov

I. Opening Items

A. Record Attendance and Guests

H. Beliak participated from Magnolia Science Academy-6, all other board members whom participated attended in person from Magnolia Science Academy- Santa Ana. Chief Executive Officer, C. Young, did not participate. Refer to attendance information above for more details.

B. Call the Meeting to Order

N. Russell-Unterburger called a meeting of the board of directors of Magnolia Public Schools to order on Thursday Mar 9, 2017 @ 6:50 PM at MSA Santa Ana: 2840 W. 1st Street Santa Ana, CA 92703 1st Floor Rm 120.

C. Pledge of Allegiance

MSA-Santa Ana student lead the Board and attendees in the Pledge of Allegiance.

D. Public Comments

There were no public comments.

E. Oral Communications

No oral communications were made.

F. Approval of Agenda

N. Russell-Unterburger made a motion to approve the agenda as presented.
R. Oten seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

U. Yapanel	Absent
S. Sherkhanov	Absent
S. Dikbas	Aye
R. Oten	Aye
N. Huynh	Aye
N. Russell-Unterburger	Aye
D. Gonzalez	Absent
S. Orazov	Absent
H. Beliak	Aye

G. Approve Minutes of Regular Board Meeting; February 9, 2017

N. Russell-Unterburger made a motion to approve minutes from the Regular Board Meeting on 02-09-17.
N. Huynh seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

R. Oten	Aye
H. Beliak	Aye
N. Russell-Unterburger	Aye
S. Orazov	Absent

S. Sherkhanov	Absent
S. Dikbas	Aye
N. Huynh	Aye
U. Yapanel	Absent
D. Gonzalez	Absent

II. Consent Agenda

A. Approval of Additional Teacher Substitute Vendor for 2016-17; Direct Ed.

N. Russell-Unterburger made a motion to approve Consent Items A-D as presented.
S. Dikbas seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

U. Yapanel	Absent
H. Beliak	Aye
N. Russell-Unterburger	Aye
S. Dikbas	Aye
D. Gonzalez	Absent
S. Orazov	Aye
N. Huynh	Aye
R. Oten	Aye
S. Sherkhanov	Absent

S. Orazov arrived late.
S. Orazov, MPS board member, arrived at 7:04 pm and begin voting from consent items moving forward.

B. Approval of Safe Zone Resolution

N. Russell-Unterburger made a motion to approve consent items A-D as presented.
S. Dikbas seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Orazov	Aye
H. Beliak	Aye
S. Sherkhanov	Absent
R. Oten	Aye
N. Russell-Unterburger	Aye
S. Dikbas	Aye
U. Yapanel	Absent
N. Huynh	Aye
D. Gonzalez	Absent

C. Approval of 2017-18 School Calendars for all Magnolia Science Academies

N. Russell-Unterburger made a motion to approve the consent items A-D as presented.
S. Dikbas seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Sherkhanov	Absent
N. Huynh	Aye
S. Dikbas	Aye
N. Russell-Unterburger	Aye
S. Orazov	Aye
H. Beliak	Aye

D. Gonzalez	Absent
R. Oten	Aye
U. Yapanel	Absent

D. Approval of Revised 2016-17 Employee Handbook Re: STRS and PERS

N. Russell-Unterburger made a motion to approve the consent items A-D as presented.
S. Dikbas seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

R. Oten	Aye
S. Dikbas	Aye
N. Huynh	Aye
D. Gonzalez	Absent
S. Orazov	Aye
S. Sherkhanov	Absent
H. Beliak	Aye
N. Russell-Unterburger	Aye
U. Yapanel	Absent

III. Action Items

A. Conflict of Interest Training for MERF Board of Directors

J. Simmons, attorney from Young, Minney & Corr, LLP, gave the training to Form 700 filers of Magnolia Science Academy -1, 2, 3, MPS home office, and MPS Board of Directors. This item was a training, no actions required.
U. Yapanel arrived in person at 8:10 p.m.

B. Approval of Revised Fiscal Policies to Align with LACOE MOU Requirement

N. Montijo, Chief Financial Officer, spoke on the policies that are being presented. She explained that these changes would apply to all Magnolia Public Schools (MPS) and they are in alignment with the requirements from Los Angeles County of Education's (LACOE's) Memorandum of Understanding requirements. The policies presented for approval are the following; Bank Account Reconciliation, Fixed Asset Control and Leased payroll desk policy. N. Montijo explained each policy in depth and addressed all questions.
S. Orazov made a motion to approve the Revised Fiscal Policies for all MPS.
N. Russell-Unterburger seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

H. Beliak	Aye
U. Yapanel	Aye
S. Orazov	Aye
S. Sherkhanov	Absent
N. Russell-Unterburger	Aye
N. Huynh	Aye
R. Oten	Aye
S. Dikbas	Aye
D. Gonzalez	Absent

C. Approval of Anti-Nepotism Policy

A. Rubalcava, Chief External Officer, presented the Anti-Nepotism policy. He explained that legal has worked on and has reviewed these policies. J. Simmons from Young Minney and Corr, LLC (YMC) provided background on this policy.
R. Oten made a motion to approve the Anti-Nepotism Policy.

S. Orazov seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Orazov	Aye
S. Dikbas	Aye
D. Gonzalez	Absent
N. Huynh	Aye
H. Beliak	Aye
S. Sherkhanov	Absent
U. Yapanel	Absent
R. Oten	Aye
N. Russell-Unterburger	Aye

D. Approval of Conflict of Interest Policy for Magnolia Science Academy 1, 2 and 3

A. Rubalcava, Chief External Officer, explained the Conflict of Interest Policy for MSA-1, 2, and 3 along with the Conflict of Interest Code. He explained the reason for the changes and explained that this policy aligns with the request in LACOE's MOU. A. Rubalacava He addressed questions.
S. Orazov made a motion to approve Conflict of Interest Policy for MSA-1, 2, 3.
N. Russell-Unterburger seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Orazov	Aye
S. Dikbas	Aye
N. Huynh	Aye
H. Beliak	Aye
R. Oten	Aye
U. Yapanel	Aye
N. Russell-Unterburger	Aye
S. Sherkhanov	Absent
D. Gonzalez	Absent

E. Approval of Revised Conflict of Interest Code for Magnolia Science Academy 1, 2 and 3

A. Rubalcava, Chief External Officer, spoke on the revised Conflict of Interest Code for MSA-1, 2, and 3. This will only impact schools that are authorized by LACOE. By approving this item our Conflict of Interest Code will align with LACOE's MOU requirements. J. Simmons, attorney from YMC, explained the difficulty of having different schools authorized by different authorizers and therefore having schools comply with different conflict on interest codes that include specific language requested by each authorizer. He explained that the organization should get their own Conflict of Interest Code approved by the Fair Political Practice Commission (FPPC), with this, all MPS will be responsibly to comply with only one Conflict of Interest Code. Attorneys and MPS staff addressed all questions.
N. Russell-Unterburger made a motion to approve the revised Conflict of Interest Code for MSA-1, 2, and 3.
N. Huynh seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

N. Russell-Unterburger	Aye
S. Sherkhanov	Absent
H. Beliak	Aye
R. Oten	Aye
N. Huynh	Aye
S. Orazov	Aye

S. Dikbas	Aye
D. Gonzalez	Absent
U. Yapanel	Aye

F. Approval of Investment Policy for all MPS

N. Montijo, Chief Financial Officer, presented the Investment Policy to the Board. N. Unterburger and S. Orazov, MPS Board Chair and MPS Board Treasurer, presented their concerns of the policy and made suggestions of additions and edits.

N. Russell-Unterburger made a motion to table the Investment Policy for Magnolia Public Schools.

S. Orazov seconded the motion.

The board **VOTED** unanimously to approve the motion.

Roll Call

D. Gonzalez	Absent
S. Dikbas	Aye
H. Beliak	Aye
R. Oten	Aye
U. Yapanel	Aye
S. Orazov	Aye
S. Sherkhanov	Absent
N. Russell-Unterburger	Aye
N. Huynh	Aye

G. Approval of 2016-17 Second Interim Reports and January 2016 Financials for all MPS

K. Dietz, EdTec representative, presented the second interim reports to the Board. She reviewed the positive and negative financials for all MPS. K. Dietz, mentioned the improvement in expense coding and the reduction numbers of uncategorized expenses. O. Revish, Human Resource Director, explained the STRS implementations that are going to be put in place into Paycom to address the reporting needs and streamline the process. S. Acar and E. Acar, Regional Directors, elaborated on the STRS and PERS concerns and explained the steps that have been put in place to ensure that these concerns are addressed. N. Montijo, Chief Financial Officer, informed the Board of the current status with FCMAT.

N. Russell-Unterburger made a motion to approve the 2016-17 Second Interim Financials for all MPS.

S. Orazov seconded the motion.

The board **VOTED** unanimously to approve the motion.

Roll Call

S. Orazov	Aye
H. Beliak	Aye
U. Yapanel	Aye
N. Huynh	Aye
R. Oten	Aye
S. Sherkhanov	Absent
D. Gonzalez	Absent
S. Dikbas	Aye
N. Russell-Unterburger	Aye

H. Approval of MSA Santa Clara Deficit Transfer Treatment

N. Montijo, Chief Financial Officer, explained the loss treatment of MSA Santa Clara due to the closure of the site. The total loss of 1,176,563.13 will be recorded in the MERF books for the current year. She explained that legal's advice is to not distribute the loss to schools, MERF home office should absorb

the full loss. K. Dietz, EdTec representative, assisted in explaining the 4 year absorption plan. The Board discussed the comparison of the loss when the closure of PTS- Orangevale took place. All questions were addressed.
S. Orazov made a motion to approve the proposed inter-agency loan to MERF in the amount of $442,020.37.
N. Russell-Unterburger seconded the motion.
The board **VOTED** to approve the motion.

Roll Call

U. Yapanel	Aye
R. Oten	Abstain
N. Huynh	Aye
N. Russell-Unterburger	Aye
D. Gonzalez	Absent
S. Orazov	Aye
S. Dikbas	Aye
H. Beliak	Aye
S. Sherkhanov	Absent

I. Approval of Project Update and Approvals Related to MSA 1 Facility

F. Gonzalez, Chief Growth Officer (CGO), updated the board on the MSA-1 Facility and the construction of the new building. He explained the work that has already been done and what work is still needed. He explained the challenges with working with the City of Los Angeles regarding the gymnasium and the project with the LA Kings. S. Acar, Chief Operations Officer, presented more detail on the MSA-1 project. F. Gonzalez, CGO, addressed all questions.
U. Yapanel made a motion to approve the project updated and approvals related to MSA-1 Facility.
S. Orazov seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Dikbas	Aye
D. Gonzalez	Absent
H. Beliak	Aye
N. Russell-Unterburger	Aye
S. Orazov	Aye
S. Sherkhanov	Absent
U. Yapanel	Aye
N. Huynh	Aye
R. Oten	Aye

J. Approval of Project Update and Approvals Related to MSA San Diego Facility

F. Gonzalez, Chief Growth Officer, gave an update on MSA-San Diego facility. He explained the expected timeline and details of the project. F. Gonzalez, gave details on the demolition of the current building. He explained the cost and the reimbursement procedure of the expenses. S. Acar, Chief Operations Officer, presented details on the time constraints with the construction and the projected opening day of the school.

The costs will be reimbursed as soon as the Hamlin Bond comes through. The time frame is 30 days to demolish. Hamlin funding would close on April 26.
S. Orazov made a motion to approve project update and approvals related to MSA-San Diego Facility.
S. Dikbas seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Dikbas	Aye

U. Yapanel	Aye
S. Orazov	Aye
N. Russell-Unterburger	Aye
N. Huynh	Aye
H. Beliak	Aye
R. Oten	Aye
D. Gonzalez	Absent
S. Sherkhanov	Absent

K. Approval of Bridge Financing for MSA-San Diego and MSA-Santa Ana Projects

N. Montijo, Chief Financial Officer, presented the Bridge Financing item. N. Montijo, Chief Financial Officer and N. Huynh, MPS Board Director, presented details on the financing. They explained the projects and the current financial needs. All questions were addressed.

N. Huynh made a motion to approve the Bridge Financing for MSA Santa Ana and San Diego Projects as needed up to $7 million. Because final proposal analysis is incomplete and due to the urgency of the decision timeline, the board delegates the final decision on this item to a closed session of an ad hoc committee consisting of the board president (Noël Russell Unterburger), the facilities committee chair (Nguyen Huynh), and S. Dikbas.

N. Russell-Unterburger seconded the motion.

The board **VOTED** unanimously to approve the motion.

Roll Call

S. Orazov	Aye
N. Russell-Unterburger	Aye
R. Oten	Aye
S. Dikbas	Aye
U. Yapanel	Aye
N. Huynh	Aye
D. Gonzalez	Absent
H. Beliak	Aye
S. Sherkhanov	Absent

L. Approval of Amended Project Budget and Prop 1D Financing for MSA Santa Ana

F. Gonzalez, Chief Growth Officer,presented the MSA Santa Ana (MSA-SA) Amended Project Budget and Prop 1D Financing item. He explained the changes to the original plan that came along the way as the construction was in progress. He also elaborated on the past MPS Board approved budget for this project. The project budget and 5% contingency was approved in July of 2015 but the source of this contingency amount was not identified. Staff is requesting and intra-company loan with MSA-Santa Ana to cover this contingency. MSA-SA will payback this loan when its ADA has increased. Staff addressed all questions.

N. Russell-Unterburger made a motion to approve the inter-agency loan according to the attached schedule to fund the portion of the MSA Santa Ana phase one school site project not covered by the Proposition 1D bonds.

N. Huynh seconded the motion.

The board **VOTED** to approve the motion.

Roll Call

S. Sherkhanov	Absent
N. Russell-Unterburger	Aye
R. Oten	Abstain
S. Orazov	Abstain
U. Yapanel	Aye
D. Gonzalez	Absent
S. Dikbas	Aye
N. Huynh	Aye

H. Beliak Aye

IV. Closed Session Items

A. Conference with Legal Counsel—Anticipated Litigation
Closed Session discussion was postponed.

B. Public Performance Evaluation: Chief Executive Officer and Superintendent
Closed Session discussion was postponed.

V. Discussion Items

A. Academic Update
Written report was delivered, there was no discussion.

B. 2017 Bond Financing Update
Discussion of the 2017 Bond Financing item was postponed until the next board meeting.

VI. Closing Items

A. Adjourn Meeting
There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 10:30 PM.

Respectfully Submitted,
N. Russell-Unterburger

APPROVED

Magnolia Public Schools

Minutes

Special Board Meeting

Date and Time
Friday March 31, 2017 at 6:30 PM

Location
Teleconfernce: Dial:1.844.572.5683 Code: 1948435

AGENDA
Special Meeting of the MPS Board of Directors

MPS Board Members:
Ms. Noel Russell- Unterburger, President
Dr. Umit Yapanel, Secretary
Mr. Serdar Orazov, Treasurer
Dr. Saken Sherkhanov
Dr. Salih Dikbas
Dr. Remzi Oten
Ms. Diane Gonzalez
Mr. Nguyen Huynh
Mr. Haim Beliak

CEO & Superintendent:
Dr. Caprice Young

Notice of Closed Session Agenda Items
Due to space limitations on the following pages of the agenda, notice of closed session agenda items is provided here.

III. A Conference with Legal Counsel—Anticipated Litigation
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: One (1) case

III. B Public Employee Performance Evaluation
Title: Chief Executive Officer and Superintendent

III. C Public Employment
Title: Chief Executive Officer and Superintendent

III. D Public Employee Discipline/Dismissal/Release

Board Members Present
N. Russell-Unterburger (remote), R. Oten (remote), S. Dikbas (remote), S. Sherkhanov (remote), U. Yapanel (remote)

Board Members Absent
D. Gonzalez, H. Beliak, N. Huynh, S. Orazov

I. Opening Items

A. Record Attendance and Guests
U. Yapanel joined from MSA- Santa Ana, for all other attendance details refer to attendance information above.

B. Call the Meeting to Order
N. Russell-Unterburger called a meeting of the board of directors of Magnolia Public Schools to order on Friday Mar 31, 2017 @ 6:37 PM at Teleconfernce: Dial:1.844.572.5683 Code: 1948435.

C. Public Comments
There were no public comments.

D. Approval of Agenda
N. Russell-Unterburger made a motion to approve the agenda as presented.
U. Yapanel seconded the motion.
The board **VOTED** unanimously to approve the motion.

E. Public Announcement of Closed Session Item(s)
N. Russell-Unterburger, announced the Closed Session items that were going to be discussed.

II. Closed Session Items

A. Conference with Legal Counsel—Anticipated Litigation
This item was discussed in Closed Session.

B. Public Performance Evaluation: Chief Executive Officer and Superintendent
This item was discussed in Closed Session, review public report below for actions taken.

C. Public Employment Title: Chief Executive Officer and Superintendent

D. Public Employee Discipline/Dismissal/Release

III. Open Session- Action Items

A. Public Report of Action,If Any,Taken in Closed Session & Vote or Abstention of Board Members Present

N. Russell-Unterburger made a motion to issue the 90 day notice on the current CEO contract with the intent of negotiating a new contract with new terms within 60 days.
S. Sherkhanov seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

D. Gonzalez	Absent
S. Orazov	Absent
R. Oten	Aye
H. Beliak	Absent
N. Russell-Unterburger	Aye
S. Dikbas	Aye
N. Huynh	Absent
U. Yapanel	Aye
S. Sherkhanov	Aye

B. Approval of Legal Services Agreement with Snell & Wilmer, LLP

S. Sherkhanov made a motion to approve the legal services agreement with Snell & Wilmer, LLP as presented.
N. Russell-Unterburger seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

N. Russell-Unterburger	Aye
S. Sherkhanov	Aye
H. Beliak	Absent
R. Oten	Aye
S. Orazov	Absent
U. Yapanel	Aye
D. Gonzalez	Absent
S. Dikbas	Aye
N. Huynh	Absent

C. Possible Board Approval of Employment Agreement for Chief Executive Officer and Superintendent

N. Russell-Unterburger made a motion to table this item for a future meeting of the Board.
U. Yapanel seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Orazov	Absent
S. Sherkhanov	Aye
S. Dikbas	Aye
N. Russell-Unterburger	Aye
U. Yapanel	Aye
R. Oten	Aye
D. Gonzalez	Absent
H. Beliak	Absent
N. Huynh	Absent

D. Oral report of salary or compensation paid in the form of fringe benefits to CEO & Superintendent

N. Russell-Unterburger made a motion to table this item for a future meeting of the Board.
U. Yapanel seconded the motion.
The board **VOTED** unanimously to approve the motion.

Roll Call

S. Dikbas	Aye
R. Oten	Aye
S. Sherkhanov	Aye
U. Yapanel	Aye
N. Russell-Unterburger	Aye
H. Beliak	Absent
N. Huynh	Absent
D. Gonzalez	Absent
S. Orazov	Absent

IV. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 8:41 PM.

Respectfully Submitted,
N. Russell-Unterburger

MAGNOLIA PUBLIC SCHOOLS

Board Agenda Item #	Agenda #II A
Date:	April 6, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Kenya Jackson, Chief Academic Officer
RE:	Imaging Etiquette as Approved Vendor

Proposed Board Recommendation

I move that the board approve Imagine Etiquette as a vendor for all Magnolia Public Schools.

Background

The total for the services of this company per school was less than $25K which is within CEO's approval limit, but several other schools also started being more interested in their services and now we are expecting to exceed $25K per year max limit under CEO's limit. Therefore we are in need of Board approval. Currently the schools using the program are MSA 3, 5, 4 and Santa Ana. With this approval, all MSA's will be able to work with the vendor if they choose to do so.

Budget Implications

- Services will be paid using the school's Title I, SPED STEP Grants and Professional Development sources to support students and parents.
- CFO has reviewed and approved

How Does This Action Relate/Affect/Benefit All MSAs?

To target the specific needs of students enrolled in MPS Schools, Imagine will administer a customized leadership/etiquette programs for various MPS schools:

- Business Leadership/Etiquette Programs
- Boys Only Leadership/Etiquette Programs
- Girls Only Leadership/Etiquette Programs
- Life Coaching Skills and Social Development Programs
- Self Esteem/Self Awareness ("SEVA") Intervention/Leadership

High Risk Programs[1]

Imagine's leadership/etiquette programs embodies the structure and building blocks for creating confident students who are more focused, eager to learn, and respectful students.

Parent Workshops are structured to develop and provide tools to create better partnerships with students, teachers and the administrative staff. Listed below are examples of different types of Parent Workshops offered by Imagine:

- Benefits of Positive Parenting
- Building Relationships and Respect between Parents, Teachers and Administrative Staff
- Behavioral Strategies and How to Make it Work
- Parenting Guidelines
- Problem-Solving at Home and at School
- Understanding Social Media/Cyber Bullying and How It Affects Students
- Structuring Home Environments for Student Success

The overall objective is to ensure that parents understand the importance of working together with teachers, as well as their children, in order to create a positive school/home environment.

Teacher/Administrative Staff Workshops are structured to develop and provide tools to create better partnerships with students, teachers and the administrative staff.

<u>Name of Staff Originator</u>:

Kenya Jackson, Chief Academic Officer

<u>Exhibits (attachments):</u>

Copy of Proposal

2016-2017 MPS Survey: Student results that focus on Self-efficacy and Persistence

Copy of current school data: behavior and academics

Attached are MPS-wide reports from Panorama.
https://drive.google.com/drive/folders/0B-PqEz5h0bt0SUV0Qy1VYWJQeDQ

In your school-level reports, you can see how you compare to "others nationally" since we are using the CORE survey instrument.

MPS-wide, for the 8 topics, our student ratings were ranked "average compared to others nationally."

Staff and families had four topics. Staff ratings for the four topics were ranked average as well. For the family topics though, we were ranked average for two and "above average" for the other two:

Family survey:

ABOVE AVERAGE COMPARED TO OTHERS NATIONALLY

--Climate of Support for Academic Learning (96%)

--Sense of Belonging (School Connectedness) (94%)

AVERAGE COMPARED TO OTHERS NATIONALLY

-Knowledge and Fairness of Discipline, Rules and Norms (93%)

-Safety (92%)

You can check your own school 's national comparison in Panorama.

MPS-wide, highest and lowest rated questions are as follows.

SECONDARY STUDENTS:

Highest-rated topics (75% or above approval rating)
- During the past 30 days, I was polite to adults and peers. (85%)
- During the past 30 days, I came to class prepared.(84%)
- During the past 12 months, how many times on school property have you been afraid of being beaten up? (80% marked zero times)
- During the past 30 days, I remembered and followed directions. (79%) (41% marked Almost All of the Time; 38% marked Often.)
- Teachers give students a chance to take part in classroom discussions or activities. (77%)
- This school clearly informs students what would happen if they break school

rules. (75%)

Lowest-rated topics (50% or below approval rating)
- I can do well on all my tests, even when they're difficult. (50%)
- To what extent were you able to disagree with others without starting an argument? (Quite A Bit or A tremendous Amount) (49%)
- All students are treated fairly when they break school rules. (47%)
- During the past 30 days, how clearly were you able to describe your feelings? (47%)
- I can master the hardest topics in my classes. (41%)
- My intelligence is something that I can't change very much. (Not At All True or A Little True) (39%) (29% marked "Somewhat True"; 22% marked "Mostly True"; 11% marked "Completely True")

Students treat teachers with respect. (39% marked Agree or Strongly Agree) (40% marked Neither Agree Nor Disagree)

Imagine Etiquette & Image Consulting, Inc.
March 27, 2017

Scope of Services

Leadership/Etiquette Programs for Magnolia Public Schools

TABLE OF CONTENTS

I. Scope of Services

Imagine Etiquette & Image Consulting, Inc. ("Imagine") creates customized comprehensive leadership/etiquette programs for children, girls and boys, Kindergarten through 12th grade.

Name of School:	Magnolia Public Schools ("MPS").
School(s) Served:	Selected by MPS (maximum number of eight (8) schools for the 2017/2018 year)
Programs Provided to MPS:	Leadership/Etiquette Programs
Years of Contract with MPS	One (1) Year
Name of MPS contact:	Kenya Jackson, CFO
Email Address:	kjackson@magnoliapublicschools.org
Address:	250 East 1st Street, Suite 1500, Los Angeles, California 90012
Phone Number:	(213) 628-3634 x112

II. Service Description

This service provides leadership/etiquette programs for the students of MPS.

Mrs. Bernadette Fernandez, Owner and Director of Imagine, met with Mrs. Kenya Jackson, Chief Academic Officer of Magnolia Public Schools ("MPS") and has addressed the specific needs of various schools in the Magnolia Public School district.

Imagine has agreed to create customized comprehensive leadership/etiquette programs designed to target behavioral issues and academic concerns as well as providing techniques for students to learn respect, accountability, and lessons in confidence, decision making, goal setting, and conflict resolution.

III. Description of Leadership/Etiquette Programs

To target the specific needs of students enrolled in MPS Schools, Imagine will administer a customized leadership/etiquette programs for various MPS schools:

- Business Leadership/Etiquette Programs
- Boys Only Leadership/Etiquette Programs
- Girls Only Leadership/Etiquette Programs
- Life Coaching Skills and Social Development Programs
- Self Esteem/Self Awareness ("SEVA") Intervention/Leadership **High Risk** Programs[1]

Imagine's leadership/etiquette programs embodies the structure and building blocks for creating confident students who are more focused, eager to learn, and respectful students.

IV. Contract Capacity

The maximum number of students in each class setting is twenty-five (25). The minimum number of students in each setting is ten (10).

Please note: The SEVA Intervention "High Risk" programs allows a maximum number of 15 students per class session.

V. Unit of Service

Imagine will provide 2-4 hours per week, minimum 2 visits per week, including class instruction, class visits , clinical interventions, behavior management and one-on-one counseling with students, family members, principals, teachers and administrative staff regarding student's progress.

VI. Service Delivery Requirements

Imagine's leadership/etiquette program covers over 20 important topics that are relevant to success in society, including communication, decision making, goal setting, and conflict resolution which falls under

---

[1] SEVA is a "High Risk" Intervention program for students who are disruptive in class and not excelling academically. SEVA is designed to build confidence in students so they are able to integrate back into the classroom setting with grace, ease and success.

the guidelines of the Overcoming Obstacles Life Skills Program of the Common Core State Standards.

All leadership/etiquette programs will include the following:

- Provide qualified personnel to facilitate each program.
- Weekly communication, via email or in person, with the principal, teachers and staff members regarding status of students enrolled in the program.
- Weekly class visits to ensure students are using the tools provided in the leadership/etiquette programs (2-3 hours per week).
- Provide reports regarding students' engagement and participation in each leadership/etiquette program.
- Assist principal, teachers and administrative staff with disciplinarian actions for students.
- Communication with principal, teachers and administrative staff regarding students' plan-of-action to increase academic scores and decrease negative behavior points.
- Meet with parents to discuss behavior and academics as planned with the school's principal (optional).
- Provide students with folders, worksheets, charts, reference materials, and writing materials.
- Provide and administer quizzes at the end of each session.
- Provide copies of Student Surveys at the end of each session regarding achievements, growth and interest.
- Provide Certificates of Completion to each student at the end of the school year or if students are graduating, will provide Certificates of Completion at their graduation.
- Attend school's graduation (the attendance is based on Mrs. Fernandez's availability).

VII. Additional Services

Conflict Resolution – Imagine will assist MSA School's principal with conflict resolution amongst students, teachers and administrative staff members. Imagine will also attend meetings, if necessary, with parents and students to discuss and address behavioral issues in school.

Empowerment and Family Support Services – Imagine will assist MSA School's principal and/or administrative staff with parental guidance, empowerment and support, parent education, instructional modeling. Hours of operation for these services will accommodate all participants involved.

Case Management and Aftercare – SEVA Intervention ("High Risk") Students Only - Imagine will assist MSA School's principal and/or administrative staff with the development and implementation of a student specific transition plan out of the SEVA program. Students and parents are guided with next steps for their child's continued success.

VIII. Target Population

Imagine will focus on the needs of the students selected by the principal and/or staff members of Magnolia Science Academy ("MSA") schools. The students are male and female. Depending on the programs selected by each MSA School, the males and females are separated.

IX. Terms and Payment of Contract

MPS has requested Imagine to engage in a one (1) year contract up to and including eight (8) of its Magnolia Science Academy ("MSA") Schools for the 2017/2018 school year.

Imagine's proposal of fees for up to and including eight (8) MSA Schools for the 2017/2018 school year is $25,000 per school.

It is the understanding of Imagine that each school is responsible for its own budget and some schools may have a higher budget for Imagine's services.

It is also the understanding that each Principal of participating MSA Schools is responsible for contacting Imagine and discussing the type of programs he/she is interested in for the 2017/2018 school year.

Furthermore, it is the understanding of MPS and its affiliates that the selection of the leadership/etiquette programs, dates and times of the programs are discussed and scheduled with each participating MSA School's principal and Imagine. Upon which time, the principal will decide which leadership/etiquette program(s) would best suit the needs of their students.

X. Workshops

In addition to the aforementioned leadership/etiquette programs, Imagine offers **Parent and Teacher Workshops**.

Parent Workshops are structured to develop and provide tools to create better partnerships with students, teachers and the administrative staff.

Listed below are examples of different types of Parent Workshops offered by Imagine:

- Benefits of Positive Parenting
- Building Relationships and Respect between Parents, Teachers and Administrative Staff
- Behavioral Strategies and How to Make it Work
- Parenting Guidelines
- Problem-Solving at Home and at School
- Understanding Social Media/Cyber Bullying and How It Affects Students
- Structuring Home Environments for Student Success

The overall objective is to ensure that parents understand the importance of working together with teachers, as well as their children, in order to create a positive school/home environment.

Teacher/Administrative Staff Workshops are structured to develop and provide tools to create better partnerships with students, teachers and the administrative staff.

Listed below are examples of different types of Teacher/Administrative Staff Workshops offered by Imagine:

- Building Relationships and Respect between Teachers and Parents
- Behavioral Strategies and How to Make it Work
- Keeping Yourself Encouraged (And Spreading it Around)
- Problem-Solving at School
- Creating Cooperative Families
- Structuring School Environments for Student Success
- Handling Aggressive Children in the Classroom
- "No I Won't and You Can't Make Me!"Effectively Handling Power Struggles
- Creating Teamwork

The overall objective is to proper tools for teachers and the administrative staff to build a rapport with parents and students thereby establishing relationships that frames respect, trust and community support

Parent and Teacher Workshops are provided at One Thousand Five Dollars ($1,500) for a three (3) series, one-hour workshop.

Parent and Teacher Workshops are provided **at no additional cost** to the MSA Schools whose yearly contract is Twenty-Five Thousand Dollars ($25,000) and above.

XI. Referral/Admission Process

Students are selected for the leadership/etiquette programs by MSA School's principal.

Details of the selection process for each leadership/etiquette program are determined by the needs of the students.

XII. Operating Hours

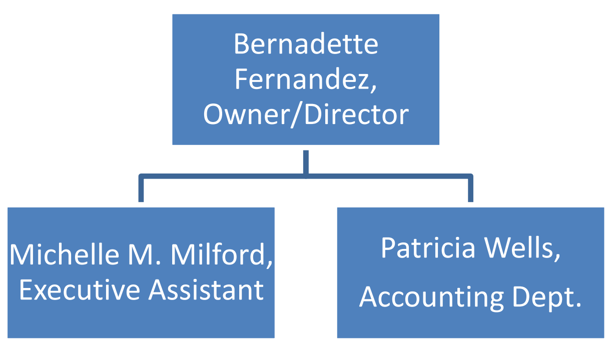
Imagine's leadership/etiquette programs are offered to MSA Schools Monday through Friday. The hours available for scheduling the leadership/etiquette programs are: 8:30 a.m. – 4:30 p.m.

Please note: Hours for scheduling the leadership/etiquette programs depends on locations of MSA Schools.

Imagine is closed during MPS School's Holidays, Spring Break, Thanksgiving and Winter Breaks which are referenced in the final contract.

XIII. Administrative Staff

The following are members of Imagine Etiquette & Image Consulting, Inc.



XIV. Data

Imagine will provide data reports and/or additional data reports as requested by MPS. Data collecting begins at the beginning and concludes at the end of each fiscal school year.

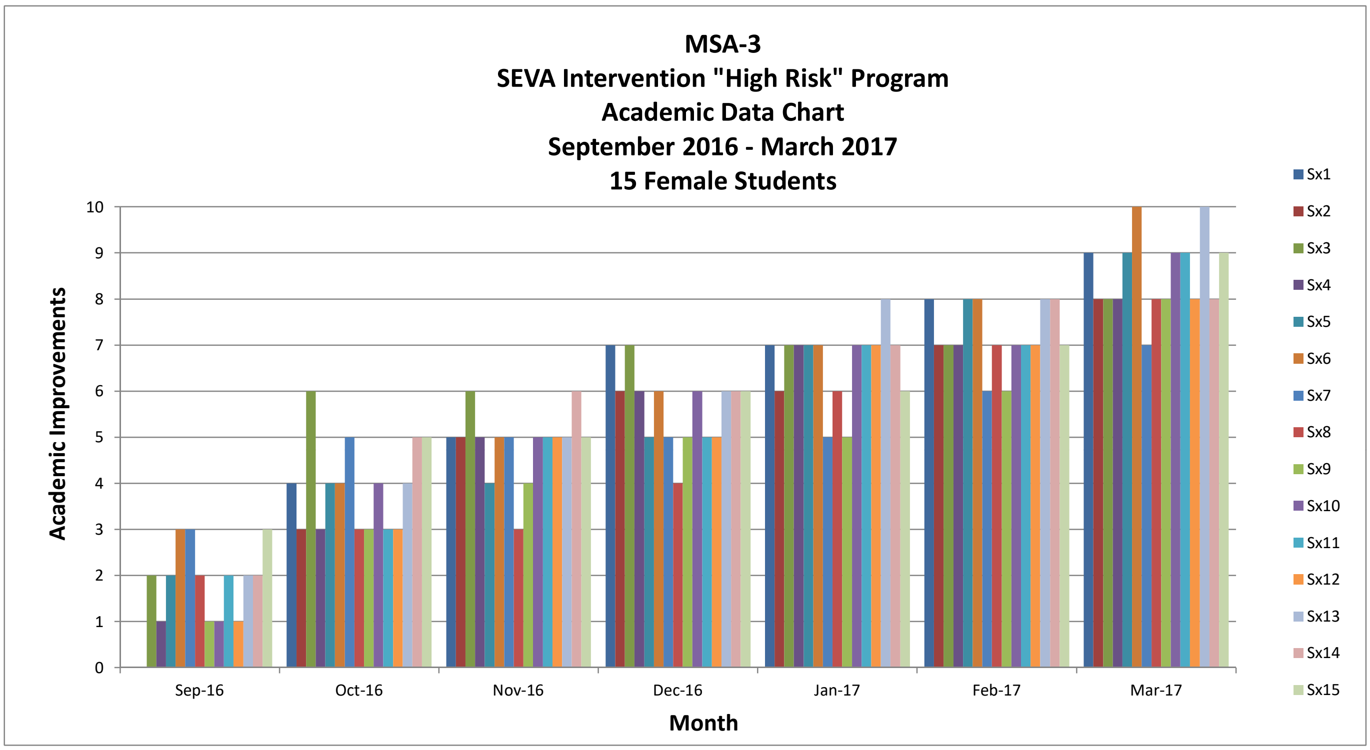
Attached are data charts for MSA's Schools for the 2016/2017 school year.

XV. Outcomes

85% of students, during the course of their participation in the SEVA Intervention "High Risk" Program, have improved dramatically in behavior and academics.

75% of students served in the Girls Only Etiquette program showed a decreased in social media bullying, in-school bullying and in increase rate in self-confidence, respect and accountability.

80% Overall school behavior will be maintained at a higher percentage than the previous years without the leadership/etiquette programs.
If necessary, Imagine will have 1-3 more clinical contacts per week with a particular student, family and principal during the SEVA Intervention "High Risk" program. Measurement: Individual program data and files will indicate the number of weekly contacts during the intensive phase of communications.



*Academic Data is measured for each Student by Coolsis reporting.

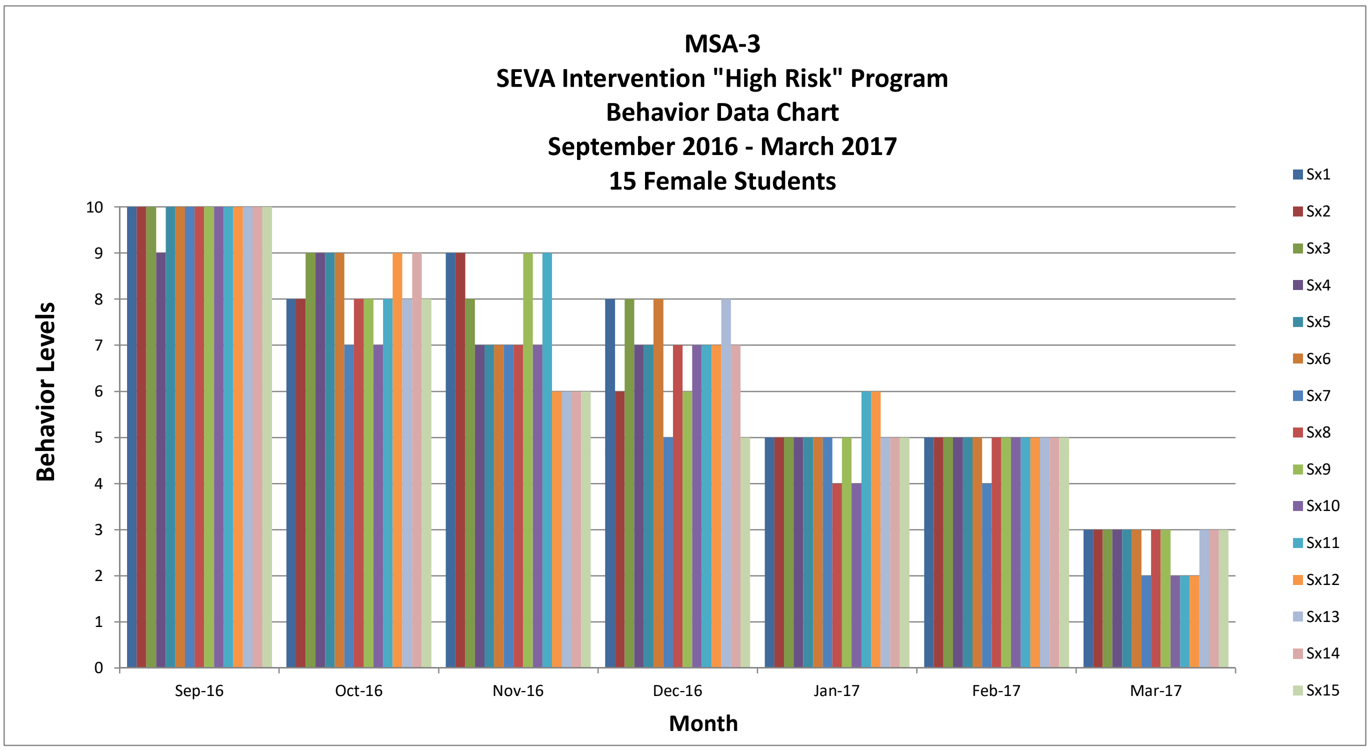
Graph represents Students academics prior to enrollment into the SEVA program. Students on average were failing 2 or more core and/or elective classes.

Students prior and during enrollment into the SEVA program:

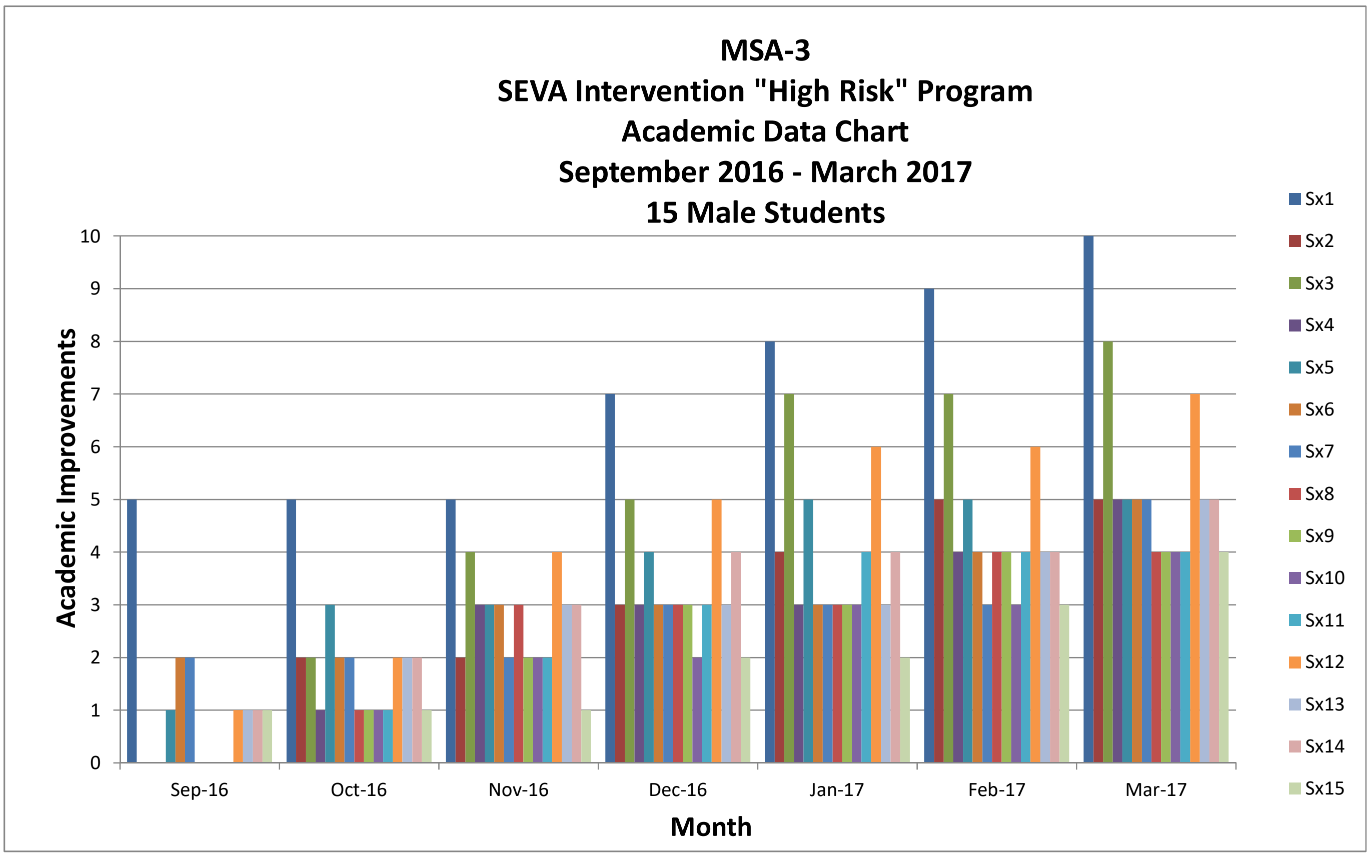
Sx4, Sx9, Sx10, and Sx12 had F's in 3 core and/or elective classes. Sx4, Sx9, Sx10, and Sx12 grades improved over the duration of the SEVA program and now Sx4, Sx9, Sx10 and Sx12 has C's and above in all classes.

Overall, Students academics improved over the duration of the SEVA program with a minimum of C grades or above.

.



*Behavior Data is measured for each student by Coolsis reporting.
Graph represents Students' negative behavior points prior to enrollment into the SEVA program.
Students negative behavior range between 10-30 points.
Students prior and during enrollment into the SEVA program:
Sx7, Sx10, Sx11, and Sx12 behavior was over negative 20 points. Sx7, Sx10, Sx11, and Sx12 negative points decreased over the duration of the SEVA program and now Sx7, Sx10, Sx11, and Sx12 has a minimum of 5 positive behavior points.
All Students behavior was collectively between negative 10-30 points prior to enrolling into the SEVA program. All Students' behavior improved and their negative behavior points decreased significantly by more than half over the duration of the SEVA program.



*Academic Data is measured for each Student by Coolsis reporting.

Graph represents Students academics prior to enrollment into the SEVA program. Students on average were failing 3 or more core and/or elective classes.

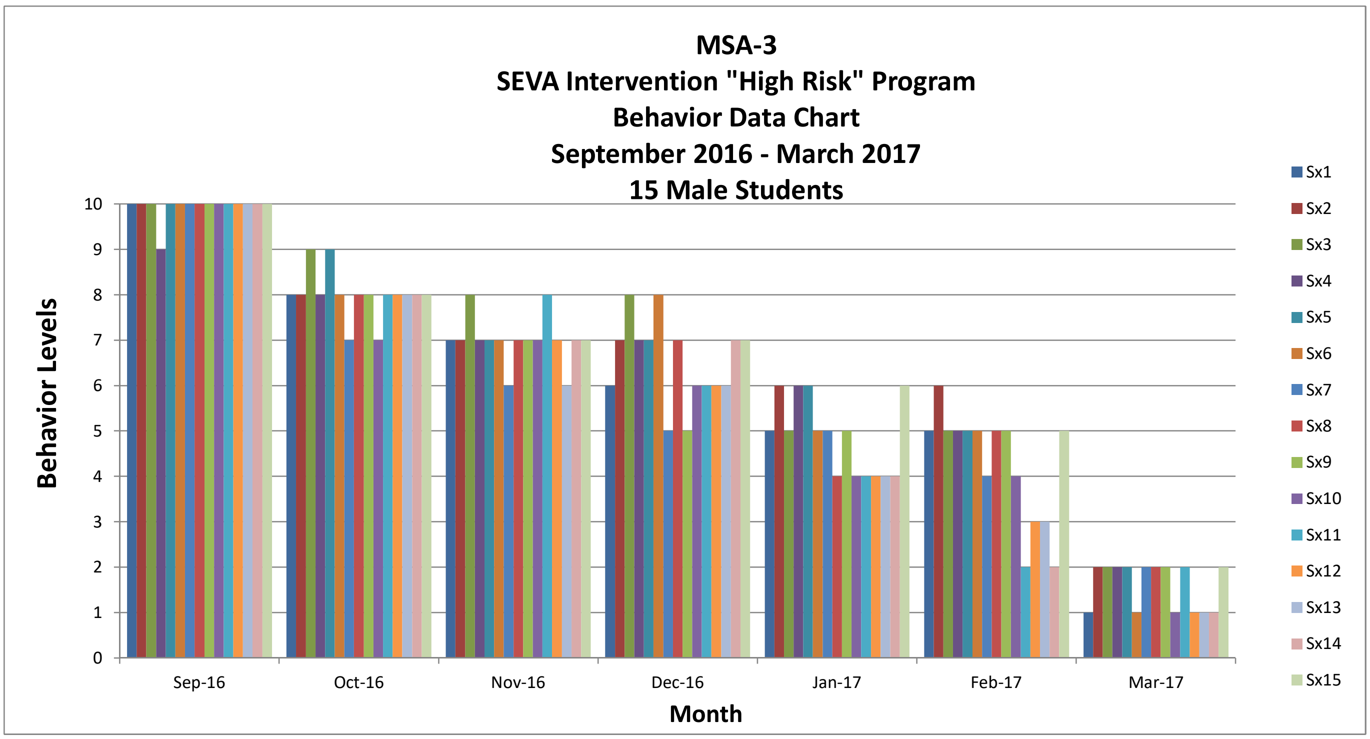
Students prior and during enrollment into the SEVA program:

Sx1 was a good student academically - GPA 3.0. Upon enrolling into the SEVA program, Sx1 attitude and behavior improved tremendously and thus Sx1 GPA improved to a 3.62!

Sx3 had 2 F's in core and/or elective classes. Sx3 grades improved over the duration of the SEVA program and now Sx3 has C's in all core and elective classes.

Overall, Students were collectively failing 2 or more core and/or electives classes. All Students academics improved over the duration of the SEVA program with a minimum of C grades or better.

.



*Behavior Data is measured for each Student by Coolsis reporting.

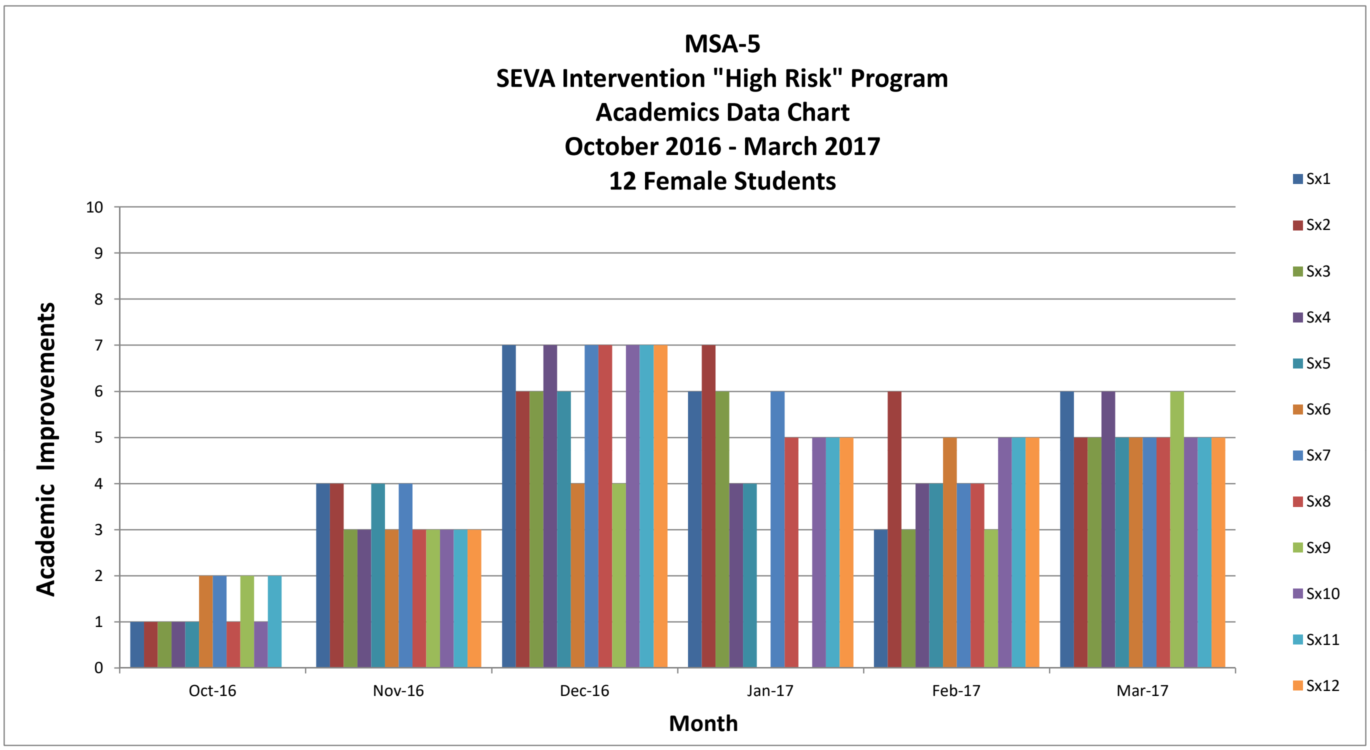
Graph represents Students' negative behavior points prior to enrollment into the SEVA program. Students negative behavior range between 10-30 points.

Students prior and during enrollment into the SEVA program:

Sx1 was a good student academically - GPA 3.0. Upon enrolling into the SEVA program, Sx1 attitude and behavior improved tremendously and thus Sx1 GPA improved to a 3.62!

Sx6, Sx10, Sx12, Sx13 and Sx14 behavior was over negative 20 points. Sx6, Sx10, Sx12, Sx13 and Sx14 negative points decreased over the duration of the SEVA program and now Sx6, Sx10, Sx12, Sx13 and Sx14 has a minimum of 2 positive behavior points.

All Students behavior was collectively between negative 10-30 points prior to enrolling into the SEVA program. All Students' behavior improved and their negative behavior points decreased significantly by more than half over the duration of the SEVA program.



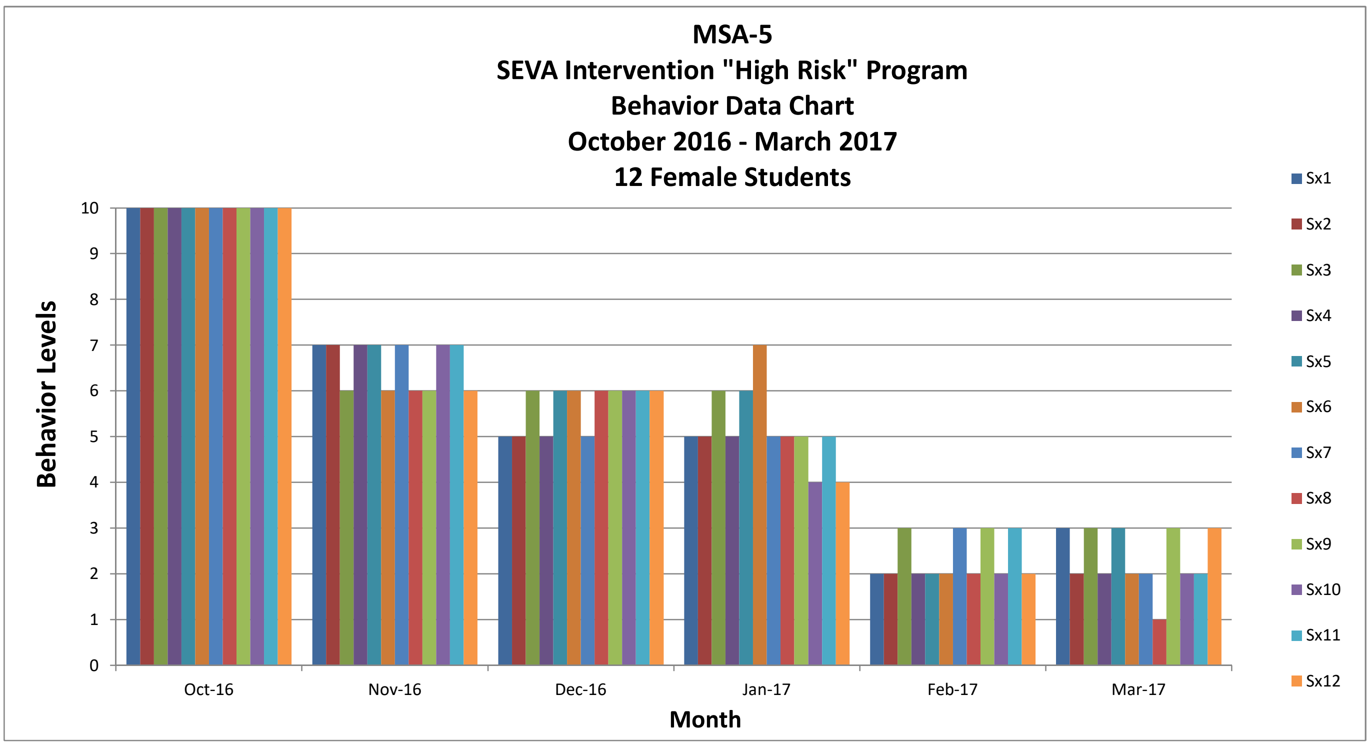
*Academic Data is measured for each Student by Coolsis reporting.

Graph represents Students academics prior to enrollment into the SEVA program. Students on average were failing 3 or more core and/or elective classes.

Students prior and during enrollment into the SEVA program:

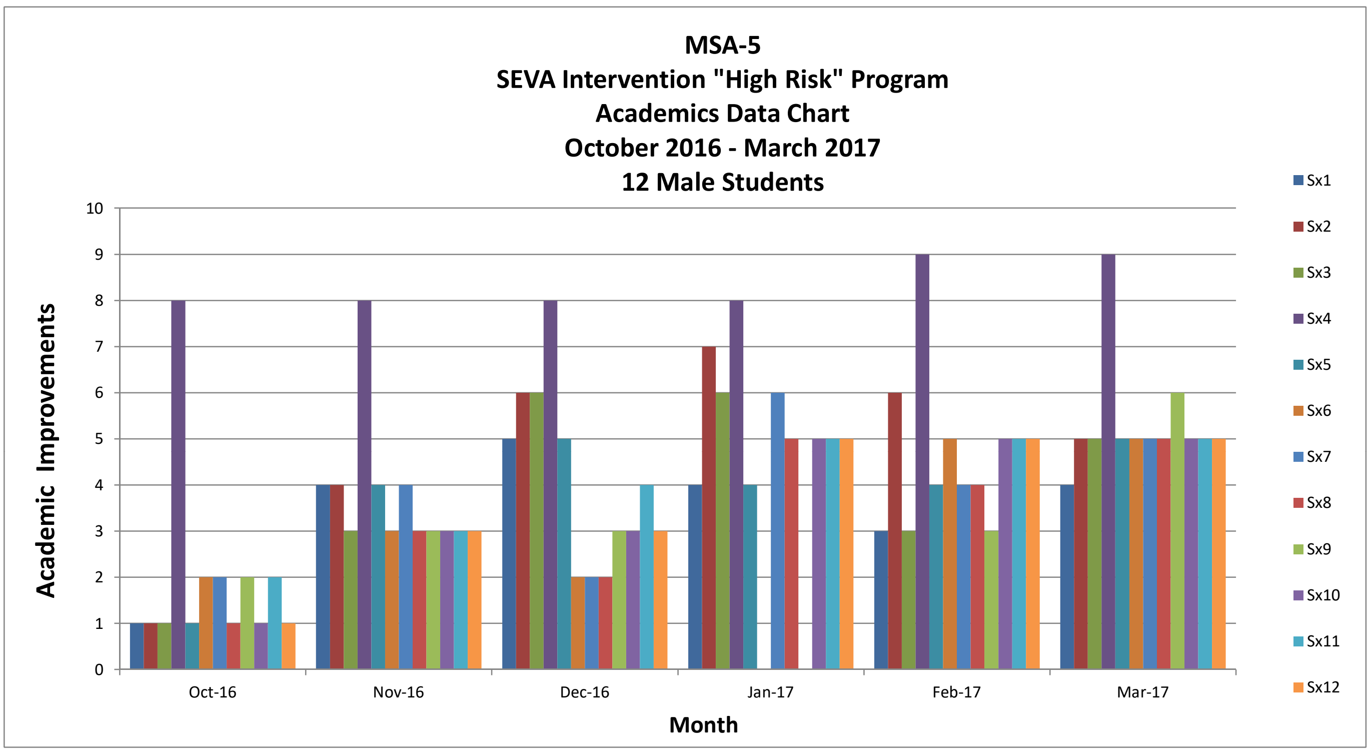
Sx9 had F's in 3 core and/or elective classes. Sx9 grades improved over the duration of the SEVA program and now Sx9 has C's in all classes.

All Students were collectively failing 2 or more core and/or elective classes. All Students academics improved over the duration of the SEVA program.



*Behavior Data is measured for each student by Coolsis reporting.
Graph represents Students negative behavior points prior to enrollment into the SEVA program. Students negative behavior range between 15-30 points.

Students prior and during enrollment into the SEVA program:
Sx8 behavior was negative 29 points. Sx8 negative points decreased over the duration of the SEVA program and now Sx8 is positive 2 behavior points.
Sx2,Sx4,SX6, Sx7, Sx10 and Sx11 behavior were collectively between negative 15-30 points. Overall, Students' behavior improved tremendously over the duration of the SEVA program.



*Academic Data is measured for each Student by Coolsis reporting.

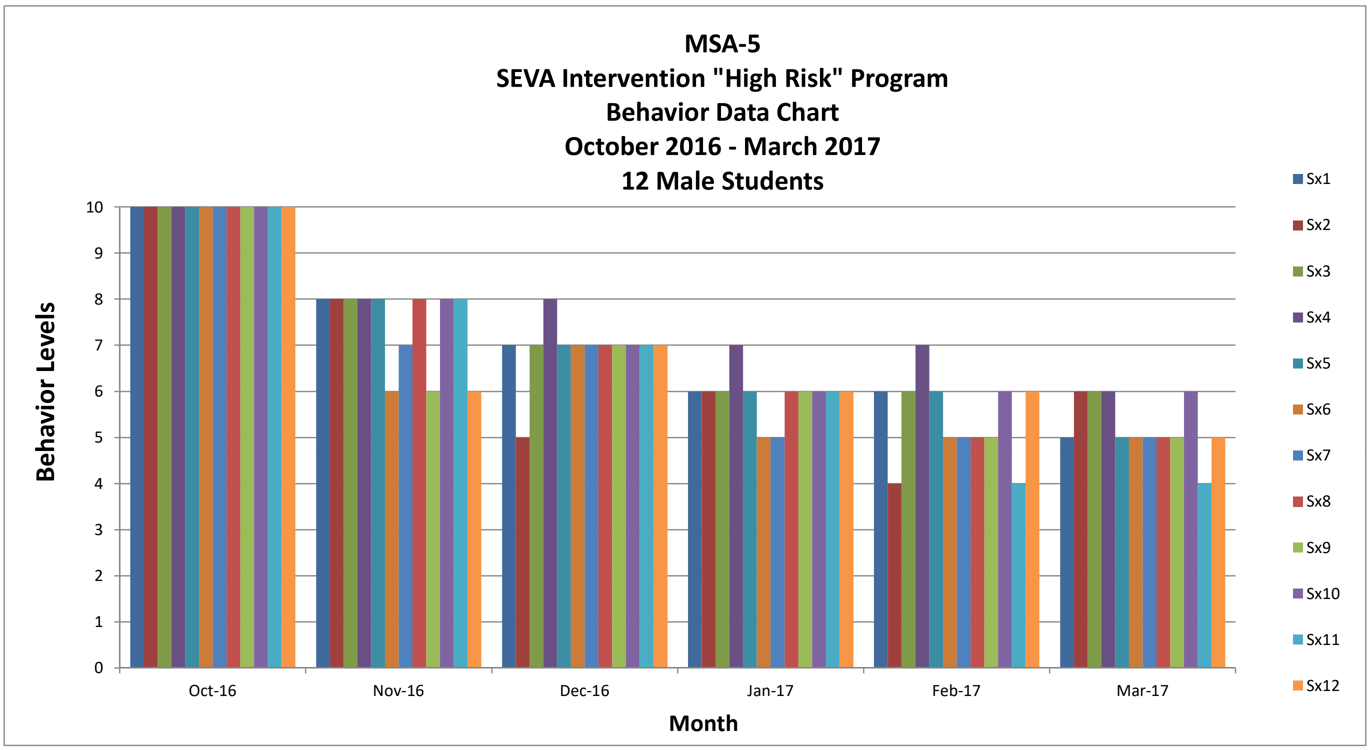
Graph represents Students academics prior to enrollment into the SEVA program. Students on average were failing 3 or more core and/or elective classes.

Students prior and during enrollment into the SEVA program:

Sx9 had F's in 3 core and/or elective classes. Sx9 grades improved over the duration of the SEVA program and now Sx9 has C's in all classes.

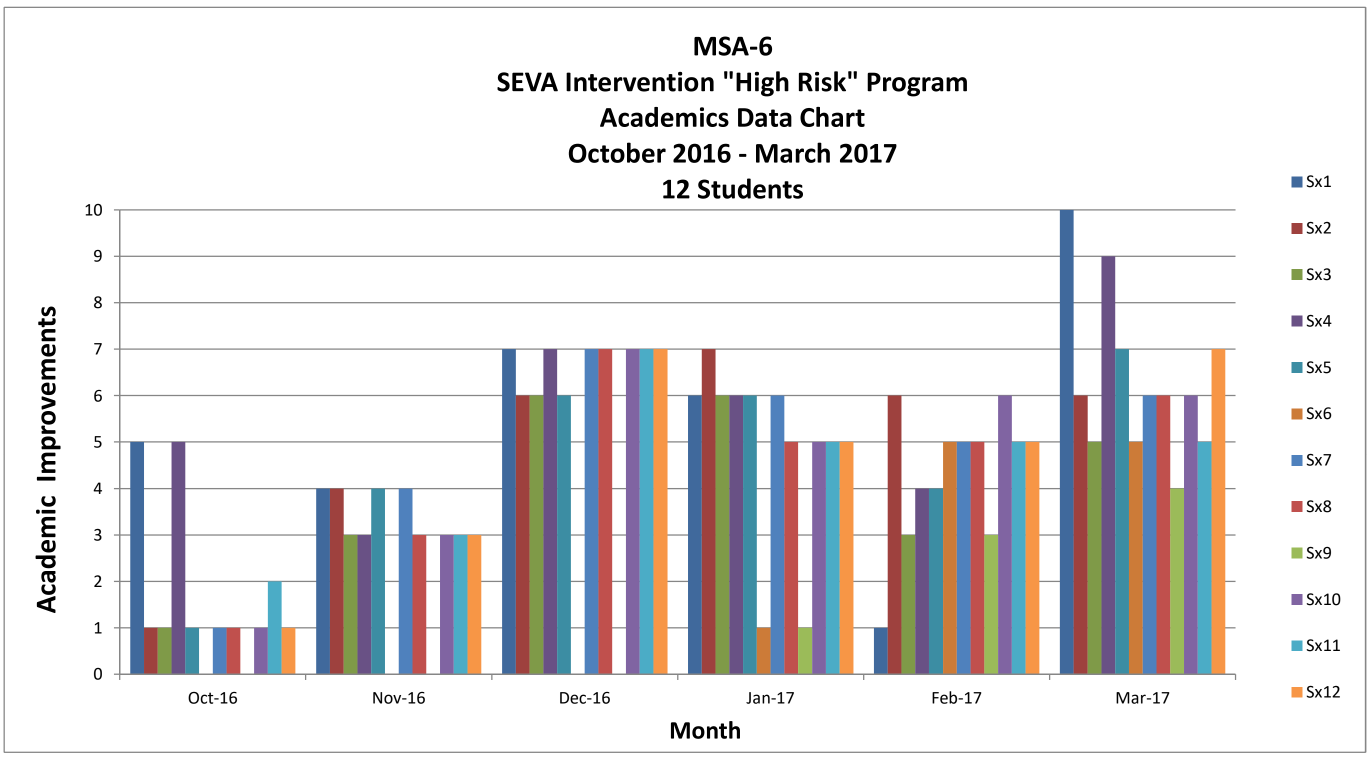
Sx1, Sx2, Sx3, Sx5, Sx8, Sx10 and Sx12 grades were collectively failing 2 or more core and/or electives.

All Students academics improved over the duration of the SEVA program with a minimum of C grades.



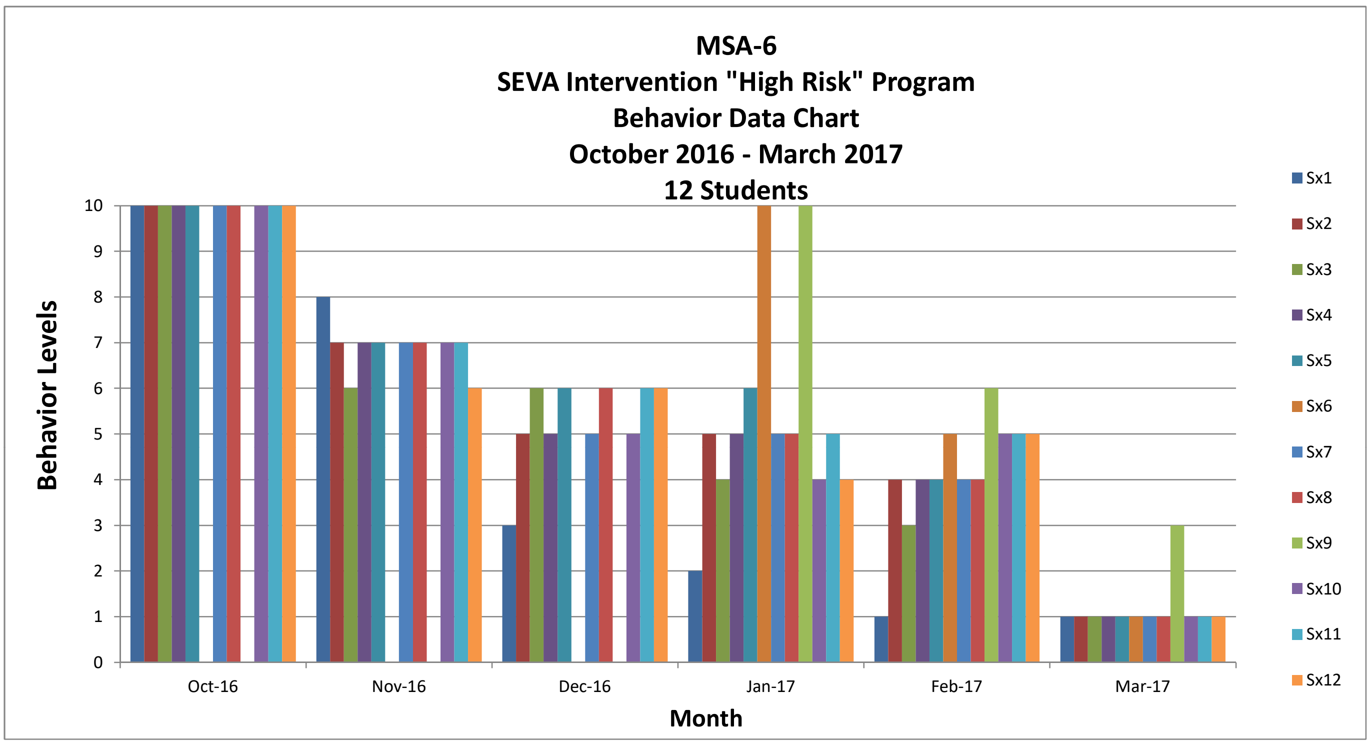
*Behavior Data is measured for each student by Coolsis reporting.
Graph represents Students negative behavior points prior to enrollment into the SEVA program. Students negative behavior range between 15-30 points.

Students prior and during enrollment into the SEVA program:
Sx5 behavior was negative 29 points. Sx5 negative points decreased over the duration of the SEVA program and now Sx5 is positive 3 behavior points.
Overall, students' behavior improved over the duration of the SEVA program.



*Academic Data is measured for each Student by Coolsis reporting.
Graph represents Students academics prior to enrollment into the SEVA program. Students on average were failing 3 or more core and/or elective classes.

Students prior and during enrollment into the SEVA program:
Sx1 had F's in 3 core subjects. Sx1 grades improved over the duration of the SEVA program and now Sx1 has A's, B's and C's in all subjects.
The majority of Students was collectively failing 3 or more core and/or electives. Sx4, Sx5, Sx7, Sx8, Sx10, and Sx12 grades improved over the duration of the SEVA program with a minimum of C or above.



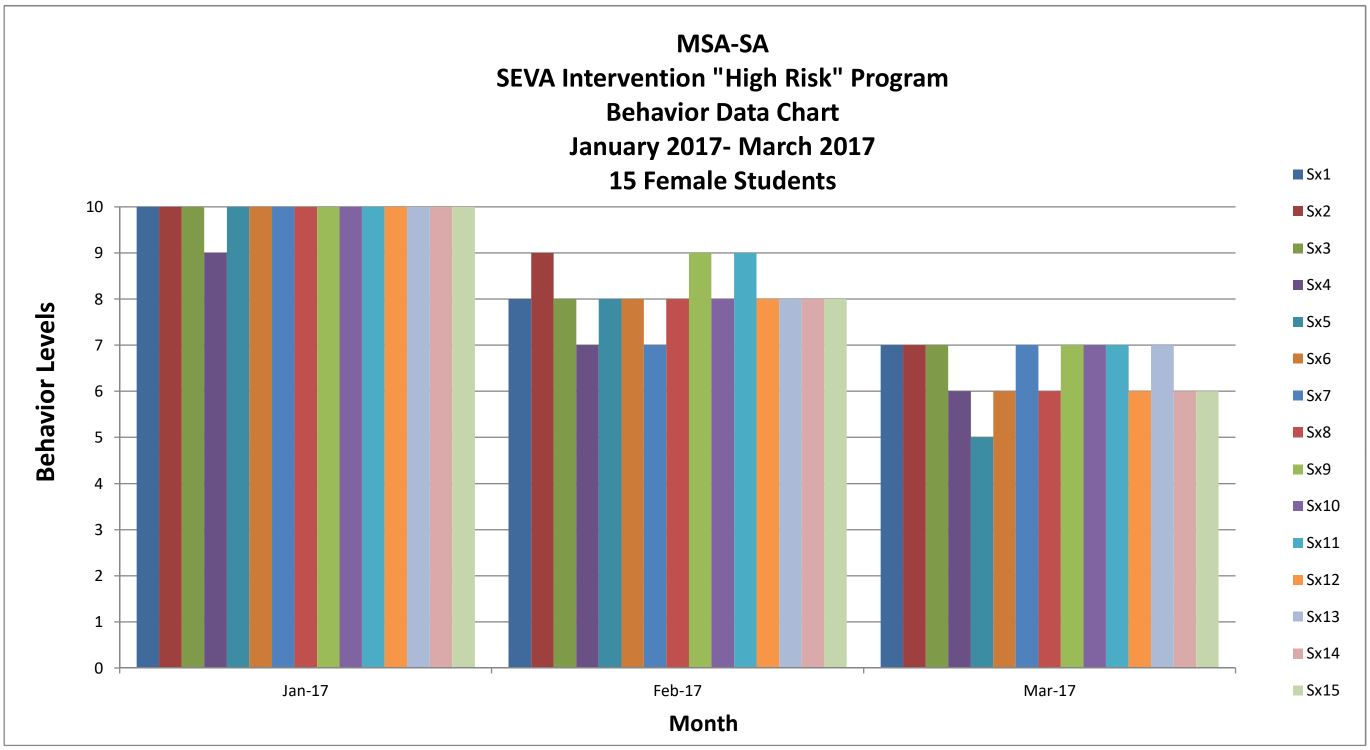
*Behavior Data is measured for each student by Coolsis reporting.

Graph represents Students' negative behavior points prior to enrollment into the SEVA program. Students negative behavior range between 10-25 points.

Students prior and during enrollment into the SEVA program:

All Students' (except Sx6 and Sx9) behavior was negative 10-25 points. All Students' (except Sx6 and Sx9) negative points decreased over the duration of the SEVA program and now all Students' (except Sx6 and Sx9) has at least 2-3 positive behavior points.

Sx6 and Sx9 enrolled into the SEVA program in January. Sx6 and Sx9 behavior were collectively between negative 10-25 points prior to enrolling into the SEVA program. Sx6 and Sx9 behavior has improved tremendously over the duration of the SEVA program.



*Behavior Data is measured for each student by Coolsis reporting.

Graph represents Students' negative behavior points prior to enrollment into the SEVA program.

Students prior and during enrollment into the SEVA program:

All Students behavior was collectively between negative 10-30 points prior to enrolling in the SEVA program. All students' behavior improved over the duration of the SEVA program.

MAGNOLIA PUBLIC SCHOOLS

Board Agenda Item #	Agenda # II C - Action Item
Date:	April 6, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Nanie Montijo, CFO/David Yilmaz, Chief Accountability Officer
RE:	Meals Plus Food Service Management Software Agreement

Proposed Board Recommendation

I move that the board approve the Meals Plus Food Service Management Software Agreement for fiscal year 2017-18.

Background

- Currently 8 of 10 MSAs utilize the CoolSIS meal program software in order to track daily meal counts, student balance data and generate monthly report submitted for student meal reimbursement.
- CoolSIS provides minimal data tracking and does not support online application submissions nor online meal payments.
- Coolsis does not generate balance due letters, provide families with options to select low balance notifications, and cannot retrieve CALPADS direct certification eligibility data to ensure free meal eligible students are coded accurately.
- A new meal management software will increase accountability and monitoring will be available at the CMO level.
- A new meal management software will track meal fees paid, deduct cost from student account and generate amount due letters for each student.
- An automated system will streamline office staff meals related tasks, projects and reporting.
- Online payment capability will reduce the cash deposit as school site levels. Free or Reduced Meal Application tracking can link family members at MSA's and potentially MPS wide.
- An automated system provides online documentation to meet the needs of auditors.
- A student meal data management system will provide administrators and office managers access to student information, point of sale data, free and reduced applications and local and state reports.

RFP PROCESS

The compliance department discussed a need for a food service management software with the CFO and COO that would support school efficiency, increase meal fees received at school sites and support reimbursement report claims.

RFP EVALUATION

All qualified, responsive proposals were evaluated using the following factors and weights.

Factor	Weight
Cost of products and services (required, highest weight)	40%
Functionality/completeness/specifications of proposed solution	30%
Vendor: qualifications, credentials, certifications, experience, references	20%
Contract terms and conditions	10%
Total	**100.00%**

RFP Evaluation Timeline

RFP announcement: March 24th, 2017
RFP Submission Deadline: March 30th, 2017 5pm
RFP Evaluation Committee Meeting: March 31st, 2017, 10am
MPS Regular Board Meeting to finalize the selection of the vendor, April 6th, 2017

Notified the following of our interest in a food service management software:

Meal Time, Meals Plus Software, Preferred Meals, Food Service Solutions, PrimeroEdge, My School, EZ School Apps, K12 Enterprise, Lunch Time, and Horizon Software.

Meal Software Program Presentations

Meal Time: March 10, 2017 – Attended by MPS office managers, Chief Accountability Officer and Executive Office Manager during a Professional development session.

Meals Plus: March 20, 2017 – Attended by Chief Accountability Officer, Data Manager/SIS Coordinator and Executive Office Manager.

Lunch Time: March 29, 2017 – Attended by Chief Accountability Officer, Data Manager/ SIS Coordinator and Executive Office Manager.

The following vendors provided bids

1. Meals Plus
2. Food Service Solutions
3. EZ School Apps
4. Primero Edge
5. Meal Time

Budget Implications

- The use of a meal software program would facilitate the transition from using a company to submitting reimbursement claims for MPS saving the fee to process claims.
- Program will assist by providing firm confirmation of meals served, and paid for leading to reduction of unnecessary waste and over ordering.
- Accurate meals served totals will increase reimbursement amounts and decrease loss.
- Will be included in all site budgets for fiscal year 2017-18.

Meals Plus Software

One-Time Cost: $29,247 / Approx. cost per student $7.67
Annual Fee: $6,185 / Approx. cost per student $1.63 (*Annual fee is waived the first year.)*

MPS ENROLLMENT TOTALS ON 3/23/2017		Meals Plus Quote	
School	**Students**	**1st Year Fee**	**Annual Fee**
Magnolia Science Academy-1	534	$4,095.78	$870.42
Magnolia Science Academy-2	454	$3,482.18	$740.02
Magnolia Science Academy-3	428	$3,282.76	$697.64
Magnolia Science Academy-4	197	$1,510.99	$321.11
Magnolia Science Academy-5	188	$1,441.96	$306.44
Magnolia Science Academy-6	173	$1,326.91	$281.99
Magnolia Science Academy-7	290	$2,224.30	$472.70
Magnolia Science Academy-8	496	$3,804.32	$808.48
Magnolia Science Academy-San Diego	419	$3,213.73	$682.97
Magnolia Science Academy-Santa Ana	634	$4,862.78	$1,033.42
TOTALS	**3813**	**$29,245.71**	**$6,215.19**

How Does This Action Relate/Affect/Benefit All MSAs?

- A meal software program with broader functionalities will increase school office productivity, decrease cashiering functions, receipt tracking and decrease cash at school sites.
- Increased meal fee collection, decreased waste and over ordering will increase revenue by an estimated $8,000 MPS wide.
- The one-time cost will be $29,245.71 covering all MSA's and can be invoiced in July 2017.
- For the 2017-2018 the $6,215.19 Meals Plus Annual fee is waived the first year.
- For the 2018-2019 and subsequent years the Meals Plus Annual fee will be $6,215.19.

2015-2016 Reimbursement/Fees for MSA 1, 2, 3, 4, 6, 7, Santa Ana and San Diego

Average monthly fee to MSAs from current SFA:	$3,061.88
Average cost per student:	$2.80
Total Annual Fees:	$30,618.80
Total Reimbursements for the year:	$779,481.71

Evaluation

- Meals Plus Software exhibited the strongest customer service orientation, help desk responsiveness and module and report functionalities. Meals Plus are based in Costa Mesa, CA and have experience working with CMO's.
- Green Dot Public schools in Los Angeles and Santa Ana Unified School District are clients. Meals Plus demonstrated the most user friendly system and interface, training options and transition support as compared to the other softwares.
- Meals Plus has the capacity to provide notifications in dual languages, English and Spanish which would be highly useful at MSA's.
- Meals Plus has exportable reports used for CNIPS meal reimbursement claims making it possible to transition to becoming an authorized "School Food Authority" (SFA) eliminating the $30,618.80 annual fee due to our current SFA.
- Meals Plus Software has additional functionalities including the capacity to provide schools with online payment options for parents. Online payments can be made for school fundraisers, PTF sales/events and fees including prom, senior due and other local school events.

Name of Staff Originator:

David Yilmaz, Chief Accountability Officer
Nanie Montijo, Chief Financial Officer

Attachments

- RFP Documents
- Agreement with Meals Plus

Magnolia Public Schools
Meals Plus Quote

3.20.2017

I. Executive Summary

Meals Plus Software, a product of Education Management Systems, is a feature-rich, full function K-12 Child Nutrition Food Service Management software. It is our desire to work with Magnolia Public Schools (MPS) to provide our hardware, software, service, and support for the upcoming 2017-2018 school year.

Established in 1989, Education Management Systems has directly installed Meals Plus in over 5,000 schools. With a corporate office located in Wilmington, NC, Education Management Systems has developed and maintained a strong foothold in the Southeast of the United States. In 2010, it became a natural fit for Education Management Systems to open a Western United States office in Costa Mesa, CA, managed by John Nelson. While managing the Western US office, John has directly installed Meals Plus in over 1,000 school sites. Our combined nation-wide coverage allow us to support the Meals Plus customer with support agents for fifteen hours per day, 5 days per week, with weekend support available for seven hours per day. Our direct customer support team consists of over 20 representatives, who are further supported by an additional 15 team members.

John Nelson is assigned to MPS and will take the lead in managing a successful installation of Meals Plus. Contact information is:

John Nelson
3183 Airway Avenue, F-125
Costa Mesa, CA 92626
o. 714-544-0574 x0328
c. 714-396-9531
f. 714-464-4372
jnelson@MealsPlus.com
www.MealsPlus.com

Meals Plus has established a competitive advantage in both technology and customer service. Written in .Net, using a SQL database, Meals Plus includes a thorough software suite of products: Point of Sale, Student Eligibility Management, Inventory, Menu & Nutritional Analysis, Financial & Accountability Management, and Time Clock. We have a “built in” Online Eligibility Application module, Scanning and Vending Machine interfaces, as well as a seamless online payment partner in eFunds, as well as other online providers. Our commitment and daily focus are on K-12 software, service, and solutions. We do not work in other industries. In short, we eat, sleep, and breathe K-12 and have done so for our entire company history.

The following Meals Plus team will be assigned to Magnolia Public Schools:

John Nelson	Project Manager
Dolly Whittington	Project Training Manager
Miguel Rodriguez	Project Hardware Integration/Configuration Manager

II. Proposed Solution

Software Modules Offered

Meals Plus offers a complete software suite that includes the following modules/components:

- Point of Sale
- Student Eligibility (Free & Reduced Management) *PLUS* Online Applications
- Menu Planning
- Nutrient Analysis
- Inventory Management
- Time Clock
- Financial and Statistical
- Accountability
- Online Payments

Meals Plus continues to develop, enhance, and grow. Enhancements are released at a minimum of twice per year. In the event of state or federal changes, Meals Plus will immediately work to meet/exceed the standard requirement. Districts are entitled to receive software updates with the subscription to Annual Software Support. Updates are received by the district on the district's Meals Plus server, which in turn updates each of the school site terminals. It is a complete "hands-off" approach when receiving updates!

Point of Sale

Our POS system was designed by software engineers with direct experience in school settings. We've used that know-how to create foolproof technology with benefits that'll satisfy anyone working in a cafeteria.

- Built of speed
- Easy for cashiers to learn and use
- Single database allows visiting students to have a regular meal account
- Multiple input options - PIN Pad, Barcode and Fingerprint
- Two ways to enter data - touch screen or standard keyboard
- A dietary restriction feature means fewer mistakes
- The "serve by teacher" function makes it easy to group students

Reports include:

- Monthly participation
- Accuclaim edit check
- Daily cashier activity summary
- Daily cafeteria close-out (daily deposit)
- Item sales summary
- Checks report

Student Eligibility

We understand that tracking student eligibility for NSLP - and accurately processing reports - is a major concern. That's why our Free & Reduced accounting component lets you identify and track students easily and accurately.

- Centralized database means real time update to Point of Sale. Click 'save' and you're ready to serve
- Import direct certification data
- Generate letters in multiple languages
- Automatically crosscheck to eliminate duplicate applications
- Define your verification protocol: Basic, Alternate Random or Alternate Focused
- Expand your capabilities to accommodate **scanning and Online Applications**

Reports include:

- Date-driven rosters
- Notification Letters
- Verification Letters
- Temporary list
- Demographic report

LunchApplication.com

Online free & reduced applications

- Allows parents and guardians to apply for meal benefits online
- Speeds application processing
- Makes it easy to administer - no more dealing with messy handwriting
- Eliminates the need for paper files
- Utilizes SSL security protocol (Network Solutions)
- Integrates with Free & Reduced program to accurately update eligibility

Menu Planning

Our menu planning system helps standardize and streamline your district menu planning, while maintaining compliance with USDA nutrition guidelines.

- USDA Child Nutrition Database
- NSMP or Food-based planning and tracking
- Ability to build and add custom recipes
- Accommodation for HACCP guidelines
- Post-production and record keeping
- Fully integrated with inventory management component

Reports include:

- Production Planning Sheets
- Print Menus Daily, Weekly, or Monthly
- Recipes by ingredients or step by step
- Nutrient analysis reports by item & menu
- User-defined custom reports

Nutrient Analysis

Our Nutrient Analysis component is easier than manual systems or other software programs. You'll find it's also:

- USDA Child Nutrition Database
- Approved by USDA for NSMP weighted analysis
- Food-based weighted analysis
- Ability to build and add local ingredients
- Allows for age or grade analysis
- Accessible from central office or school site

Reports include:

- Nutrient Analysis by item & menu
- Ingredient profile
- Recipe profile
- RDA listMeals Plus is written in .Net using an application interface. Meals Plus operates on a SQL database. Meals Plus is installed on a central server along with client terminals. Each machine is configured to communicate on the district WAN using a static IP Address.

Inventory Management

With Meals Plus, you get a centralized ordering and management system that helps you keep track of commodities, purchased foods, supplies and more - and maximize the efficiency of your inventory operations.

- Fully integrated with menu planning component
- Capable of tracking a true perpetual inventory system
- Includes Bid Analysis component
- Enables electronic ordering
- "FIFO" valuation method includes all items for an unlimited number of sites
- Tracks an unlimited number of user-defined categories (USDA, supplies, processed, etc.)
- Allows for limited item access by site

Reports include:

- Item Listing
- Open Items/Orders
- Physical 'worksheet'
- Transaction History
- Inventory on Hand
- Ending Inventory Count
- Summary/Close Report
- Bid Analysis (bottom line & cost per serving)Reporting Tools

Time Clock

Take the hassle and paper overload out of keeping track of employee time, leave and professional certification.

- Integrated into Meals Plus system and accessible from the enterprise portal
- Capable of tracking multiple job assignments
- Tracks leave balances
- Tracks employee certification hours
- Automates vacation/leave request and approval process
- Full security- unique user id and passwords
- Employees can view and print time sheets
- Tracks comp time
- Allows employees to clock in and out wherever the Meals Plus program is running
- Lots of built in management tools
- Comprehensive report functions
- Capable of exporting data for import into payroll software system

Reports include:

- Time Sheets
- Leave Tracking
- Comp Time
- Discrepancies

Financial and Statistical

Meals Plus delivers a powerful systems integration and financial management tool that enables automated sharing of information between schools and the district office.

- Gives you the capability to stay on top of the money side of your operation
- Exchanges data (import/export) with your district accounting system
- Accommodates district-specific account codes
- Handles performance calculations using industry norms and NFSMI concepts
- Uses up-to-date expense information to help analyze the financial health of your district

Reports include:

- Operating Statement
- Trial Balance
- Balance Sheet
- Plate Costs
- Indirect Costs
- MTD/YTD Summary
- Profitability
- Breakfast & Lunch Counts
- Meals per Labor Hour
- Sales by Category

Accountability

One of the tastiest features of the Meals Plus system is the way it centralizes all of your district's data. So what you get is real-time access to accurate data on a school-by-school or district-wide basis. And what you don't get are inconsistencies between schools and the central office.

- Implement true centralized data management
- Gain real-time access to school-by-school Point of Sale data
- Update Point of Sale pricing from Central Office
- Update student data
- Exchange data with the district student information system - automated or manual import
- Setup and edit user profiles
- Export data in a range of formats, to share information with other district software systems

Reports include:

- Daily sales/collection
- Accuclaim Edit
- Monthly Claim Form
- Reimbursement
- Participation: Daily by attendance, by status
- Meals Per Labor Hour
- Daily Participation Listing
- Revenue Summary
- Unclosed dates

III. Implementation

Implementing Meals Plus is a scheduled process, led by an assigned Project Manager. We begin each project by conducting a Pre-Install meeting. Coming out of this meeting our team will provide MPS with a Project Timeline, complete with ***Scheduled Installation Processes***, ***Training Dates***, and a ***Go-Live Calendar***. Our Project Manager will interview the MPS Project Lead to better understand the culture of MPS and the operating procedures in the district.

The outline below is an example of the steps that will be taken. Based on the desired start date from the district, we will insert the effective dates.

Date	Action	Result
	Install Meals Plus software on server, Configure/ Schedule file import(s). Train IT Department on Meals Plus	Meals Plus software is installed on the server and all sites, students, and status' are accurate.
	Train: Security Groups, User Setup, Products & Pricing	Complete training for initial setup and schedule a date to follow up for completion. This is a combined effort of MP and MPS towards completion.
	Install / Configure School Terminals	Install / Configure Meals Plus on all admin office and school site computers and terminals.
	Train Student Eligibility	Teach how to enter and manage the Free and Reduced Application Process, including all notification letters.
	Review Meals Plus File Imports	As new students are being enrolled, confirm that data is accurately communicating.
	Point of Sale Training	Cashier/Manager Point of Sale Training
	Go Live	Support MPS with a successful Go Live

IV. Proposal

DESCRIPTION	QUANTITY	UNIT PRICE	DISCOUNT	COST
Meals Plus Point of Sale Software	10	$ 1,995.00	20%	$ 15,960.00
Meals Plus Free & Reduced Management Software	1	$ 3,995.00	20%	$ 3,196.00
Meals Plus Online Applications	1	$ 595.00	100%	$ 0.00
Meals Plus Accountability & District Reporting Software	1	$ 1,995.00	20%	$ 1,596.00
Meals Plus Online Payments	1	$ 595.00	100%	$ 0.00
SUBTOTAL				**$ 20,752.00**
Meals Plus Remote Installation / Configuration / Training: Includes two certified trainers conducting onsite training and Go-Live Support for 3 days.	1	$ 5,995.00		$ 5,995.00
Meals Plus Web Training / Configuration Hourly Labor	4	$ 125.00		$ 500.00
Meals Plus Travel: Includes Airfare from NC-LAX / Hotel / Rental Car	1	$ 2,000.00		$ 2,000.00
SUBTOTAL				**$ 8,495.00**
Meals Plus Point of Sale Annual Support: Includes telephone support, remote connectivity support, free monthly training webinars, advance replacement on all hardware	10	$ 350.00		$ 3,500.00
Meals Plus Student Eligibility Annual Support: Includes telephone support, remote connectivity support, free monthly training webinars, advance replacement on all hardware	1	$ 925.00		$ 925.00
Meals Plus Online Application Annual Support: Includes telephone support, remote connectivity support, free monthly training webinars, advance replacement on all hardware	1	$ 1,295.00		$ 1,295.00
Meals Plus Accountability Annual Support: Includes telephone support, remote connectivity support, free monthly training webinars, advance replacement on all hardware	1	$ 465.00		$ 465.00
Meals Plus Online Payments Annual Support	1	$ 0.00		$ 0.00
2017-2018 School Year Meals Plus Annual Support Discount	1			$ (6,185.00)
SUBTOTAL				**$ 0.00**
SALES TAX				**N/A**
TOTAL				**$29,247.00**

MAGNOLIA
PUBLIC SCHOOLS

REQUEST FOR PROPOSALS FOR A MEAL PROGRAM SOFTWARE

(Due Date – March 30th, 2017)

PURPOSE

The Magnolia Public Schools(MPS) is accepting proposals for a meal program management and accountability software system for sites below.

MPS Central Office	250 East First St., Suite 1500, Los Angeles, CA 90012
MSA-1	18238 Sherman Way, Reseda, CA 91335
MSA-2	17125 Victory Blvd., Van Nuys, CA 91406
MSA-3	1254 East Helmick Street, Carson, CA 90746
MSA-4	11330 West Graham Place, Los Angeles, CA 90064
MSA-5	18230 Kittridge St., Reseda, CA 91335
MSA-6	3754 Dunn Dr., Los Angeles, CA 90034
MSA-7	18355 Roscoe Boulevard, Northridge, CA 91325
MSA-8	6411 Orchard Ave., Bell, CA 90201
MSA-Santa Ana	2840 W. 1st Street, Santa Ana, CA 92703
MSA-San Diego	6365 Lake Atlin Ave., San Diego, CA 92119

GENERAL TERMS AND CONDITIONS FOR RFP PROPOSAL GUIDELINES

1. Each item request and guideline in the RFP must be known and properly addressed in the proposal.
2. All equipment in proposal must conform to specifications provided in the RFP.
3. The Vendor must provide terms of warranty on all products
4. The Vendor shall provide a clear breakdown of equipment and services costs including one time, setup and annual costs.
5. The Vendor must provide an estimated timeline for product delivery.
6. Proposal must be valid for 60 days.

All questions regarding the RFP should be addressed in writing to David Yilmaz, Director of Accountability, dyilmaz@magnoliapublicschools.org.

PROPOSAL SUBMISSION

Proposals are to be submitted no later than 5:00 PM PST, Thursday, 03/30/2017 with options below:

- Email price quote to dyilmaz@magnoliapublicschools.org
- Mail to: David Yilmaz, MPS Meal Program Software

Magnolia Public Schools, 250 East First St STE 1500, Los Angeles, CA 90012

ACCEPTANCE/REJECTION OF PROPOSAL SUBMISSIONS

The Magnolia Public Schools reserves the right to accept or reject any and all proposals or any portion of any and all proposals at their discretion. While price is an important consideration, it will not be the sole determining factor in the selection of a Vendor. Payments will not be made nor orders submitted until after the Magnolia Public Schools Board of Directors has accepted a proposal and awarded it as the winning proposal submission. A contract will exist between the Magnolia Public Schools and the Vendor upon selection of the winning proposer.

COMPENSATION

Payment 60 days after invoice date. The payment will not be issued until after both the Vendor and Magnolia Public Schools agree that the project is complete and meets all requirements.

RFP Revisions

The Magnolia Public Schools reserves the right to modify or issue amendments to the RFP at any time. The Magnolia Public Schools also reserves the right to cancel or reissue the RFP at any time. Notices will be posted to http://magnoliapublicschools.org/apps/pages/index.jsp?uREC_ID=284296&type=d. It is the sole responsibility of the proposer to monitor the URL for posting of such information.

RFP EVALUATION

All qualified, responsive proposals will be evaluated using the following factors and weights.

Factor	Weight
Cost of products and services (required, highest weight)	40%
Functionality/completeness/specifications of proposed solution	30%
Vendor: qualifications, credentials, certifications, experience, references	20%
Contract terms and conditions	10%
Total	**100.00%**

RFP EVALUATION COMMITTEE and EVALUATION TIMELINE

RFP Evaluation Committee

The RFP Evaluation committee members are as follows:
Suat Acar, Chief Operations Officer
Nanie Montijo, Chief Financial Officer
David Yilmaz, Director of Accountability

RFP Evaluation Timeline

RFP announcement: March 24th, 2017
RFP Submission Deadline: March 30th, 2017 5pm
RFP Evaluation Committee Meeting: March 31st, 2017, 10am
MPS Regular Board Meeting to finalize the selection of the vendor, April 5th, 2017

EQUIPMENT & SERVICES SPECIFICATIONS

- **Item 1:** Meal Program Management Software
  Quantity: 1
  Description:
    - ✓ Track point of sale transactions and accurate reporting
    - ✓ Student debit/balance account management
    - ✓ 11 Locations listed in this RFP

Delivery/Shipping

NOTE: No dock at this location.

Ship to Address:

David Yilmaz

Magnolia Public Schools, 250 East First St., Suite 1500, Los Angeles, CA 90012

MAGNOLIA PUBLIC SCHOOLS

Board Agenda Item #	Action Item II D
Date:	April 6, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Nanie Montijo, CFO/David Yilmaz, Chief Accountability Officer
RE:	Arts in Action Charter School Agreement

Proposed Board Recommendation

I move that the board ratify and approve the agreement with Arts in Action to provide National School Lunch Program Meal Claim Services for fiscal year 2016-17 in an amount not-to exceed $35,000.

Background

Approximately eight years ago, it was discovered that many independent charter schools were unable to access free meals for their students. Many charters lack the internal infrastructure to apply and administer the National School Lunch Program. At that time, it was suggested by the State and other charter advocates that a well-established Charter School Management company may be able to take the lead and serve as the principal agent for those schools who were unable to act as their own School Food Authority.

In order to be in compliance with National School Lunch Program and School Breakfast Program, MPS has contracted with Arts in Action Charter School for the following services:

- Complete audit of each school's current lunch program processes through an on site monitoring review as well as ongoing compliance oversight.
- Set up under our processing using *Meal Time* with training and support.
- Accurate and timely monthly lunch claim form submission and reimbursement.

Budget Implications

The cost of these services are:

- Annual Audit Fee: $750.00 -due upon execution and yearly renewal of agreement
- Per Pupil Fee: $3.00 -per student participating in lunch program on monthly average, due within 30 days of invoicing (Free and Reduced eligibility)

How Does This Action Relate/Affect/Benefit All MSAs?

Schools in Action provides supports in the area of meal program support services. As an approved School Food Authority (SFA), Schools in Action can provide effective school food program management that will contribute to students' accessing a nutritious breakfast, lunch, snack and supper meal. For the small monthly fee equivalent to the cost of about one student lunch a month, a school can benefit from the meal program of their choice and guaranteed effective reimbursement claims from Schools in Action's School Food Authority (SFA), herein called SIA SFA.

Additional Benefits

- SFA will provide each school with Wellness Policy and guidelines for implementation.
- SFA will provide each school with NSLP Civil Rights compliance posters and all HACCP related posters.
- SFA will conduct periodic internal audits and make recommendations for improvement ensuring full compliance with all USDA and CDE NSLP regulations.

Name of Staff Originator:

Nanie Montijo, Chief Financial Officer

Attachments

Copy of the Agreement

National School Lunch Program Meal Claim Services

Schools in Action is an independent 501(c) 3 non-profit charter management organization that builds and operates high performance public charter schools at the elementary, and middle school levels in Los Angeles, CA.

Schools in Action sees as part of its mission to provide charter schools with supports in the area of meal program support services   As an approved School Food Authority, SFA, Schools in Action can provide effective school food program management that will contribute to students' accessing a nutritious breakfast, lunch, snack and supper meal.   For the small monthly fee equivalent to the cost of about one student lunch a month, a school can benefit from the meal program of their choice and guaranteed effective reimbursement claims from Schools in Action's School Food Authority (SFA), herein called SIA SFA.

<u>Background:</u>
Approximately eight years ago, it was discovered that many independent charter schools were unable to access free meals for their students. Many charters lack the internal infrastructure to apply and administer the National School Lunch Program. At that time, it was suggested by the State and other charter advocates that a well established Charter School Management company may be able to take the lead as serve as the principal agent for those schools who were unable to

act as their own School Food Authority.   This structure would allow thousands of high need students to access meals immediately and assist hundreds of charter school leaders in providing a well rounded quality education.

<u>What is offered:</u>

SIA SFA is offering:

- ➢ Complete audit of a school's current lunch program processes through an on site monitoring review as well as ongoing compliance oversight.
- ➢ Set up under our processing using *Meal Time* with training and support. See Standard Operating Procedures below.
- ➢ Accurate and timely monthly lunch claim form submission and reimbursement.

<u>Cost:</u>

The cost of these services is:

➢ One Time Set Up Fee:	$1500.00	-due upon execution of agreement
➢ Annual Audit Fee:	$750.00	-due upon execution and yearly renewal of agreement
➢ Per Pupil Fee:	$3.00	-per student participating in lunch program on monthly average, due within 30 days of Invoicing (Free and Reduced eligibility)

If desired, there will also be a one-time discounted cost for acquisition of *Meal Time* software and hardware purchased from and paid to directly with the company:

➢ *Meal Time* Point of Sale Software:	special discounted pricing
➢ Touch and Go Finger Scanner/Pin pad or bar code scanner:	discounted price per item

<u>Meal Program Standard Operating Procedures:</u>

Applications and Verification

1. Provide official lunch eligibility applications that can be handed out 30 days prior to the start of school.
2. Applications must be copied and originals sent in a safe and secure manner. Only SFA staff will review to determine student's lunch eligibility. Schools must keep copies for their records.
3. A status verification letter will be sent to the school and parents within 10 days of receipt of the application.
4. School must send SFA a complete general roster of student information before September 1st which SFA will upload into *Meal Time.*

Ordering

1. Breakfast, lunch and snack orders are called in by school per vendor instructions.

Set-up and Serving

1. School is responsible for setting-up and cleaning the lunch area per established food handling hygiene norms and processes.
2. One or more designated school staff member must be a Certified Professional Food Manager and/or handler and HACCP trained.

3. Food arrives with a production sheet (or transportation record) - sheet must be checked for accuracy and signed.
   a. Check if the correct number of orders was sent- if not, cross out the number on the production sheet and write-in the correct number on your copy and the vendors copy.
   b. If after serving lunch it was determined that there were not enough lunches contact the vendor so that the production sheet can be changed- be sure to make the changes to your copy and the vendors copy.
   c. All production sheets must be kept on file at the school site and readily available for site monitoring review.
4. As breakfast/lunch/snack is being served, students and staff must be monitored at point of sale and finger scanned for proper confidential identification and tracking.

Quality Control

1. Check the temperature of the food when it arrives and log the reading.
2. Call in major complaints to the vendor and notify the SFA.
3. If there is a particular meal that students are dissatisfied with, feel free to call the vendor to adjust the menu using National School Lunch Program standards.

Lunch Count Entry

1. At the end of each month check that all counts are inputted and accurate.
2. Send counts to SFA by 5th day of month for reimbursement claims processing.

Depositing Lunch Money

1. Paid and reduced lunch monies should be deposited weekly.
2. Food money SHOULD NOT BE HELD.
3. Money should be separated by month for fiscal tracking purposes.
   a. If a week consists of two partial months, create two cash receipts forms (or separate on two different lines of the same form)
   b. Keep a record of money owed by students per month. When the money is paid, the deposit form should state what dates the money is for.

Vendor Reconciliation

1. At the end of each month the school will receive an invoice for breakfast, lunch and snack.
   a. Compare the invoice to the *Meal Time* reports to ensure that the amounts listed are the amounts received. If amounts do not match cross-off and write-in correct amount.
   b. SFA will also reconcile invoice and support school's accounts payable if necessary.
2. Once all information has been reconciled by SFA, school site and vendor, SFA will submit accurate reimbursement claim and provide school with expected revenue report.
3. SFA will distribute the reimbursement funds to the school within 10 days of its receipt from the CDE.

Annual Verification of Meal Applications

1. SFA staff will randomly select error prone applications and notify the selected households using the *Meal Time* program.
2. The Charter School will be notified which households from their site are selected for verification.
3. The Charter School will contact each household to set up a confidential appointment in a timely manner if necessary for verification.
4. It is mandatory that they participate and they have 10 days to respond.

5. The Charter School and SFA will follow-up with the families and collect all information. Photocopy all received materials.
6. Once the information has come in, the Charter School will verify that the income provided is consistent with the original meal application.
   a. If income matches the application- no action is required
   b. If income does not match the application- determine if the new income changes the status of the student. If so, fill out “Letter of Verification Results” for families to notify the family of the change.
   c. If family fails to respond within the allotted 10 days their status automatically changes to Paid until they verify their income.
7. Report all verification results to the SFA staff and send copies of all the verification information gathered.
8. SFA will complete and submit the verification report to CDE.

Additional Benefits

1. SFA will provide each school with Wellness Policy and guidelines for implementation.
2. SFA will provide each school with NSLP Civil Rights compliance posters and all HACCP related posters.
3. SFA will conduct periodic internal audits and make recommendations for improvement ensuring full compliance with all USDA and CDE NSLP regulations.

California Department of Education
Nutrition Services Division

School Nutrition Programs
2016-2017

FOOD SERVICE AGREEMENT

Administering Sponsor: **Schools in Action**	
Agreement Number:	Vendor Number: 521800

Receiving Charter School: Magnolia Academy Public Schools	
Agreement Number: 1	Vendor Number:

This Agreement, executed in duplicate and entered into on _________________ between **SCHOOLS IN ACTION**, hereinafter referred to as the **School Food Authority (SFA)**, and __________________________________ hereinafter referred to as Newman , is created for the purpose of the **SFA** representing the **Charter School** as the Child Nutrition Program "Sponsor".

It is hereby agreed that:

As a site under the **SFA's** child nutrition program agreement(s), the **Charter School** will provide meals to enrolled students under the (check all that apply):

- ☐ National School Lunch Program
- ☐ School Breakfast Program
- ☐ Meal Supplements in the National School Lunch Program

(1) The **SFA** will include all participating sites from the **Charter School** in its application/agreement with the California Department of Education (CDE).

(2) The **SFA** will represent the **Charter School** as the Child Nutrition Program "Sponsor" and will claim reimbursement from the CDE for all meals served to participating children enrolled in the **Charter School**. Reimbursement will be claimed at the rate of one breakfast/lunch/snack per child per day, only for complete meals/snacks counted at the point of service, and according to each child's eligibility category.

(3) The **Charter School** will provide to the **SFA** by the 5th day of each month daily meal count records for the **SFA's** use in claiming reimbursement. The **Charter School** understands that failure to submit daily meal count records may result in loss of reimbursement to the **Charter School.**

(4) The **SFA** will distribute the child nutrition program reimbursement funds to the **Charter School** within 15 days of its receipt from the CDE.

(5) The **SFA** and the **Charter School** will ensure that all reimbursement funds and other Program revenues are utilized solely for the operation and improvement of the school food service program. The **Charter School** will maintain an accounting system that clearly documents the receipt and use of program revenues.

(6) The **Charter School** will provide to the **SFA** by the 5th day of each month copies of all records pertaining to the receipt and distribution of all Program revenues. The **SFA** will retain these records for a period of not less than 3 years, including current year, in accordance with their agreement with the CDE.

(7) The **Charter School** will distribute and accept Free and Reduced Price Meal applications to all households. All applications submitted to the **Charter School** will be scanned and email forwarded to the **SFA** immediately, daily and/or within 2 business days in order to ensure timely processing and benefit issuance to eligible students. If scanning/emailing is not possible, application must be mailed to SFA immediately upon receipt.

(8) The **SFA** will review and approve all Free and Reduced Price Meal applications within 10 days for the contracted **Charter School**. The **SFA** will create and update the eligibility roster and provide current lists to the **Charter School** as soon as possible after changes occur.

(9) The **Charter School** will designate a Fair Hearing Officer in order to collect and forward to the **SFA** any concerns from parents and guardians regarding eligibility and ensure all communication with **SFA** is site-based.

(10) The **Charter School** will perform the point of service meal counts utilizing the *Meal Time* software recommended or another approved means. The **SFA** will provide training as necessary to **Charter School** staff regarding point-of-service meal counts and completion of all required documents.

(11) The **SFA** will perform the required daily and monthly edit checks.

(12) The **SFA** will maintain Errors and Omissions Coverage for its role as the Sponsor.

(13) The **SFA** will reimburse the CDE for over-claims and other fiscal sanctions imposed by the CDE resulting from errors identified during audits and/or reviews.

(14) The **Charter School** will ultimately be responsible for meal count and claiming accountability and will assume financial responsibility for any over-claims or other program exceptions identified during a review or audit, and promptly reimburse the **SFA** accordingly.

(15) The **SFA** will perform the verification process and will notify the **Charter School** of its findings.

(16) The **SFA** will conduct all federally required procurement processes and approve vendor(s) to provide meals to the **Charter School** that comply with the nutrition standards established by the United States Department of Agriculture for the Nutrient Standard menu planning option.

(17) The **Charter School** may customize the vendor agreement only to the extent provided for in the agreement between the **SFA** and the vendor. The **Charter School** will provide copies of the customized amended agreement to the **SFA**.

(18) The **Charter School** will notify the vendor of the number of meals/snacks needed no later than the time indicated on the vendor/charter school agreement each day. The **Charter School** will be obligated to accept and pay for the number of meals requested except that the **Charter School** may not accept meals that are spoiled or unwholesome at time of delivery and will ensure that those meals are not included in invoices from the vendor.

(19) The **Charter School** will be responsible for payment to the meal vendors.

(20) The **Charter School** will be responsible for maintaining the proper temperature of the meals/snacks post delivery.

(21) The **Charter School** will make vendor equipment/property ready for pickup on a basis indicated in the vendor/charter school agreement.

(22) The gift or exchange of commodities is not permitted. Until students are served a meal/snack, all commodities remains the property of the **SFA.**

(23) The **Charter School** will comply with all mandatory training and certification requirements including, but not limited to annual health certification of each site, completion of CDE food handler training, and **SFA** training.

(24) The **Charter School** will indemnify and hold the **SFA** and its officers, employees, and agents harmless from any claims or liability relating to the preparation, transportation, storage, or delivery of food.

(25) The **Charter School** will pay the **SFA** a One Time, Non-Refundable, Set Up Fee, Annual Audit Fee and Per Pupil Fee as delineated below:

The cost of these services is:

➢ One Time Set Up Fee:	$1500.00	-due upon execution of agreement
➢ Annual Audit Fee:	$750.00	-due upon execution and yearly renewal of agreement
➢ Per Pupil Fee:	$3.00	-per student participating in lunch program, per monthly average, due within 30 days of invoicing
➢ Per Pupil Fee:	$1.50	-per student participating in lunch program on monthly average, due within 30 days of Invoicing (Paid eligibility)

(26) The **Charter School** if interested will acquire directly from *Meal Time* the Point of Sale software and hardware to be implemented in accurate and efficient monitoring of the school lunch program. There will be a discounted cost of this acquisition of which more information can be acquired by contacting *Meal Time* directly.

(27) The **Charter School** will keep and maintain liability insurance, including extended coverage for product liability in an amount no less than $5 million for each occurrence and will provide the **SFA** with a certificate evidencing insurance in the amount, naming the **SFA** as an additional insured and specifying that the coverage will not be canceled or modified without 30 days prior written notice to the **SFA**.

(28) Both parties will comply with all applicable federal, state, and local statutes and regulations with regard to the preparation and service of National School Lunch Program and/or School Breakfast Program meals, including, but not limited to, all applicable regulations relating to the overt identification of needy pupils, the nutritional content of meals, and nondiscrimination. All records maintained by both parties shall be open and available to inspection by Federal, State, and local authorities in accordance with applicable statutes and regulations.

(29) All business and information relating to the execution of this agreement and the services thereof, including kitchen visitations, will be directed to the Director of Food Services, **SFA**.

Once site addition is approved by the California Department of Education, this agreement is permanent and automatically renewable each year. Either party may terminate this agreement for cause upon thirty days written notice or in a mutually agreeable time frame. Notice of termination will be provided in writing to both parties and to the California Department of Education, Nutrition Services Division.

Name and Title of SFA Official **Glenda Alemán, Executive Director**	Telephone Number (323) 266-4371
Signature of SFA Official	Date
Name and Title of Receiving Charter School Official	Telephone Number ( )
Signature of Receiving Charter School Official	Date

Board Agenda Item #	Agenda # II E
Date:	April 6, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Frank Gonzalez, Chief Growth Officer
RE:	MSA 7 Lease Agreement Extension

Proposed Board Recommendation

I move that the board authorize the CEO or a designed to review and execute the lease extension for Magnolia Science Academy 7 at their current location at 18355 Roscoe Blvd, Northridge, CA 91325.

Background

The current lease has an option for an extension. This action, and the subsequent execution of the lease, will trigger the five-year extension. We have notified the landlord of the intent to stay at the site and extend the lease.

The term of the lease renewal will be for five (5) years beginning in school year 2017-2018 and be valid through school year through 2021-2022.

Per the existing agreement there are rental increases of 3% per year in the lease. Below is a schedule of the monthly lease amounts due by year, beginning August 1st of each year.

- August 1, 2017: $20,866.93
- August 1, 2018: $21,492.94
- August 1, 2019: $22,137.73
- August 1, 2020: $22,801.86
- August 1, 2021: $23,485.92

In addition, the landlord is requesting the following:

An increase to the original security deposit from the current $20,259.16 to $23,485.92.

- An increase to the trash collection fee which is currently $634.02 per month. The fee has not been raised in five (5) years. The fee increase will be based on the renegotiation of the contract with the trash service provider which will happen in Summer 2017.

- A fee for the cost of additional recycling bins of $50.50 per month.
- An increase to the cost for the hourly maintenance service of 13.5 hours per week from $10,000 per year to $11,232. The increase will allow the handyman to receive a salary increase.

Magnolia staff is negotiating these terms with the landlord.

As a related item, Magnolia staff has met with the Landlord to plan a new school facility on the same site. A revision to the lease costs is contemplated once the new facilities are designed and constructed. The new facility is being planned for a Fall 2019 occupancy.

Budget Implications
An increase to the school's annual operating expenses.

How Does This Action Relate/Affect/Benefit All MSAs?
This provides a stable facility for MSA 7 students for the upcoming five years.

Name of Staff Originator:
Frank Gonzalez, Chief Growth Officer

Attachments
None

Board Agenda Item #	Agenda # III A
Date:	April 6, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Frank Gonzalez, Chief Growth Officer
RE:	Approval of Prop 39 Clean Energy Vote Funds Contract Award

Proposed Board Recommendation

I move that the board authorize the CEO or a designed to negotiate and execute a contract with First Note Financial to provide consulting services to Magnolia to develop an Energy Expenditure Plan for each awarded school. The plan will detail how to expend funds provided under the Proposition 39 Clean Energy Grant program and be submitted to the Energy Commission before the August 1, 2017 deadline.

Background

Magnolia received grant awards under the Proposition 39 Clean Energy Grant Program. The program is as follows:

> The California Clean Energy Jobs Act (Prop. 39) changed the corporate income tax code and allocates projected revenue to California's General Fund and the Clean Energy Job Creation Fund for five fiscal years, beginning with fiscal year 2013-14. Under the initiative, roughly up to $550 million annually is available for appropriation by the Legislature for eligible projects **to improve energy efficiency and expand clean energy generation in schools.**
>
> Eligible local educational agencies (LEAs) — including county offices of education, school districts, **charter schools** and state special schools—can request funding by submitting an energy expenditure plan application to the California Energy Commission. For the first year, there is an option to receive part or all of a school's allocation for energy savings planning purposes. The Energy Commission approves plans and works with the California Department of Education, which subsequently distributes funds after plans have been approved.

Magnolia Public Schools was awarded a total of $2,134,612 in Proposition 39 Clean Energy Grants. Of these awarded funds $535,508 is reserved for planning purposes.

Magnolia staff contacted six different consultant companies to discuss their services, experience, costs and ability to deliver a quality product. Two (2) of the companies did not have the capacity to take on all of the Magnolia schools on one consulting contract due to other commitments or lack of sufficient staff. An additional two (2) companies provided estimates that ranged from $295,000 to $360,000. First Note Financial's initial estimate and subsequent proposal, attached hereto, is at a cost of **$241,826.00 or** $26,869.56 per eligible school. We followed up with the references provided and found that First Note Financial's clients are very satisfied with their services.

Budget Implications

Proposition 39 Clean Energy Funds have been received by Magnolia and are being held in a restricted status. A spreadsheet detailing the awards is attached.

How Does This Action Relate/Affect/Benefit All MSAs?

This contract will allow all Magnolia schools to utilize the awarded funds by developing and implementing plans to lower energy costs.

Name of Staff Originator:

Frank Gonzalez, Chief Growth Officer

Attachments

First Note Financial Contract Proposal

Exhibit A, Scope of Work; Exhibit B, Payment Schedule

MPS Clean Energy Awards spreadsheet

INDEPENDENT CONTRACTOR AGREEMENT

This Agreement is hereby entered into between Magnolia Public Schools, hereinafter referred to as "District," and First Note Finance *inc*, a California Corporation, Taxpayer ID Number: 46-1370205, hereinafter referred to as "Contractor."

WHEREAS, District is authorized by Section 53060 of the California Government Code to contract with and employ any persons for the furnishing of special services and advice in financial, economic, accounting, engineering, legal, or administrative matters, if such persons are specially trained and experienced and competent to perform the special services required; and

WHEREAS, District is in need of such special services and advice; and

WHEREAS, Contractor is specially trained and experienced and competent to perform the special services required by the District, and such services are needed on a limited basis.

NOW, THEREFORE, the parties agree as follows:

1. Services to be provided by Contractor.

The Services to be provided by Contractor are included in Exhibit 'A', attached hereto and made part of this Agreement.

2. Term. Contractor shall commence providing services under this Agreement on the date this Agreement is executed and will diligently perform as required and complete performance by according to the timelines provided in Exhibit 'A', once executed.

3. Compensation. District Agrees to pay the Contractor for services satisfactorily rendered pursuant to this Agreement a total fee not to exceed the fees provided in Exhibit 'B'. District shall pay Contractor according to the following terms and conditions: (For additional explanation of payment terms attach Exhibit B, which then will be incorporated in full into this Agreement. Indicate in paragraph 28 of Agreement if Exhibit B is applicable to this Agreement.)

4. Expenses. District shall not be liable to Contractor for any costs or expenses paid or incurred by Contractor in performing services for District, except as follows:

Approved travel expenses to Sacramento, CA, if in person meetings are required with California Energy Commission staff or commissioners directly related to Proposition 39 funded activities for the District.

(For additional explanation of expenses, attach Exhibit C, which then will be incorporated in full into this Agreement. Indicate in paragraph 28 of Agreement if Exhibit C is applicable to this Agreement.)

5. Independent Contractor. Contractor, in the performance of this Agreement, shall be and act as an independent contractor. Contractor understands and agrees that he/she and all of his/her employees, agents and contractors shall not be considered officers, employees, or agents of the District, and are not entitled to benefits of any kind or nature normally provided employees of the District and/or to which District's employees are normally entitled, including, but not limited to, State Unemployment Compensation or Worker's Compensation. Contractor assumes full responsibility for the acts and/or omissions of his/her employees, agents and contractors as they relate to the services to be provided under this Agreement.

6. Taxes. **California Residents:** Contractor acknowledges and agrees that it is the sole responsibility of Contractor to report as income its compensation received from District and to make the requisite tax filings and payments to the appropriate federal, state, or local tax authority. No part of Contractor’s compensation shall be subject to withholding by District for the payment of social security, unemployment, or disability insurance or any other similar state or federal tax obligation.

Non California Residents: California Revenue and Taxation Code and related regulations require districts that make payments of California source income of more than $1,500 in a calendar year to non-resident independent contractors performing services to withhold income taxes. (Some exceptions may apply.)

7. Materials. Contractor shall furnish, at his/her own expense, all labor, materials, equipment, supplies, and other items necessary to complete the services to be provided pursuant to this Agreement, except as follows:

Contractor's services will be performed, findings obtained, and reports and recommendations prepared in accordance with generally and currently accepted principles and practices of his/her profession.

8. Confidentiality and Use of Information.

(a) Contractor shall hold in trust for the District, and shall not disclose to any person, any confidential information. Confidential information is information that is related to the District's research, development, trade secrets, and business affairs, but does not include information that is generally known or easily ascertainable by nonparties through available public documentation.

(b) Contractor shall advise District of any and all materials used, or recommended for use by Contractor to achieve the project goals, that are subject to any copyright restrictions or requirements. In the event Contractor shall fail to so advise District, and as a result of the use of any programs or materials developed by Contractor under this Agreement, District should be found in violation of any copyright restrictions or requirements, or District should be alleged to be in violation of any copyright restrictions or requirements, Contractor agrees to indemnify, hold harmless, and defend District against any action or claim brought by the copyright holder.

9. Audits and Inspection of Records. At any time during normal business hours and as often as District may deem necessary, Contractor shall make available to District for examination at District's place of business specified above all data, records, investigation reports, and all other materials related to matters covered by this Agreement, and Contractor will permit the District to audit, and to make audits of, all invoices, materials, payrolls, records of personnel, and other data related to all matters covered by this Agreement.

10. Originality of Services. Contractor agrees that all technologies, formulas, procedures, processes, methods, writings, ideas, dialogue, compositions, recordings, teleplays, and video productions prepared for, written for, submitted to the District, and/or used in connection with this Agreement shall be wholly original to District and shall not be copied in whole or in part from any other source, except that submitted to Contractor by District as a basis for such services.

11. Copyright/Trademark/Patent. Contractor understands and agrees that all matters produced under this Agreement shall be works for hire and shall become the sole property of District and cannot be used without District's express written permission. District shall have all right, title, and interest in said matters, including the right to secure and maintain the copyright, trademark, and/or patent of said matter in the name of the District. Contractor consents to the use of Contractor’s name in conjunction with the sale, use, performance, and distribution of the matters, for any purpose and in any medium.

12. Termination. District may, at any time, with or without reason, terminate this Agreement and compensate Contractor only for services satisfactorily rendered to the

date of termination. Written notice by District shall be sufficient to stop further performance of services by Contractor. Notice shall be deemed given when received by the Contractor or not later than ten (10) days after the day of mailing, whichever is sooner.

District may also terminate this Agreement upon giving written notice of intention to terminate for cause. Cause shall include: (a) material violation of this Agreement by the Contractor; or (b) any act by Contractor exposing the District to liability to others for personal injury or property damage; or (c) if Contractor is adjudged a bankrupt, Contractor makes a general assignment for the benefit of creditors or a receiver is appointed on account of Contractor's insolvency. Written notice by District of termination for cause shall contain the reasons for such intention to terminate, and unless within ten (10) days after service of such notice, the condition or violation shall cease, or satisfactory arrangements for the correction thereof be made, this Agreement shall, upon the expiration of the ten (10) days, cease and terminate. In the event of such termination, the District may secure the required services from another contractor. If the cost to the District of obtaining the services from another contractor exceeds the cost of providing the service pursuant to this Agreement, the excess cost shall be charged to and collected from the Contractor. The foregoing provisions are in addition to and not a limitation of any other rights or remedies available to District. Written notice by District shall be deemed given when received by the other party, or no later than ten (10) days after the day of mailing, whichever is sooner.

13. Hold Harmless. Contractor agrees to and does hereby indemnify, hold harmless, and defend the District and its officers, agents, and employees from every claim or demand made and every liability, loss, damage, or expense of any nature whatsoever, which may be incurred by reason of:

(a) Liability for damages for: (1) death or bodily injury to person; (2) injury to, or loss or theft of, property; or (3) any other loss, damage, or expense arising out of (1) or (2) above sustained by the Contractor or any person, firm, or corporation employed by the Contractor, either directly or by independent contract, in connection with the services called for in this Agreement, however caused, except for liability for damages referred to above which result from the sole negligence or willful misconduct of the District or its officers, employees, or agents.

(b) Any injury to or death of any person, including the District or its officers, agents, employees, students, and visitors or damage to or loss of any property caused by any act, neglect, default, or omission of the Contractor or any person, firm, or corporation employed by the Contractor, either directly or by independent contract, arising out of or in any way connected with the services covered by this Agreement, whether said injury or damage occurs on or off District's property, except for liability for damages which result from the sole negligence or willful misconduct of the District or its officers, employees, or agents.

(c) Any liability for damages which may arise from the furnishing or use of any copyrighted or uncopyrighted matter or patented or unpatented invention under this Agreement.

Contractor further agrees that any agreement with any person, firm or corporation, engaged by Contractor as an independent contractor to perform services in furtherance of this Agreement, shall impose on such person, firm or corporation a duty to indemnify, hold harmless and defend the District to the same extent as required of Contractor under Section 13 of this Agreement.

14. Insurance. Contractor agrees to carry commercial general liability insurance with limits of One Million Dollars ($1,000,000) per occurrence combined single limit for bodily injury and property damage in a form mutually acceptable to both parties to protect Contractor and District against liability or claims of liability, which may arise out of this Agreement.

Contractor agrees to name District and its officers, agents, and employees as additional insureds under said policy and to provide an endorsement to this policy evidencing such.

In addition, Contractor agrees to provide an endorsement to this policy stating, "Such insurance as is afforded by this policy shall be primary, and any insurance carried by District shall be excess and noncontributory."

Contractor will also provide automobile liability insurance with limits of One Million Dollars ($1,000,000) per occurrence combined single limit for bodily injury and property damage.

Contractor shall provide District with certificates of insurance evidencing all coverages and endorsements required hereunder, including a thirty-day written notice of cancellation or reduction in coverage, at the time this Agreement is signed by Contractor and submitted to District.

(For additional explanation and detail of insurance requirements, attach Exhibit D, which then will be incorporated in full into this Agreement. Indicate in paragraph 28 of Agreement if Exhibit D is applicable to this Agreement.)

15. Worker's Compensation Insurance. Contractor agrees to procure and maintain in full force and effect Worker's Compensation Insurance covering its employees and agents while these persons are participating in the activities hereunder. In the event a claim under the provisions of the California Workers' Compensation Act is filed against District by a bona fide employee of Contractor participating under this Agreement, Contractor agrees to defend the District and hold the District harmless from such claim. Contractor represents that any person, firm or corporation engaged by Contractor to perform services in furtherance of this Agreement, whom Contractor has designated as an independent contractor, is properly designated as such under pertinent law, including

the Workers Compensation Act. Contractor agrees to hold harmless, indemnify and defend the District from every claim or demand made and every liability, loss, damage, or expense of any nature whatsoever, which arises from or is in any way related to such designation as an independent contractor.

16. Assignment. The obligations of the Contractor pursuant to this Agreement shall not be assigned by the Contractor.

17. Compliance With Applicable Laws. The services completed herein must meet the approval of the District and shall be subject to the District's general right of inspection to secure the satisfactory completion thereof. Contractor agrees to comply with all federal, state, and local laws, rules, regulations, and ordinances that are now, or may in the future become, applicable to Contractor, Contractor's business, equipment, and personnel engaged in operations covered by this Agreement or accruing out of the performance of such operations.

18. Permits/Licenses. Contractor and all Contractor's employees, agents or contractors shall secure and maintain in force such permits and licenses as are required by law in connection with the furnishing of services pursuant to this Agreement.

19. Employment With Public Agency. Contractor, if an employee of another public agency, agrees that Contractor will not receive salary or remuneration, other than vacation pay, as an employee of another public agency for the actual time in which services are actually being performed pursuant to this Agreement.

20. Entire Agreement/Amendment. This Agreement and any exhibits attached hereto constitute the entire agreement among the parties to it and supersedes any prior or contemporaneous understanding or agreement with respect to the services contemplated and may be amended only by a written amendment executed by both parties to the Agreement.

21. Affirmative Action Employment. Contractor agrees that it will not engage in unlawful discrimination in employment of persons because of race, color, religious creed, national origin, ancestry, physical handicap, medical condition, marital status, or sex of such persons.

22. Non-Waiver. The failure of District or Contractor to seek redress for violation of, or to insist upon, the strict performance of any term or condition of this Agreement, shall not be deemed a waiver by that party of such term or condition, or prevent a subsequent similar act from again constituting a violation of such term or condition.

23. Administrator of Agreement. This Agreement shall be administered on behalf of, and any notice desired or required to be sent to a party hereunder shall be addressed to:

For District: Dr. Caprice Young, CEO & Superintendent
Magnolia Public Schools
250 East 1st Street, Suite 1500
Los Angeles, CA 90012

For Contractor: James Richmond, President
First Note Finance *inc*
831 Pomona Avenue
Coronado, CA 92118

24. Notice. All notices or demands to be given under this Agreement by either party to the other shall be in writing and given either by (a) personal service or (b) by U.S. Mail, mailed either by registered or certified mail, return receipt requested, with postage prepaid. Service shall be considered given when received, if personally served, or, if mailed, on the fifth day after deposit in any U.S. Post Office. The address to which notices or demands may be given by either party may be changed by written notice given in accordance with the notice provisions of this section. At the date of this Agreement, the addresses of the parties are as set forth above.

25. Severability. If any term, condition, or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force and effect and shall not be affected, impaired, or invalidated in any way.

26. Governing Law. The terms and conditions of this Agreement shall be governed by the laws of the State of California with venue in San Diego County, California.

27. Warranty of Authority. Each of the parties signing this Agreement warrants to the other that he or she has the full authority of the entity on behalf of which his or her signature is made.

28. Applicable Exhibits. The Exhibits checked below are incorporated into this agreement:

XXX	Exhibit A Services Paragraph 1	XXX	Exhibit B Payment Paragraph 3		Exhibit C Expenses Paragraph 4	**XXX**	Exhibit D Insurance Paragraph 14 and 15

This Agreement is entered into this ____ day of __________________, 20 ____.

DISTRICT
Magnolia Public Schools

By: ______________________
Signature

Typed Name: Dr. Caprice Young

Title: CEO & Superintendent

CONTRACTOR
First Note Finance *inc*

By: ______________________
Signature

Typed Name: James E. Richmond

Title: President

EIN: 46-1370205
Tax ID Number or Social Security No.

EXHIBIT D

In accordance with paragraph 14 and 15 of this Independent Contractor Agreement, dated ______________________ between First Note Finance inc and Magnolia Public Schools for services to be provided in Exhibit 'A', Schedule '1', attached hereto and made part of this Agreement. ________________, (date) the following coverage and proof thereof must be provided prior to commencing any services.

☒ Commercial General Liability Insurance

Limits of One Million Dollars ($1,000,000) per occurrence combined single limit for bodily injury and property damage and:

- ☒ Endorsement naming the District and its officers, agents and employees as additional insureds
- ☒ Endorsement stating, "Such insurance as is afforded by this policy shall be primary, and any insurance carried by District shall be excess and noncontributory".

☒ Automobile liability covers "any auto" (and/or non-owned)

Limits of One Million Dollars ($1,000,000) per occurrence combined single limit for bodily injury and property damage

☒ Worker's Compensation Insurance

Exhibit ‘A’

CONTRACT TASK ORDER

TASK 1: Proposition 39 Energy Manager Services, Planning

There is an eight-(8) step process outlined by the California Energy Commission (CEC) to be eligible to receive Energy Project Award Funding under the Proposition 39 program. Step number 7 of the process is:

- Step 7: Complete and Submit an Energy Expenditure Plan.

In order to compile the information necessary to complete Step 7, the following Steps 1-6 will need to be completed first.

- Step 1: Electric and Gas Usage/Billing Data
- Step 2 Benchmarking or Energy Rating System
- Step 3: Eligible Energy Project Prioritization Considerations
- Step 4: Sequencing of Facility Improvements
- Step 5: Eligible Energy Measure Identification
- Step 6: Cost-Effectiveness Determination

INDEPENDENT CONTRACTOR will assist the District with Preparation of Proposition 39 Expenditure Plan for Submittal to the CEC, submit the completed Energy Expenditure Plan to the CEC according to its required schedule and process, and then shepherd the Energy Expenditure Plan through the CEC process to approval, thereby securing allocated Proposition 39 funding on the District’s behalf. This outcome will also depend on proper execution Task 2:

TASK 2: Proposition 39 Energy Manager Services, Screening, Benchmarking, Energy Auditing

INDEPENDENT CONTRACTOR will gather billing data, perform benchmarking, and perform energy audits (Steps 1-3), and compile the observations and recommendations district-wide to meet the CEC requirements for Steps 1-3.

INDEPENDENT CONTRACTOR will compile the information and consult with District in order to complete Steps 4-5. Once these steps are complete, INDEPENDENT CONTRACTOR will perform and report Step 6, using the established Savings to Investment ratio method (SIR) prescribed in the Proposition 39 Guidelines, in such a manner as it will be acceptable by the CEC in support of the Energy Expenditure Plan. Through this process a final, district-wide, cost-effective scope of energy efficiency measures will be cataloged and made to support a successful outcome of completing the Energy Expenditure Plan, and having it approved by the CEC.

INDEPENDENT CONTRACTOR will complete and submit applications to District's utility provider(s) for rebates and incentives in support of the District's Proposition 39 Program, including on-bill financing if available. Other potential sources of funding will also be identified and applied for including, but not limited to, the CEC ECAA loan program. INDEPENDENT CONTRACTOR will shepherd these various applications through to collection of the funds on behalf of the District.

DISTRICT SUPPORT NEEDED: In order for CONTRACTOR to perform its work efficiently and in a timely manner, CONTRACTOR requests certain information, including executed documentation, from the DISTRICT. Such information will include, but may not be limited to the following:

1. Fourteen (14) months of utility usage data, per each electric and/or gas meter related to the District's operations;
2. Online access to DISTRICT's utilities accounts (electricity and natural gas);
3. DISTRICT Online access to the California Energy Commission's (CEC) Proposition 39 online planning tools;
4. Executed Utility Authorization Forms and/or letters from the California Energy Commission and the DISTRICT's utilities provider(s).
5. Floor plan drawings and/or site plans of the DISTRICT facilities and/or campuses.
6. Key DISTRICT staff telephone and email contact information for onsite access and information requested above.

This information, executed documentation, and online access is requested to be provided to CONTRACTOR as soon as reasonably possible following the execution of this contract. CONTRACTOR will provide DISTRICT with assistance as well as electronic tools to make this information gathering as easy as possible.

TASK 3: Proposition 39 Annual Tracking and Reporting Services

INDEPENDENT CONTRACTOR will prepare a Measurement and Verification Plan related to the Proposition 39 program in support of the requirements of the CEC Guidelines, then implement the measurement and verification plan activities to monitor and verify the energy and O&M savings accruing from the Proposition 39 funded Energy Efficiency measures. These tasks will be implemented on an ongoing basis for a period of four years after the completion of each energy efficiency measure under the Proposition 39 program, or through August 31, 2019, whichever comes first.

INDEPENDENT CONTRACTOR will prepare and submit required annual reporting to the CEC under the Proposition 39 program for a period of four years after the completion of each energy efficiency measure under the Proposition 39 program, or through August 31, 2019, whichever comes first. Includes responding to and answering questions and/or challenges made by the CEC reviewers throughout this process.

TASK 4: Project Implementation Management Services for District's Facilities

INDEPENDENT CONTRACTOR will perform Project Management of tasks related to the Proposition 39 program.

Design Engineering Management: This will include preparation of detailed Contractor Statements of Work, Preparing an RFP for Design Engineering a Specifications, assisting the District with Design Engineer selection, managing the Design Engineering process through Schematic Design, Detailed Design, and Construction Documents phases, then submitting the Construction Documents to the local jurisdiction for building permit approvals, and shepherding this process through in a timely manner.

Contractor Solicitation and Selection: This will include preparation of RFPs for trades contractor procurement such as general construction, geotechnical, excavation, mechanical, electrical, plumbing and piping, system commissioning, and/or controls/information technology contractors that will be needed to implement the Facilities Operations and Maintenance projects. INDEPENDENT CONTRACTOR will assist District with contractor interviews and selection, and prepare the contracts for the successful bidders.

Project Management: INDEPENDENT CONTRACTOR will assist District with Project Management tasks related to the Proposition 39 Program.

- Installation Contractor Bid Management & Selection Process Assistance
- Preparation of the Installation Contract including detailed Statements of Work and Schedules of Values that will govern payment eligibility milestones to the selected installation contractors
- Intermittent on site Project Management of construction, equipment and associated System Commissioning Program of the installed systems and equipment.
- Review Contractor Invoices and Recommend (or not) Progress Payments
- Review contractor change-orders if they are received, determine efficacy of the change-order claims, and assist District with negotiating reasonable and favorable outcomes.

- Coordinate and facilitate District Staff Training on the installed equipment and systems
- Prepare an Operations & Maintenance Binder for the installed equipment and systems, including mechanical construction documents and contractor shop-drawings, cut-sheets of all products installed, warranty cards, and operator's manuals.

Not-to-Exceed Contract Price:

The not-to-exceed contract price over the course of 5 years is 10% of the Proposition 39 funding secured on District's behalf. This applies to the terms of Task 1 through Task 4 herein.

TASK 5: Fundraising and Financing Development

Separate of Task 2 sources of funding above, INDEPENDENT CONTRACTOR will assist District with fundraising and acquisition of financial resources related to implementation of the Proposition 39 Program. INDEPENDENT CONTRACTOR will provide these services on a fee for performance basis identified as "fundraising fee" on Exhibit B herein. INDEPENDENT CONTRACTOR will search for qualifying project funding options, including but not limited to foundation grants, zero-interest loans, or tax-deduction assignment to donors, facilitate applications and processes to secure such funding on behalf of District, and follow through to collection of the funds to the account of DISTRICT.

Additionally, INDEPENDENT CONTRACTOR will investigate other financing options from bank or bond market sources to be secured against allocated future Proposition 39 funding in accordance with the CEC guidelines and (approved) Energy Expenditure Plan (Task 1), including aggregating such bank loan or bond market products with other school districts statewide to achieve an overall lower interest rate, and propose such financial options to DISTRICT for its review and approval. (If) and once approved, INDEPENDENT CONTRACTOR will execute loan agreements (further approved by DISTRICT), and follow through to collection of these funds to the account of DISTRICT.

Exhibit 'B'

FEE & TASK SCHEDULE –TASK ORDER

Years	Scope of Work	Fee Proposal	Fundraising Fee
2016-17	Complete benchmarking, energy auditing, and screening	$ 36,274.00	
2017	Complete & submit Energy Expenditure Plans	$ 30,228.00	
2017	Obtain funds commitment of Energy Expenditure Plan	$ 30,228.00	
2017-2019	Manage project installation to completion	$108,822.00	
2016-19	Tracking & Reporting to CEC	$ 36,274.00	
2015-19	Fundraising and Finance Development		6.5%
	Total:	**$241,826.00**	

Fundraising Fee: The equivalent of 6.5% fundraising fee will be billed for additional funding or financing raised or arranged by Contractor as per terms of Task 5 herein, *if needed.*

Payment Terms: A retainer fee shall be paid to Contractor in the amount of 20% of the total Lump Sum Fees amount shown above upon execution of this Task Order. Progress payments are due monthly with net 30 day payment terms, subject to cash flow considerations based on collections of State funds.

MAGNOLIA
PUBLIC SCHOOLS

Board Agenda Item #	Agenda # III B
Date:	April 6, 2107
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Caprice Young/John Phan
RE:	Approval of Bond Financing

Proposed Board Recommendation

I move that the board adopt the attached resolutions that (1) authorize Magnolia Public Schools to enter into a bond financing transaction and (2) approve the forms of various agreements to be executed by Magnolia Public Schools or by its affiliates in connection with the proposed financing transactions.

Background

In 2014, MPS financed the acquisition and development of the MSA-1 charter school facilities located at 18214 and 18228 Sherman Way, Reseda, Los Angeles County, California 91335 through the issuance of tax-exempt bonds by the California School Finance Authority (the "Authority"). MPS created Magnolia Properties Management, Inc. ("MPM") and MPM Sherman Way LLC ("MPM Sherman Way") for purposes of that transaction. MPM is the sole member of MPM Sherman Way LLC. The Authority made a loan to MPM Sherman Way of the proceeds of the sale of the bonds. MPM Sherman Way used the loan proceeds to acquire and develop the facilities, and MPM Sherman Way leases the facilities to MPS for use by MSA-1.

MPS now proposes, through a similar transaction, to finance or refinance (i) the acquisition and development of the additional MSA-1 property located at 18238 Sherman Way, Reseda, Los Angeles County, California 91335, (ii) the construction of a gymnasium on the MSA-SA real property owned by MPS and located at 2840 W 1st Street, Santa Ana, California 92703 and (iii) the acquisition and installation of certain modular buildings to be used by MSA-SD and located at 6525 Estrella Avenue, San Diego, California 92120.

For purposes of this transaction, MPM has created MPM Santa Ana LLC ("MPM Santa Ana") and MPM San Diego LLC ("San Diego"). The Authority will loan the proceeds of the sale of bonds to MPM for use by MPM Sherman Way, MPM Santa Ana, and MPM San Diego. MPM will use loan proceeds to acquire the 18238 Sherman Way property from MPS and to develop the property. MPM Sherman Way will amend the existing lease to add this property to the MSA-1 lease. MPM Santa Ana will use loan proceeds to make a loan to MPS for the construction of the gymnasium for use by MSA-SA. MPS will use loan proceeds to acquire and install the modular buildings and will lease the buildings to MPS for use by MPM-SD. The real and personal property owned by the three LLCs, and MPM's membership interest in the LLCs, will be pledged to secure the loan made by the Authority to MPM Sherman Way LLC in 2014 and the loans to be made by the Authority to MPM in 2017.

The leases and loan agreement executed by MPS in favor of the LLCs will be secured by the gross revenues of the respective schools and by management fees collected by MPS from all schools operated by MPS. The rent payable under the lease and loan agreement will be approximately equal to the debt service obligations of the LLCs.

Budget Implications

The three schools involved (MSA-1, MSA-SA and MSA-SD) will need to provide in their budgets for the payment of their obligations to the LLCs under the leases and loan agreement.

How Does This Action Relate/Affect/Benefit All MSAs?

The proposed transaction secures a source of long-term financing for facilities needed by the MSAs involved. The transaction is expected to result in favorable interest rates compared to conventional taxable financing and to allow MSA-1 and MSA-SD to claim SB 740 rent reimbursement for the payments they make under the leases.

Name of Staff Originator:
Caprice Young, Chief Executive Officer

Exhibits (attachments):
Santa Ana

- First Amendment to MPM Santa Ana LLC Operating Agreement
- MPM Santa Ana LLC Operating Agreement
- MPM Santa Ana Security Agreement

San Diego

- First Amendment to MPM San Diego LLC Operating Agreement
- MPM San Diego LLC Operating Agreement
- MPM San Diego Security Agreement

Sherman Way

- First Amendment to MPM San Diego LLC A &R Operating Agreement
- MPM San Diego LLC A&R Operating Agreement

Security Agreement

Subordination, Non-Disturbance and Attornment Agreement

Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing

SANTA ANA

FIRST AMENDMENT TO OPERATING AGREEMENT

OF

MPM Santa Ana LLC

a California limited liability company

THIS FIRST AMENDMENT TO OPERATING AGREEMENT is made effective as of April 1, 2017, by Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Sole Member"), and is made with reference to the following:

A.. The Sole Member is the sole member MPM Santa Ana LLC, a California limited liability company (the "Company").

B. The Sole Member executed an Operating Agreement of the Company dated as of April 1, 2017 (the "Operating Agreement).

C. The California School Finance Authority (the "Authority") is issuing its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") pursuant to the Indenture (the "Indenture") dated as of April 1, 2017, by and between the Authority and UMB Bank, National Association, as trustee thereunder (the "Bond Trustee").

D. Pursuant to a Security Agreement dated as of April 1, 2017 (the "Security Agreement") by and between the Sole Member and UMB Bank, National Association, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), the Company, and MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and the Company, the "Obligated Group Members"), as initial Members of the Obligated Group, and the Trustee, the Sole Member has granted the Trustee a security interest in the Sole Member's membership in the Company and in all associated rights, interests, powers and authority held by Sole Member under the Operating Agreement.

E. The Sole Member desires to amend the Operating Agreement to secure the benefits of the Security Agreement to the Trustee.

NOW, THEREFORE, the Sole Member agrees as follows:

1. **Amendment to Operating Agreement**. Article IX of the Operating Agreement is amended by inserting the following Section 9.13 immediately following Section 9.12:

9.13 Security Agreement. Pursuant to a Security Agreement dated as of April 1, 2017 (the "Security Agreement") by and between the Initial Member and UMB Bank, National Association, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), the Company, and MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and the Company, the "Obligated Group Members"), as initial Members of the Obligated Group, and the Trustee, the Initial Member has granted the Trustee a security interest in the Initial Member's membership in the Company and in all associated rights, interests, powers and authority held by Initial Member under this Agreement (collectively, the "Membership Rights"). Until such time as the Obligations (as defined in the Security Agreement) shall have been paid in full or the Trustee's security interest in the Membership Rights shall have terminated as provided in the Security Agreement, the Company shall not elect to have its membership interests be securities governed by Division 8 of the Uniform Commercial Code as enacted in the State of California, the Company shall not issue any certificate evidencing membership in the Company, the Initial Member may not further Transfer any right, title or interest in the Membership Rights, the Initial Member may not admit any additional members to the Company, and the Initial Member may not modify or amend this Agreement without the prior written consent of the Trustee and Bondholder Representative (as defined in the Indenture), and any purported issuance, Transfer, admission, modification or amendment prohibited by this provision shall be void and of no force or effect. The Trustee and Bondholder Representative are third party beneficiaries of this Section 9.13 and may enforce these provisions as if express parties hereto. In the event there is no longer a Bondholder Representative with respect to any of the Bonds (as defined in the Indenture), the term "Bondholder Representative" shall be disregarded herein.

2. **Operating Agreement Remains Effective**. Except as provided herein, the Operating Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Initial Member has executed this Agreement effective the day and year first set forth above.

INITIAL MEMBER:

MAGNOLIA PROPERTIES MANAGEMENT, INC.

By:_____________________________________
Name:__________________________________
Title: __________________________________

OPERATING AGREEMENT

OF

MPM Santa Ana LLC

a California limited liability company

THIS OPERATING AGREEMENT is made effective as of April 1, 2017, by Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Initial Member"), and is made with reference to the following:

A. The Initial Member desires to form a limited liability company under and pursuant to the California Revised Uniform Limited Liability Company Act set forth in sections 17000-17713.13 of the California Corporations Code, as amended from time to time (the "Act").

B. Articles of Organization for MPM Santa Ana LLC (the "Company") were filed with the California Secretary of State on February 24, 2017.

C. The Initial Member executes this Operating Agreement in order to complete the organization of the Company and provide for the governance of the Company and the conduct of the Company's business.

NOW, THEREFORE, the Initial Member declares the following to be the Operating Agreement ("Agreement") of the Company:

ARTICLE I
ORGANIZATION

1.1 Formation. The Initial Member has caused the Articles of Organization to be filed with the California Secretary of State, and the formation of the Company shall be effective as of the date of said filing.

1.2 Name. The name of the Company shall be "MPM Santa Ana LLC." The Company shall conduct its business and affairs under said name or such other name as the Sole Member may determine from time to time.

1.3 Agent for Service of Process. The name and address for the initial agent for service of process on the Company is Caprice Young, 250 E. 1st Street, Los Angeles, California 90012. The Sole Member may from time to time change the Company's agent for service of process.

1.4 Principal Place of Business. The principal office of the Company shall be located at 250 E. 1st Street, Los Angeles, California 90012 or at such other place as the Sole Member may determine from time to time.

1.5 Term. The term of the Company shall commence on the filing of the Articles of Organization with the California Secretary of State and shall continue until the Company is dissolved and wound-up and liquidated pursuant to this Agreement or by operation of law.

1.6 Purpose. The Company is organized and will operate:

(a) exclusively to support the charter schools operated by Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation (the "Supported Corporation"), which is the organization supported by the Sole Member;

(b) for the specific purpose of holding title to property, including real and personal property located at 2840 W 1st Street, Santa Ana, California 92703 or a promissory note relating to the development of such property (the "Property"), managing, operating, leasing and otherwise dealing with the Property and collecting the income therefrom and turning over the entire amount of said income, less expenses, to the Sole Member, which is an organization exempt from federal income tax under Internal Revenue Code § 501(c)(3) and from state corporate tax under California Revenue and Taxation Code § 23701d; and

(c) to do any and all things and to engage in any and all other activities and transactions necessary, convenient, appropriate or incidental to the accomplishment of the foregoing purposes or otherwise for the protection and benefit of the Company.

Notwithstanding the foregoing and any other provisions of this Agreement, the actions, activities and transactions of the Company will be limited to those permitted under California Revenue and Taxation Code § 23701h.

1.7 Tax Status. It is the intention of the Sole Member that the Company be disregarded as an entity separate from the Sole Member solely for federal and all relevant state tax purposes. All provisions of the Articles of Organization and this Agreement are to be construed so as to preserve that tax status.

ARTICLE II
MEMBERSHIP

2.1 Admission. Simultaneously with the effectiveness of this Agreement, the Initial Member is admitted as the sole member ("Sole Member") of the Company. The name and address of the Sole Member is listed on Exhibit A attached hereto.

2.2 Membership Interest. The Sole Member shall own the sole membership interest in the Company, which includes all rights in the Company collectively, including the Sole Member's transferable interest, any right to vote or participate in management and any right to information concerning the business and affairs of the Company.

2.3 Capital Contributions. The Sole Member may contribute cash or other property to the Company as the Sole Member shall determine from time to time.

2.4 Limited Liability. The Sole Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company, except as otherwise provided in the Act.

ARTICLE III
MANAGEMENT

3.1 Management.

3.1.1. The management of the business and assets of the Company shall be vested solely in the Sole Member, who shall have sole power and authority to manage, control and conduct the business and affairs of the Company and may exercise all powers of the Company.

3.1.2. The Sole Member may appoint a President, a Chief Executive Officer, one or more Vice Presidents, a Secretary, a Chief Financial Officer and such other officers as the Sole Member may deem necessary or advisable to manage the day-to-day business affairs of the Company (each, an "Officer"), and such Officers shall have the titles, powers and duties as shall be determined by the Sole Member. Unless and until any such officer is removed by the Sole Member, each officer of the Sole Member who is neither an officer, director, or employee of the Supported Corporation nor a relative of any such officer, director, or employee shall hold the same office in the Company *ex officio*.

3.1.3. Without limiting the foregoing **Paragraphs 3.1.1** and **3.1.2**, the Sole Member shall have the right, in its sole and absolute discretion to, or to cause the Company to, as applicable:

(a) take all actions necessary or convenient to the accomplishment of the Company's purposes set forth in **Paragraph 1.6**;

(b) enter into any loan, credit, guarantee or other similar financing arrangements, including the opening, maintaining and closing bank accounts, in order to receive or borrow funds to fulfill the Company's purposes and objectives;

(c) enter into agreements for the purchase, sale and renovation of real property which agreements may include such representations, warranties, covenants, indemnities and guarantees as Sole Member deems necessary or advisable;

(d) own, lease and dispose of real property;

(e) mortgage, pledge or otherwise encumber its property; and

(f) make and perform such other agreements, undertakings and transfers of property as Sole Member deems necessary or advisable.

3.2 Meetings. No annual, regular or special meetings of the Sole Member or Officers are required.

ARTICLE IV
ALLOCATIONS AND DISTRIBUTIONS

4.1 Allocations. All profits and losses, each item thereof, and all other items attributable to the membership interest shall be allocated to the Sole Member for tax, accounting and all other purposes.

4.2 Distributions. At such times as the Sole Member deems appropriate, the Sole Member shall cause the Company to distribute cash or other property held by the Company to the Sole Member. The Company shall turn over the entire amount of its income, less expenses, to the Sole Member periodically.

ARTICLE V
COMPANY ADMINISTRATION

5.1 Books and Records.

5.1.1. The books and records of the Company shall be kept and maintained at the Company's principal office in California, shall reflect all of the Company transactions, and shall be appropriate and adequate for the Company's business.

5.1.2. Without limiting the requirements set forth in **Paragraph 5.1.1**, the Company shall maintain at its principal office in California all of the following:

(a) A current list of the full name and last known business or residence address of the Sole Member, together with the capital contribution and share in profits or losses of the Sole Member;

(b) A copy of the Articles of Organization, as amended from time to time;

(c) Copies of the Company's Federal, state and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;

(d) Executed counterparts of this Agreement, as amended;

(e) Any powers of attorney under which the Articles of Organization or any amendments thereto are executed;

(f) Financial statements of the Company for the six (6) most recent fiscal years; and

(g) The books and records of the Company as they relate to the Company's internal affairs for the current and past four (4) fiscal years.

5.2 Accounting. Books and records of the Company shall be kept on the method of accounting selected by the Sole Member and applied on a consistent basis in the preparation of its financial reports and for tax purposes. The taxable and fiscal years of the Company shall coincide with the taxable and fiscal years of the Sole Member.

5.3 Banking. All funds of the Company shall be deposited in the name of the Company in one or more distinct separate accounts with one or more recognized financial institutions and at such locations, all as shall be determined by the Sole Member. Any withdrawal from such accounts shall require the signature of the Sole Member or such other person or persons authorized to do so by the Sole Member.

5.4 Assets. All assets of the Company, whether real or personal, shall be held in the name of the Company.

ARTICLE VI
TRANSFERS

6.1 Transfers. The Sole Member may assign, sell, gift, transfer or otherwise dispose of ("Transfer") all or any part of its membership interest in the Company at any time (the transferee hereinafter referred to as "Transferee"). A Transferee of membership in the Company shall become a substituted member automatically upon the Transfer of such membership, provided that, if a Transfer of membership in the Company is made for purposes of security, the Transferee of such Transfer shall not become a substituted member until such time as the Transferee has concluded a foreclosure sale of such membership.

6.2 Duties of Substituted Member. Any person admitted to the Company as a substituted member shall be subject to all of the provisions of this Agreement that apply to the Sole Member from whom the membership interest was assigned.

6.3 Division of Allocations and Distributions. If any membership interest, or part thereof, is assigned during any fiscal year in compliance with the provisions of this Article VI, profits, losses, each item thereof and all other items attributable to such membership interest for such fiscal year shall be divided and allocated between the transferor and the transferee by taking into account their varying membership interests during the period in accordance with section 706(d) of the Internal Revenue Code of 1986, as amended, using any convention permitted by law selected by the Sole Member. All distributions on or before the date of such assignment shall be made to or for the account of the transferor, and all distributions thereafter shall be made to or for the account of the transferee. Solely for purposes of making such allocations and distributions, the Company shall recognize such assignment not later than the end of the calendar month during which the assignment occurs. Neither the Company nor the Sole Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Paragraph 6.3.

6.4 Rights of Secured Parties. Notwithstanding anything to the contrary in Section 17705.02(b) of the Act, (a) the Sole Member may pledge or grant a security interest in, or assign for purposes of security, all or any part of the Sole Member's membership interest in the Company, including the Sole Member's designation as the sole member of the Company, the Sole Member's right to vote or participate in management and right to information concerning the business and affairs of the Company, the Sole Member's power and authority to manage, control and conduct the business and affairs of the Company, and the Sole Member's right to receive distributions to which the Sole Member is entitled, and (b) subject to the terms and conditions of the agreement(s) between the Sole Member and the Transferee and compliance with applicable provisions of the Uniform Commercial Code, upon default the Transferee may exercise any of such rights, powers, and authority as may have been granted to the Transferee and the Transferee may receive distributions to which the member is entitled.

ARTICLE VII
INDEMNIFICATION

To the extent of Company assets, the Company agrees to defend each member, manager (if any), and Officer of, and each entity controlling, or directly or indirectly related to, the Company (each, an "Affiliate"), including, without limitation, any director, officer, employee, or agent of any member, manager, Officer or Affiliate acting on behalf of the Company (each, an "Indemnitee" and, collectively, the "Indemnitees"), against all claims or demands arising from the acts or omissions of the Company and agrees to indemnify and hold each of the foregoing harmless against all liabilities, losses, damages, expenses, costs or any other economic detriment suffered, paid, or incurred, foreseen or unforeseen, arising from any claim, demand, action, suit or proceeding, whether civil, criminal, administrative, or investigative, or whether threatened, pending or completed, which pertain to any Indemnitee, as described above, in such capacity, arising from the acts or omissions of the Company, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. No member shall be subject to personal liability or be required to fund or cause to be funded any obligation of the Company described in this Article VII.

ARTICLE VIII
DISSOLUTION

8.1 Events of Dissolution. The Company shall dissolve upon the earliest to occur of:

(a) the decision of the Sole Member;

(b) the entry of a decree of judicial dissolution under section 17707.03 of the California Corporations Code.

8.2 Winding Up. Upon dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Sole Member shall wind up the affairs of the Company and give written notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company, including, without limitation, debts and liabilities to the Sole Member as a creditor of the Company, the remaining assets of the Company shall be distributed to the Sole Member.

ARTICLE IX
GENERAL

9.1 Amendment. This Agreement may be amended only in a writing signed by the Sole Member.

9.2 Binding Agreement. Subject to any restrictions on transfers set forth in this Agreement, this Agreement shall inure to the benefit of and be binding upon the Sole Member and its respective legal representatives, successors, and Permitted Transferees.

9.3 Headings. The article and paragraph headings are included in this Agreement solely for convenience of reference and in no way describe, define, limit, extend or interpret the scope, intent or extent of this Agreement, or any provision hereof. If there is any conflict between such headings and the text of this Agreement, the text shall control.

9.4 Number and Gender. Unless the context clearly indicates otherwise, the singular shall include the plural and vice versa. In all cases the masculine gender shall include the neuter and feminine genders and vice versa.

9.5 Severability. If any provision of this Agreement or the application thereof to any "person" (as defined in the Act) or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provisions to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and the intent of this Agreement shall be enforced to the greatest extent permitted by law.

9.6 References to this Agreement. Numbered or lettered articles and paragraphs herein contained refer to articles and paragraphs of this Agreement unless otherwise expressly stated.

9.7 Parties in Interest. Except as otherwise expressly provided in this Agreement, nothing contained in this Agreement shall be deemed to confer any right or benefit on any person who is not a party to this Agreement.

9.8 Other Businesses. The Sole Member, any Affiliate, any officer, director, or employee of the Sole Member or of any Affiliate or and any other person holding a legal or beneficial interest in the Sole Member or Affiliate (collectively, the "Interested Parties") may engage in or conduct any business, investment, profession or other activity it chooses, whether or not the same is competitive with the Company, without any accountability to the Company and without having or incurring any obligation to offer any interest in such business, investment, profession or other activity to the Company. The Company shall have no right by virtue of this Agreement in and to any such business, investment, profession or other activity or to the income or profits arising therefrom, nor shall the Sole Member be required to permit the Company to participate in such business, investment, profession or activity. Except as expressly provided in this Agreement, each Interested Party shall have no fiduciary obligation to the Company by virtue of this Agreement to submit to the Company any business opportunity, whether or not such opportunity arose from its activities with respect to the Company.

9.9 Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter of this Agreement.

9.10 Exhibits. Any exhibits referred to in this Agreement are incorporated by reference into this Agreement and made a part hereof.

9.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one agreement binding on the parties hereto, notwithstanding that all of the parties are not signatories to the same counterpart.

9.12 Governing Law. The laws of the State of California (without regard to otherwise governing principles of conflicts of law or choice of law) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereof.

IN WITNESS WHEREOF, the Initial Member has executed this Agreement effective the day and year first set forth above.

INITIAL MEMBER:

MAGNOLIA PROPERTIES MANAGEMENT, INC.

By:________________________________
Name:______________________________
Title: ______________________________

CONSENT OF ORGANIZER

The undersigned, the Organizer of the Company, acknowledges that she filed the Articles of Organization for the Company on behalf the Initial Member and consents to the foregoing.

Dated: April 1, 2017

____
Caprice Young, Organizer

EXHIBIT A

Sole Member

Magnolia Properties Management, Inc.
250 E. 1st Street
Los Angeles, California 90012

TABLE OF CONTENTS

OPERATING AGREEMENT

OF

MPM Santa Ana LLC

---

a California limited liability company

SECURITY AGREEMENT

(MPM Santa Ana LLC)

THIS SECURITY AGREEMENT (this "Security Agreement") dated as of April 1, 2017, is made by and between **MPM Santa Ana LLC**, a California limited liability company ("Grantor"), and **UMB Bank, National Association**, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), Grantor, and MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and Grantor, the "Obligated Group Members"), as initial Members (as defined in the Master Indenture) of the Obligated Group (as defined in the Master Indenture) , and the Trustee. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Indenture (the "Indenture") dated as of April 1, 2017, by and between the California School Finance Authority (the "Authority") and UMB Bank, National Association, as trustee thereunder (the "Bond Trustee"), or in the Master Indenture, unless the context requires otherwise.

W I T N E S S E T H:

WHEREAS, the Authority is issuing its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") pursuant to the Indenture, the proceeds of which are being applied by the Obligated Group Members to finance the acquisition, expansion, renovation and equipping of certain educational facilities owned by the Obligated Group Members or by Magnolia Educational and Research Foundation, a California nonprofit public benefit corporation ("MERF"), and operated by MERF; and

WHEREAS, in consideration of the purchase of the Bonds issued under the Indenture by investors for whom Hamlin Capital Management, LLC ("Hamlin") acts as investment advisor, Hamlin, as Bondholder Representative (the "Bondholder Representative"), has required that Grantor grant, hypothecate and pledge to the Trustee certain Collateral as described herein;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure the payment and performance of the obligations of Grantor with respect to the Bonds from time to time outstanding under the Indenture, the Grantor hereby covenants and agrees as follows:

ARTICLE I.
SECURITY INTEREST

SECTION 1.1. CREATION OF SECURITY INTEREST. The Grantor hereby grants to the Trustee a security interest in all of the Grantor's right, title and interest in and to the collateral described in Section 1.2 (the "Collateral") to secure the payment of all obligations of the Borrower and the Grantor under the Loan Agreement and under Obligation No. 2 issued pursuant to the Supplemental Master Indenture for Obligation No. 2 (the "Second Supplemental Master Indenture"), dated as of April 1, 2017, by and between the Obligated Group Representative and the Trustee, whether now existing or hereafter arising during the term of this Security Agreement (collectively, the "Obligations"). The security interest granted hereunder shall, except as otherwise provided herein, be governed by and interpreted in accordance with the provisions of the Uniform Commercial Code as adopted in the State of California (the "UCC"). The Grantor shall file or record, or cause to be filed and recorded, any financing statements necessary to protect and preserve the Trustee's security interests in the Collateral. The Trustee may, at the expense of the Obligated Group Members, retain counsel to assist it in making any filings required hereby and may rely on the opinion of any such counsel.

SECTION 1.2. DESCRIPTION OF COLLATERAL. The Collateral pledged under this Security Agreement includes all of the following:

(a) all right, title and interest of the Grantor in the School Loan Agreement;

(b) all certificates, documents and instruments representing or evidencing ownership of the property described in clause (a) of this Section and all proceeds thereof, including (without limitation) cash, property and other distributions, dividends, securities, investment property, rights and other property now or hereafter at any time or from time to time received, receivable or otherwise distributed or distributable in respect of or in exchange for any or all of the foregoing property;

(c) all substituted or additional collateral required to be supplied under the terms of this Security Agreement; and

(d) the proceeds of all of the foregoing property described in clauses (a) through (c) of this Section.

SECTION 1.3. SECURITY FOR OBLIGATIONS. This Security Agreement secures the prompt payment of all Obligations.

SECTION 1.4. PROTECTION OF SECURITY INTEREST. During the term of this Security Agreement, the Trustee, the Bond Trustee, and Bondholder Representative shall have the right upon the occurrence and during the continuance of an Event of Default under the Indenture, the Loan Agreement, any Mortgage, the Master Indenture, or Obligation No. 2 (collectively, the "Financing Documents") to make any payments and to perform any other acts the Trustee, the Bond Trustee, or Bondholder Representative shall deem necessary to protect the Trustee's security interest in the Collateral, including (without limitation) the rights to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of the Trustee, the Bond Trustee, or Bondholder Representative appears to be prior to or superior to the security interest granted hereunder and to appear in and defend any action or proceeding purporting to affect its security interest in or the value of the Collateral and, in exercising any such powers or authority, the right to pay all expenses incurred in connection therewith, including (without limitation) reasonable attorneys' fees and expenses. The Grantor hereby agrees that the Grantor shall be bound by any such payment made or act taken by the Trustee, the Bond Trustee, or Bondholder Representative hereunder and shall reimburse the Trustee, the Bond Trustee, and Bondholder Representative for all payments made and expenses incurred, which amounts shall be secured under this Security Agreement during its term. The Trustee, the Bond

Trustee, and Bondholder Representative shall have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

SECTION 1.5. INDEMNIFICATION OF THE TRUSTEE; RIGHTS AND IMMUNITIES. The provisions set forth in the Master Indenture relating to the rights, immunities and indemnification of the Trustee are equally applicable to the Trustee under this Security Agreement as if such provisions were fully set forth herein.

ARTICLE II.
WARRANTIES AND REPRESENTATIONS

SECTION 2.1. ORGANIZATION AND EXISTENCE OF MERF. The Grantor represents and warrants to the Trustee that MERF is a nonprofit public benefit corporation duly formed, validly existing and in good standing under the laws of the State of California, has all requisite power and authority to own, operate or hold under lease the properties and assets it owns, operates or holds under lease, including its interest in the Project, and is duly qualified and authorized to do business in and is in good standing in all of the jurisdictions in which the nature of its business makes such licensing, authorization and qualification necessary and where the failure to be so licensed and qualified and in good standing would have a material adverse effect upon the business or financial condition of MERF.

SECTION 2.2. ORGANIZATION AND EXISTENCE OF THE GRANTOR. The Grantor represents and warrants to the Trustee that the Grantor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California and has all requisite power and authority to be a Member of the Obligated Group, enter into this Security Agreement and grant the lien on the Collateral hereunder.

SECTION 2.3. TITLE TO SCHOOL LOAN AGREEMENT. The Grantor represents and warrants to the Trustee that the Grantor has good and marketable title to the School Loan Agreement and other Collateral pledged hereunder, free and clear of any liens or encumbrances and that no prior consent or approval is required in order for the Grantor to pledge the School Loan Agreement and other Collateral as set forth herein and hereunder.

ARTICLE III.
AFFIRMATIVE COVENANTS

The Grantor covenants that, so long as any of the Bonds remain Outstanding and this Security Agreement remains in effect:

SECTION 3.1. DELIVERY OF COLLATERAL. Grantor will deliver to the Trustee each item of Collateral capable of physical delivery, if possession of the same is necessary to perfect a security interest therein, immediately upon acquisition thereof and will defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein. Notwithstanding the foregoing, nothing herein is intended to require delivery to the Trustee of any portion of the Collateral consisting of cash so long as no Event of Default exists under this Security Agreement.

SECTION 3.2 PERFECTION OF SECURITY INTEREST. The Grantor will, to the extent required by law, cause this Security Agreement, together with all related Uniform Commercial Code financing statements or other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the first priority security interest of the Trustee in the Collateral and will, promptly upon request by the Trustee or Bondholder Representative, procure or execute and deliver any documents, deliver to the Trustee any instruments, give any notices, execute any proxies, execute and file any financing statements or other documents, all in form reasonably satisfactory to the Trustee and Bondholder Representative, and take any other actions which are reasonably necessary or, in the reasonable judgment of the Trustee or Bondholder Representative, desirable to perfect or continue the perfection and first priority security interest of the Trustee in the Collateral, to protect the Collateral against the rights, claims or interests of third persons or to effect the purposes of this Security Agreement and will pay all costs incurred in connection therewith. The Grantor will pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance. The Grantor hereby authorizes the Trustee at any time and from time to time to file in any appropriate filing office any continuation statements to the financing statements covering any of the Collateral.

SECTION 3.3 IMPOSITIONS ON COLLATERAL. The Grantor will pay and discharge, or cause to be paid and discharged, all taxes, assessments and governmental charges or levies against the Collateral prior to delinquency thereof and will keep the Collateral free of all unpaid charges whatsoever. Notwithstanding the foregoing, the Grantor shall have the right to contest the amount and validity of any such tax or assessment by appropriate proceedings conducted in good faith and with due diligence so long as such proceedings operate to suspend or defer the payment thereof and so long as the Collateral is not exposed to being forfeited or lost by reason of such proceedings.

ARTICLE IV.
NEGATIVE COVENANTS

The Grantor covenants that, until the Bonds have been fully paid and discharged or this Security Agreement has been terminated:

SECTION 4.1. FURTHER ENCUMBRANCE OR TRANSFER OF COLLATERAL. The Grantor will not, in any way, hypothecate or create or permit to exist any lien, security interest or encumbrance on or other interest in the Collateral except that created by this Security Agreement, nor will the Grantor sell, transfer, assign, exchange or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Bondholder Representative. If any Collateral, or any interest therein, is sold, transferred, assigned, exchanged or otherwise disposed of in violation of these provisions, the security interest of the Trustee shall continue in such Collateral or part thereof notwithstanding such sale, transfer, assignment, exchange or other disposition, and the Grantor will hold the proceeds thereof in a separate account for the Trustee's benefit and will, upon the request of the Trustee or Bondholder Representative, transfer such proceeds to the Trustee's possession.

SECTION 4.2. IMPAIRMENT OF SECURITY INTEREST. The Grantor shall take no action that would impair the first priority security interest of the Trustee in the Collateral or the enforcement thereof. The Grantor will not take any action that would change the jurisdiction of its formation without 30 days' prior written notice to the Trustee and Bondholder Representative.

ARTICLE V.
NO LIMITATION ON LIABILITY; WAIVERS

SECTION 5.1. NO LIMITATION OF LIABILITY.

(a) Without incurring responsibility to the Grantor, impairing or releasing the obligations of the Grantor to the Trustee or reducing the amount due and secured under the terms of this Security Agreement (except to the extent of amounts actually paid to and legally retained by the Trustee), the Trustee may, at the direction of the Bondholder Representative, at any time and from time to time, without the consent or notice to the Grantor, and in accordance with Section 9.16, subject to the terms and conditions of the Financing Documents, and in whole or in part:

(i) change the manner, place or terms of payment of (including, without limitation, the interest rate and payment amounts), and/or change or extend the time for payment of, or renew or modify, any of the Obligations, any security therefor, or any of the Financing Documents (with the prior written consent of the Borrower and Grantor to the extent required by such Financing Documents), and the lien created under this Security Agreement shall secure the Obligations as so changed, extended, renewed or modified;

(ii) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order, any property at any time pledged, mortgaged or in which a security interest is given to secure, or however securing, the Obligations;

(iii) exercise or refrain from exercising any rights against the Borrower, the Grantor, any other Obligated Group Member, or others or against any security for the Obligations or otherwise act or refrain from acting;

(iv) settle or compromise any Obligations, whether in a proceeding or not, and whether voluntarily or involuntarily, dispose of any security (other than the Collateral) therefor (with or without consideration) or settle or compromise any liability incurred directly or indirectly in respect thereof or hereof, and subordinate the payment of all or any part thereof to the payment of any Obligations, whether or not due, to creditors of the Borrower, the Grantor or any other Obligated Group Member other than the Trustee;

(v) apply any sums it receives, by whomever paid or however realized, to any of the Obligations;

(vi) add, release, settle, modify or discharge the obligation of any maker, endorser, guarantor, surety, obligor or any other party who is in any way obligated for any of the Obligations;

(vii) accept any additional security for the Obligations; and/or

(viii) take any other action which might constitute a defense available to, or a discharge of, the Borrower, the Grantor or any other Obligated Group Member or any other obligated party in respect of the Obligations.

(b) The invalidity, irregularity or unenforceability of all or any part of the Obligations or any Financing Document, or the impairment, loss, failure to obtain or perform any security or guaranty therefor, whether caused by any action or inaction of the Trustee, or otherwise, shall not affect, impair or be a defense to the Trustee's rights under this Security Agreement.

SECTION 5.2. WAIVERS.

(a) **Waiver of Subrogation**. Until such time as the Obligations shall have been paid in full, the Grantor waives any present or future claim, right or remedy to which the Grantor may be entitled which arises on account of this Security Agreement and/or from the performance by the Grantor of the Grantor's obligations hereunder to be subrogated to the Trustee's rights against the Borrower or any Obligated Group Member or any other obligated party and/or any present or future claim, remedy or right to seek contribution, reimbursement, indemnification, exoneration, payment or the like, or participation in any claim, right or remedy of the Trustee against the Borrower or any Obligated Group Member or any security which the Trustee now has or hereafter acquires, whether or not such claim, right or remedy arises under contract, in equity, by statute, under common law or otherwise. If, notwithstanding such waiver, any funds or property shall be paid or transferred to the Grantor on account of any such subrogation, contribution, reimbursement, exoneration or indemnification at any time when all of the Obligations have not been paid in full, the Grantor shall hold such funds or property in trust for the Trustee and shall segregate such funds from other funds of the Grantor and shall forthwith pay over to the Trustee such funds and/or property to be applied by the Trustee to the Obligations, whether matured or unmatured, in accordance with the terms of the Financing Documents.

(b) **Waiver of Remedies.** The Grantor waives the right to marshalling of the Borrower's or any Obligated Group Member's assets or any stay of execution and the benefit of all exemption laws, to the extent permitted by law, and any other protection granted by law to guarantors, now or hereafter in effect with respect to any action or proceeding brought by the Trustee against the Grantor.

(c) **Waiver of Defenses.** The Grantor irrevocably waives all claims of waiver, release, surrender, alteration or compromise and all defenses, set-offs, counterclaims, recoupment, reductions, limitations or impairments.

(d) **Waiver of Notice.** The Grantor waives notice of acceptance of this Security Agreement and notice of the Obligations and waives notice of default, non-payment, partial payment, presentment, demand, protest, notice of protest or dishonor, and all other notices to which the Grantor might otherwise be entitled or which might be required by law to be given by the Trustee.

ARTICLE VI.
[RESERVED]

ARTICLE VII.
DEFAULTS AND REMEDIES

SECTION 7.1. EVENTS OF DEFAULT. The occurrence of an event of default by or on the part of the Borrower, the Grantor or any other Obligated Group Member under any Financing Document which is not cured within any applicable cure period provided thereunder shall constitute an event of default (an "Event of Default") under this Security Agreement.

SECTION 7.2. REMEDIES. Upon the occurrence of an Event of Default, the Trustee may, with consent of Bondholder Representative and in accordance with Section 9.16, and shall, at the direction of the Bondholder Representative and in accordance with Section 9.16, without further notice to or demand upon the Grantor, do any one or more of the following:

(a) Declare all Obligations to be immediately due and payable, whereupon all unpaid Obligations shall become and be immediately due and payable;

(b) Take possession of all items of Collateral hereunder not then in its possession and require the Grantor or the parties in possession thereof to deliver such Collateral to the Trustee at one or more locations as the Trustee shall designate;

(c) Exercise any or all of the rights and remedies provided for by the applicable provisions of the UCC and recover the reasonable costs and reasonable attorneys' fees incurred by the Trustee and Bondholder Representative in the enforcement of this Security Agreement or in connection with the Grantor's redemption of the Collateral;

(d) Sell the Collateral, or any portion thereof, at any public or private sale or on any securities exchange or other recognized market, for cash, upon credit or for future delivery, as the Trustee and Bondholder Representative shall deem appropriate. Each purchaser at any such sale shall hold the property sold free from any claim or right on the part of the Grantor and the Grantor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay and/or appraisal which the Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Trustee shall give the Grantor at least 10 days' written notice of any public sale or the date on or after which a private sale may be made. Such notice, in case of a public sale, shall state the time and place fixed for such sale. Any public sale shall be held at such time or times during ordinary business hours and at such place or places as the Trustee may fix in the notice of such sale. At any private or public sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate lots, as the Trustee shall determine in consultation with the Bondholder Representative. The Trustee may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for and purchase for its account the whole or any part of the Collateral at any public sale or sale in any recognized market. The Trustee shall not be obligated to sell any Collateral if, in consultation with the Bondholder Representative, it shall determine not to do so, notwithstanding that notice of sale of the Collateral shall have been given. The Trustee may, in consultation with the Bondholder Representative, without notice or publication, adjourn any sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Trustee until the sale price is paid by the purchaser or purchasers thereof, and the Trustee shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral purchased. In case of any such failure, such Collateral may be sold again upon like notice. The parties hereto agree that the method, manner and terms of sale or disposition of the Collateral authorized by this Section are commercially reasonable;

(e) Proceed by an action or actions at law or in equity to recover the indebtedness secured hereunder or to foreclose this Security Agreement and sell the Collateral, or any portion thereof, pursuant to a judgment or decree of a court or courts of competent jurisdiction;

(f) Retain and manage the Collateral to preserve the Collateral or its value or apply income therefrom to pay the indebtedness secured hereunder until all such indebtedness is paid to the Trustee; or

(g) Enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent the Trustee or Bondholder Representative from pursuing any other or further remedy it may have.

ARTICLE VIII.
AUTHORITY OF THE TRUSTEE AND BONDHOLDER REPRESENTATIVE; REFERENCES TO BONDHOLDER REPRESENTATIVE

SECTION 8.1. AUTHORITY. The Trustee and Bondholder Representative shall have and be entitled to exercise all powers hereunder which are specifically delegated to the Trustee by the terms hereof, together with such powers as are reasonably incident thereto. In addition, the Trustee and Bondholder Representative, in accordance with Section 9.16, shall be entitled to transfer into the name of a nominee or nominees any certificates or instruments representing or evidencing the Collateral and to have any such certificates or instruments exchanged for ones of smaller or larger denominations. The Trustee and Bondholder Representative may perform any of their respective rights or duties hereunder or in connection with the Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. None of the Trustee, Bondholder Representative or any director, officer, employee, attorney or agent thereof shall be liable to the Grantor for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct, nor shall the Trustee be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. The Trustee, Bondholder Representative and any director, officer, employee, attorney or agent thereof shall be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons.

SECTION 8.2. REFERENCES TO BONDHOLDER REPRESENTATIVE. In the event there is no longer a Bondholder Representative with respect to any of the Bonds, the term "Bondholder Representative" shall be disregarded herein and all notices and consents shall be given to and by, respectively, the other parties referenced in this Security Agreement.

ARTICLE IX.
MISCELLANEOUS PROVISIONS

SECTION 9.1. NOTICES. Notices, requests and other communications hereunder shall be in writing and may be delivered personally or sent by recognized overnight courier or first-class mail to the parties addressed as follows:

To Grantor:	MPM Santa Ana LLC c/o Magnolia Properties Management, Inc. 250 E. 1st Street, Suite 1500 Los Angeles, CA 90012 Attn: President
To Trustee:	UMB Bank, National Association 2 South Broadway Suite 600 St. Louis, Missouri 63102 Telephone: 314/612-8480 Facsimile: 314/612-8499 Attention: Corporation Trust Department
To Bondholder Representative:	Hamlin Capital Management LLC 640 Fifth Avenue, 6th Floor New York, NY 10019 Telephone: 212/752-8777 Facsimile: 212/752-5698 Attention: Joseph Bridy

Notice or demand, if required to be given hereunder, shall be given by hand delivery or by recognized overnight delivery service or by deposit in the United States mail, registered or certified, postage prepaid, addressed to the Grantor, the Trustee or the Bondholder Representative, as the case may be, at the address stated above, with return-receipt requested, and shall be deemed to have been delivered upon (a) receipt, if hand delivered, (b) the next business day, if delivered by express overnight delivery service or (c) the third calendar day following the day of deposit of such notice with the United States mail, certified mail, return-receipt requested.

SECTION 9.2. HEADINGS. The various headings in this Security Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Security Agreement or any provision hereof.

SECTION 9.3. CHOICE OF LAW. This Security Agreement shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of California.

SECTION 9.4. AMENDMENTS. This Security Agreement or any provision hereof may be changed, waived or terminated only by a statement in writing signed by the party against which such change, waiver or termination is sought to be enforced.

SECTION 9.5. NO WAIVER. No delay in enforcing or failure to enforce any right under this Security Agreement by the Trustee or Bondholder Representative shall constitute a waiver by the Trustee or Bondholder Representative of such right. No waiver by the Trustee or Bondholder Representative of any default hereunder shall be effective unless in writing nor shall any waiver operate as a waiver of any other default or of the same default on a future occasion. Notwithstanding the foregoing, the Trustee shall not deliver any such waiver without receiving the prior written consent of the Bondholder Representative.

SECTION 9.6. TIME IS OF THE ESSENCE. Time is of the essence of each provision of this Security Agreement of which time is an element.

SECTION 9.7. BINDING AGREEMENT. All rights of the Trustee and Bondholder Representative hereunder shall inure to the benefit of their respective successors and assigns. The Grantor shall not assign its interest under this Security Agreement without the prior written consent of the Trustee and Bondholder Representative. Any purported assignment inconsistent with this provision shall, at the option of the Trustee and Bondholder Representative, be null and void.

SECTION 9.8. SEVERABILITY. If any provision of this Security Agreement should be found to be invalid or unenforceable, all of the other provisions shall nonetheless remain in full force and effect to the maximum extent permitted by law.

SECTION 9.9. SURVIVAL OF PROVISIONS. All representations, warranties and covenants of the Grantor contained herein shall survive the execution and delivery of this Security Agreement and shall terminate only upon the full payment and performance by the Obligations secured hereby.

SECTION 9.10. COUNTERPARTS. This Security Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.

SECTION 9.11. DUTY OF CARE. The Trustee and Bondholder Representative shall have no duty or obligation to care for the Collateral hereunder or to take any actions to protect the value of the Collateral or any rights or privileges the Grantor might have with respect thereto, except that the Trustee and Bondholder Representative shall exercise reasonable caution in the physical care of the Collateral in the possession of the Trustee or Bondholder Representative, respectively.

SECTION 9.12. TERMINATION OF SECURITY AGREEMENT. This Security Agreement and the security interest granted hereunder shall terminate at such time as all Obligations shall have been fully and finally paid or provision for the payment thereof shall have been made. In addition, this Security Agreement and the security interest granted hereunder shall terminate at such time as Grantor ceases to be a Member of the Obligated Group.

SECTION 9.13. POWER OF ATTORNEY. The Grantor hereby appoints and constitutes the Trustee as its attorney-in-fact, upon the occurrence and during the continuation of an Event of Default, for purposes of (a) collecting any Collateral, (b) conveying any item of Collateral to any purchaser thereof and (c) making any payments or taking any acts under Article VII. The Trustee's authority hereunder shall include (without limitation) the authority to endorse and negotiate, for the

Trustee's own account, any checks or instruments in the name of the Grantor, to execute or receipt for any document, to transfer title to any item of the Collateral and to take any other actions necessary or incident to the powers granted to the Trustee in this Security Agreement. This power of attorney is coupled with an interest and is irrevocable by the Grantor.

SECTION 9.14. WAIVER OF JURY TRIAL. The Grantor, by the execution hereof, hereby knowingly, voluntarily and intentionally agrees, that:

(a) Neither the Grantor nor the Trustee, nor any assignee, successor, heir or legal representative of either, shall seek a jury trial in any lawsuit, proceeding, counterclaim or any other litigation procedure arising from or based upon this Security Agreement, any loan agreement or any Financing Document evidencing, securing or relating to the Obligations or to the dealings or relationship between the parties hereto.

(b) Neither the Grantor nor the Trustee will seek to consolidate any action in which a jury trial has been waived with any other action in which a jury trial has not been or cannot be waived.

(c) The provisions of this Section have been fully negotiated by the parties hereto, and these provisions shall be subject to no exceptions.

(d) Neither the Grantor nor the Trustee has in any way agreed with or represented to any other party that the provisions of this Article will not be fully enforced in all instances, provided that the parties acknowledge that California law may render pre-dispute jury trial waivers unenforceable.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed the day and year first above written.

GRANTOR:

MPM SANTA ANA LLC

By: MAGNOLIA PROPERTIES MANAGEMENT, INC.,
its sole member

By: ______________________________
Caprice Young, President

TRUSTEE:

UMB BANK, NATIONAL ASSOCIATION,
as Trustee

By: ______________________________

[Signature Page of Security Agreement]

SAN DIEGO

FIRST AMENDMENT TO OPERATING AGREEMENT

OF

MPM San Diego LLC

a California limited liability company

THIS FIRST AMENDMENT TO OPERATING AGREEMENT is made effective as of April 1, 2017, by Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Sole Member"), and is made with reference to the following:

A.. The Sole Member is the sole member MPM San Diego LLC, a California limited liability company (the "Company").

B. The Sole Member executed an Operating Agreement of the Company dated as of April 1, 2017 (the "Operating Agreement).

C. The California School Finance Authority (the "Authority") is issuing its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") pursuant to the Indenture (the "Indenture") dated as of April 1, 2017, by and between the Authority and UMB Bank, National Association, as trustee thereunder (the "Bond Trustee").

D. Pursuant to a Security Agreement dated as of April 1, 2017 (the "Security Agreement") by and between the Sole Member and UMB Bank, National Association, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana" and, together with MPM Sherman Way and the Company, the "Obligated Group Members"), and the Company, as initial Members of the Obligated Group, and the Trustee, the Sole Member has granted the Trustee a security interest in the Sole Member's membership in the Company and in all associated rights, interests, powers and authority held by Sole Member under the Operating Agreement.

E. The Sole Member desires to amend the Operating Agreement to secure the benefits of the Security Agreement to the Trustee.

NOW, THEREFORE, the Sole Member agrees as follows:

1. Amendment to Operating Agreement. Article IX of the Operating Agreement is amended by inserting the following Section 9.13 immediately following Section 9.12:

9.13 Security Agreement. Pursuant to a Security Agreement dated as of April 1, 2017 (the "Security Agreement") by and between the Initial Member and UMB Bank, National Association, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana" and, together with MPM Sherman Way and the Company, the "Obligated Group Members"), and the Company, as initial Members of the Obligated Group, and the Trustee, the Initial Member has granted the Trustee a security interest in the Initial Member's membership in the Company and in all associated rights, interests, powers and authority held by Initial Member under this Agreement (collectively, the "Membership Rights"). Until such time as the Obligations (as defined in the Security Agreement) shall have been paid in full or the Trustee's security interest in the Membership Rights shall have terminated as provided in the Security Agreement, the Company shall not elect to have its membership interests be securities governed by Division 8 of the Uniform Commercial Code as enacted in the State of California, the Company shall not issue any certificate evidencing membership in the Company, the Initial Member may not further Transfer any right, title or interest in the Membership Rights, the Initial Member may not admit any additional members to the Company, and the Initial Member may not modify or amend this Agreement without the prior written consent of the Trustee and Bondholder Representative (as defined in the Indenture), and any purported issuance, Transfer, admission, modification or amendment prohibited by this provision shall be void and of no force or effect. The Trustee and Bondholder Representative are third party beneficiaries of this Section 9.13 and may enforce these provisions as if express parties hereto. In the event there is no longer a Bondholder Representative with respect to any of the Bonds (as defined in the Indenture), the term "Bondholder Representative" shall be disregarded herein.

2. Operating Agreement Remains Effective. Except as provided herein, the Operating Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Initial Member has executed this Agreement effective the day and year first set forth above.

INITIAL MEMBER:

MAGNOLIA PROPERTIES MANAGEMENT, INC.

By:____________________________________
Name:_________________________________
Title: _________________________________

OPERATING AGREEMENT

OF

MPM San Diego LLC

a California limited liability company

THIS OPERATING AGREEMENT is made effective as of April 1, 2017, by Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Initial Member"), and is made with reference to the following:

A. The Initial Member desires to form a limited liability company under and pursuant to the California Revised Uniform Limited Liability Company Act set forth in sections 17000-17713.13 of the California Corporations Code, as amended from time to time (the "Act").

B. Articles of Organization for MPM San Diego LLC (the "Company") were filed with the California Secretary of State on February 24, 2017.

C. The Initial Member executes this Operating Agreement in order to complete the organization of the Company and provide for the governance of the Company and the conduct of the Company's business.

NOW, THEREFORE, the Initial Member declares the following to be the Operating Agreement ("Agreement") of the Company:

ARTICLE I
ORGANIZATION

1.1 Formation. The Initial Member has caused the Articles of Organization to be filed with the California Secretary of State, and the formation of the Company shall be effective as of the date of said filing.

1.2 Name. The name of the Company shall be "MPM San Diego LLC." The Company shall conduct its business and affairs under said name or such other name as the Sole Member may determine from time to time.

1.3 Agent for Service of Process. The name and address for the initial agent for service of process on the Company is Caprice Young, 250 E. 1st Street, Los Angeles, California 90012. The Sole Member may from time to time change the Company's agent for service of process.

1.4 Principal Place of Business. The principal office of the Company shall be located at 250 E. 1st Street, Los Angeles, California 90012 or at such other place as the Sole Member may determine from time to time.

1.5 Term. The term of the Company shall commence on the filing of the Articles of Organization with the California Secretary of State and shall continue until the Company is dissolved and wound-up and liquidated pursuant to this Agreement or by operation of law.

1.6 Purpose. The Company is organized and will operate:

(a) exclusively to support the charter schools operated by Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation (the "Supported Corporation"), which is the organization supported by the Sole Member;

(b) for the specific purpose of holding title to property, including real and personal property located at 6525 Estrella Avenue, San Diego, California 92120 (the "Property"), managing, operating, leasing and otherwise dealing with the Property and collecting the income therefrom and turning over the entire amount of said income, less expenses, to the Sole Member, which is an organization exempt from federal income tax under Internal Revenue Code § 501(c)(3) and from state corporate tax under California Revenue and Taxation Code § 23701d; and

(c) to do any and all things and to engage in any and all other activities and transactions necessary, convenient, appropriate or incidental to the accomplishment of the foregoing purposes or otherwise for the protection and benefit of the Company.

Notwithstanding the foregoing and any other provisions of this Agreement, the actions, activities and transactions of the Company will be limited to those permitted under California Revenue and Taxation Code § 23701h.

1.7 Tax Status. It is the intention of the Sole Member that the Company be disregarded as an entity separate from the Sole Member solely for federal and all relevant state tax purposes. All provisions of the Articles of Organization and this Agreement are to be construed so as to preserve that tax status.

ARTICLE II
MEMBERSHIP

2.1 Admission. Simultaneously with the effectiveness of this Agreement, the Initial Member is admitted as the sole member ("Sole Member") of the Company. The name and address of the Sole Member is listed on Exhibit A attached hereto.

2.2 Membership Interest. The Sole Member shall own the sole membership interest in the Company, which includes all rights in the Company collectively, including the Sole Member's transferable interest, any right to vote or participate in management and any right to information concerning the business and affairs of the Company.

2.3 Capital Contributions. The Sole Member may contribute cash or other property to the Company as the Sole Member shall determine from time to time.

2.4 Limited Liability. The Sole Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company, except as otherwise provided in the Act.

ARTICLE III
MANAGEMENT

3.1 Management.

3.1.1. The management of the business and assets of the Company shall be vested solely in the Sole Member, who shall have sole power and authority to manage, control and conduct the business and affairs of the Company and may exercise all powers of the Company.

3.1.2. The Sole Member may appoint a President, a Chief Executive Officer, one or more Vice Presidents, a Secretary, a Chief Financial Officer and such other officers as the Sole Member may deem necessary or advisable to manage the day-to-day business affairs of the Company (each, an "Officer"), and such Officers shall have the titles, powers and duties as shall be determined by the Sole Member. Unless and until any such officer is removed by the Sole Member, each officer of the Sole Member who is neither an officer, director, or employee of the Supported Corporation nor a relative of any such officer, director, or employee shall hold the same office in the Company *ex officio*.

3.1.3. Without limiting the foregoing **Paragraphs 3.1.1** and **3.1.2**, the Sole Member shall have the right, in its sole and absolute discretion to, or to cause the Company to, as applicable:

(a) take all actions necessary or convenient to the accomplishment of the Company's purposes set forth in **Paragraph 1.6**;

(b) enter into any loan, credit, guarantee or other similar financing arrangements, including the opening, maintaining and closing bank accounts, in order to receive or borrow funds to fulfill the Company's purposes and objectives;

(c) enter into agreements for the purchase, sale and renovation of real property which agreements may include such representations, warranties, covenants, indemnities and guarantees as Sole Member deems necessary or advisable;

(d) own, lease and dispose of real property;

(e) mortgage, pledge or otherwise encumber its property; and

(f) make and perform such other agreements, undertakings and transfers of property as Sole Member deems necessary or advisable.

3.2 Meetings. No annual, regular or special meetings of the Sole Member or Officers are required.

ARTICLE IV
ALLOCATIONS AND DISTRIBUTIONS

4.1 Allocations. All profits and losses, each item thereof, and all other items attributable to the membership interest shall be allocated to the Sole Member for tax, accounting and all other purposes.

4.2 Distributions. At such times as the Sole Member deems appropriate, the Sole Member shall cause the Company to distribute cash or other property held by the Company to the Sole Member. The Company shall turn over the entire amount of its income, less expenses, to the Sole Member periodically.

ARTICLE V
COMPANY ADMINISTRATION

5.1 Books and Records.

5.1.1. The books and records of the Company shall be kept and maintained at the Company's principal office in California, shall reflect all of the Company transactions, and shall be appropriate and adequate for the Company's business.

5.1.2. Without limiting the requirements set forth in **Paragraph 5.1.1**, the Company shall maintain at its principal office in California all of the following:

(a) A current list of the full name and last known business or residence address of the Sole Member, together with the capital contribution and share in profits or losses of the Sole Member;

(b) A copy of the Articles of Organization, as amended from time to time;

(c) Copies of the Company's Federal, state and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;

(d) Executed counterparts of this Agreement, as amended;

(e) Any powers of attorney under which the Articles of Organization or any amendments thereto are executed;

(f) Financial statements of the Company for the six (6) most recent fiscal years; and

(g) The books and records of the Company as they relate to the Company's internal affairs for the current and past four (4) fiscal years.

5.2 Accounting. Books and records of the Company shall be kept on the method of accounting selected by the Sole Member and applied on a consistent basis in the preparation of its financial reports and for tax purposes. The taxable and fiscal years of the Company shall coincide with the taxable and fiscal years of the Sole Member.

5.3 Banking. All funds of the Company shall be deposited in the name of the Company in one or more distinct separate accounts with one or more recognized financial institutions and at such locations, all as shall be determined by the Sole Member. Any withdrawal from such accounts shall require the signature of the Sole Member or such other person or persons authorized to do so by the Sole Member.

5.4 Assets. All assets of the Company, whether real or personal, shall be held in the name of the Company.

ARTICLE VI
TRANSFERS

6.1 Transfers. The Sole Member may assign, sell, gift, transfer or otherwise dispose of ("Transfer") all or any part of its membership interest in the Company at any time (the transferee hereinafter referred to as "Transferee"). A Transferee of membership in the Company shall become a substituted member automatically upon the Transfer of such membership, provided that, if a Transfer of membership in the Company is made for purposes of security, the Transferee of such Transfer shall not become a substituted member until such time as the Transferee has concluded a foreclosure sale of such membership.

6.2 Duties of Substituted Member. Any person admitted to the Company as a substituted member shall be subject to all of the provisions of this Agreement that apply to the Sole Member from whom the membership interest was assigned.

6.3 Division of Allocations and Distributions. If any membership interest, or part thereof, is assigned during any fiscal year in compliance with the provisions of this Article VI, profits, losses, each item thereof and all other items attributable to such membership interest for such fiscal year shall be divided and allocated between the transferor and the transferee by taking into account their varying membership interests during the period in accordance with section 706(d) of the Internal Revenue Code of 1986, as amended, using any convention permitted by law selected by the Sole Member. All distributions on or before the date of such assignment shall be made to or for the account of the transferor, and all distributions thereafter shall be made to or for the account of the transferee. Solely for purposes of making such allocations and distributions, the Company shall recognize such assignment not later than the end of the calendar month during which the assignment occurs. Neither the Company nor the Sole Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Paragraph 6.3.

6.4 Rights of Secured Parties. Notwithstanding anything to the contrary in Section 17705.02(b) of the Act, (a) the Sole Member may pledge or grant a security interest in, or assign for purposes of security, all or any part of the Sole Member's membership interest in the Company, including the Sole Member's designation as the sole member of the Company, the Sole Member's right to vote or participate in management and right to information concerning the business and affairs of the Company, the Sole Member's power and authority to manage, control and conduct the business and affairs of the Company, and the Sole Member's right to receive distributions to which the Sole Member is entitled, and (b) subject to the terms and conditions of the agreement(s) between the Sole Member and the Transferee and compliancc with applicable provisions of the Uniform Commercial Code, upon default the Transferee may exercise any of such rights, powers, and authority as may have been granted to the Transferee and the Transferee may receive distributions to which the member is entitled.

ARTICLE VII
INDEMNIFICATION

To the extent of Company assets, the Company agrees to defend each member, manager (if any), and Officer of, and each entity controlling, or directly or indirectly related to, the Company (each, an "Affiliatc"), including, without limitation, any director, officer, employee, or agent of any member, manager, Officer or Affiliate acting on behalf of the Company (each, an "Indemnitee" and, collectively, the "Indemnitees"), against all claims or demands arising from the acts or omissions of the Company and agrees to indemnify and hold each of the foregoing harmless against all liabilities, losses, damages, expenses, costs or any other economic detriment suffered, paid, or incurred, foreseen or unforeseen, arising from any claim, demand, action, suit or proceeding, whether civil, criminal, administrative, or investigative, or whether threatened, pending or completed, which pertain to any Indemnitee, as described above, in such capacity, arising from the acts or omissions of the Company, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. No member shall be subject to personal liability or be required to fund or cause to be funded any obligation of the Company described in this Article VII.

ARTICLE VIII
DISSOLUTION

8.1 Events of Dissolution. The Company shall dissolve upon the earliest to occur of:

(a) the decision of the Sole Member;

(b) the entry of a decree of judicial dissolution under section 17707.03 of the California Corporations Code.

8.2 Winding Up. Upon dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Sole Member shall wind up the affairs of the Company and give written notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company, including, without limitation, debts and liabilities to the Sole Member as a creditor of the Company, the remaining assets of the Company shall be distributed to the Sole Member.

ARTICLE IX
GENERAL

9.1 Amendment. This Agreement may be amended only in a writing signed by the Sole Member.

9.2 Binding Agreement. Subject to any restrictions on transfers set forth in this Agreement, this Agreement shall inure to the benefit of and be binding upon the Sole Member and its respective legal representatives, successors, and Permitted Transferees.

9.3 Headings. The article and paragraph headings are included in this Agreement solely for convenience of reference and in no way describe, define, limit, extend or interpret the scope, intent or extent of this Agreement, or any provision hereof. If there is any conflict between such headings and the text of this Agreement, the text shall control.

9.4 Number and Gender. Unless the context clearly indicates otherwise, the singular shall include the plural and vice versa. In all cases the masculine gender shall include the neuter and feminine genders and vice versa.

9.5 Severability. If any provision of this Agreement or the application thereof to any "person" (as defined in the Act) or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provisions to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and the intent of this Agreement shall be enforced to the greatest extent permitted by law.

9.6 References to this Agreement. Numbered or lettered articles and paragraphs herein contained refer to articles and paragraphs of this Agreement unless otherwise expressly stated.

9.7 Parties in Interest. Except as otherwise expressly provided in this Agreement, nothing contained in this Agreement shall be deemed to confer any right or benefit on any person who is not a party to this Agreement.

9.8 Other Businesses. The Sole Member, any Affiliate, any officer, director, or employee of the Sole Member or of any Affiliate or and any other person holding a legal or beneficial interest in the Sole Member or Affiliate (collectively, the "Interested Parties") may engage in or conduct any business, investment, profession or other activity it chooses, whether or not the same is competitive with the Company, without any accountability to the Company and without having or incurring any obligation to offer any interest in such business, investment, profession or other activity to the Company. The Company shall have no right by virtue of this Agreement in and to any such business, investment, profession or other activity or to the income or profits arising therefrom, nor shall the Sole Member be required to permit the Company to participate in such business, investment, profession or activity. Except as expressly provided in this Agreement, each Interested Party shall have no fiduciary obligation to the Company by virtue of this Agreement to submit to the Company any business opportunity, whether or not such opportunity arose from its activities with respect to the Company.

9.9 Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter of this Agreement.

9.10 Exhibits. Any exhibits referred to in this Agreement are incorporated by reference into this Agreement and made a part hereof.

9.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one agreement binding on the parties hereto, notwithstanding that all of the parties are not signatories to the same counterpart.

9.12 Governing Law. The laws of the State of California (without regard to otherwise governing principles of conflicts of law or choice of law) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereof.

IN WITNESS WHEREOF, the Initial Member has executed this Agreement effective the day and year first set forth above.

INITIAL MEMBER:

MAGNOLIA PROPERTIES MANAGEMENT, INC.

By:__________________________________
Name:______________________________
Title: ______________________________

CONSENT OF ORGANIZER

The undersigned, the Organizer of the Company, acknowledges that she filed the Articles of Organization for the Company on behalf the Initial Member and consents to the foregoing.

Dated: Aptril 1, 2017

____
Caprice Young, Organizer

EXHIBIT A

Sole Member

Magnolia Properties Management, Inc.
250 E. 1st Street
Los Angeles, California 90012

TABLE OF CONTENTS

OPERATING AGREEMENT

OF

MPM San Diego LLC

---

a California limited liability company

SECURITY AGREEMENT

(MPM San Diego LLC)

THIS SECURITY AGREEMENT (this "Security Agreement") dated as of April 1, 2017, is made by and between **MPM San Diego LLC**, a California limited liability company ("Grantor"), and **UMB Bank, National Association**, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana" and, together with MPM Sherman Way and Grantor, the "Obligated Group Members"), and Grantor, as initial Members (as defined in the Master Indenture) of the Obligated Group (as defined in the Master Indenture), and the Trustee. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Indenture (the "Indenture") dated as of April 1, 2017, by and between the California School Finance Authority (the "Authority") and UMB Bank, National Association, as trustee thereunder (the "Bond Trustee"), or in the Master Indenture, unless the context requires otherwise.

WITNESSETH:

WHEREAS, the Authority is issuing its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") pursuant to the Indenture, the proceeds of which are being applied by the Obligated Group Members to finance the acquisition, expansion, renovation and equipping of certain educational facilities owned by the Obligated Group Members or by Magnolia Educational and Research Foundation, a California nonprofit public benefit corporation ("MERF"), and operated by MERF; and

WHEREAS, in consideration of the purchase of the Bonds issued under the Indenture by investors for whom Hamlin Capital Management, LLC ("Hamlin") acts as investment advisor, Hamlin, as Bondholder Representative (the "Bondholder Representative"), has required that Grantor grant, hypothecate and pledge to the Trustee certain Collateral as described herein;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure the payment and performance of the obligations of Grantor with respect to the Bonds from time to time outstanding under the Indenture, the Grantor hereby covenants and agrees as follows:

ARTICLE I.
SECURITY INTEREST

SECTION 1.1. CREATION OF SECURITY INTEREST. The Grantor hereby grants to the Trustee a security interest in all of the Grantor's right, title and interest in and to the collateral described in Section 1.2 (the "Collateral") to secure the payment of all obligations of the Borrower and the Grantor under the Loan Agreement and under Obligation No. 2 issued pursuant to the Supplemental Master Indenture for Obligation No. 2 (the "Second Supplemental Master Indenture"), dated as of April 1, 2017, by and between the Obligated Group Representative and the Trustee, whether now existing or hereafter arising during the term of this Security Agreement (collectively, the "Obligations"). The security interest granted hereunder shall, except as otherwise provided herein, be governed by and interpreted in accordance with the provisions of the Uniform Commercial Code as adopted in the State of California (the "UCC"). The Grantor shall file or record, or cause to be filed and recorded, any financing statements necessary to protect and preserve the Trustee's security interests in the Collateral. The Trustee may, at the expense of the Obligated Group Members, retain counsel to assist it in making any filings required hereby and may rely on the opinion of any such counsel.

SECTION 1.2. DESCRIPTION OF COLLATERAL. The Collateral pledged under this Security Agreement includes all of the following:

(a) all right, title and interest of the Grantor in the San Diego Lease and Equipment Agreement;

(b) all right, title and interest of the Grantor in the goods, equipment, facilities and other property (collectively, the "San Diego Facilities") that are the subject of the San Diego Lease and Equipment Agreement;

(c) all certificates, documents and instruments representing or evidencing ownership of the property described in clauses (a) and (b) of this Section and all proceeds thereof, including (without limitation) cash, property and other distributions, dividends, securities, investment property, rights and other property now or hereafter at any time or from time to time received, receivable or otherwise distributed or distributable in respect of or in exchange for any or all of the foregoing property;

(d) all substituted or additional collateral required to be supplied under the terms of this Security Agreement; and

(e) the proceeds of all of the foregoing property described in clauses (a) through (d) of this Section.

SECTION 1.3. SECURITY FOR OBLIGATIONS. This Security Agreement secures the prompt payment of all Obligations.

SECTION 1.4. PROTECTION OF SECURITY INTEREST. During the term of this Security Agreement, the Trustee, the Bond Trustee, and Bondholder Representative shall have the right upon the occurrence and during the continuance of an Event of Default under the Indenture, the Loan Agreement, any Mortgage, the Master Indenture, or Obligation No. 2 (collectively, the "Financing Documents") to make any payments and to perform any other acts the Trustee, the Bond Trustee, or Bondholder Representative shall deem necessary to protect the Trustee's security interest in the Collateral, including (without limitation) the rights to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of the Trustee, the Bond Trustee, or Bondholder Representative appears to be prior to or superior to the security interest granted hereunder and to appear in and defend any action or proceeding purporting to affect its security interest in or the value of the Collateral and, in exercising any such powers or authority, the right to pay all expenses incurred in connection therewith, including (without limitation) reasonable attorneys' fees and expenses. The Grantor hereby agrees that the Grantor shall be bound by any such payment made or act taken by the Trustee, the Bond Trustee, or Bondholder Representative hereunder and shall reimburse the Trustee, the Bond Trustee, and Bondholder Representative for all payments made and expenses incurred, which amounts shall be secured under this Security Agreement during its term. The Trustee, the Bond Trustee, and Bondholder Representative shall have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

SECTION 1.5. INDEMNIFICATION OF THE TRUSTEE; RIGHTS AND IMMUNITIES. The provisions set forth in the Master Indenture relating to the rights, immunities and indemnification of the Trustee are equally applicable to the Trustee under this Security Agreement as if such provisions were fully set forth herein.

ARTICLE II.
WARRANTIES AND REPRESENTATIONS

SECTION 2.1. ORGANIZATION AND EXISTENCE OF MERF. The Grantor represents and warrants to the Trustee that MERF is a nonprofit public benefit corporation duly formed, validly existing and in good standing under the laws of the State of California, has all requisite power and authority to own, operate or hold under lease the properties and assets it owns, operates or holds under lease, including its interest in the Project, and is duly qualified and authorized to do business in and is in good standing in all of the jurisdictions in which the nature of its business makes such licensing, authorization and qualification necessary and where the failure to be so licensed and qualified and in good standing would have a material adverse effect upon the business or financial condition of MERF.

SECTION 2.2. ORGANIZATION AND EXISTENCE OF THE GRANTOR. The Grantor represents and warrants to the Trustee that the Grantor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California and has all requisite power and authority to be a Member of the Obligated Group, enter into this Security Agreement and grant the lien on the Collateral hereunder.

SECTION 2.3. TITLE TO SAN DIEGO LEASE AND EQUIPMENT AGREEMENT. The Grantor represents and warrants to the Trustee that the Grantor has good and marketable title to the San Diego Lease and Equipment Agreement and other Collateral pledged hereunder, free and clear of any liens or encumbrances (other than the rights of MERF in the San Diego Facilities under the San Diego Lease and Equipment Agreement) and that no prior consent or approval is required in order for the Grantor to pledge the San Diego Lease and Equipment Agreement and other Collateral as set forth herein and hereunder.

ARTICLE III.
AFFIRMATIVE COVENANTS

The Grantor covenants that, so long as any of the Bonds remain Outstanding and this Security Agreement remains in effect:

SECTION 3.1. DELIVERY OF COLLATERAL. Grantor will deliver to the Trustee each item of Collateral capable of physical delivery, if possession of the same is necessary to perfect a security interest therein, immediately upon acquisition thereof and will defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein (other than the rights of MERF in the San Diego Facilities under the San Diego Lease and Equipment Agreement). Notwithstanding the foregoing, nothing herein is intended to require delivery to the Trustee of any portion of the Collateral consisting of cash so long as no Event of Default exists under this Security Agreement.

SECTION 3.2 PERFECTION OF SECURITY INTEREST. The Grantor will, to the extent required by law, cause this Security Agreement, together with all related Uniform Commercial Code financing statements or other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the first priority security interest of the Trustee in the Collateral and will, promptly upon request by the Trustee or Bondholder Representative, procure or execute and deliver any documents, deliver to the Trustee any instruments, give any notices, execute any proxies, execute and file any financing statements or other documents, all in form reasonably satisfactory to the Trustee and Bondholder Representative, and take any other actions which are reasonably necessary or, in the reasonable judgment of the Trustee or Bondholder Representative, desirable to perfect or continue the perfection and first priority security interest of the Trustee in the Collateral, to protect the Collateral against the rights, claims or interests of third persons or to effect the purposes of this Security Agreement and will pay all costs incurred in connection therewith. The Grantor will pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance. The Grantor hereby authorizes the Trustee at any time and from time to time to file in any appropriate filing office any continuation statements to the financing statements covering any of the Collateral.

SECTION 3.3 IMPOSITIONS ON COLLATERAL. The Grantor will pay and discharge, or cause to be paid and discharged, all taxes, assessments and governmental charges or levies against the Collateral prior to delinquency thereof and will keep the Collateral free of all unpaid charges whatsoever. Notwithstanding the foregoing, the Grantor shall have the right to contest the amount and validity of any such tax or assessment by appropriate proceedings conducted in good faith and with due diligence so long as such proceedings operate to suspend or defer the payment thereof and so long as the Collateral is not exposed to being forfeited or lost by reason of such proceedings.

ARTICLE IV.
NEGATIVE COVENANTS

The Grantor covenants that, until the Bonds have been fully paid and discharged or this Security Agreement has been terminated:

SECTION 4.1. FURTHER ENCUMBRANCE OR TRANSFER OF COLLATERAL. The Grantor will not, in any way, hypothecate or create or permit to exist any lien, security interest or encumbrance on or other interest in the Collateral except that created by this Security Agreement, nor will the Grantor sell, transfer, assign, exchange or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Bondholder Representative. If any Collateral, or any interest therein, is sold, transferred, assigned, exchanged or otherwise disposed of in violation of these provisions, the security interest of the Trustee shall continue in such Collateral or part thereof notwithstanding such sale, transfer, assignment, exchange or other disposition, and the Grantor will hold the proceeds thereof in a separate account for the Trustee's benefit and will, upon the request of the Trustee or Bondholder Representative, transfer such proceeds to the Trustee's possession.

SECTION 4.2. IMPAIRMENT OF SECURITY INTEREST. The Grantor shall take no action that would impair the first priority security interest of the Trustee in the Collateral or the enforcement thereof. The Grantor will not take any action that would change the jurisdiction of its formation without 30 days' prior written notice to the Trustee and Bondholder Representative.

ARTICLE V.
NO LIMITATION ON LIABILITY; WAIVERS

SECTION 5.1. NO LIMITATION OF LIABILITY.

(a) Without incurring responsibility to the Grantor, impairing or releasing the obligations of the Grantor to the Trustee or reducing the amount due and secured under the terms of this Security Agreement (except to the extent of amounts actually paid to and legally retained by the Trustee), the Trustee may, at the direction of the Bondholder Representative, at any time and from time to time, without the consent or notice to the Grantor, subject to the terms and conditions of the Financing Documents, and in whole or in part:

(i) change the manner, place or terms of payment of (including, without limitation, the interest rate and payment amounts), and/or change or extend the time for payment of, or renew or modify, any of the Obligations, any security therefor, or any of the Financing Documents (with the prior written consent of the Borrower and Grantor to the extent required by such Financing Documents), and the lien created under this Security Agreement shall secure the Obligations as so changed, extended, renewed or modified;

(ii) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order, any property at any time pledged, mortgaged or in which a security interest is given to secure, or however securing, the Obligations;

(iii) exercise or refrain from exercising any rights against the Borrower, the Grantor, any other Obligated Group Member, or others or against any security for the Obligations or otherwise act or refrain from acting;

(iv) settle or compromise any Obligations, whether in a proceeding or not, and whether voluntarily or involuntarily, dispose of any security (other than the Collateral) therefor (with or without consideration) or settle or compromise any liability incurred directly or indirectly in respect thereof or hereof, and subordinate the payment of all or any part thereof to the payment of any Obligations, whether or not due, to creditors of the Borrower, the Grantor or any other Obligated Group Member other than the Trustee;

(v) apply any sums it receives, by whomever paid or however realized, to any of the Obligations;

(vi) add, release, settle, modify or discharge the obligation of any maker, endorser, guarantor, surety, obligor or any other party who is in any way obligated for any of the Obligations;

(vii) accept any additional security for the Obligations; and/or

(viii) take any other action which might constitute a defense available to, or a discharge of, the Borrower, the Grantor or any other Obligated Group Member or any other obligated party in respect of the Obligations.

(b) The invalidity, irregularity or unenforceability of all or any part of the Obligations or any Financing Document, or the impairment, loss, failure to obtain or perform any security or guaranty therefor, whether caused by any action or inaction of the Trustee, or otherwise, shall not affect, impair or be a defense to the Trustee's rights under this Security Agreement.

SECTION 5.2. WAIVERS.

(a) **Waiver of Subrogation**. Until such time as the Obligations shall have been paid in full, the Grantor waives any present or future claim, right or remedy to which the Grantor may be entitled which arises on account of this Security Agreement and/or from the performance by the Grantor of the Grantor's obligations hereunder to be subrogated to the Trustee's rights against the Borrower or any Obligated Group Member or any other obligated party and/or any present or future claim, remedy or right to seek contribution, reimbursement, indemnification, exoneration, payment or the like, or participation in any claim, right or remedy of the Trustee against the Borrower or any Obligated Group Member or any security which the Trustee now has or hereafter acquires, whether or not such claim, right or remedy arises under contract, in equity, by statute, under common law or otherwise. If, notwithstanding such waiver, any funds or property shall be paid or transferred to the Grantor on account of any such subrogation, contribution, reimbursement, exoneration or indemnification at any time when all of the Obligations have not been paid in full, the Grantor shall hold such funds or property in trust for the Trustee and shall segregate such funds from other funds of the Grantor and shall forthwith pay over to the Trustee such funds and/or property to be applied by the Trustee to the Obligations, whether matured or unmatured, in accordance with the terms of the Financing Documents.

(b) **Waiver of Remedies.** The Grantor waives the right to marshalling of the Borrower's or any Obligated Group Member's assets or any stay of execution and the benefit of all exemption laws, to the extent permitted by law, and any other protection granted by law to guarantors, now or hereafter in effect with respect to any action or proceeding brought by the Trustee against the Grantor.

(c) **Waiver of Defenses.** The Grantor irrevocably waives all claims of waiver, release, surrender, alteration or compromise and all defenses, set-offs, counterclaims, recoupment, reductions, limitations or impairments.

(d) **Waiver of Notice.** The Grantor waives notice of acceptance of this Security Agreement and notice of the Obligations and waives notice of default, non-payment, partial payment, presentment, demand, protest, notice of protest or dishonor, and all other notices to which the Grantor might otherwise be entitled or which might be required by law to be given by the Trustee.

ARTICLE VI.
[RESERVED]

ARTICLE VII.
DEFAULTS AND REMEDIES

SECTION 7.1. EVENTS OF DEFAULT. The occurrence of an event of default by or on the part of the Borrower, the Grantor or any other Obligated Group Member under any Financing Document which is not cured within any applicable cure period provided thereunder shall constitute an event of default (an "Event of Default") under this Security Agreement.

SECTION 7.2. REMEDIES. Upon the occurrence of an Event of Default, the Trustee may, with consent of Bondholder Representative, and shall, at the direction of the Bondholder Representative, without further notice to or demand upon the Grantor, do any one or more of the following:

(a) Declare all Obligations to be immediately due and payable, whereupon all unpaid Obligations shall become and be immediately due and payable;

(b) Take possession of all items of Collateral hereunder not then in its possession and require the Grantor or the parties in possession thereof to deliver such Collateral to the Trustee at one or more locations as the Trustee shall designate;

(c) Exercise any or all of the rights and remedies provided for by the applicable provisions of the UCC and recover the reasonable costs and reasonable attorneys' fees incurred by the Trustee and Bondholder Representative in the enforcement of this Security Agreement or in connection with the Grantor's redemption of the Collateral;

(d) Sell the Collateral, or any portion thereof, at any public or private sale or on any securities exchange or other recognized market, for cash, upon credit or for future delivery, as the Trustee and Bondholder Representative shall deem appropriate. Each purchaser at any such sale shall hold the property sold free from any claim or right on the part of the Grantor and the Grantor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay and/or appraisal which the Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Trustee shall give the Grantor at least 10 days' written notice of any public sale or the date on or after which a private sale may be made. Such notice, in case of a public sale, shall state the time and place fixed for such sale. Any public sale shall be held at such time or times during ordinary business hours and at such place or places as the Trustee may fix in the notice of such sale. At any private or public sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate lots, as the Trustee shall determine in consultation with the Bondholder Representative. The Trustee may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for and purchase for its account the whole or any part of the Collateral at any public sale or sale in any recognized market. The Trustee shall not be obligated to sell any Collateral if, in consultation with the Bondholder Representative, it shall determine not to do so, notwithstanding that notice of sale of the Collateral shall have been given. The Trustee may, in consultation with the Bondholder Representative, without notice or publication, adjourn any sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Trustee until the sale price is paid by the purchaser or purchasers thereof, and the Trustee shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral purchased. In case of any such failure, such Collateral may be sold again upon like notice. The parties hereto agree that the method, manner and terms of sale or disposition of the Collateral authorized by this Section are commercially reasonable;

(e) Proceed by an action or actions at law or in equity to recover the indebtedness secured hereunder or to foreclose this Security Agreement and sell the Collateral, or any portion thereof, pursuant to a judgment or decree of a court or courts of competent jurisdiction;

(f) Retain and manage the Collateral to preserve the Collateral or its value or apply income therefrom to pay the indebtedness secured hereunder until all such indebtedness is paid to the Trustee; or

(g) Enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent the Trustee or Bondholder Representative from pursuing any other or further remedy it may have.

ARTICLE VIII. AUTHORITY OF THE TRUSTEE AND BONDHOLDER REPRESENTATIVE; REFERENCES TO BONDHOLDER REPRESENTATIVE

SECTION 8.1. AUTHORITY. The Trustee and Bondholder Representative shall have and be entitled to exercise all powers hereunder which are specifically delegated to the Trustee by the terms hereof, together with such powers as are reasonably incident thereto. In addition, the Trustee and Bondholder Representative, shall be entitled to transfer into the name of a nominee or nominees any certificates or instruments representing or evidencing the Collateral and to have any such certificates or instruments exchanged for ones of smaller or larger denominations. The Trustee and Bondholder Representative may perform any of their respective rights or duties hereunder or in connection with the Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. None of the Trustee, Bondholder Representative or any director, officer, employee, attorney or agent thereof shall be liable to the Grantor for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct, nor shall the Trustee be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. The Trustee, Bondholder Representative and any director, officer, employee, attorney or agent thereof shall be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons.

SECTION 8.2. REFERENCES TO BONDHOLDER REPRESENTATIVE. In the event there is no longer a Bondholder Representative with respect to any of the Bonds, the term "Bondholder

Representative" shall be disregarded herein and all notices and consents shall be given to and by, respectively, the other parties referenced in this Security Agreement.

ARTICLE IX.
MISCELLANEOUS PROVISIONS

SECTION 9.1. NOTICES. Notices, requests and other communications hereunder shall be in writing and may be delivered personally or sent by recognized overnight courier or first-class mail to the parties addressed as follows:

To Grantor:	MPM San Diego LLC c/o Magnolia Properties Management, Inc. 250 E. 1st Street, Suite 1500 Los Angeles, CA 90012 Attn: President
To Trustee:	UMB Bank, National Association 2 South Broadway Suite 600 St. Louis, Missouri 63102 Telephone: 314/612-8480 Facsimile: 314/612-8499 Attention: Corporation Trust Department
To Bondholder Representative:	Hamlin Capital Management LLC 640 Fifth Avenue, 6th Floor New York, NY 10019 Telephone: 212/752-8777 Facsimile: 212/752-5698 Attention: Joseph Bridy

Notice or demand, if required to be given hereunder, shall be given by hand delivery or by recognized overnight delivery service or by deposit in the United States mail, registered or certified, postage prepaid, addressed to the Grantor, the Trustee or the Bondholder Representative, as the case may be, at the address stated above, with return-receipt requested, and shall be deemed to have been delivered upon (a) receipt, if hand delivered, (b) the next business day, if delivered by express overnight delivery service or (c) the third calendar day following the day of deposit of such notice with the United States mail, certified mail, return-receipt requested.

SECTION 9.2. HEADINGS. The various headings in this Security Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Security Agreement or any provision hereof.

SECTION 9.3. CHOICE OF LAW. This Security Agreement shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of California.

SECTION 9.4. AMENDMENTS. This Security Agreement or any provision hereof may be changed, waived or terminated only by a statement in writing signed by the party against which such change, waiver or termination is sought to be enforced.

SECTION 9.5. NO WAIVER. No delay in enforcing or failure to enforce any right under this Security Agreement by the Trustee or Bondholder Representative shall constitute a waiver by the Trustee or Bondholder Representative of such right. No waiver by the Trustee or Bondholder Representative of any default hereunder shall be effective unless in writing nor shall any waiver operate as a waiver of any other default or of the same default on a future occasion. Notwithstanding the foregoing, the Trustee shall not deliver any such waiver without receiving the prior written consent of the Bondholder Representative.

SECTION 9.6. TIME IS OF THE ESSENCE. Time is of the essence of each provision of this Sccurity Agreement of which time is an element.

SECTION 9.7. BINDING AGREEMENT. All rights of the Trustee and Bondholder Representative hereunder shall inure to the benefit of their respective successors and assigns. The Grantor shall not assign its interest under this Security Agreement without the prior written consent of the Trustee and Bondholder Representative. Any purported assignment inconsistent with this provision shall, at the option of the Trustee and Bondholder Representative, be null and void.

SECTION 9.8. SEVERABILITY. If any provision of this Security Agreement should be found to be invalid or unenforceable, all of the other provisions shall nonetheless remain in full force and effect to the maximum extent permitted by law.

SECTION 9.9. SURVIVAL OF PROVISIONS. All representations, warranties and covenants of the Grantor contained herein shall survive the execution and delivery of this Security Agreement and shall terminate only upon the full payment and performance by the Obligations secured hereby.

SECTION 9.10. COUNTERPARTS. This Security Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.

SECTION 9.11. DUTY OF CARE. The Trustee and Bondholder Representative shall have no duty or obligation to care for the Collateral hereunder or to take any actions to protect the value of the Collateral or any rights or privileges the Grantor might have with respect thereto, except that the Trustee and Bondholder Representative shall exercise reasonable caution in the physical care of the Collateral in the possession of the Trustee or Bondholder Representative, respectively.

SECTION 9.12. TERMINATION OF SECURITY AGREEMENT. This Security Agreement and the security interest granted hereunder shall terminate at such time as all Obligations shall have been fully and finally paid or provision for the payment thereof shall have been made. In addition, this Security Agreement and the security interest granted hereunder shall terminate at such time as Grantor ceases to be a Member of the Obligated Group.

SECTION 9.13. POWER OF ATTORNEY. The Grantor hereby appoints and constitutes the Trustee as its attorney-in-fact, upon the occurrence and during the continuation of an Event of Default, for purposes of (a) collecting any Collateral, (b) conveying any item of Collateral to any purchaser thereof and (c) making any payments or taking any acts under Article VII. The Trustee's authority hereunder shall include (without limitation) the authority to endorse and negotiate, for the Trustee's own account, any checks or instruments in the name of the Grantor, to execute or receipt for any document, to transfer title to any item of the Collateral and to take any other actions necessary or incident to the powers granted to the Trustee in this Security Agreement. This power of attorney is coupled with an interest and is irrevocable by the Grantor.

SECTION 9.14. WAIVER OF JURY TRIAL. The Grantor, by the execution hereof, hereby knowingly, voluntarily and intentionally agrees, that:

(a) Neither the Grantor nor the Trustee, nor any assignee, successor, heir or legal representative of either, shall seek a jury trial in any lawsuit, proceeding, counterclaim or any other litigation procedure arising from or based upon this Security Agreement, any loan agreement or any Financing Document evidencing, securing or relating to the Obligations or to the dealings or relationship between the parties hereto.

(b) Neither the Grantor nor the Trustee will seek to consolidate any action in which a jury trial has been waived with any other action in which a jury trial has not been or cannot be waived.

(c) The provisions of this Section have been fully negotiated by the parties hereto, and these provisions shall be subject to no exceptions.

(d) Neither the Grantor nor the Trustee has in any way agreed with or represented to any other party that the provisions of this Article will not be fully enforced in all instances, provided that the parties acknowledge that California law may render pre-dispute jury trial waivers unenforceable.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed the day and year first above written.

GRANTOR:

MPM SAN DIEGO LLC

By: MAGNOLIA PROPERTIES MANAGEMENT, INC., its sole member

By: ______________________________
Caprice Young, President

TRUSTEE:

UMB BANK, NATIONAL ASSOCIATION, as Trustee

By: ______________________________

[Signature Page of Security Agreement]

SHERMAN WAY

FIRST AMENDMENT TO

AMENDED AND RESTATED OPERATING AGREEMENT

OF

MPM Sherman Way LLC

a California limited liability company

THIS FIRST AMENDMENT TO AMENDED AND RESTATED OPERATING AGREEMENT is made effective as of April 1, 2017, by Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Sole Member"), and is made with reference to the following:

A.. The Sole Member is the sole member MPM Sherman Way LLC, a California limited liability company (the "Company").

B. The Sole Member executed an Amended and Restated Operating Agreement of the Company dated as of April 1, 2017 (the "Amended and Restated Operating Agreement).

C. The California School Finance Authority (the "Authority") is issuing its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") pursuant to the Indenture (the "Indenture") dated as of April 1, 2017, by and between the Authority and UMB Bank, National Association, as trustee thereunder (the "Bond Trustee").

D. Pursuant to a Security Agreement dated as of April 1, 2017 (the "Security Agreement") by and between the Sole Member and UMB Bank, National Association, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, the Company, MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana"), and MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with the Company and MPM Santa Ana LLC, the "Obligated Group Members"), and the Company, as initial Members of the Obligated Group, and the Trustee, the Sole Member has granted the Trustee a security interest in the Sole Member's membership in the Company and in all associated rights, interests, powers and authority held by Sole Member under the Amended and Restated Operating Agreement.

E. The Sole Member desires to amend the Amended and Restated Operating Agreement to secure the benefits of the Security Agreement to the Trustee.

NOW, THEREFORE, the Sole Member agrees as follows:

1. Amendment to Amended and Restated Operating Agreement. Article IX of the Amended and Restated Operating Agreement is amended by inserting the following Section 9.13 immediately following Section 9.12:

9.13 Security Agreement. Pursuant to a Security Agreement dated as of April 1, 2017 (the "Security Agreement") by and between the Initial Member and UMB Bank, National Association, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), as initial Obligated Group Representative, the Company, MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana"), and MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with the Company and MPM Santa Ana LLC, the "Obligated Group Members"), as initial Members of the Obligated Group, and the Trustee, the Initial Member has granted the Trustee a security interest in the Initial Member's membership in the Company and in all associated rights, interests, powers and authority held by Initial Member under this Agreement (collectively, the "Membership Rights"). Until such time as the Obligations (as defined in the Security Agreement) shall have been paid in full or the Trustee's security interest in the Membership Rights shall have terminated as provided in the Security Agreement, the Company shall not elect to have its membership interests be securities governed by Division 8 of the Uniform Commercial Code as enacted in the State of California, the Company shall not issue any certificate evidencing membership in the Company, the Initial Member may not further Transfer any right, title or interest in the Membership Rights, the Initial Member may not admit any additional members to the Company, and the Initial Member may not modify or amend this Agreement without the prior written consent of the Trustee and Bondholder Representative (as defined in the Indenture), and any purported issuance, Transfer, admission, modification or amendment prohibited by this provision shall be void and of no force or effect. The Trustee and Bondholder Representative are third party beneficiaries of this Section 9.13 and may enforce these provisions as if express parties hereto. In the event there is no longer a Bondholder Representative with respect to any of the Bonds (as defined in the Indenture), the term "Bondholder Representative" shall be disregarded herein.

2. Amended and Restated Operating Agreement Remains Effective. Except as provided herein, the Amended and Restated Operating Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Initial Member has executed this Agreement effective the day and year first set forth above.

INITIAL MEMBER:

MAGNOLIA PROPERTIES MANAGEMENT, INC.

By:______________________________
Name:____________________________
Title: ____________________________

AMENDED AND RESTATED OPERATING AGREEMENT

OF

MPM Sherman Way LLC

a California limited liability company

THIS AMENDED AND RESTATED OPERATING AGREEMENT is made effective as of April 1, 2017, by Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Initial Member"), and is made with reference to the following:

A. The Initial Member formed a limited liability company under and pursuant to the Beverly-Killea Limited Liability Company Act as previously set forth in California Corporations Code sections 17000 to 17655 (the "Prior Act"). The Prior Act has been replaced with the California Revised Uniform Limited Liability Company Act set forth in sections 17000-17713.13 of the California Corporations Code (as amended from time to time, the "Act").

B. Articles of Organization for MPM Sherman Way LLC (the "Company") were filed with the Secretary of State of the State of California on October 31, 2013.

C. The Initial Member executed an Operating Agreement dated as of November 1, 2013 (the "Prior Operating Agreement") in order to complete the organization of the Company and provide for the governance of the Company and the conduct of the Company's business. This Amended and Restated Operating Agreement amends and replaces the Prior Operating Agreement.

NOW, THEREFORE, the Initial Member declares the following to be the Amended and Restated Operating Agreement ("Agreement") of the Company:

ARTICLE I
ORGANIZATION

1.1 Formation. The Initial Member has caused the Articles of Organization to be filed with the California Secretary of State, and the formation of the Company shall be effective as of the date of said filing.

1.2 Name. The name of the Company shall be "MPM Sherman Way LLC." The Company shall conduct its business and affairs under said name or such other name as the Sole Member may determine from time to time.

1.3 Agent for Service of Process. The name and address for the initial agent for service of process on the Company is Caprice Young, 250 E. 1st Street, Los Angeles, California 90012. The Sole Member may from time to time change the Company's agent for service of process.

1.4 Principal Place of Business. The principal office of the Company shall be located at 250 E. 1st Street, Los Angeles, California 90012 or at such other place as the Sole Member may determine from time to time.

1.5 Term. The term of the Company shall commence on the filing of the Articles of Organization with the California Secretary of State and shall continue until the Company is dissolved and wound-up and liquidated pursuant to this Agreement or by operation of law.

1.6 Purpose. The Company is organized and will operate:

(a) exclusively to support the charter schools operated by Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation (the "Supported Corporation"), which is the organization supported by the Sole Member;

(b) for the specific purpose of holding title to property, including real and personal property located at 18214, 18228, and 18238 Sherman Way, Los Angeles, California (the "Property"), managing, operating, leasing and otherwise dealing with the Property and collecting the income therefrom and turning over the entire amount of said income, less expenses, to the Sole Member, which is an organization exempt from federal income tax under Internal Revenue Code § 501(c)(3) and from state corporate tax under California Revenue and Taxation Code § 23701d; and

(c) to do any and all things and to engage in any and all other activities and transactions necessary, convenient, appropriate or incidental to the accomplishment of the foregoing purposes or otherwise for the protection and benefit of the Company.

Notwithstanding the foregoing and any other provisions of this Agreement, the actions, activities and transactions of the Company will be limited to those permitted under California Revenue and Taxation Code § 23701h.

1.7 Tax Status. It is the intention of the Sole Member that the Company be disregarded as an entity separate from the Sole Member solely for federal and all relevant state tax purposes. All provisions of the Articles of Organization and this Agreement are to be construed so as to preserve that tax status.

ARTICLE II
MEMBERSHIP

2.1 Admission. Simultaneously with the effectiveness of the Prior Operating Agreement, the Initial Member was admitted as the sole member ("Sole Member") of the Company. The name and address of the Sole Member is listed on Exhibit A attached hereto.

2.2 Membership Interest. The Sole Member shall own the sole membership interest in the Company, which includes all rights in the Company collectively, including the Sole Member's transferable interest, any right to vote or participate in management, and any right to information concerning the business and affairs of the Company.

2.3 Capital Contributions. The Sole Member may contribute cash or other property to the Company as the Sole Member shall determine from time to time.

2.4 Limited Liability. The Sole Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company, except as otherwise provided in the Act.

ARTICLE III
MANAGEMENT

3.1 Management.

3.1.1. The management of the business and assets of the Company shall be vested solely in the Sole Member, who shall have sole power and authority to manage, control and conduct the business and affairs of the Company and may exercise all powers of the Company.

3.1.2. The Sole Member may appoint a President, a Chief Executive Officer, one or more Vice Presidents, a Secretary, a Chief Financial Officer and such other officers as the Sole Member may deem necessary or advisable to manage the day-to-day business affairs of the Company (each, an "Officer"), and such Officers shall have the titles, powers and duties as shall be determined by the Sole Member. Unless and until any such officer is removed by the Sole Member, each officer of the Sole Member who is neither an officer, director, or employee of the Supported Corporation nor a relative of any such officer, director, or employee shall hold the same office in the Company *ex officio*.

3.1.3. Without limiting the foregoing **Paragraphs 3.1.1** and **3.1.2**, the Sole Member shall have the right, in its sole and absolute discretion to, or to cause the Company to, as applicable:

(a) take all actions necessary or convenient to the accomplishment of the Company's purposes set forth in **Paragraph 1.6**;

(b) enter into any loan, credit, guarantee or other similar financing arrangements, including the opening, maintaining and closing bank accounts, in order to receive or borrow funds to fulfill the Company's purposes and objectives;

(c) enter into agreements for the purchase, sale and renovation of real property which agreements may include such representations, warranties, covenants, indemnities and guarantees as Sole Member deems necessary or advisable;

(d) own, lease and dispose of real property;

(e) mortgage, pledge or otherwise encumber its property; and

(f) make and perform such other agreements, undertakings and transfers of property as Sole Member deems necessary or advisable.

3.2 Meetings. No annual, regular or special meetings of the Sole Member or Officers are required.

ARTICLE IV
ALLOCATIONS AND DISTRIBUTIONS

4.1 Allocations. All profits and losses, each item thereof, and all other items attributable to the membership interest shall be allocated to the Sole Member for tax, accounting and all other purposes.

4.2 Distributions. At such times as the Sole Member deems appropriate, the Sole Member shall cause the Company to distribute cash or other property held by the Company to the Sole Member. The Company shall turn over the entire amount of its income, less expenses, to the Sole Member periodically.

ARTICLE V
COMPANY ADMINISTRATION

5.1 Books and Records.

5.1.1. The books and records of the Company shall be kept and maintained at the Company's principal office in California, shall reflect all of the Company transactions, and shall be appropriate and adequate for the Company's business.

5.1.2. Without limiting the requirements set forth in **Paragraph 5.1.1**, the Company shall maintain at its principal office in California all of the following:

(a) A current list of the full name and last known business or residence address of the Sole Member, together with the capital contribution and share in profits or losses of the Sole Member;

(b) A copy of the Articles of Organization, as amended from time to time;

(c) Copies of the Company's Federal, state and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;

(d) Executed counterparts of this Agreement, as amended;

(e) Any powers of attorney under which the Articles of Organization or any amendments thereto are executed;

(f) Financial statements of the Company for the six (6) most recent fiscal years; and

(g) The books and records of the Company as they relate to the Company's internal affairs for the current and past four (4) fiscal years.

5.2 Accounting. Books and records of the Company shall be kept on the method of accounting selected by the Sole Member and applied on a consistent basis in the preparation of its financial reports and for tax purposes. The taxable and fiscal years of the Company shall coincide with the taxable and fiscal years of the Sole Member.

5.3 Banking. All funds of the Company shall be deposited in the name of the Company in one or more distinct separate accounts with one or more recognized financial institutions and at such locations, all as shall be determined by the Sole Member. Any withdrawal from such accounts shall require the signature of the Sole Member or such other person or persons authorized to do so by the Sole Member.

5.4 Assets. All assets of the Company, whether real or personal, shall be held in the name of the Company.

ARTICLE VI
TRANSFERS

6.1 Transfers. The Sole Member may assign, sell, gift, transfer or otherwise dispose of ("Transfer") all or any part of its membership interest in the Company at any time (the transferee hereinafter referred to as "Transferee"). A Transferee of membership in the Company shall become a substituted member automatically upon the Transfer of such membership, provided that, if a Transfer of membership in the Company is made for purposes of security, the Transferee of such Transfer shall not become a substituted member until such time as the Transferee has concluded a foreclosure sale of such membership.

6.2 Duties of Substituted Member. Any person admitted to the Company as a substituted member shall be subject to all of the provisions of this Agreement that apply to the Sole Member from whom the membership interest was assigned.

6.3 Division of Allocations and Distributions. If any membership interest, or part thereof, is assigned during any fiscal year in compliance with the provisions of this Article VI, profits, losses, each item thereof and all other items attributable to such membership interest for such fiscal year shall be divided and allocated between the transferor and the transferee by taking into account their varying membership interests during the period in accordance with section 706(d) of the Internal Revenue Code of 1986, as amended, using any convention permitted by law selected by the Sole Member. All distributions on or before the date of such assignment shall be made to or for the account of the transferor, and all distributions thereafter shall be made to or for the account of the transferee. Solely for purposes of making such allocations and distributions, the Company shall recognize such assignment not later than the end of the calendar month during which the assignment occurs. Neither the Company nor the Sole Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Paragraph 6.3.

6.4 Rights of Secured Parties. Notwithstanding anything to the contrary in Section 17705.02(b) of the Act, (a) the Sole Member may pledge or grant a security interest in, or assign for purposes of security, all or any part of the Sole Member's membership interest in the Company, including the Sole Member's designation as the sole member of the Company, the Sole Member's right to vote or participate in management and right to information concerning the business and affairs of the Company, the Sole Member's power and authority to manage, control and conduct the business and affairs of the Company, and the Sole Member's right to receive distributions to which the Sole Member is entitled, and (b) subject to the terms and conditions of the agreement(s) between the Sole Member and the Transferee and compliance with applicable provisions of the Uniform Commercial Code, upon default the Transferee may exercise any of such rights, powers, and authority as may have been granted to the Transferee and the Transferee may receive distributions to which the member is entitled.

ARTICLE VII
INDEMNIFICATION

To the extent of Company assets, the Company agrees to defend each member, manager (if any), and Officer of, and each entity controlling, or directly or indirectly related to, the Company (each, an "Affiliate"), including, without limitation, any director, officer, employee, or agent of any member, manager, Officer or Affiliate acting on behalf of the Company (each, an "Indemnitee" and, collectively, the "Indemnitees"), against all claims or demands arising from the acts or omissions of the Company and agrees to indemnify and hold each of the foregoing harmless against all liabilities, losses, damages, expenses, costs or any other economic detriment suffered, paid, or incurred, foreseen or unforeseen, arising from any claim, demand, action, suit or proceeding, whether civil, criminal, administrative, or investigative, or whether threatened, pending or completed, which pertain to any Indemnitee, as described above, in such capacity, arising from the acts or omissions of the Company, to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. No member shall be subject to personal liability or be required to fund or cause to be funded any obligation of the Company described in this Article VII.

ARTICLE VIII
DISSOLUTION

8.1 Events of Dissolution. The Company shall dissolve upon the earliest to occur of:

(a) the decision of the Sole Member;

(b) the entry of a decree of judicial dissolution under section 17707.03 of the California Corporations Code.

8.2 Winding Up. Upon dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Sole Member shall wind up the affairs of the Company and give written notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company, including, without limitation, debts and liabilities to the Sole Member as a creditor of the Company, the remaining assets of the Company shall be distributed to the Sole Member.

ARTICLE IX
GENERAL

9.1 Amendment. This Agreement may be amended only in a writing signed by the Sole Member.

9.2 Binding Agreement. Subject to any restrictions on transfers set forth in this Agreement, this Agreement shall inure to the benefit of and be binding upon the Sole Member and its respective legal representatives, successors, and Permitted Transferees.

9.3 Headings. The article and paragraph headings are included in this Agreement solely for convenience of reference and in no way describe, define, limit, extend or interpret the scope, intent or extent of this Agreement, or any provision hereof. If there is any conflict between such headings and the text of this Agreement, the text shall control.

9.4 Number and Gender. Unless the context clearly indicates otherwise, the singular shall include the plural and vice versa. In all cases the masculine gender shall include the neuter and feminine genders and vice versa.

9.5 Severability. If any provision of this Agreement or the application thereof to any "person" (as defined in the Act) or circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provisions to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and the intent of this Agreement shall be enforced to the greatest extent permitted by law.

9.6 References to this Agreement. Numbered or lettered articles and paragraphs herein contained refer to articles and paragraphs of this Agreement unless otherwise expressly stated.

9.7 Parties in Interest. Except as otherwise expressly provided in this Agreement, nothing contained in this Agreement shall be deemed to confer any right or benefit on any person who is not a party to this Agreement.

9.8 Other Businesses. The Sole Member, any Affiliate, any officer, director, or employee of the Sole Member or of any Affiliate or and any other person holding a legal or beneficial interest in the Sole Member or Affiliate (collectively, the "Interested Parties") may engage in or conduct any business, investment, profession or other activity it chooses, whether or not the same is competitive with the Company, without any accountability to the Company and without having or incurring any obligation to offer any interest in such business, investment, profession or other activity to the Company. The Company shall have no right by virtue of this Agreement in and to any such business, investment, profession or other activity or to the income or profits arising therefrom, nor shall the Sole Member be required to permit the Company to participate in such business, investment, profession or activity. Except as expressly provided in this Agreement, each Interested Party shall have no fiduciary obligation to the Company by virtue of this Agreement to submit to the Company any business opportunity, whether or not such opportunity arose from its activities with respect to the Company.

9.9 Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter of this Agreement.

9.10 Exhibits. Any exhibits referred to in this Agreement are incorporated by reference into this Agreement and made a part hereof.

9.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one agreement binding on the parties hereto, notwithstanding that all of the parties are not signatories to the same counterpart.

9.12 Governing Law. The laws of the State of California (without regard to otherwise governing principles of conflicts of law or choice of law) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereof.

IN WITNESS WHEREOF, the Initial Member has executed this Agreement effective the day and year first set forth above.

INITIAL MEMBER:

MAGNOLIA PROPERTIES MANAGEMENT, INC.

By:____________________________________
Name: Caprice Young
Title: President

EXHIBIT A

Sole Member

Magnolia Properties Management, Inc.
250 E. 1st Street
Los Angeles, California 90012

TABLE OF CONTENTS

AMENDED AND RESTATED OPERATING AGREEMENT

OF

MPM Santa Ana LLC

---

a California limited liability company

SECURITY AGREEMENT

SECURITY AGREEMENT

(Membership Interests in MPM Sherman Way LLC, MPM San Diego LLC and MPM Santa Ana LLC)

THIS SECURITY AGREEMENT (this "Security Agreement") dated as of April 1, 2017, is made by and between **Magnolia Properties Management, Inc.**, a California nonprofit public benefit corporation (the "Grantor"), as the sole member of (i) MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), (ii) MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana"), and (iii) MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and MPM Santa Ana, the "Obligated Group Members"), and **UMB Bank, National Association**, as the Master Trustee (the "Trustee") pursuant to the Master Indenture of Trust dated as of April 1, 2017 (the "Master Indenture") among the Grantor, as initial Obligated Group Representative, the Obligated Group Members, as initial Members (as defined in the Master Indenture) of the Obligated Group (as defined in the Master Indenture), and the Trustee, and is acknowledged and consented to by the Members. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Indenture (the "Indenture") dated as of April 1, 2017, by and between the California School Finance Authority (the "Authority") and UMB Bank, National Association, as trustee thereunder (the "Bond Trustee"), or in the Master Indenture, unless the context requires otherwise.

WITNESSETH:

WHEREAS, the Authority is issuing its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") pursuant to the Indenture, the proceeds of which are being applied by the Obligated Group Members to finance the acquisition, expansion, renovation and equipping of certain educational facilities owned by the Obligated Group Members or by Magnolia Educational and Research Foundation, a California nonprofit public benefit corporation ("MERF"), and operated by MERF; and

WHEREAS, in consideration of the purchase of the Bonds issued under the Indenture by investors for whom Hamlin Capital Management, LLC ("Hamlin") acts as investment advisor, Hamlin, as Bondholder Representative (the "Bondholder Representative"), has required that Grantor grant, hypothecate and pledge to the Trustee all of its membership interests in the Obligated Group Members (collectively, the "LLC Membership Interests");

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure the payment and performance of the obligations of Grantor with respect to the Bonds from time to time outstanding under the Indenture, the Grantor hereby covenants and agrees as follows:

ARTICLE I.
SECURITY INTEREST

SECTION 1.1. CREATION OF SECURITY INTEREST. The Grantor hereby grants to the Trustee a security interest in all of the Grantor's right, title and interest in and to the collateral described in Section 1.2 (the "Collateral") to secure the payment of all obligations of the Grantor under the Loan Agreement and under Obligation No. 2 issued pursuant to the Supplemental Master Indenture for Obligation No. 2 (the "Second Supplemental Master Indenture"), dated as of April 1, 2017, by and between the Obligated Group Representative and the Trustee, whether now existing or hereafter arising during the term of this Security Agreement (collectively, the "Obligations"). The security interest granted hereunder shall, except as otherwise provided herein, be governed by and interpreted in accordance with the provisions of the Uniform Commercial Code as adopted in the State of California (the "UCC"). The Grantor shall file or record, or cause to be filed and recorded, any financing statements necessary to protect and preserve the Trustee's security interests in the Collateral. The Trustee may, at the expense of the Obligated Group Members, retain counsel to assist it in making any filings required hereby and may rely on the opinion of any such counsel.

SECTION 1.2. DESCRIPTION OF COLLATERAL. The Collateral pledged under this Security Agreement includes all of the following:

(a) all right, title and interest of the Grantor in the LLC Membership Interest in MPM Sherman Way as set forth in that certain Amended and Restated Operating Agreement of MPM Sherman Way dated as of April 1, 2017, as the same may be amended (the "MPM Sherman Way Operating Agreement");

(b) all right, title and interest of the Grantor in the LLC Membership Interest in MPM Santa Ana as set forth in that certain Operating Agreement of MPM Santa Ana dated as of [April 1], 2017, as the same may be amended (the "MPM Santa Ana Operating Agreement");

(c) all right, title and interest of the Grantor in the LLC Membership Interest in MPM San Diego as set forth in that certain Operating Agreement of MPM San Diego dated as of [April 1], 2017, as the same may be amended (the "MPM San Diego Operating Agreement" and, together with the MPM Sherman Way Operating Agreement and the MPM Santa Ana Operating Agreement, the "Operating Agreements");

(d) all certificates, documents and instruments representing or evidencing ownership of the property described in clauses (a) through (c) of this Section and all proceeds thereof, including (without limitation) cash, property and other distributions, dividends, securities, investment property, rights and other property now or hereafter at any time or from time to time received, receivable or otherwise distributed or distributable in respect of or in exchange for any or all of the foregoing property;

(e) all options and other rights to subscribe for or purchase voting or nonvoting interests in the Obligated Group Members, and all benefits to be derived therefrom, whether now existing or hereafter arising during the term of this Security Agreement with respect to any of the property described in clauses (a) through (d) of this Section;

(f) all substituted or additional collateral required to be supplied under the terms of this Security Agreement; and

(g) the proceeds of all of the foregoing property described in clauses (a) through (f) of this Section.

SECTION 1.3. SECURITY FOR OBLIGATIONS. This Security Agreement secures the prompt payment of all Obligations.

SECTION 1.4. PROTECTION OF SECURITY INTEREST. During the term of this Security Agreement, the Trustee, the Bond Trustee, and Bondholder Representative shall have the right upon the occurrence and during the continuance of an Event of Default under the Indenture, the Loan Agreement, any Mortgage, the Master Indenture, or Obligation No. 2 (collectively, the "Financing Documents") to make any payments and to perform any other acts the Trustee, the Bond Trustee, or Bondholder Representative shall deem necessary to protect the Trustee's security interest in the Collateral, including (without limitation) the rights to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of the Trustee, the Bond Trustee, or Bondholder Representative appears to be prior to or superior to the security interest granted hereunder and to appear in and defend any action or proceeding purporting to affect its security interest in or the value of the Collateral and, in exercising any such powers or authority, the right to pay all expenses incurred in connection therewith, including (without limitation) reasonable attorneys' fees and expenses. The Grantor hereby agrees that the Grantor shall be bound by any such payment made or act taken by the Trustee, the Bond Trustee, or Bondholder Representative hereunder and shall reimburse the Trustee, the Bond Trustee, and Bondholder Representative for all payments made and expenses incurred, which amounts shall be secured under this Security Agreement during its term. The Trustee, the Bond Trustee, and Bondholder Representative shall have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

SECTION 1.5. INDEMNIFICATION OF THE TRUSTEE; RIGHTS AND IMMUNITIES. The provisions set forth in the Master Indenture relating to the rights, immunities and indemnification of the Trustee are equally applicable to the Trustee under this Security Agreement as if such provisions were fully set forth herein.

ARTICLE II.
WARRANTIES AND REPRESENTATIONS

SECTION 2.1. ORGANIZATION AND EXISTENCE OF OBLIGATED GROUP MEMBERS. The Grantor represents and warrants to the Trustee that each of the Obligated Group Members is a limited liability company duly formed, validly existing and in good standing under the laws of the State of California, has all requisite power and authority to own, operate or hold under lease the properties and assets it owns, operates or holds under lease, including its interest in the Project (as defined in the Indenture), and is duly qualified and authorized to do business in and is in good standing in all of the jurisdictions in which the nature of its business makes such licensing, authorization and qualification necessary and where the failure to be so licensed and qualified and in good standing would have a material adverse effect upon the business or financial condition of the Obligated Group Member.

SECTION 2.2. ORGANIZATION AND EXISTENCE OF THE GRANTOR. The Grantor represents and warrants to the Trustee that the Grantor is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California and has all requisite power and authority to enter into this Security Agreement and grant the lien on the Collateral hereunder.

SECTION 2.3. TITLE TO LLC MEMBERSHIP INTERESTS. The Grantor represents and warrants to the Trustee that the Grantor has good and marketable title to the LLC Membership Interests and other Collateral pledged hereunder, free and clear of any liens or encumbrances; that there are no outstanding restrictions, purchase agreements, subscriptions, options or other agreements or rights of any kind to purchase or otherwise receive or be issued, or securities or obligations of any kind convertible into, any interest in any Obligated Group Member; that the LLC Membership Interests are uncertificated and constitutes 100% of all of the membership interests in the Obligated Group Members and the Grantor is the sole member of each Obligated Group Member; and that no prior consent or approval is required in order for the Grantor to pledge the LLC Membership Interests and other Collateral as set forth herein and hereunder.

ARTICLE III.
AFFIRMATIVE COVENANTS

The Grantor covenants that, so long as any of the Bonds remain Outstanding and this Security Agreement remains in effect:

SECTION 3.1. DELIVERY OF COLLATERAL; ADDITIONAL COLLATERAL. Grantor will deliver to the Trustee each item of Collateral capable of physical delivery, if possession of the same is necessary to perfect a security interest therein, immediately upon acquisition thereof and will defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein. If, while this Security Agreement is in effect, additional membership interests are created or otherwise issued by reason of any internal reorganization, consolidation or other similar change in organizational structure as may be expressly permitted under the Financing Documents, including (without limitation) the creation of any subscription or other rights or other Collateral as defined herein, is declared or made, or proposed to be declared or made, by any Obligated Group Member or its members, all substituted and additional membership interests or other Collateral shall be deemed to be assigned, pledged and transferred to the Trustee to be held as additional Collateral under the terms of this Security Agreement in the same manner as and as a part of the existing Collateral. No supplemental or additional interests in any the Obligated Group Member shall be created (whether by sale, transfer, reorganization, reclassification or otherwise) during the term of this Security Agreement, except as may be expressly contemplated in the Financing Documents, without the prior written consent of the Trustee and Bondholder Representative. Notwithstanding the foregoing, nothing herein is intended to require delivery to the Trustee of any portion of the Collateral consisting of cash so long as no Event of Default exists under this Security Agreement.

SECTION 3.2 PERFECTION OF SECURITY INTEREST. The Grantor will, to the extent required by law, cause this Security Agreement, together with all related Uniform Commercial Code financing statements or other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the first priority security interest of the Trustee in the Collateral and will, promptly upon request by the Trustee or Bondholder Representative, procure or execute and deliver any documents, deliver to the Trustee any instruments, give any notices, execute any proxies, execute and file any financing statements or other documents, all in form reasonably satisfactory to the Trustee and Bondholder Representative, and take any other actions which are reasonably necessary or, in the reasonable judgment of the Trustee or Bondholder Representative, desirable to perfect or continue the perfection and first priority security interest of the Trustee in the Collateral, to protect the Collateral against the rights, claims or interests of third persons or to effect the purposes of this Security Agreement and will pay all costs incurred in connection therewith. The Grantor will pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance. The Grantor hereby authorizes the Trustee at any time and from time to time to file in any appropriate filing office any continuation statements to the financing statements covering any of the Collateral.

SECTION 3.3 IMPOSITIONS ON COLLATERAL. The Grantor will pay and discharge, or cause to be paid and discharged, all taxes, assessments and governmental charges or levies against the Collateral prior to delinquency thereof and will keep the Collateral free of all unpaid charges whatsoever. Notwithstanding the foregoing, the Grantor shall have the right to contest the amount and validity of any such tax or assessment by appropriate proceedings conducted in good faith and with due diligence so long as such proceedings operate to suspend or defer the payment thereof and so long as the Collateral is not exposed to being forfeited or lost by reason of such proceedings.

ARTICLE IV.
NEGATIVE COVENANTS

The Grantor covenants that, until the Bonds have been fully paid and discharged or this Security Agreement has been terminated:

SECTION 4.1. FURTHER ENCUMBRANCE OR TRANSFER OF COLLATERAL. The Grantor will not, in any way, hypothecate or create or permit to exist any lien, security interest or encumbrance on or other interest in the Collateral except that created by this Security Agreement, nor will the Grantor sell, transfer, assign, exchange or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Bondholder Representative. If any Collateral, or any interest therein, is sold, transferred, assigned, exchanged or otherwise disposed of in violation of these provisions, the security interest of the Trustee shall continue in such Collateral or part thereof notwithstanding such sale, transfer, assignment, exchange or other disposition, and the Grantor will hold the proceeds thereof in a separate account for the Trustee's benefit and will, upon the request of the Trustee or Bondholder Representative, transfer such proceeds to the Trustee's possession.

SECTION 4.2. IMPAIRMENT OF SECURITY INTEREST. The Grantor shall take no action that would impair the first priority security interest of the Trustee in the Collateral or the enforcement thereof. The Grantor will not take any action that would change the jurisdiction of its formation without 30 days' prior written notice to the Trustee and Bondholder Representative or amend any of the Operating Agreements without the prior written consent of Bondholder Representative.

ARTICLE V.
NO LIMITATION ON LIABILITY; WAIVERS

SECTION 5.1. NO LIMITATION OF LIABILITY.

(a) Without incurring responsibility to the Grantor, impairing or releasing the obligations of the Grantor to the Trustee or reducing the amount due and secured under the terms of this Security Agreement (except to the extent of amounts actually paid to and legally retained by the Trustee), the Trustee may, at the direction of the Bondholder Representative, at any time and from time to time, without the consent or notice to the Grantor, and in accordance with Section 9.15, subject to the terms and conditions of the Financing Documents, and in whole or in part:

(i) change the manner, place or terms of payment of (including, without limitation, the interest rate and payment amounts), and/or change or extend the time for payment of, or renew or modify, any of the Obligations, any security therefor, or any of the Financing Documents (with the prior written consent of the Grantor to the extent required by such Financing Documents), and the lien created under this Security Agreement shall secure the Obligations as so changed, extended, renewed or modified;

(ii) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order, any property at any time pledged, mortgaged or in which a security interest is given to secure, or however securing, the Obligations;

(iii) exercise or refrain from exercising any rights against any Grantor, any Obligated Group Member, or others or against any security for the Obligations or otherwise act or refrain from acting;

(iv) settle or compromise any Obligations, whether in a proceeding or not, and whether voluntarily or involuntarily, dispose of any security (other than the Collateral) therefor (with or without consideration) or settle or compromise any liability incurred directly or indirectly in respect thereof or hereof, and subordinate the payment of all or any part thereof to the payment of any Obligations, whether or not due, to creditors of the Grantor or any Obligated Group Member other than the Trustee;

(v) apply any sums it receives, by whomever paid or however realized, to any of the Obligations;

(vi) add, release, settle, modify or discharge the obligation of any maker, endorser, guarantor, surety, obligor or any other party who is in any way obligated for any of the Obligations;

(vii) accept any additional security for the Obligations; and/or

(viii) take any other action which might constitute a defense available to, or a discharge of, Grantor or any Obligated Group Member or any other obligated party in respect of the Obligations.

(b) The invalidity, irregularity or unenforceability of all or any part of the Obligations or any Financing Document, or the impairment, loss, failure to obtain or perform any security or guaranty therefor, whether caused by any action or inaction of the Trustee, or otherwise, shall not affect, impair or be a defense to the Trustee's rights under this Security Agreement.

SECTION 5.2. WAIVERS.

(a) Waiver of Subrogation. Until such time as the Obligations shall have been paid in full, the Grantor waives any present or future claim, right or remedy to which the Grantor may be entitled which arises on account of this Security Agreement and/or from the performance by the Grantor of the Grantor's obligations hereunder to be subrogated to the Trustee's rights against any Obligated Group Member or any other obligated party and/or any present or future claim, remedy or right to seek contribution, reimbursement, indemnification, exoneration, payment or the like, or participation in any claim, right or remedy of the Trustee against any Member or any security which the Trustee now has or hereafter acquires, whether or not such claim, right or remedy arises under contract, in equity, by statute, under common law or otherwise. If, notwithstanding such waiver, any funds or property shall be paid or transferred to the Grantor on account of any such subrogation, contribution, reimbursement, exoneration or indemnification at any time when all of the Obligations have not been paid in full, the Grantor shall hold such funds or property in trust for the Trustee and shall segregate such funds from other funds of the Grantor and shall forthwith pay over to the Trustee such funds and/or property to be applied by the Trustee to the Obligations, whether matured or unmatured, in accordance with the terms of the Financing Documents.

(b) Waiver of Remedies. The Grantor waives the right to marshalling of any Obligated Group Member's assets or any stay of execution and the benefit of all exemption laws, to the extent permitted by law, and any other protection granted by law to guarantors, now or hereafter in effect with respect to any action or proceeding brought by the Trustee against the Grantor.

(c) Waiver of Defenses. The Grantor irrevocably waives all claims of waiver, release, surrender, alteration or compromise and all defenses, set-offs, counterclaims, recoupment, reductions, limitations or impairments.

(d) Waiver of Notice. The Grantor waives notice of acceptance of this Security Agreement and notice of the Obligations and waives notice of default, non-payment, partial payment, presentment, demand, protest, notice of protest or dishonor, and all other notices to which the Grantor might otherwise be entitled or which might be required by law to be given by the Trustee.

ARTICLE VI.
AUTHORITY; DISTRIBUTION

So long as no Event of Default (as defined below), and no condition or event which with notice or lapse of time, or both, would constitute an Event of Default, shall have occurred or exist under this Security Agreement, the Grantor shall have:

SECTION 6.1. VOTING RIGHTS; POWERS. All voting rights with respect to the LLC Membership Interests and all other rights and powers of a member under the Operating Agreements and conferred upon the members under the Operating Agreements to act as a member, subject only to any limitations contained in the Financing Documents.

SECTION 6.2. DISTRIBUTIONS. The right to receive and retain all distributions made by the Obligated Group Members pertaining to the Collateral which are otherwise permitted under the Financing Documents.

If an Event of Default (as defined below) has occurred and remains uncured, the Trustee and Bondholder Representative shall have the right, at the Trustee's or Bondholder Representative's option and in accordance with Section 9.15, to exercise all voting rights of the Grantor, to participate in management, to receive all information relating to the business of the Obligated Group Members, and to receive all such distributions of property to be held as substitute Collateral or to be applied to payment of the Obligations.

ARTICLE VII.
DEFAULTS AND REMEDIES

SECTION 7.1. EVENTS OF DEFAULT. The occurrence of an event of default by or on the part of the Grantor or any Obligated Group Member under any Financing Document which is not cured within any applicable cure period provided thereunder shall constitute an event of default (an "Event of Default") under this Security Agreement.

SECTION 7.2. REMEDIES. Upon the occurrence of an Event of Default, the Trustee may, with consent of Bondholder Representative and in accordance with Section 9.15, and shall, at the direction of the Bondholder Representative and in accordance with Section 9.15, without further notice to or demand upon the Grantor, do any one or more of the following:

(a) Declare all Obligations to be immediately due and payable, whereupon all unpaid Obligations shall become and be immediately due and payable;

(b) Take possession of all items of Collateral hereunder not then in its possession and require the Grantor or the parties in possession thereof to deliver such Collateral to the Trustee at one or more locations as the Trustee shall designate;

(c) Transfer the Collateral, or any portion thereof, upon the books and records of an Obligated Group Member to the Trustee or its designee, in accordance with Article VIII;

(d) Exercise any or all of the rights and remedies provided for by the applicable provisions of the UCC and recover the reasonable costs and reasonable attorneys' fees incurred by the Trustee and Bondholder Representative in the enforcement of this Security Agreement or in connection with the Grantor's redemption of the Collateral;

(e) Designate a successor sole member of each Obligated Group Member, which may, at the Trustee's or Bondholder Representative's option, be a receiver appointed by a court of competent jurisdiction;

(f) Sell the Collateral, or any portion thereof, at any public or private sale or on any securities exchange or other recognized market, for cash, upon credit or for future delivery, as the Trustee and Bondholder Representative shall deem appropriate. The Trustee shall be entitled at any such sale, if it deems it advisable to do so, to restrict the prospective bidders or purchasers to persons who will provide assurances satisfactory to the Trustee that the Collateral may be offered and sold without registration under any applicable state or federal securities law, including the Securities Act of 1933, and, upon the consummation of any such sale, the Trustee shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. The Trustee may solicit offers to buy the Collateral, or any part of it, from a limited number of investors deemed by the Trustee or the Bondholder Representative, in its reasonable judgment, to meet the requirements to purchase securities under any available exemption under state law and federal law or any regulation promulgated pursuant thereto. If the Trustee solicits such offers from such investors, then the acceptance by the Trustee of the highest offer obtained therefrom shall be deemed to be a commercially reasonable method of disposition of the Collateral. Each purchaser at any such sale shall hold the property sold free from any claim or right on the part of the Grantor and the Grantor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay and/or appraisal which the Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Trustee shall give the Grantor at least 10 days' written notice of any public sale or the date on or after which a private sale may be made. Such notice, in case of a public sale, shall state the time and place fixed for such sale. Any public sale shall be held at such time or times during ordinary business hours and at such place or places as the Trustee may fix in the notice of such sale. At any private or public sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate lots, as the Trustee shall determine in consultation with the Bondholder Representative. The Trustee may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for and purchase for its account the whole or any part of the Collateral at any public sale or sale in any recognized market. The Trustee shall not be obligated to sell any Collateral if, in consultation with the Bondholder Representative, it shall determine not to do so, notwithstanding that notice of sale of the Collateral shall have been given. The Trustee may, in consultation with the Bondholder Representative, without notice or publication, adjourn any sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Trustee until the sale price is paid by the purchaser or purchasers thereof, and the Trustee shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral purchased. In case of any such failure, such Collateral may be sold again upon like notice. The parties hereto agree that the method, manner and terms of sale or disposition of the Collateral authorized by this Section are commercially reasonable;

(g) Proceed by an action or actions at law or in equity to recover the indebtedness secured hereunder or to foreclose this Security Agreement and sell the Collateral, or any portion thereof, pursuant to a judgment or decree of a court or courts of competent jurisdiction;

(h) Retain and manage the Collateral to preserve the Collateral or its value or apply income therefrom to pay the indebtedness secured hereunder until all such indebtedness is paid to the Trustee; or

(i) Enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent the Trustee or Bondholder Representative from pursuing any other or further remedy it may have.

Notwithstanding anything to the contrary set forth in this Security Agreement, the Grantor shall remain the beneficial owner of the LLC Membership Interests and of any other Collateral, other than cash proceeds of Collateral applied in payment of the Obligations, until such time as the Trustee shall have sold such Collateral as provided in Section 7.2(f).

ARTICLE VIII.
AUTHORITY OF THE TRUSTEE AND BONDHOLDER REPRESENTATIVE; REFERENCES TO BONDHOLDER REPRESENTATIVE

SECTION 8.1. AUTHORITY. The Trustee and Bondholder Representative shall have and be entitled to exercise all powers hereunder which are specifically delegated to the Trustee by the terms hereof, together with such powers as are reasonably incident thereto. In addition, the Trustee and Bondholder Representative, in accordance with Section 9.15, shall be entitled to transfer into the name of a nominee or nominees any certificates or instruments representing or evidencing the Collateral and to have any such certificates or instruments exchanged for ones of smaller or larger denominations. The Trustee and Bondholder Representative may perform any of their respective rights or duties hereunder or in connection with the Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. None of the Trustee, Bondholder Representative or any director, officer, employee, attorney or agent thereof shall be liable to the Grantor for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct, nor shall the Trustee be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. The Trustee, Bondholder Representative and any director, officer, employee, attorney or agent thereof shall be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons.

SECTION 8.2. REFERENCES TO BONDHOLDER REPRESENTATIVE. In the event there is no longer a Bondholder Representative with respect to any of the Bonds, the term "Bondholder Representative" shall be disregarded herein and all notices and consents shall be given to and by, respectively, the other parties referenced in this Security Agreement.

ARTICLE IX.
MISCELLANEOUS PROVISIONS

SECTION 9.1. NOTICES. Notices, requests and other communications hereunder shall be in writing and may be delivered personally or sent by recognized overnight courier or first-class mail to the parties addressed as follows:

To Grantor: Magnolia Properties Management, Inc.
250 E. 1st Street, Suite 1500
Los Angeles, CA 90012
Attn: President

To MPM Sherman Way:	MPM Sherman Way LLC c/o Magnolia Properties Management, Inc. 250 E. 1st Street, Suite 1500 Los Angeles, CA 90012 Attn: President
To MPM Santa Ana:	MPM Santa Ana LLC c/o Magnolia Properties Management, Inc. 250 E. 1st Street, Suite 1500 Los Angeles, CA 90012 Attn: President
To MPM San Diego:	MPM San Diego LLC c/o Magnolia Properties Management, Inc. 250 E. 1st Street, Suite 1500 Los Angeles, CA 90012 Attn: President
To Trustee:	UMB Bank, National Association 2 South Broadway Suite 600 St. Louis, Missouri 63102 Telephone: 314/612-8480 Facsimile: 314/612-8499 Attention: Corporation Trust Department
To Bondholder Representative:	Hamlin Capital Management LLC 640 Fifth Avenue, 6th Floor New York, NY 10019 Telephone: 212/752-8777 Facsimile: 212/752-5698 Attention: Joseph Bridy

Notice or demand, if required to be given hereunder, shall be given by hand delivery or by recognized overnight delivery service or by deposit in the United States mail, registered or certified, postage prepaid, addressed to the Grantor, the Obligated Group Members, the Trustee or the Bondholder Representative, as the case may be, at the address stated above, with return-receipt requested, and shall be deemed to have been delivered upon (a) receipt, if hand delivered, (b) the next business day, if delivered by express overnight delivery service or (c) the third calendar day following the day of deposit of such notice with the United States mail, certified mail, return-receipt requested.

SECTION 9.2. HEADINGS. The various headings in this Security Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Security Agreement or any provision hereof.

SECTION 9.3. CHOICE OF LAW. This Security Agreement shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of California.

SECTION 9.4. AMENDMENTS. This Security Agreement or any provision hereof may be changed, waived or terminated only by a statement in writing signed by the party against which such change, waiver or termination is sought to be enforced.

SECTION 9.5. NO WAIVER. No delay in enforcing or failure to enforce any right under this Security Agreement by the Trustee or Bondholder Representative shall constitute a waiver by the Trustee or Bondholder Representative of such right. No waiver by the Trustee or Bondholder Representative of any default hereunder shall be effective unless in writing nor shall any waiver operate as a waiver of any other default or of the same default on a future occasion. Notwithstanding the foregoing, the Trustee shall not deliver any such waiver without receiving the prior written consent of the Bondholder Representative.

SECTION 9.6. TIME IS OF THE ESSENCE. Time is of the essence of each provision of this Security Agreement of which time is an element.

SECTION 9.7. BINDING AGREEMENT. All rights of the Trustee and Bondholder Representative hereunder shall inure to the benefit of their respective successors and assigns. The Grantor shall not assign its interest under this Security Agreement without the prior written consent of the Trustee and Bondholder Representative. Any purported assignment inconsistent with this provision shall, at the option of the Trustee and Bondholder Representative, be null and void.

SECTION 9.8. SEVERABILITY. If any provision of this Security Agreement should be found to be invalid or unenforceable, all of the other provisions shall nonetheless remain in full force and effect to the maximum extent permitted by law.

SECTION 9.9. SURVIVAL OF PROVISIONS. All representations, warranties and covenants of the Grantor contained herein shall survive the execution and delivery of this Security Agreement and shall terminate only upon the full payment and performance by the Obligations secured hereby.

SECTION 9.10. COUNTERPARTS. This Security Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.

SECTION 9.11. DUTY OF CARE. The Trustee and Bondholder Representative shall have no duty or obligation to care for the Collateral hereunder or to take any actions to protect the value of the Collateral or any rights or privileges the Grantor might have with respect thereto, except that the Trustee and Bondholder Representative shall exercise reasonable caution in the physical care of the Collateral in the possession of the Trustee or Bondholder Representative, respectively.

SECTION 9.12. TERMINATION OF SECURITY AGREEMENT. This Security Agreement and the security interest granted hereunder shall terminate at such time as all Obligations shall have been fully and finally paid or provision for the payment thereof shall have been made. In addition, this Security Agreement and the security interest granted hereunder shall terminate as to the

LLC Membership Interest in an Obligated Group Member, to all certificates, documents and instruments representing or evidencing ownership of such LLC Membership Interest, to all other Collateral related to such LLC Membership Interest, and to all proceeds of any of the foregoing, at such time as the Obligated Group Member ceases to be a Member of the Obligated Group.

SECTION 9.13. POWER OF ATTORNEY. The Grantor hereby appoints and constitutes the Trustee as its attorney-in-fact, upon the occurrence and during the continuation of an Event of Default, for purposes of (a) collecting any Collateral, (b) conveying any item of Collateral to any purchaser thereof and (c) making any payments or taking any acts under Section 6.2 and Article VII. The Trustee's authority hereunder shall include (without limitation) the authority to endorse and negotiate, for the Trustee's own account, any checks or instruments in the name of the Grantor, to execute or receipt for any document, to transfer title to any item of the Collateral and to take any other actions necessary or incident to the powers granted to the Trustee in this Security Agreement. This power of attorney is coupled with an interest and is irrevocable by the Grantor.

SECTION 9.14. WAIVER OF JURY TRIAL. The Grantor, by the execution hereof, hereby knowingly, voluntarily and intentionally agrees, that:

(a) Neither the Grantor nor the Trustee, nor any assignee, successor, heir or legal representative of either, shall seek a jury trial in any lawsuit, proceeding, counterclaim or any other litigation procedure arising from or based upon this Security Agreement, any loan agreement or any Financing Document evidencing, securing or relating to the Obligations or to the dealings or relationship between the parties hereto.

(b) Neither the Grantor nor the Trustee will seek to consolidate any action in which a jury trial has been waived with any other action in which a jury trial has not been or cannot be waived.

(c) The provisions of this Section have been fully negotiated by the parties hereto, and these provisions shall be subject to no exceptions.

(d) Neither the Grantor nor the Trustee has in any way agreed with or represented to any other party that the provisions of this Article will not be fully enforced in all instances, provided that the parties acknowledge that California law may render pre-dispute jury trial waivers unenforceable.

SECTION 9.15. OPINION OF BOND COUNSEL. The tax-exempt status of any Bonds issued under the Indenture, the interest on which is exempt from gross income for federal income tax purposes, relies on the disregarded entity status of the Obligated Group Members, and the federal income tax status of the Grantor as a charitable organization within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). To the extent that the Trustee or Bondholder Representative exercises any of the rights granted to the Trustee or Bondholder Representative, respectively, under this Security Agreement, the Trustee or Bondholder Representative, respectively, may, but is not obligated to, obtain an Opinion of Bond Counsel to the effect that the exercise of such rights shall have no adverse effect on the tax exempt nature of the interest on such Bonds under the Code; *provided*, however, if no such opinion is sought, then there is no guarantee that the exercise of rights granted hereunder will not have an adverse effect on the tax exempt nature of the interest on such Bonds and *provided* further that the delivery of the foregoing opinion may be waived by the Bondholder Representative.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed the day and year first above written.

GRANTOR:

MAGNOLIA PROPERTIES MANAGEMENT, INC.

By: ________________________________
Caprice Young, President

TRUSTEE:

UMB BANK,
NATIONAL ASSOCIATION, as Trustee

By: ________________________________

ACKNOWLEDGED, AGREED AND CONSENTED TO:

MPM SHERMAN WAY LLC
MPM SANTA ANA LLC
MPM SAN DIEGO LLC

By: Magnolia Properties Management, Inc.
Their Sole Member

By: ______________________
Caprice Young, President

[Signature Page of Security Agreement]

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

Recording requested by
and when recorded mail to:

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, California 94105

Attention: Eugene H. Clark-Herrera, Esq.

For Recorder Use Only

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "**Agreement**") is made and entered into as of [April 1, 2017], by and among UMB BANK, NATIONAL ASSOCIATION, as master trustee, with a principal place of business at 2 South Broadway, Suite 600, St. Louis, Missouri 63102 ("**Lender**"); MPM SHERMAN WAY LLC, a California limited liability company, with a principal place of business at 250 E First Street, Suite 1500, Los Angeles, California 90012 (collectively, the "**Landlord**") and MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION, a California nonprofit public benefit corporation, with a principal place of business at 250 E First Street, Suite 1500, Los Angeles, California 90012 ("**Tenant**").

RECITALS

WHEREAS, Landlord owns a fee simple interest in that certain real property located at 18214 and 18228 Sherman Way, Reseda, Los Angeles County, California 91335, more particularly described in Exhibit A attached hereto and made a part hereof (the "**Property**");

WHEREAS, Landlord, as lessor, and Tenant, as lessee, are parties to that certain Lease Agreement with respect to the Property dated for reference purposes only as of [April 1, 2017] (the "**Lease**");

WHEREAS, on or about the date hereof, Landlord has entered into and delivered that certain Deed of Trust, with Assignment of Rents, Security Agreement and Fixture Filing in favor of Lender, to be recorded in the Office of the County Recorder of Los Angeles County, California (the "**Deed of Trust**"), prior to the recording of this Agreement to secure Landlord's obligations under that certain Master Indenture of Trust, dated as of [April 1, 2017] (the "**Master Indenture**"), as amended and supplemented, among the Lender, the Landlord and other members of the Obligated Group;

WHEREAS, all obligations secured by the Deed of Trust are referred to herein as the "**Loan.**" Except as otherwise provided herein, all capitalized words and phrases are defined as set forth in the Master Indenture;

WHEREAS, the parties hereto desire to enter into this Subordination, Non-Disturbance and Attornment Agreement;

AGREEMENTS

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender, Landlord and Tenant hereby covenant and agree as follows:

1. **Estoppel.** Tenant hereby certifies to Lender that (a) the Lease, as described above, is the true, correct and complete Lease, has not been modified or amended and constitutes the entire agreement between Landlord and Tenant, and that (b) to Tenant's knowledge, there are no

defaults of Landlord under the Lease and there are no existing circumstances which with the passage of time, or giving of notice, or both, would give rise to a default under the Lease.

2. **Non-Disturbance.** So long as no default exists and no event has occurred which has continued to exist for such period of time (after notice, if any, required by the Lease) as would entitle the lessor from time to time under the Lease (the "**lessor**") to terminate the Lease or would cause, without any further action on the part of the lessor, the termination of the Lease or would entitle the lessor to dispossess the lessee thereunder (the "**lessee**"), the Lease shall not be terminated, nor shall the lessee's use, possession or enjoyment of the Property or rights under the Lease be interfered with in any foreclosure or other action or proceeding in the nature of foreclosure instituted under or in connection with the Deed of Trust or if Lender takes possession of the Property pursuant to any provisions of the Deed of Trust, unless the lessor would have had such right if the Deed of Trust had not been made, except that neither the person or entity acquiring the interest of the lessor as a result of any such action or proceeding or deed in lieu of thereof ("**Purchaser**"), nor Lender if it takes possession of the Property, shall be bound by (a) any payment of rent or additional rent for more than one (1) month in advance not actually received by Lender, except prepayments in the nature of security for the performance by the lessee of its obligations under the Lease, (b) any amendment or modification of the Lease made without the consent of Lender or such successor in interest, or (c) any work required to be done by Landlord pursuant to the terms of the Lease, excluding repair or maintenance obligations or obligations to restore in the event of casualty.

3. **Attornment.** Unless the Lease is terminated in accordance with Paragraph 2 hereof, if the interests of the lessor shall be transferred by reason of the exercise of any power of sale contained in the Deed of Trust, if applicable, or by any foreclosure or other proceeding for enforcement of the Deed of Trust, or by deed in lieu of foreclosure or such other proceeding, or if Lender takes possession of the Property pursuant to any provisions of the Deed of Trust, (a) the lessee shall be bound to Purchaser or Lender, as the case may be, under all of the terms, covenants and conditions of the Lease for the balance of the term thereof and any extensions or renewals thereof which may be effected in accordance with any option therefor in the Lease, with the same force and effect as if Purchaser or Lender were the lessor, and (b) Tenant, as the current lessee, does hereby attorn to Purchaser, and Lender if it takes possession of the Property, as its lessor under the Lease. Such attornment shall be effective and self-operative without the execution of any further instruments upon the succession by Purchaser to the interest of the lessor or the taking of possession of the Property by Lender. Nevertheless, Tenant shall, from time to time, execute and deliver such instruments evidencing such attornment as Purchaser or Lender may require. The respective rights and obligations of Purchaser, Lender and the lessee upon such attornment, to the extent of the then remaining balance of the term of the Lease and any such extensions and renewals, shall be and are the same as now set forth in the Lease except as otherwise expressly provided in Paragraph 2 hereof. In the event for any reason the Lease is deemed terminated as a result of a foreclosure, provided Lessee is not in default of its obligations under the Lease following expiration of any notice and cure period, as an obligation which will survive the termination of the Lease, upon request by either the lessee or the Purchaser, the parties shall execute a new lease, upon all the same terms and conditions of the Lease as modified hereby, for the balance of the Lease term, including any extension and renewal rights.

4. **Subordination.** Subject to the terms of this Agreement, Tenant hereby subordinates all of its right, title and interest as lessee under the Lease to the right, title and interest of Lender under the Deed of Trust, and Tenant further agrees that the Lease now is and shall at all times continue to be subject and subordinate in each and every respect to the Deed of Trust and to any and all increases, renewals, modifications, extensions, substitutions, replacements and/or consolidations of the Deed of Trust.

5. **Assignment of Leases.** Tenant hereby acknowledges that all of Landlord's right, title and interest as lessor under the Lease is being duly assigned to Lender pursuant to the terms of the Deed of Trust in Lender's favor, and that pursuant to the terms thereof all rental payments under the Lease shall continue to be paid to Landlord in accordance with the terms of the Lease unless and until Tenant is otherwise notified in writing by Lender; provided, however, the Tenant has directed certain payments due under the Lease directly to the Lender through an Intercept Notice delivered to the State Controller. Upon receipt of any such written notice from Lender, Tenant covenants and agrees to make payment of all rental payments then due or to become due under the Lease directly to Lender or to its agent designated in such notice and to continue to do so until otherwise notified in writing by Lender. Landlord hereby (a) irrevocably directs and authorizes Tenant to make rental payments directly to Lender following receipt of such notice, and (b) covenants and agrees that (i) Tenant shall have the right to rely on such notice (A) without any obligation to inquire as to whether any default exists under the Deed of Trust or the indebtedness secured thereby and (B) notwithstanding any notice or claim of Landlord to the contrary, and that (ii) Landlord shall have no right or claim against Tenant for or by reason of any rental payments made by Tenant to Lender following receipt of such notice.

6. **Notice of Default by Lessor.** Tenant, as the lessee, hereby covenants and agrees to give Lender written notice properly specifying wherein the lessor has failed to perform any of its covenants or obligations under the Lease, simultaneously with the giving of any notice of such default to the lessor under the provisions of the Lease. Tenant agrees that Lender shall have the right but not the obligation, within thirty (30) days after receipt by Lender of such notice (or within such additional time as is reasonably required to correct any such default), to correct or remedy, or cause to be corrected or remedied, each such default before the lessee may take any action under the Lease by reason of such default. Such notices to Lender shall be delivered in duplicate to:

UMB Bank, National Association
2 South Broadway, Suite 600
St. Louis, Missouri 63102
Attention: Corporate Trust Department

or to such other address as Lender shall have designated to Tenant by giving written notice to Tenant at 18214 and 18228 Sherman Way, Reseda, Los Angeles County, California 91335, or to such other address as may be designated by written notice from Tenant to Lender.

7. **Title of Paragraphs.** The titles of the paragraphs of this Agreement are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

8. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9. **Provisions Binding.** The terms and provisions of this Agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors and permitted assigns, respectively, of Lender, Tenant and Landlord. The reference contained to successors and assigns of Tenant is not intended to constitute and does not constitute a consent by Landlord or Lender to an assignment by Tenant, but has reference only to those instances in which the lessor and Lender shall have given written consent to a particular assignment by Tenant thereunder.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT as of the date first written above.

LENDER:

UMB BANK, NATIONAL ASSOCIATION

By:_________________________________
Authorized Officer

LANDLORD:

MPM SHERMAN WAY LLC

By: MAGNOLIA PROPERTIES MANAGEMENT, INC., a California nonprofit public benefit corporation and the Sole Member of the Landlord

By:________________________________
Name:
Title:

TENANT:

MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION, a California nonprofit public benefit corporation

By:__________________________________
Name:
Title:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA } SS.
COUNTY OF

On ____________________, before me, ______________________________ (here insert name and title of officer), personally appeared ______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____________________________________ (SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA } SS.
COUNTY OF

On ____________________, before me, ________________________________ (here insert name and title of officer), personally appeared ______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____ (SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA } SS.
COUNTY OF

On ____________________, before me, ________________________________ (here insert name and title of officer), personally appeared ______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

______________________________________ (SEAL)

EXHIBIT A

LEGAL DESCRIPTION

The land referred to herein below is situated in the City of Los Angeles (Reseda area), in the County of Los Angeles, State of California, and is described as follows:

[TO COME]

DEED OF TRUST
WITH ASSIGNMENT OF
RENTS, SECURITY
AGREEMENT
AND FIXTURE FILING

RECORDING REQUESTED BY
AND WHEN RECORDED, RETURN TO:

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, California 94105

Attn: Eugene H. Clark-Herrera, Esq.

COUNTY OF LOS ANGELES

DEED OF TRUST
WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "**Deed of Trust**"), is made as of [April 1, 2017], by MPM SHERMAN WAY LLC, a California limited liability company, as trustor ("**Trustor**"), whose sole member is MAGNOLIA PROPERTIES MANAGEMENT, INC. ("**Sole Member**"), a California nonprofit public benefit corporation, to [FIRST AMERICAN TITLE INSURANCE COMPANY], as trustee ("**Trustee**"), for the benefit of the UMB BANK, NATIONAL ASSOCIATION, a national banking association, as Beneficiary ("**Beneficiary**" and "**Master Trustee**"), as master trustee under that certain Master Indenture, dated as of [April 1, 2017], as supplemented, including by that certain Supplemental Master Indenture for Obligation No. 1, dated as of [April 1, 2017], and that certain Supplemental Master Indenture for Obligation No. 2, dated as of [April 1, 2017], and as may be further amended and supplemented from time to time, including in connection with the issuance of any additional Obligations thereunder (the "**Master Indenture**"), among the Trustor, as an initial Member of the obligated group, other Members of the obligated group, and the Beneficiary [, and amends, supercedes and replaces in its entirety that certain Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, made and dated as of June 1, 2014, by Trustor to the Trustee, for the benefit of The Bank of New York Mellon Trust Company, N.A., as original bond trustee, recorded in the official records of the County of Los Angeles as document number 20140664270 on June 27, 2014]. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Indenture.

ARTICLE I. GRANT IN TRUST

1.1 Trustor hereby grants and assigns to Trustee, in trust, for the benefit of the Beneficiary, with power of sale and right of entry and possession, all of Trustor's right, title and interest in that certain real property located in the County of Los Angeles, State of California, as described on Exhibit A attached hereto and by this reference incorporated herein (the "**Site**" or the "**Land**"), together with all of the Trustor's right, title and interest, whether now owned or hereafter acquired, in or to the property and rights listed in paragraphs (a) through (m) below (hereinafter collectively referred to as the "**Property**"):

(a) All buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located on the Site (hereinafter referred to as the "**Improvements**"); and to the extent permitted by law, the name or names, if any, as may now or hereafter be used for each Improvement;

(b) All easements, rights-of-way, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, liberties, tenements, hereditaments and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Site or the Improvements and the reversions, remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Site to the center line thereof and all the estates, rights, titles, interests, property, possession, claim and demand whatsoever, both in law and in equity, of Trustor of, in and to the Site and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(c) All machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures), inventory and articles of personal property and accessions thereof and renewals, replacements thereof and substitutions therefor, and other tangible property of every kind and nature whatsoever owned by Trustor, or in which Trustor has or shall have an interest, now or hereafter located upon the Site or the Improvements, or appurtenances thereto, or used in connection with the present or future operation and occupancy of the Site or the Improvements;

(d) All awards of payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property to the extent actually received by Trustor, whether from the exercise of the right of eminent domain (including, but not limited to, any transfer of the Property or part thereof made in lieu of or in anticipation of the exercise of said right), or for any other injury to or decrease in the value of the Property;

(e) All rights to minerals, oil and gas and other hydrocarbon substances, all water, irrigation and drainage rights, and all crops and timber on, under or relating to the Land; all shares of stock in any water company or other utility supplying water or utility services to the Land; and all damages, royalties and revenues of every kind, nature and description whatsoever that Trustor may be entitled to receive from any person or entity owning or hereafter acquiring a right to any oil, gas and mineral rights and reservations appurtenant or otherwise related to the Land;

(f) All privileges and other rights now or hereafter appurtenant or incidental to the Land, including air rights and development rights relating to the Land and all streets, curbs, gutters, sidewalks, sewers, storm drains, roads and public places, open or proposed; and all easements and rights of way, public or private, now or hereafter used in connection with the Land;

(g) All reserves, escrows and deposit accounts maintained by Trustor with respect to the Property (including, without limitation, all reserves, escrows, deposit accounts and other accounts established pursuant to the Loan Agreement), together with all cash, checks, drafts, certificates, securities, investment property, financial assets, instruments and other property from time to time held therein, and all proceeds, products, distributions, dividends or substitutions thereon or thereof;

(h) All plans, drawings, specifications, contracts and agreements for development, subdivision, grading or construction of any Improvements now located on, or hereafter to be constructed on, the Land and all studies, data and drawings relating thereto; all approvals, permits, entitlements, development agreements or other rights relating thereto; all payment, performance or other bonds and all deposits and other security delivered to, by or for the benefit of Trustor in connection with the construction of Improvements on the Land; any and all construction materials, supplies and equipment used or to be used in connection with the construction of Improvements on the Land, whether or not stored on the Land, and all warranties and guaranties relating thereto; any and all contracts, subcontracts, agreements and purchase orders with architects, engineers, consultants, contractors, subcontractors, suppliers and materialmen incidental to construction of Improvements on the Land; all reserves, deferred payment deposits, cost savings and payments of any kind relating to the construction of such Improvements; and all drawings, maps, plats, surveys, studies and reports relating to the Land;

(i) All leases and other agreements affecting the use, enjoyment or occupancy of the Property now or hereafter entered into (the "**Leases**") and all oil and gas or other mineral royalties, bonuses and rents, revenues, security deposits, issues and profits from the Property (the "**Rents**") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the obligations secured by this Deed of Trust;

(j) All names, trade names, trademarks, service marks and logos by which the Land is known or operated, all rights to conduct business under any such name or any variation thereof, and all goodwill in any way relating to the Land;

(k) All insurance policies and proceeds of and any unearned premiums on any insurance policies covering the Property including, without limitation, the right to receive and apply the proceeds of any insurance, judgments (including with respect to a casualty thereto or condemnation thereof), or settlements made in lieu thereof, for damage to the Property;

(l) The right, in the name and on behalf of Trustor, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Beneficiary in the Property; and

(m) All right, title and interest of every nature of the Trustor in all receivables and other accounts of Trustor relating to the Property and in all monies deposited or to be deposited in any funds or account maintained or deposited with Beneficiary, or its assigns, in connection herewith, if any.

ARTICLE II. ASSIGNMENT OF RENTS

2.1 Trustor absolutely and irrevocably assigns to Beneficiary the Rents of the Property upon the terms and conditions hereinafter set forth. The foregoing assignment shall not impose upon Beneficiary any duty to produce Rents from the Property, and said assignment shall not cause Beneficiary to be a "mortgagee in possession" for any purpose. This assignment of the Rents and profits of the Property is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest. Beneficiary is hereby authorized to collect and receive the foregoing Rents, to give proper receipts and acquittances therefor and to apply the same to the payment of the obligations secured hereby. However, Beneficiary hereby grants Trustor a revocable license to collect and receive, and to use in accordance with the provisions of the Master Indenture, such Rents until after an Event of Default (as that term is defined herein in Article V, Default Provisions) has occurred and while such Event of Default is continuing. Upon an Event of Default, the license shall be automatically revoked, and without the necessity of Beneficiary entering upon and taking and maintaining full control of the Property in person, by agent or by a court appointed receiver, Beneficiary shall immediately be entitled to possession of all Rents of the Property as the same shall become due and payable, including, but not limited to, Rents then due and unpaid. All such Rents thereafter collected by Trustor shall be held by Trustor as trustee in a constructive trust for the benefit of Beneficiary only. Trustor agrees that commencing upon delivery of such written notice of revocation of license, each tenant of the Property shall make such Rents payable to and pay such Rents to Beneficiary or Beneficiary's agents on Beneficiary's written demand to each tenant, without any liability on the part of said tenant to inquire further as to the existence of a default or license by Trustor.

ARTICLE III. OBLIGATIONS SECURED

3.1 Trustor makes the foregoing grant for the purpose of securing (collectively, the "**Secured Obligations**"):

(a) Payment of all Loan Repayments and Additional Payments and other amounts to be paid by Trustor arising under the Loan Agreement, dated of even date herewith, between the California School Finance Authority (the "**Authority**") and the Trustor (the "**Loan Agreement**") and amounts due under the Obligations issued pursuant to the Master Indenture;

(b) The observance and performance by Trustor of each covenant and obligation on the part of Trustor to be observed or performed pursuant to the Master Indenture or the Loan Agreement (hereinafter as amended, supplemented or otherwise modified from time to time referred to collectively with the Master Indenture, as the "**Financing Documents**");

(c) The payment of all payments required with respect to any Obligation and any Related Bonds issued or executed and delivered from time to time by the Trustor and the performance by Trustor of each covenant and obligation on the part of Trustor to be observed or performed pursuant to the agreements and/or instruments pursuant to which such Related Bonds are issued or executed and delivered;

(d) The observance and performance of each covenant and obligation of Trustor herein contained or incorporated herein by reference and payment of each fee, cost and expense by Trustor as herein set forth; and

(e) Payment of such further sums and/or performance of such further obligations as the then record owner of the Property may undertake to pay and/or perform (whether as principal, surety or guarantor), for the benefit of Beneficiary, its successors or assigns, when said borrowing and/or obligation is evidenced by a writing or writings signed by such owner reciting that it or they are so secured.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, THE PARTIES AGREE AS FOLLOWS:

ARTICLE IV. RIGHTS AND DUTIES OF THE PARTIES.

4.1 Title. Trustor warrants that it lawfully holds and possesses the real property as shown in Exhibit A, in fee simple, free and clear of all liens, encumbrances and other exceptions, other than the Permitted Liens, and without limitation on the right to encumber except as set forth in the Master Indenture.

4.2 Taxes and Assessments. Trustor shall pay or cause to be paid prior to delinquency all taxes, assessments, levies and charges imposed by any public or quasi-public authority or utility company which are or may become a lien upon the Property, any part thereof or interest therein (unless contested in good faith by Trustor). Trustor shall also pay, after notice and prior to delinquency, all taxes, assessments, levies and charges imposed by any public authority upon Beneficiary by reason of its interest in the Property created hereby or by reason of any payment, or portion thereof, made to Beneficiary hereunder or pursuant to any obligation hereby secured; provided, however, that Trustor shall have no obligation to pay or discharge Beneficiary's business or franchise taxes, federal or state income taxes or other taxes and which are measured by and imposed upon Beneficiary's net or gross income or receipts.

4.3 Insurance. Trustor shall provide all insurance specified in the Financing Documents.

4.4 Liens and Encumbrances. Except as permitted by the Financing Documents, Trustor shall pay, when due at or prior to maturity or such other period as permitted in the Loan Agreement, all obligations secured by or reducible to liens and encumbrances which shall now or hereafter encumber or appear to encumber the Property or any part thereof or interest therein, whether senior or subordinate hereto, including without limitation all claims for work or labor performed, or materials or supplies furnished, in connection with any work of demolition, alteration, improvement of or construction upon the Property. Trustor shall have the right to contest in good faith any such obligation or claim provided such contest shall be prosecuted diligently and in a manner not prejudicial to Beneficiary, and if a judgment adverse to Trustor is obtained, such judgment shall be fully paid or discharged within ten (10) days after the entry of such judgment unless such judgment is stayed. Upon demand by Beneficiary, Trustor shall defend, indemnify and hold Beneficiary harmless against any such obligation or claim, so contested by Trustor, and upon demand by Beneficiary, Trustor shall make suitable provision by payment to Beneficiary or by posting a bond or other security satisfactory to Beneficiary for the possibility that the contest will be unsuccessful, including, if Beneficiary requests, a one-and-one half times bond with respect to mechanics' or materialmens' liens, if available. Such provision shall be made within thirty (30) days after demand therefor and, if made by payment of funds to Beneficiary, the amount so deposited shall be disbursed in accordance with the resolution of the contest either to Trustor or the adverse claimant. If Trustor fails to post a suitable bond or other acceptable security as provided, Beneficiary may remove or pay such lien or encumbrance at Trustor's expense.

4.5 Disposition of Insurance and Condemnation Proceeds. Trustor agrees to apply all insurance and condemnation proceeds in accordance with the terms and conditions of the Financing Documents.

4.6 Maintenance and Preservation of the Property. (a) Trustor covenants: (i) to maintain or cause to be maintained the Property in good condition and repair; (ii) to pay when due all claims for work performed and for materials furnished on or to the Property to the extent required by the Financing Documents and which are not otherwise being contested by the Trustor in good faith, and to pay within the periods permitted in the Financing Documents any and all liens or encumbrances arising out of or resulting from work performed or materials supplied on or to the Property to the extent required by the Financing Documents; (iii) to comply in all material respects with and not suffer material violations of, (a) any and all laws, ordinances and regulations ("**Laws**"), (b) any and all covenants, conditions, restrictions and equitable servitudes, whether public or private, of every kind and character ("**Covenants**"), and (c) all requirements of insurance companies ("**Requirements**"), which Laws, Covenants or Requirements affect the Property and pertain to acts committed or conditions existing thereon, including without limitation such work of alteration, improvement or demolition as such Laws, Covenants or Requirements mandate; (iv) not to commit or permit waste of the Property or any material part thereof; (v) to do all other acts which from the character or use of the Property may be reasonably necessary to maintain and preserve its value; (vi) to perform all material obligations required to be performed in leases, conditional sales contracts or like agreements affecting the Property or the operation, occupation or use thereof (and upon the occurrence and continuance of an Event of Default all right, title and interest of Trustor under any such leases, conditional sales contracts or like agreements shall be automatically assigned to Beneficiary hereunder, together with any deposits made in connection therewith); (vii) not to create any deed of trust or encumbrance upon the Property other than Permitted Liens; (viii) to make no further assignment of Rents of the Property other than Permitted Liens; and (ix) to execute and, where appropriate, acknowledge and deliver such further instruments as Beneficiary or Trustee reasonably deems necessary or appropriate to preserve, continue, perfect and enjoy the security provided for herein, including without limitation assignments of Trustor's interest in leases of the Property.

(b) Without the prior written consent of Beneficiary, which consent will not be unreasonably withheld or delayed, Trustor will not apply for, directly or indirectly, any change in the zoning or permitted land uses of the Property, other than to permit the development of the Facilities as required by the Loan Agreement and Indenture, which change could reasonably be expected to materially and adversely affect the use or value of the Property.

4.7 Defense and Notice of Actions. Trustor shall, without liability, cost or expense to Beneficiary or Trustee, protect, preserve and defend (by counsel satisfactory to Beneficiary) title to the Property, the security hereof and the rights or powers of Beneficiary or Trustee hereunder. Said protection, preservation and defense shall include protection, preservation and defense against all adverse claimants to title or any possessory or non-possessory interest therein, whether or not such claimants or encumbrances assert title paramount to that of Trustor or claim their interest on the basis of events or conditions arising subsequent to the date hereof, other than Permitted Liens. Trustor shall give Beneficiary and Trustee prompt notice in writing of the filing of any such action or proceeding.

4.8 Books and Records. (a) Trustor will keep adequate books and records of account of the Property and its own financial affairs sufficient to permit the preparation of financial statements therefrom in accordance with generally accepted accounting principles. Upon the occurrence and continuance of an Event of Default (as such term is defined in Article V, Default Provisions), Beneficiary will have the right to examine, copy and audit Trustor's records and books of account at all reasonable times during normal business hours upon not less than five (5) Business Days' prior written notice to Trustor. Trustor shall deliver to Beneficiary such records, statements and notices as may be required from time to time pursuant to the terms of the Master Indenture and any other Financing Document.

(b) Trustor will promptly furnish, within fifteen (15) days after Beneficiary's written request, a duly acknowledged written statement setting forth all amounts due on the indebtedness secured by this Deed of Trust and stating whether, to the best of Trustor's knowledge, any offsets or defenses exist, and containing such other matters as Beneficiary may reasonably require.

4.9 Collection of Rents. Subject to the provisions of the Financing Documents, Beneficiary confers upon Trustor the authority to collect and retain Rents of the Property as they become due and payable; provided, however, that Beneficiary may revoke said authority and collect and retain the Rents of the Property assigned herein to Beneficiary upon the occurrence and continuance of an Event of Default by Trustor upon giving written notice to Trustor, and without regard to the adequacy of any security for the indebtedness hereby secured, and without taking possession of all or any part of the Property or becoming a "mortgagee in possession." The right to collect Rents as herein provided shall not grant to Beneficiary or Trustee the right to possession, except as expressly herein provided; nor shall said right impose upon Beneficiary or Trustee the duty to produce Rents or profits or maintain the Property in whole or in part. Trustor hereby agrees that it will do nothing to impair Beneficiary's ability to collect and retain the Rents and interests herein assigned on the terms hereof and that any tenant or subtenant occupying the Property or any part thereof may pay any and all Rents or other charges directly to Beneficiary upon notice from Beneficiary without the necessity of any notice from Trustor. Beneficiary may apply, in its sole discretion, any Rents, so collected by Beneficiary against any indebtedness secured hereby or any obligations of Trustor arising hereunder or any other obligations of Trustor to Beneficiary, whether existing on the date hereof or hereafter arising. Collection of any Rents by Beneficiary shall not cure or waive any default or notice of default hereunder or invalidate any acts done pursuant to such notice.

4.10 Right of Inspection. Prior to an Event of Default, Beneficiary, its agents, contractors and employees, may enter the Property at any reasonable time during normal business hours upon not less than five (5) Business Days' prior written notice to Trustor for the purpose of inspecting the Property and ascertaining Trustor's compliance with the terms hereof.

4.11 Acceptance of Trust; Notice of Indemnification. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, becomes a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless Trustee brings such action. Trustee shall not be obligated to perform any act required of it hereunder unless the performance of such act is requested in writing and Trustee is reasonably indemnified against loss, cost, liability and expense.

4.12 Powers of Trustee. From time to time upon the written request of Beneficiary and presentation of this Deed of Trust for endorsement, and without affecting the personal liability of any person for payment of any indebtedness or performance of the obligation secured hereby, Trustee may, without liability therefor and without notice, (i) reconvey all or any part of the Property, (ii) consent to the making of any map or plat thereof, (iii) join in granting any easement thereon, (iv) join in any declaration of covenants and restrictions, or (v) join in any extension agreement or any agreement subordinating the lien or charge hereof. Trustee shall, upon request by Trustor, and at no expense to Trustee or Beneficiary, consent to utility easements, subdivision maps and similar rights in the Property granted or applied for by Trustor, provided that rights granted or applied for (a) are customary in connection with the development of real property, (b) are reasonable in form and content, and (c) do not materially and adversely diminish the value of the Property. Trustee or Beneficiary may from time to time apply to any court of competent jurisdiction for aid and direction in the execution of the trusts hereunder and the enforcement of the rights and remedies available hereunder, and Trustee or Beneficiary may obtain orders or decrees directing or confirming or approving acts in the execution of said trusts and the enforcement of said remedies. Trustor shall pay to Trustee reasonable compensation and rents for services and expenses in the administration of the trusts created hereunder upon the occurrence of an Event of Default, including reasonable attorneys' fees. Trustor indemnifies Trustee and Beneficiary against all losses, claims, demands and liabilities (except losses, claims, demands or liabilities arising from the negligence or willful misconduct of the indemnified party) which may be incurred, suffered or sustained in the execution of the trusts created hereunder or in the performance of any act required or permitted hereunder or by law.

4.13 Substitution of Trustees. From time to time, by a writing signed and acknowledged by Beneficiary and recorded in the Office of the Recorder of the County in which the Property is located, a copy of which shall be delivered to Trustor, Beneficiary may appoint another trustee to act in the place and stead of Trustee or any successor. Such writing shall refer to this Deed of Trust and set forth the date, book and page of its recordation. The recordation of such instrument of substitution shall discharge Trustee herein named and shall appoint the new trustee as the trustee hereunder with the same effect as if originally named Trustee herein. A writing recorded pursuant to the provisions of this paragraph shall be conclusive proof of the proper substitution of such new trustee.

4.14 Reconveyance. Upon Beneficiary's written request, and upon surrender to Trustee for cancellation of this Deed of Trust and a copy of the instrument or instruments setting forth all obligations secured hereby, Trustee shall reconvey, without warranty, the Property or that portion thereof then held hereunder. The recitals of any matters or facts in any reconveyance executed hereunder shall be conclusive proof of the truthfulness thereof. To the extent permitted by law, the reconveyance may describe the grantee as "the person or persons legally entitled thereto." Neither Beneficiary nor Trustee shall have any duty to determine the rights of persons claiming to be rightful grantees of any reconveyance. When the Property has been fully reconveyed, the last such reconveyance shall operate as a reassignment of all future Rents of the Property to the person or persons legally entitled thereto, unless such reconveyance expressly provides to the contrary.

4.15 Certain Taxes. In the event of the passage, after the date of this Deed of Trust, of any law deducting from the value of the Property for the purpose of taxation, any lien thereon, or changing in any way the laws now in force for the taxation of deeds of trust or debts secured by deeds of trust or similar instruments, or the manner of the collection of any such taxes, so as to affect this Deed of Trust, or imposing payment of the whole or any portion of any taxes, assessments or other similar charges against the Property upon Beneficiary, Trustor shall pay such tax or increased portion and shall agree with Beneficiary in writing to pay, or reimburse Beneficiary for the payment of, any such tax or increased portion thereof when thereafter levied or assessed against the Property or any portion thereof. The obligations of Trustor under such agreement shall be secured by this Deed of Trust.

4.16 Environmental Matters.

(a) Definitions. The following definitions apply to the provisions of this Section 4.16:

(1) The terms "**Responsible Person**" shall mean Trustor, and any other person who owns or acquires any interest in any part of the Property so long as Trustor continues to own the Property, including but not limited to any tenants, easement holders, licensees and other persons using or occupying the Property or any portion thereof and all persons in transit across any part of the Property.

(2) The term "**Applicable Law**" shall include, but shall not be limited to, each statute named or referred to in (3) below, and all rules and regulations thereunder, and any other local, state and/or federal laws, rules, regulations and ordinances, whether currently in existence or hereafter enacted, which govern, to the extent applicable to the Property,

(i) the existence, cleanup and/or remedy of contamination on property;

(ii) the protection of the environment from soil, air or water pollution, or from spilled, deposited or otherwise emplaced contamination;

(iii) the emission or discharge of hazardous substances into the environment;

(iv) the control of hazardous wastes; or

(v) the use, generation, transport, treatment, removal or recovery of hazardous substances.

(3) The term "**Hazardous Substance**" shall mean (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Property or to persons on or about the Property or (ii) cause the Property to be in material violation of any Applicable Law; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which

contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Applicable Law including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**"), 42 U.S.C. §§ 9601 *et seq.*; the Resource Conservation and Recovery Act ("**RCRA**"), 42 U.S.C. §§ 6901 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*; the California Hazardous Waste Control Law ("**HWCL**"), CAL. HEALTH & SAFETY CODE §§ 25100 *et seq.*; the Hazardous Substance Account Act ("**HSAA**"), CAL. HEALTH & SAFETY CODE §§ 25300 *et seq.*; the Underground Storage of Hazardous Substances Act, CAL. HEALTH & SAFETY CODE §§ 25280 *et seq.*; the Porter-Cologne Water Quality Control Act (the "**Porter-Cologne Act**"), CAL. WATER CODE §§ 13000 *et seq.*; the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Property or the owners and/or occupants of property adjacent to or surrounding the Property, or any other person coming upon the Property or adjacent property; and (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

(b) Covenants and Representations.

(1) Except as set forth in the Limited Offering Memorandum, dated [April __, 2017], relating to the issuance of the California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) related to the issuance of the Series 2017 Bonds (the "Limited Offering Memorandum"), Trustor represents and warrants that there have not been during the period of Trustor's ownership and, to the best of Trustor's knowledge, information and belief, there have not been at any other times, any activities on the Property involving, directly or indirectly, the use, generation, treatment, storage or disposal of any Hazardous Substances in material violation of Applicable Law (a) under, on or in the land included in the Property, whether contained in soil, tanks, sumps, ponds, lagoons, barrels, cans or other containments, structures or equipment, (b) incorporated in the buildings, structures or improvements included in the Property, including any building material containing asbestos, or (c) used in connection with any operations on or in the Property, in each case that would have a material adverse effect on the Trustor's operations, taken as a whole.

(2) Trustor shall not allow, nor shall it permit any other Responsible Person to allow, any Hazardous Substances to be brought onto, installed, used, stored, treated or disposed or transported over the Property in material violation of Applicable Law. Without limiting the generality of the foregoing, Trustor shall not, nor shall it permit any Responsible Person to, install, use or permit to be installed or used any product or

substance containing asbestos, urea formaldehyde foam insulation or polychlorobiphenyls (pcb's) on the Property in violation of Applicable Law.

(3) Trustor represents that all activities and conditions on the Property are currently in compliance with Applicable Law, except to the extent that non-compliance could not reasonably be expected to materially impair the use of the Property or materially and adversely affect the value thereof. So long as Trustor shall own the Property, Trustor covenants and agrees that all activities on the Property, whether conducted by any Responsible Person or by any other person under the Trustor's license or control, shall at all times comply with Applicable Law except to the extent that non-compliance could not reasonably be expected to materially impair the use of the Property or materially and adversely affect the value thereof.

(4) Within ten (10) days after receipt or completion of any material report, citation, order, manifest or other written or oral communication from any local, state or federal agency or authority empowered to enforce, investigate or oversee compliance with Applicable Law, concerning the Property, any condition thereon, or the activities of any person on or near the Property, Trustor shall notify Beneficiary in writing of the contents of such communication, and shall provide Beneficiary with a copy of all relevant documents.

(5) Notwithstanding any other provision of this Deed of Trust, upon discovery of any Hazardous Substance on or in the Property in material violation of Applicable Law, including, without limitation, substances that have leached onto the Property from neighboring property, substances that were deposited prior to Trustor's ownership of the Property and all substances spilled, discharged or otherwise emitted or deposited on the Property during Trustor's ownership, Trustor shall immediately notify Beneficiary thereof. Trustor shall immediately take all actions necessary to comply with laws requiring notification of government agencies concerning such Hazardous Substance and to the extent required by law to remedy or correct the violation. Trustor shall handle and dispose of such substances in accordance with Applicable Law. Trustor shall take any and all actions, including institution of legal action against third parties, which in Trustor's reasonable business judgment are appropriate to obtain reimbursement or compensation from such persons as were responsible for the presence of any Hazardous Substance on the Property or otherwise obligated by law to bear the cost of such remedy. Beneficiary shall be subrogated to Trustor's rights in all such claims.

(6) Trustor shall be solely responsible for and agrees to indemnify Beneficiary, the Related Bond Issuer and the Master Trustee, protect and defend with counsel acceptable to Beneficiary and the Related Bond Issuer, and hold Beneficiary and the Related Bond Issuer harmless from and against any claims (including without limitation third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities (including sums paid in settlements of claims), interest or losses, reasonable attorneys' fees (including any fees and expenses incurred in enforcing this indemnity), reasonable consultant fees, and expert fees that arise directly or indirectly from or in connection with the presence, suspected presence, release

or suspected release of any Hazardous Substance in, or from the Property, whether into the air, soil, surface water or groundwater at the Property, or any other violation of Applicable Law, or any breach of the foregoing representations and covenants. The provisions of this subparagraph 4.16(b)(6) shall survive the termination and reconveyance of this Deed of Trust.

(c) Right of Entry. In addition to all rights of entry contained in this Deed of Trust, Beneficiary shall have the right during normal business hours, upon not less than five (5) Business Days' prior written notice to Trustor, to enter and inspect the condition of the Property at any time and to conduct, or to designate a representative to conduct such inspection, testing, environmental audit or other procedures that Beneficiary reasonably believes are necessary or desirable to determine current compliance with the covenants and representations contained herein, provided that such inspection, testing, environmental audit or other procedures do not disrupt or negatively impact Trustor's ordinary business operations on the property.

(d) Beneficiary's Obligations. Nothing contained in this Section 4.16 shall obligate Beneficiary to take any action with respect to the Property, any Hazardous Substances thereon, or any condition or activity that is in violation of Applicable Law, or to take any action against any person with respect to such substances, condition or activity.

4.17 Wetlands. [IF APPLICABLE: Except as set forth on the survey [dated ________, 20__] for the Property,] Trustor represents and warrants that, to the best of its knowledge, no part of the Property consists of or is classified as wetlands, tidelands or swamp and overflow lands. Trustor shall be solely responsible for and agrees to indemnify Beneficiary, protect and defend with counsel acceptable to Beneficiary, and hold Beneficiary harmless from and against any claims (including without limitation third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities (including sums paid in settlements of claims), interest or losses, reasonable attorneys' fees (including any fees and expenses incurred in enforcing this indemnity), reasonable consultant fees, and expert fees that arise directly or indirectly from or in connection with the presence on the Property of wetlands, tidelands or swamp and overflow lands, or any breach of the foregoing representation and warranty. The provisions of this Section 4.17 shall survive the termination and reconveyance of this Deed of Trust.

ARTICLE V. DEFAULT PROVISIONS.

5.1 Event of Default. As used in this Deed of Trust, the term "**Event of Default**" means each of the following:

(a) Trustor fails to perform or observe any term or condition of this Deed of Trust applicable to Trustor or to the Property, and such event or circumstance, if capable of being cured, is not cured within 60 days after written notice thereof is given by Trustee or Beneficiary to Trustor;

(b) The holder of any junior, subordinated or senior mortgage, deed of trust or other lien on the Property, or any part thereof (without hereby implying Beneficiary's consent to any junior, subordinated or senior mortgage, deed of trust or other lien) is granted relief in any foreclosure or similar proceeding for the enforcement of its remedies thereunder, which relief (i) negatively affects Beneficiary's rights hereunder and (ii) is not stayed; or

(c) If any Event of Default under the Master Indenture or under the Loan Agreement shall occur.

5.2 Rights and Remedies. At any time after the occurrence and during the continuance of an Event of Default, Beneficiary and Trustee shall each have the following rights and remedies:

(a) To declare all obligations secured hereby immediately due and payable;

(b) With or without notice, and without releasing Trustor from any obligation hereunder, to cure any default of Trustor and, in connection therewith, to enter upon the Property and to perform such acts and things as Beneficiary or Trustee deem necessary or desirable to inspect, investigate, assess and protect the security hereof, including without limitation of any of its other rights: to obtain a court order to enforce Beneficiary's right to enter and inspect the Property pursuant to California Civil Code Section 2929.5, to which the decision of Beneficiary as to whether there exists a release or threatened release of a Hazardous Substance onto the Property shall be deemed reasonable and conclusive as between the parties hereto; to have a receiver appointed pursuant to California Code of Civil Procedure Section 564 to enforce Beneficiary's right to enter and inspect the Property for Hazardous Substances; to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee hereunder; to pay, purchase, contest or compromise any encumbrance, charge, lien or claim of lien which, in the judgment of either Beneficiary or Trustee, is prior or superior hereto, the judgment of Beneficiary or Trustee being conclusive as between the parties hereto; to pay any premiums or charges with respect to insurance required to be carried hereunder; and to employ counsel, accountants, contractors and other appropriate persons to assist them;

(c) To commence and maintain an action or actions in any court of competent jurisdiction to foreclose this instrument as a mortgage or to obtain specific enforcement of the covenants of Trustor hereunder, and Trustor agrees that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purposes of any suit brought under this subparagraph, Trustor waives the defense of laches and any applicable statute of limitations;

(d) Beneficiary or its employees, acting by themselves or through a court-appointed receiver may enter upon, possess, manage, operate, dispose of and contract to dispose of the Property or any part thereof; negotiate with governmental authorities with respect to the Property's environmental compliance and remedial measures; make, terminate, enforce or modify leases of the Property upon such terms and conditions as Beneficiary deems proper; contract for goods and services, hire agents, employees and counsel, make repairs, alterations and improvements to the Property necessary, in Trustee's or Beneficiary's judgment, to protect the security hereof; incur the risks and obligations ordinarily incurred by owners of property (without any personal obligation on the part of the receiver); and/or take any and all other actions which may be reasonably necessary or desirable to comply with Trustor's obligations hereunder and under the Financing Documents. All sums realized by Beneficiary under this subparagraph, less all costs and expenses incurred by it under this subparagraph, including reasonable attorneys' fees, and less such sums as Beneficiary reasonably deems appropriate as a reserve to meet future expenses under this subparagraph, shall be applied on any indebtedness secured hereby in such order as Beneficiary shall determine. Neither application of said sums to said indebtedness nor any other action taken by Beneficiary under this subparagraph shall cure or waive any Event of Default, or notice of default hereunder or nullify the effect of any such notice of default. Beneficiary or Trustee, or any employee or agent of Beneficiary or Trustee, or a receiver appointed by a court, may take any action or proceeding hereunder without regard to (i) the adequacy of the security for the indebtedness secured hereunder, (ii) the existence of a declaration that the indebtedness secured hereby has been declared immediately due and payable, or (iii) the filing of a notice of default except as otherwise provided in Section 5.1 above;

(e) To execute a written notice of such Event of Default, and of its election to cause the Property to be sold to satisfy the obligations secured hereby, Trustee shall give and record such notice as the law then requires as a condition precedent to a Trustee's sale. When the minimum period of time required by law after such notice has elapsed, Trustee, without notice to or demand upon Trustor except as otherwise required by law, shall sell the Property at the time and place of sale fixed by it in the notice of sale and in such order as it or Beneficiary may determine, at public auction to the highest bidder for cash, in lawful money of the United States, payable at time of sale (the obligations hereby secured being the equivalent of cash for purposes of said sale). If the Property consists of several lots, parcels, or items of property, Beneficiary may: (i) designate the order in which such lots, parcels, or items shall be offered for sale or sold, or (ii) elect to sell such lots, parcels or items through a single sale, through two or more successive sales, or in any other manner Beneficiary deems in its best interest. Trustor shall have no right to direct the order in which the Property is sold. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at such time fixed by the preceding postponement. Trustee shall deliver to the purchaser at such sale a deed conveying the Property or portion thereof so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustee, Trustor or Beneficiary, may purchase at such sale.

In connection with any sale or sales hereunder, Beneficiary may elect to treat any of the Property which consists of a right in action or which is property that can be severed from the real property covered hereby or any improvements thereon without causing structural damage thereto as if the same were personal property or a fixture, as the case may be, and dispose of the same in accordance with applicable law, separate and apart from the sale of real property. Any sale of any personal property or fixtures hereunder shall be conducted in any manner permitted by the California Uniform Commercial Code.

After deducting all reasonable costs, fees and expenses of Trustee and of this trust, including all costs of evidence of title and reasonable attorneys' fees in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums so expended under the terms hereof not then repaid, the payment of all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto;

(f) To resort to and realize upon the security hereunder and any other security now or hereafter held by Beneficiary in such order and manner as Trustee and Beneficiary or either of them may, in their sole discretion, determine; and resort to any or all such security may be taken concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both;

(g) To seek a judgment that Trustor has breached its covenants, representations and/or warranties with respect to the environmental matters set forth above in Section 4.16, by commencing and maintaining an action or actions in any court of competent jurisdiction for breach of contract pursuant to California Civil Procedure Code Section 736, whether commenced prior to foreclosure of the Property or after foreclosure of the Property, and to seek the recovery of any and all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other reasonable out-of-pocket costs or expenses actually incurred by Beneficiary (collectively, the "**Environmental Costs**") incurred or advanced by Beneficiary relating to the cleanup, remediation or other response action required by Applicable Law or to which Beneficiary reasonably believes necessary to protect the Property, it being conclusively presumed between Beneficiary and Trustor that all such Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remediation or other response action of or to the Property were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary pursuant to this subparagraph (including without limitation court costs, reasonable consultants' fees and reasonable attorneys' fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Default Rate (as hereinafter defined) from the date of expenditure until said sums have been paid. Beneficiary shall be entitled to bid, at the sale of the Property held pursuant to subparagraph (e) above, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash. Trustor acknowledges and agrees that notwithstanding any term or provision contained herein, the Environmental Costs shall be exceptions to any non-recourse or exculpatory provision and Trustor shall be fully and personally liable for the Environmental Costs hereunder and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust and Trustor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance or any other transfer of the Property or this Deed of Trust. For the purposes of any action brought under this subparagraph, Trustor hereby waives the defense of laches and any applicable statute of limitations; and

(h) To waive its lien against the Property or any portion thereof, whether fixtures or personal property, to the extent such property is found to be environmentally impaired in accordance with California Code of Civil Procedure Section 726.5 and to exercise any and all rights and remedies of an unsecured creditor against Trustor and all of Trustor's assets and property for the recovery of any deficiency and Environmental Costs, including, but not limited to, seeking an attachment order pursuant to California Code of Civil Procedure Section 483.010. As between Beneficiary and Trustor, for purposes of California Code of Civil Procedure Section 726.5, Trustor shall have the burden of proving that Trustor or any related party (or any affiliate or agent of Trustor or any related party) was not in any way negligent in permitting the release or threatened release of the Hazardous Substance. Trustor acknowledges and agrees that notwithstanding any term or provision contained herein, to the extent permitted by law, all judgments and awards entered against Trustor shall be exceptions to any non-recourse or exculpatory provision and Trustor shall be fully and personally liable for all judgments and awards entered against Trustor hereunder and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust and Trustor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance or any other transfer of the Property or this Deed of Trust. For the purposes of any action brought under this subparagraph, Trustor hereby waives the defense of laches and any applicable statute of limitations.

5.3 Payment of Costs, Expenses and Attorneys' Fees. All reasonable costs and expenses incurred by Trustee and Beneficiary pursuant to subparagraphs (a) through (h) inclusive of Section 5.2 (including without limitation court costs, reasonable consultants' fees and reasonable attorneys' fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at a rate equal to the interest rate on the Loan Repayments (the "**Default Rate**"), if Trustor (or another party on Trustor's behalf) fails to make such payments when due, if any, from the date when due until said sums have been paid. Beneficiary shall be entitled to bid, at the sale of the Property held pursuant to subparagraph 5.2(e) above, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash.

5.4 Remedies Cumulative. All rights and remedies of Beneficiary and Trustee hereunder are cumulative and in addition to all rights and remedies provided by law.

5.5 Releases, Extensions, Modifications and Additional Security. Without affecting the liability of any person for payment of any indebtedness secured hereby, or the lien or priority of this Deed of Trust upon the Property, Beneficiary may, from time to time, with or without notice, do one or more of the following as otherwise permitted under the Financing Documents: release any person's liability for the payment of any indebtedness secured hereby, make any agreement or take any action extending the maturity or otherwise altering the terms or increasing the amount of any indebtedness secured hereby, and accept additional security or release all or a portion of the Property and/or other security held to secure the indebtedness secured hereby.

5.6 Marshalling. Trustor hereby waives any right to require that any security given hereunder or under any other agreement securing the obligations secured hereby be marshalled and further waives any right otherwise available in respect to marshalling of assets which secure any obligation secured or imposed hereby or to require Beneficiary to pursue its remedies against any such assets.

ARTICLE VI. SECURITY AGREEMENT AND FIXTURE FILING.

6.1 Grant of Security Interest. As additional security for the obligations secured by this Deed of Trust, Trustor hereby grants to Beneficiary a security interest in and to the following items (collectively, the "**Collateral**"). Trustor is sometimes referred to herein as "**Debtor**" and Beneficiary is sometimes referred to herein as "**Secured Party**."

(a) All goods, fixtures and other equipment of every kind in which Debtor now or at any time hereafter owns or acquires any interest in connection with the Property, including, without limitation, all tools, equipment, appliances, heating, ventilating and air conditioning systems, plumbing, mechanical and electrical systems, elevators, lighting, alarm systems, fire control systems, carpets and carpeting, furnishings, furniture, trailers, mobile homes, service equipment, building or maintenance equipment, and all additions and accessions thereto, whether located at the Property, Debtor's places of business or elsewhere;

(b) All inventory and tangible assets used or consumed in connection with the Property in which Debtor now or at any time hereafter owns or acquires any interest, and all products thereof, whether in the possession of Debtor, warehousemen, bailees or any other person and to the extent now or hereafter located at the Property;

(c) All goods and property covered by any warehouse receipts, bills of lading and other documents evidencing any goods or other tangible personal property of any kind in which Debtor now or at any time hereafter has any interest in connection with the Property or Collateral;

(d) All goods and other tangible personal property of every kind, character or nature in which Debtor now has or at any time hereafter shall have any interest, located on or used in the operation, use, maintenance, development or construction of or otherwise in connection with the Property or Collateral, including, without limitation, any equipment, inventory and other goods and assets which are now or hereafter acquired with loan proceeds or acquired pursuant to or in connection with any lease or other contract pertaining to any use of the Property;

(e) All general intangibles, accounts, agreements, contracts, documents and leases of any kind or nature in which Debtor now or at any time hereafter has an interest related to the Property or the use, operation or maintenance of the Property or any part thereof, and all amendments, supplements, substitutions and renewals thereof, including without limitation all contract rights of Debtor in leases, warranties, letters of credit, construction contracts, permits, licenses, approvals, governmental authorizations, consulting contracts, bonds, plans and specifications, architectural and engineering drawings, fire insurance policies and other insurance policies, condemnation awards and settlements, copyrights, trademarks, trade names, goodwill, and accounts receivable;

(f) All profits, payments or proceeds of and from any and all agreements for the sale, lease, transfer or conveyance of all or any portion of the Property, subject to the rights of Debtor to collect and retain the same so long as no Event of Default shall have occurred and is continuing; and

(g) Any and all products, accessions, additions, substitutions, replacements or proceeds of or to any of the Collateral which may now or hereafter exist, and any and all rent or income derived from any or all of the Collateral, subject to the rights of Debtor to collect and retain the same so long as no Event of Default shall have occurred and is continuing.

6.2 Remedies. Upon an Event of Default, Beneficiary is and shall be entitled to all the rights, powers and remedies granted a secured party under the California Uniform Commercial Code and other applicable law, including, but not limited to, the right to take possession of all such Collateral. Beneficiary or its representatives may enter upon the Property (without Beneficiary being deemed to be taking possession of the Property or being deemed a mortgagee-in-possession) at any time to inspect, repair, assemble, have appraised or to remove the Collateral and may advertise and conduct public auctions and private sales thereon. Beneficiary may require Trustor to assemble the Collateral and make it available to Beneficiary at a place to be designated by Beneficiary which is reasonably convenient to both parties. In addition to the expenses of retaking, holding, preparing for sale, selling and otherwise exercising its remedies hereunder, Beneficiary shall be entitled to recover reasonable attorneys' fees and legal expenses before applying the balance of the proceeds from the sale or other disposition of the Collateral towards satisfaction of the obligations secured hereby. Trustor shall remain liable for any deficiency remaining after such sale or other disposition.

With respect to fixtures, Beneficiary or Trustee may elect to treat same as either real property or personal property and proceed to exercise such rights and remedies applicable to the categorization so chosen. Beneficiary may proceed against the items of real property and any items of Collateral separately or together in any order whatsoever, without in any way affecting or waiving Beneficiary's rights and remedies under the California Uniform Commercial Code or its rights and remedies provided under this Deed of Trust.

6.3 Fixture Filing. Trustor agrees that this Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder where the Property is located with respect to any and all fixtures included within the term "**Property**" as used herein and with respect to any goods and other personal property that may now be or hereafter become fixtures. The names and mailing addresses of the debtor (Trustor) and the secured party (Beneficiary) are set forth below in Section 7.12 of this Deed of Trust. Trustor is, or is one of, the record owners of the Property. Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In additional, Trustor agrees to execute and deliver to Beneficiary, upon Beneficiary's request, any financing statements, as well as extensions, renewals, and amendments thereof, and reproductions of this Deed of Trust in such form as Beneficiary may require to perfect a security interest with respect to such Collateral. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments, and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require.

6.4 Limitations. Except as otherwise clearly and expressly provided in the Trustor Documents, the Master Indenture, the Limited Offering Memorandum or this Deed of Trust: (i) Beneficiary has not consented to any other security interest of any other person in any Collateral and has not disclaimed any interest in any Collateral; and (ii) Beneficiary has not agreed or consented to the removal of any Collateral from the Property, and any such consent by Trustor shall not be binding on Beneficiary.

6.5 Removal of Fixtures. Trustor shall only remove or permit the removal of any fixture from the Property in accordance with the Master Indenture.

ARTICLE VII. MISCELLANEOUS PROVISIONS.

7.1 Non-Waiver. By accepting payment of any sum secured hereby after its due date or late performance of any obligation secured hereby, Beneficiary shall not waive its right against any person obligated directly or indirectly hereunder or on any obligation hereby secured, either to require prompt payment or performance when due of all other sums and obligations so secured or to declare default for failure to make such prompt payment or performance. No exercise of any right or remedy by Beneficiary or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law.

7.2 Further Assurances. Trustor shall, upon demand by Beneficiary or Trustee, execute, acknowledge (if appropriate) and deliver any and all documents and instruments and do or cause to be done all further acts reasonably necessary or appropriate to effectuate the provisions hereof.

7.3 Statements of Condition. From time to time as required by law, Beneficiary shall furnish to Trustor such statement as may be required concerning the condition of the obligations secured hereby. Upon demand by Beneficiary, Trustor covenants and agrees to pay Beneficiary's reasonable costs incurred in furnishing such statement, but not in excess of the maximum amount allowed by law.

7.4 Usury Savings Clause. Nothing contained herein or in the Financing Documents shall be deemed to require the payment of interest or other charges by Trustor in excess of the amounts that may be lawfully charged to the Trustor pursuant to the Financing Documents or under the applicable usury laws. In the event Beneficiary shall collect monies which are deemed to constitute interest which would increase the effective interest rate to a rate in excess of that permitted to be charged by applicable law, all such sums deemed to constitute interest in excess of the legal rate shall, upon such determination, at the option of Beneficiary, be returned to Trustor or credited against the principal balance of any obligation secured hereby then outstanding.

7.5 Attorneys' Fees. In the event legal action, suit or any proceeding is commenced between Trustor and Trustee or Beneficiary regarding their respective rights and obligations under this Deed of Trust or any of the other Financing Documents, the prevailing party shall be entitled to recover, in addition to damages or other relief, costs and expenses, attorneys' fees and court costs. As used herein the term "**prevailing party**" shall mean the party which obtains the principal relief it has sought, whether by compromise settlement or judgment. If the party which shall have commenced or instituted the action, suit or proceeding shall dismiss or discontinue it without the concurrence of the other party, such other party shall be deemed the prevailing party.

7.6 Waiver of Personal Liability. No officer, agent, director or employee of the Trustor shall be individually or personally liable for payment of any principal (or Redemption Price) and interest on the Related Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of the Deed of Trust; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or specifically provided by this Deed of Trust.

7.7 Trustor and Beneficiary Defined. The term "**Trustor**" herein includes both the original Trustor and any subsequent owner or owners of any of the Property, and the term "**Beneficiary**" includes the original Beneficiary and also any subsequent duly appointed beneficiary, and each of their successors.

7.8 No Joint Venture. The relationship of Trustor and Beneficiary under this Deed of Trust and the Master Indenture is, and shall at all times remain, solely that of borrower and lender; and Beneficiary neither undertakes nor assumes any responsibility or duty to Trustor or to any third party with respect to the Property. Notwithstanding any other provisions of this Deed of Trust and the Financing Documents: (a) Beneficiary and Authority are not, and shall not be construed as, a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Trustor and Beneficiary and Authority do not intend to ever assume such status; (b) the activities of Beneficiary and Authority in connection with this Deed of Trust and the Financing Documents shall not be "outside the scope of the activities of a lender of money" within the meaning of California Civil Code Section 3434, as amended or recodified from time to time, and Beneficiary and Authority do not intend to ever assume any responsibility to any person for the quality, suitability, safety or condition of the Property; and (c) Beneficiary and Authority or any other Related Bonds Issuer shall not be deemed responsible for or a participant in any acts, omissions or decisions of Trustor. The Beneficiary and Authority or any other Related Bonds Issuer shall not be directly or indirectly liable or responsible for any loss, claim, cause of action, liability, indebtedness, damage or injury of any kind or character to any person or property arising from any construction on, or occupancy or use of, any of the Property, whether caused by or arising from: (i) any defect in any building, structure, grading, fill, landscaping or other improvements thereon or in any on-site or off-site improvement or other facility therein or thereon; (ii) any act or omission of Trustor or any of Trustor's agents, employees, independent contractors, licensees or invitees; (iii) any accident in or on any of the Property or any fire, flood or other casualty or hazard thereon; (iv) the failure of Trustor, any of Trustor's licensees, employees, invitees, agents, independent contractors or other representatives to maintain the Property in a safe condition; and (v) any nuisance made or suffered on any part of the Property.

7.9 Rules of Construction. When the identity of the parties hereto or other circumstances make it appropriate the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. Specific enumeration of rights, powers and remedies of Trustee and Beneficiary and of acts which they may do and acts Trustor must or must not do shall not exclude or limit the general. The headings of each paragraph are for information and convenience and do not limit or construe the contents of any provision hereof.

7.10 Severability. If any term of this Deed of Trust, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Deed of Trust, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Deed of Trust shall be valid and enforceable to the fullest extent permitted by law.

7.11 Successors in Interest. The terms, covenants and conditions herein contained shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties hereto.

7.12 Notices. All notices, demands or documents which are required or permitted to be given or served hereunder shall be in writing and sent by hand delivery, recognized overnight courier, registered or certified mail addressed as follows:

To TRUSTOR at:	MPM Sherman Way LLC c/o Magnolia Public Schools 250 E First Street, Suite 1500 Los Angeles, California 90012 Attention: Chief Financial Officer
To BENEFICIARY at:	UMB BANK, NATIONAL ASSOCIATION

2 South Broadway, Suite 600
St. Louis, Missouri 63102
Attention: Corporate Trust Services

The addresses may be changed from time to time by any party by serving notice as heretofore provided. Service of such notice or demand shall be deemed complete on the date of actual delivery as shown by the addressee's registry or certification receipt or at the expiration of the second day after the date of mailing, whichever is earlier in time.

Pursuant to California Government Code Section 27321.5, the Trustor requests that a copy of any notice of default and a copy of any notice of sale be mailed to Trustor at the address set forth above.

7.13 No Merger. The parties' rights, obligations and interests in land created by or arising under the Financing Documents are separate, cumulative, and independent and there shall be no merger of any such rights, obligations or interests.

7.14 Beneficiary's Right to Perform. If Trustor fails to make any payment or perform any act required by this Deed of Trust or by any junior, subordinated or senior deed of trust or other lien on the Property (without hereby implying the Beneficiary's consent to any such lien or encumbrance), then, at any time thereafter (but subject to any grace period or cure period and notice requirements under the Financing Documents), and without waiving or releasing any obligation or default, Beneficiary may make such payment or perform such act for the account and at the expense of Trustor and shall have the right to enter the Property for such purpose and to take all such action thereon and with respect to the Property as may be necessary or appropriate for such purpose. Notwithstanding anything to the contrary in this Deed of Trust, Beneficiary shall have no obligation to do anything set out in this Section 7.14. Beneficiary shall be entitled to interest on all sums so paid by Beneficiary and all costs and expenses so incurred from the date paid by Beneficiary until reimbursed in full by Trustor at the Default Rate. All sums so paid by Beneficiary, all costs and expenses so incurred and interest thereon shall be paid by Trustor to Beneficiary on demand. If Beneficiary shall elect to pay any tax, assessment, levy or charge mentioned in Section 4.2 of this Deed of Trust, Beneficiary may do so in reliance on any bill, statement or assessment procured from the appropriate public or nonpublic office, without inquiring into the accuracy thereof or into the validity of such tax, assessment, levy or charge. Similarly, in making any payments to protect the security interests intended to be created by this Deed of Trust, Beneficiary shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same.

7.15 Amendments; Releases or Reconveyances. This Deed of Trust may be amended, changed, modified or terminated at any time, without the necessity of obtaining the consent of the Master Trustee or the holders of the Related Bonds, subject to the conditions and as provided in Section [3.04(b)] of the Master Indenture.

In addition, if the Trustor withdraws from the Obligated Group (as defined in the Master Indenture) in accordance with [Section 3.14] of the Master Indenture or any other condition of Section [3.04(e)] of the Master Indenture is satisfied, then, upon request of the Trustor, Beneficiary shall direct Trustee to issue a partial reconveyance of the Deed of Trust with respect to such portion of the Property as permitted by the Master Indenture.

Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any property not then or theretofore released as security for the full amount of all unpaid obligations, the Trustee may from time to time, and with notice to the Trustor, release any person other than the Trustor so liable, extend the maturity or alter any of the terms of any such obligation, or grant other indulgences, release or reconvey, or cause to be released or reconveyed, any portion or all of the Property, release any other or additional security for any obligation herein mentioned, or make compositions or other arrangements with debtors in relation thereto; and if the Trustee at any time holds any additional security for any obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same at its option, either before or concurrently herewith or after a sale is made hereunder.

7.16 Headings. The headings of the articles of this Deed of Trust are for convenience only and do not limit its provisions.

7.17 Master Trustee. To the extent Beneficiary is the Master Trustee, all provisions of the Master Indenture relating to the rights, powers, privileges and protections of the Master Trustee thereunder shall apply with equal force and effect to all actions taken by the Master Trustee as Beneficiary in connection with this Deed of Trust.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust on the day and year set forth above.

TRUSTOR PLEASE NOTE: IN THE EVENT OF YOUR DEFAULT, CALIFORNIA PROCEDURE PERMITS THE TRUSTEE TO SELL THE SUBJECT PROPERTY AT A SALE HELD WITHOUT SUPERVISION BY ANY COURT AFTER EXPIRATION OF A PERIOD PRESCRIBED BY LAW. SEE SECTION 5.2(e) ABOVE FOR A DESCRIPTION OF THIS PROCEDURE. UNLESS YOU PROVIDE AN ADDRESS FOR THE GIVING OF NOTICE, YOU MAY NOT BE ENTITLED TO OTHER NOTICE OF THE COMMENCEMENT OF SALE PROCEEDINGS. BY EXECUTION OF THIS DEED OF TRUST, YOU CONSENT TO SUCH PROCEDURE. IF YOU HAVE ANY QUESTIONS CONCERNING IT, YOU SHOULD CONSULT YOUR LEGAL ADVISOR. BENEFICIARY URGES YOU TO GIVE IT PROMPT NOTICE OF ANY CHANGE IN YOUR ADDRESS SO THAT YOU MAY RECEIVE PROMPTLY ANY NOTICE GIVEN PURSUANT TO THIS DEED OF TRUST.

TRUSTOR:

MPM SHERMAN WAY LLC,
a California limited liability company

By: MAGNOLIA PROPERTIES MANAGEMENT, INC.,
its Sole Member

By: ______________________________

EXHIBIT A

LEGAL DESCRIPTION OF REAL PROPERTY

The land referred to herein below is situated in the City of Los Angeles (Reseda area), in the County of Los Angeles, State of California, and is described as follows:

[TO COME]

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of ___________________________)

On ________________________ before me, ___________________________________,
(insert name and title of the officer)

personally appeared

____,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________ **(Seal)**

Limited Offering Memorandum

NEW ISSUES—FULL BOOK-ENTRY **RATING: NOT RATED**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel further observes that interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel is also of the opinion that interest on the Bonds is exempt from present State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$[2017A Principal Amount]
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(MAGNOLIA PUBLIC SCHOOLS – OBLIGATED GROUP),
DRAW DOWN SERIES 2017A

$[2017B Principal Amount]
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(MAGNOLIA PUBLIC SCHOOLS – OBLIGATED GROUP),
SERIES 2017B (TAXABLE)

Dated: Date of Delivery **Due: ________ 1, as shown on inside cover**

This cover page contains information for general reference only. It is not intended as a summary of these issues. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision.

The California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools - Obligated Group) Draw Down Series 2017A in the aggregate principal amount of $[2017A Principal Amount] (the "Series 2017A Bonds") and the California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools - Obligated Group) Series 2017B (Taxable) in the aggregate principal amount of $[2017B Principal Amount]* (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Bonds") will be issued by the California School Finance Authority (the "Authority") pursuant to an Indenture, dated as of [April 1, 2017] (the "Bond Indenture"), by and between the Authority and UMB Bank, National Association, as trustee (the "Trustee").

The Authority will loan a portion of the proceeds of the Bonds to Magnolia Properties Management, Inc. (the "Corporation" or the "Lessor"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), pursuant to a Loan Agreement, dated as of [April 1, 2017] (the "Loan Agreement"), by and between the Authority and the Corporation, as the Borrower. The proceeds of the Bonds will be used to (1) to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of charter school educational facilities known as (a) Magnolia Science Academy 1 – Reseda ("MSA-1"), located at 18238 Sherman Way in the City of Reseda, California, with associated properties located or to be located at [18214 and 18228 Sherman Way] in the City of Reseda, California, to be owned by MPM Sherman Way LLC, a California limited liability company, (b) Magnolia Science Academy – Santa Ana ("MSA-SA"), located at 2840 W 1st Street in the City of Santa Ana, California, to be owned by MPM Santa Ana LLC, a California limited liability company, and (c) Magnolia Science Academy – San Diego ("MSA-SD"), located at 6365 Lake Atlin Avenue in the City of San Diego, California, to be owned by MPM San Diego LLC, a California limited liability company, on land owned by San Diego Unified School District pursuant to a shared use agreement (collectively, the "Project"); (2) to pay certain expenses incurred in connection with the issuance of the Bonds; (3) to pay capitalized interest on the Bonds and/or related working capital; and (4) to fund a debt service reserve fund with respect to the Bonds and a repair and replacement fund. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

In connection with the delivery of the Bonds, Magnolia Educational and Research Foundation ("MERF" or the "Lessee"), a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Code, will enter into the Amended and Restated Lease Agreement, dated as of April 1, 2017 (the "Sherman Way Lease"), by and between MERF and MPM Sherman Way, LLC to finance the portion of the Project located at the Additional MSA-1 Facility (defined herein). In addition, MERF will enter into the San Diego Lease and Equipment Agreement, dated as of April 1, 2017 (the "San Diego Lease"), by and between MERF and MPM San Diego, LLC to finance the portion of the Project located at the San Diego Facility (defined herein). Further, MERF will enter into the Santa Ana Loan Agreement, dated as of April 1, 2017 (the "Santa Ana Loan Agreement"), by and between MERF and MPM Santa Ana, LLC to finance the portion of the Project located at the Santa Ana Facility (defined herein). During the term of the Sherman Way Lease, the San Diego Lease, and the Santa Ana Loan Agreement, the Facilities will be used, occupied and operated by MERF to operate the Schools.

Principal of the Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement and Obligation No. 1 and Obligation No. 2 relating to the Bonds, which are issued by the Corporation in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of [April 1, 2017] (the "Master Indenture"), by and among the Corporation, as the initial Obligated Group Representative (defined herein), the Members (defined herein) of the Obligated Group (defined herein) as of the date of delivery of the Bonds, and UMB Bank, National Association, as Master Trustee (the "Master Trustee"). The obligations of the Corporation under the Loan Agreement are payable from the Payments required to be deposited with the Bond Trustee pursuant to the Bond Indenture. Notwithstanding anything to the contrary contained in the Loan Agreement, the Corporation has certified that it will instruct or cause each Member, as applicable, to cause each School to pay Base Rent, or repayment obligations under a School Loan Agreement (defined herein), as applicable, directly to the [Master Trustee for deposit in the Gross Revenue Fund and subsequent transfer to the Bond Trustee for deposit to the Revenue Fund]. See "PLAN OF FINANCE" herein.

Interest on the Bonds will be payable semiannually on each [January 1 and July 1] of each year, commencing [January 1, 2018]. The Bonds are being issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. The Bonds are issuable only as fully registered Bonds in initial minimum denominations of $25,000 and any integral multiple of $5,000 in excess thereof in excess thereof. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, (i) payments of the principal of and premium, if any, and interest on such Bonds will be made directly to Cede & Co. for payment to DTC participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption will be mailed only to Cede & Co. See "APPENDIX F – BOOK-ENTRY SYSTEM" herein.

The Bonds will be subject to extraordinary optional redemption, optional redemption, and mandatory sinking fund redemption prior to maturity as described under "THE BONDS – Redemption" herein.

THE PURCHASE AND HOLDING OF THE BONDS INVOLVE RISKS THAT MAY NOT BE APPROPRIATE FOR CERTAIN INVESTORS. THE BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" AND "ACCREDITED INVESTORS" (EACH AS DEFINED HEREIN). See "NOTICE TO INVESTORS" and "TRANSFER RESTRICTIONS."

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, WHICH SHALL ONLY BE OBLIGATED TO PAY THE BONDS SOLELY FROM THE PAYMENTS AND FUNDS PROVIDED THEREFOR IN THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER FOR THE BONDS OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. NOTHING IN THE BOND INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICE OR TO MAKE FUNDS AVAILABLE TO MERF ON BEHALF OF THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by the Honorable Xavier Becerra, Attorney General of the State of California, the approval of certain matters for the Underwriter by Squire Patton Boggs (US) LLP, as Underwriter's Counsel and the approval of certain matters for the Corporation and MERF relating to the School by Musick Peeler & Garrett LLP, Los Angeles, California. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about ______, 2017.

Honorable John Chiang
Treasurer of the State of California
as Agent for Sale

[D.A. Davidson Logo]

Dated: ________, 2017

MATURITY SCHEDULE

\$[2017A Principal Amount]*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(MAGNOLIA PUBLIC SCHOOLS - OBLIGATED GROUP)
DRAW DOWN SERIES 2017A

Maturity Date	Principal Amount*	Interest Rate	Yield	CUSIP Number†

\$_______ ___% Term Bonds – Yield ____% due _________ 1, 20___; Price: ____; CUSIP _______(1)
\$_______ ___% Term Bonds – Yield ____% due _________ 1, 20___; Price: ____; CUSIP _______(1)

\$[2017B Principal Amount]*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(MAGNOLIA PUBLIC SCHOOLS - OBLIGATED GROUP)
SERIES 2017B (TAXABLE)

Maturity Date	Principal Amount*	Interest Rate	Yield	CUSIP Number†

\$_______ ___% Term Bonds – Yield ____% due _________ 1, 20___; Price: ____; CUSIP _______(1)
\$_______ ___% Term Bonds – Yield ____% due _________ 1, 20___; Price: ____; CUSIP _______(1)

---

* *Preliminary; subject to change.*
(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the Authority, MERF, the Corporation or the School is responsible for the selection or correctness of the CUSIP numbers set forth herein.

MAGNOLIA PUBLIC SCHOOLS

[Image To Come]

CALIFORNIA SCHOOL FINANCE AUTHORITY

Members

John Chiang
Treasurer, State of California

Tom Torlakson
Superintendent of Public Instruction, State of California

Michael Cohen
Director of Finance, State of California

Officer

Katrina Johantgen
Executive Director

Counsel to the Authority

Xavier Becerra
Attorney General of the State of California

MAGNOLIA PROPERTIES MANAGEMENT, INC.

Caprice Young, Ph.D.	President
Serdar Orazov	Secretary
Nanie Montijo	Chief Financial Officer

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION

Noel Russell-Unterburger	President
Serdar Orazov	Treasurer
Umit Yapanel, Ph.D.	Secretary
Saken Sherkhanov, Ph.D.	Director
Nguyen Huynh	Director
Salih Dikbas, Ph.D.	Director
Diane Gonzalez	Member
Remzi Oten, Ph.D.	Member
Rabbi Haim Beliak	Member

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Underwriter's Counsel

Squire Patton Boggs (US) LLP
Los Angeles, California

Borrower's Counsel

Musick Peeler & Garrett LLP
Los Angeles, California

Trustee

UMB Bank, National Association
St. Louis, Missouri

This Limited Offering Memorandum does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the headings "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" has been furnished by the Authority. All other information set forth herein has been obtained from the Corporation, MERF, and other sources that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, The Depository Trust Company, the Corporation, or MERF since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of these transactions, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFERING MEMORANDUM

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute "forward-looking statements." Such statements generally are identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the headings "CERTAIN RISK FACTORS," "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" in this Limited Offering Memorandum. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. None of the Authority, the Corporation or MERF plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

NOTICE TO INVESTORS

The Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers and Accredited Investors (each as defined herein). The Bond Indenture under which the Bonds will be issued contains provisions limiting transfers of the Bonds and beneficial ownership interests in the Bonds only to Qualified Institutional Buyers and Accredited Investors. Each initial beneficial owner of the Bonds shall agree to provide an executed Investor Letter in the form attached as Appendix H hereto. In addition, the face of each Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture.

Each purchaser of any Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the Authority, the Corporation, MERF, the Underwriter and the Bond Trustee as follows:

1. That the Bonds are payable solely from certain revenues derived by the Authority under the Loan Agreement from amounts received by the Bond Trustee pursuant to the Intercept, and from certain funds and accounts established and maintained pursuant to the Bond Indenture;

2. That it is a Qualified Institutional Buyer or an Accredited Investor and that it is purchasing the Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act of 1933") or other applicable securities laws;

3. That the Bonds (a) have not been registered under the Securities Act of 1933 and are not registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) may not be readily marketable; and

4. That such purchaser acknowledges that none of the Authority or any of its Board members, officers or employees takes any responsibility for, and the purchaser is not relying upon any such parties with respect to the information appearing anywhere in this Limited Offering Memorandum, other than the information under the headings "THE AUTHORITY," and "ABSENCE OF MATERIAL LITIGATION – The Authority" (collectively, the "Authority's Portion" of the Limited Offering Memorandum) and that none of such parties have participated in the preparation of this Limited Offering Memorandum;

5. That such purchaser acknowledges that the Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers and Accredited Investors.

6. That the Authority, the Corporation, MERF, the Bond Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

See "TRANSFER RESTRICTIONS" herein.

TABLE OF CONTENTS

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

OHSUSA:766496766.2

$[2017A Principal Amount]	**$[2017B Principal Amount]**
CALIFORNIA SCHOOL FINANCE AUTHORITY	**CALIFORNIA SCHOOL FINANCE AUTHORITY**
CHARTER SCHOOL REVENUE BONDS	**CHARTER SCHOOL REVENUE BONDS**
(MAGNOLIA PUBLIC SCHOOLS - OBLIGATED GROUP)	**(MAGNOLIA PUBLIC SCHOOLS - OBLIGATED GROUP)**
DRAW DOWN SERIES 2017A	**SERIES 2017B (TAXABLE)**

INTRODUCTION

General

This Limited Offering Memorandum, including the cover page, the inside front cover page, and Appendices hereto (the "Limited Offering Memorandum"), is provided to furnish information with respect to the sale and delivery of the California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group), Draw Down Series 2017A, in the aggregate principal amount of $[2017A Principal Amount] (the "Series 2017A Bonds") and the California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group), Series 2017B (Taxable), in the aggregate principal amount of $[2017B Principal Amount] (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Bonds") issued by the California School Finance Authority (the "Authority").

The Bonds

The Bonds will be issued pursuant to Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act") and an Indenture, dated as of [April 1, 2017] (the "Bond Indenture"), by and between the Authority and UMB Bank, National Association, as trustee (the "Bond Trustee"). The Bonds will bear interest on [January 1 and July 1] of each year, commencing [January 1, 2018] (each, an "Interest Payment Date") and will be subject to optional, mandatory and extraordinary redemption prior to maturity. See "THE BONDS – Redemption" herein.

The Authority will loan a portion of the proceeds of the Bonds to Magnolia Properties Management, Inc. (the "Corporation" or the "Lessor"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), pursuant to a Loan Agreement, dated as of [April 1, 2017] (the "Loan Agreement"), by and between the Authority and the Corporation.

Principal of the Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement and Obligation No. 1 relating to the Bonds ("Obligation No. 1") and Obligation No. 2 relating to the Bonds ("Obligation No. 2"), which are issued by the Corporation in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of [April 1, 2017] (the "Master Indenture"), by and among the Corporation, the Members (defined herein) of the Obligated Group (defined herein) as of the date of delivery of the Bonds, and UMB Bank, National Association, as Master Trustee (the "Master Trustee"). See "THE BONDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be issued in initial minimum denominations of $25,000 and any integral multiple of $5,000 in excess thereof and in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") and beneficial ownership interests in the Bonds are to be sold (including secondary market transactions) only to Qualified Institutional Buyers and Accredited Investors. Pursuant to the Bond Indenture, the term (i) "Qualified

Institutional Buyer" means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act of 1933") and the term (ii) "Accredited Investor" means an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933. The Bond Indenture and the Bonds contain provisions limiting transfers of the Bonds and beneficial ownership interests in the Bonds to Qualified Institutional Buyers and Accredited Investors. The face of each Bond contains a legend indicating that such Bond is subject to the transfer restrictions set forth in the Bond Indenture. See "TRANSFER RESTRICTIONS" and "CERTAIN RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors."

Authority for Issuance

The Bonds will be issued by the Authority pursuant to the Act, a resolution of the Authority, and the Bond Indenture. See "THE AUTHORITY."

Use of Proceeds

The proceeds of the Bonds will be used to (1) to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of charter school educational facilities known as (a) Magnolia Science Academy 1 – Reseda ("MSA-1"), located at 18238 Sherman Way in the City of Reseda, California, with associated properties located or to be located at [18214 and 18228 Sherman Way] in the City of Reseda, California, to be owned by MPM Sherman Way LLC, a California limited liability company, (b) Magnolia Science Academy – Santa Ana ("MSA-SA"), located at 2840 W 1st Street in the City of Santa Ana, California, to be owned by MPM Santa Ana LLC, a California limited liability company, and (c) Magnolia Science Academy – San Diego ("MSA-SD"), located at 6365 Lake Atlin Avenue in the City of San Diego, California, to be owned by MPM San Diego LLC, a California limited liability company, on land owned by San Diego Unified School District pursuant to a shared use agreement (collectively, the "Project"); (2) to pay certain expenses incurred in connection with the issuance of the Bonds; (3) to pay capitalized interest on the Bonds and/or related working capital; and (4) to fund a debt service reserve fund with respect to the Bonds and a repair and replacement fund. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein

In connection with the delivery of the Bonds, Magnolia Educational and Research Foundation ("MERF" or the "Lessee"), a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Code, will enter into the Amended and Restated Lease Agreement, dated as of April 1, 2017 (the "Sherman Way Lease"), by and between MERF and MPM Sherman Way, LLC to finance the portion of the Project located at the Additional MSA-1 Facility (defined herein). In addition, MERF will enter into the San Diego Lease and Equipment Agreement, dated as of April 1, 2017 (the "San Diego Lease"), by and between MERF and MPM San Diego, LLC to finance the portion of the Project located at the San Diego Facility (defined herein). Further, MERF will enter into the Santa Ana Loan Agreement, dated as of April 1, 2017 (the "Santa Ana Loan Agreement"), by and between MERF and MPM Santa Ana, LLC to finance the portion of the Project located at the Santa Ana Facility (defined herein). During the term of the Sherman Way Lease, the San Diego Lease and Equipment Agreement, and the Santa Ana Loan Agreement, the Facilities will be used, occupied and operated by MERF to operate MSA-1, MSA-SD, and MSA-SA, respectively.

Security for the Bonds

The Bonds and the interest thereon are payable solely from (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Bond Trustee with respect to the Intercept, (ii) all moneys, if any, received by the Bond Trustee directly from, or on behalf of, the Borrower, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into any fund or account created and held under the Bond Indenture) and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture.

The Corporation

The Corporation is a California nonprofit benefit corporation formed to support the Foundation. The Corporation has received a determination letter from the Internal Revenue Service recognizing it as an organization described in Section 501(c)(3) of the Code. MERF designates the members of the board of directors of the Corporation. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS – GENERAL INFORMATION – Magnolia Properties Management, Inc."

Magnolia Educational and Research Foundation

MERF is a California nonprofit public benefit corporation formed in August 1997, and headquartered in Los Angeles, California. MERF has received a determination letter from the Internal Revenue Service recognizing it as an organization described in Section 501(c)(3) of the Code. MERF operates under the name Magnolia Public Schools.

The vision of MERF is to inspire students to choose career paths in science and technology. In the fall of 2002, MERF established MSA-1 as its first charter school. Since then, MERF has established ten additional charter schools, including MSA-SD in 2006 and MSA-SA in 2009, with the goal of providing innovative and high-quality education to their respective communities in Southern California. MERF operates ten charter schools in California, including eight in Los Angeles County, one in the City of Santa Ana, and one school in the City of San Diego. The total enrollment for MERF's schools in the 2016-17 school year is ____. MERF expects to establish additional charter schools throughout California.

For additional information on MERF and the Schools, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" herein.

The Authorizers

MSA-1. MSA-1 opened in September 2002 pursuant to a charter approved by the Los Angeles Unified School District. MSA-1 received renewal charter authorizations in _______ 2006 and ______ 2011. In December 2016, the Board of Education of LAUSD declined to renew MERF's charter renewal petition for MSA-1, Magnolia Science Academy-2 ("MSA-2"), and Magnolia Science Academy-3 ("MSA-3"). MERF submitted an appeal of this decision to the Los Angeles County Board of Education. Upon review of MERF's petition, the Los Angeles County Board of Education approved the charter renewal petitions for MSA-1, Magnolia Science Academy-2, and Magnolia Science Academy-3. The term of the current charter for MSA-1 is scheduled to end on June 30, 2022. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" herein.

MSA-SA. The school presently known as MSA-SA was original operated by Magnolia Public Schools as Pacific Technology School-Santa Ana ("PTS-Santa Ana") pursuant to a charter approved by the California Department of Education in 2009. In 2013, MERF submitted a charter petition to the Santa Ana Unified School District in May 2014. Upon its approval, the team at MSA-SA consisted of, among others, the majority of the PTS-Santa Ana staff and parents, and other professionals and volunteers from different backgrounds including educators, scientists, engineers and businessmen. Upon review of MERF's petition, the State Board of Education approved the charter renewal petition for MSA-SA. The term of the current charter for MSA-SA is scheduled to end on June 30, 2019. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" herein.

MSA-SD. MSA-SD is a charter school serving grades six through eight with a mission to provide a college preparatory educational program emphasizing STEM in a safe environment that cultivates respect for self and others. MSA-SD is located in the City of San Diego, California pursuant to a charter approved by the San Diego Unified School District. MSA-SD opened in September 2005 and received a charter renewal in ________, 2009. In October 2014, MERF submitted a charter renewal petition on behalf of MSA-SD to the San Diego Unified School District. The term of the current charter for MSA-SD is scheduled to end on June 30, 2020. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" herein.

The Obligated Group

Pursuant to the Master Indenture, the Corporation will serve as the initial Obligated Group Representative. In addition, the Corporation, MPM Sherman Way LLC, a limited liability company ("MPM Sherman Way"), MPM San Diego LLC, a California limited liability company ("MPM San Diego"), and MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana") will serve as the initial Members of the Obligated Group. Pursuant to the Master Indenture, the term "Members" will include each signatory to the Master Indenture (excluding the Master Trustee) and, together with each other Person which is obligated under the Master Indenture to the extent and in accordance with the provisions of the Master Indenture, from and after the date upon which such Person joins the Obligated Group, but excluding any Member which withdraws from the Obligated Group to the extent and in accordance with the provisions of the Master Indenture, from and after the date of such withdrawal. See "THE MASTER INDENTURE – Withdrawal from the Obligated Group" herein.

Security for the Bonds

General. The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement, the Intercept (as defined below), Obligation No. 1 and Obligation No. 2 each issued by the Corporation, the Bond Indenture, and the Master Indenture.

State Intercept Program. As additional security for the Bonds, in connection with the issuance of the Bonds, MERF on behalf of any School will provide instructions to the State Controller's Office (the "Controller") to make apportionments from the Controller, pursuant to the Education Code (or any successor provision) and the Intercept Notice, of amounts specified in the Intercept Notice and payable directly to the Bond Trustee (each, an "Intercept") on a monthly basis with respect to and on behalf of MERF in amounts provided in the Intercept Notice specifying a transfer schedule for the payment directly to the Bond Trustee of one or more of the following: (i) principal of the Bonds, (ii) interest on the Bonds and (iii) other costs necessary or incidental to financing pursuant to the Act relating to the Bonds, including Additional Payments, in substantially the form set forth in the applicable Lease or School Loan Agreement (defined herein), as the same may be amended, supplemented or restated from time to time. Funds subject to this Intercept by the Controller are limited to funding apportioned to MERF for purposes of the charter school block grant or the Local Control Funding Formula pursuant to Section 42238.02 of the Education Code, as implemented by Section 42238.03 of the Education Code. Pursuant to the Master Indenture, the term "School Loan Agreement" means the MSA-SA School Loan Agreement, and each other loan agreement pursuant to which MERF borrows money from a Member of the Obligated Group for the benefit of a Facility at which a school is located.

Under the laws of the State of California (the "State"), no party, including the Authority, MERF, the Corporation or any of their respective creditors, will have any claim to the money apportioned or to be apportioned to the Bond Trustee by the Controller pursuant to the Intercept. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN RISK FACTORS – Bankruptcy" below. Pursuant to the Bond Indenture, all Payments deposited with the Bond Trustee will be held in trust for the benefit of the Holders from time to time of the Bonds but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture, including if necessary, the payment of debt service on the Bonds.

Pursuant to the Bond Indenture, the Authority assigns to the Bond Trustee certain of the Authority's rights under the Loan Agreement, including the right to receive payments thereunder, but excluding any deposits to the Rebate Fund and other Retained Rights (as defined in the Bond Indenture). See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – Pledge and Assignment" attached hereto. Pursuant to the Loan Agreement, the Corporation covenants to cause MERF to deliver the Intercept Notices to the Controller. Notwithstanding anything to the contrary in the Loan Agreement, the Corporation covenants to instruct or cause each Member, as applicable, to cause each School to pay Base Rent, or repayment obligations under a School Loan Agreement, as applicable, directly to the [Master Trustee for deposit in the Gross Revenue Fund and subsequent transfer to the Bond Trustee for deposit to the Revenue Fund]. [In addition, pursuant to the Mortgages (as defined herein), the Lessee grants to the Master Trustee a first priority lien on the Facilities.] See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Leases and the Santa Ana Loan Agreement. In connection with the delivery of the Bonds, MERF will enter into that certain Amended and Restated Lease Agreement, dated as of April 1, 2017 (the "MSA-1 Lease"), by and between MPM Sherman Way, a Member of the Obligated Group, as Landlord and MERF, as lessee thereunder. In connection with the delivery of the Bonds, MERF will enter into that certain [San Diego Lease and Equipment Agreement], dated as of April 1, 2017 ("MSA-SD Lease"), by and between MPM San Diego a Member of the Obligated Group, as Landlord and MERF, as lessee thereunder. Pursuant to the Master Indenture, the term "Lease" means, each individually, and "Leases" means, collectively, the lease agreements or sublease agreements pursuant to which MERF leases a Facility at which a School is located from a Member of the Obligated Group[; provided, however, a lease agreement or sublease agreement pursuant to which MERF leases a Facility for the benefit of a School whose students in attendance at such Facility constitute 25% or fewer students of all students enrolled at such Facility subject to such lease or sublease, shall not be considered a Lease for purposes of the Master Indenture]. As of the date of execution and delivery hereof, the MSA-1 Lease and the MSA-SD Lease shall be the initial Leases. See "THE LEASES" herein.

Subject to the provisions of each Lease, MERF's obligation to pay the Rent will be a special obligation limited solely to, and not in excess of, the Gross Income of the School (defined below), and under no circumstances will MERF be required to advance any moneys derived from any source of income other than, or pay Rent which is in excess of, the Gross Income of the School, nor will any other funds or property of MERF be liable for the payment of the Rent. See "THE LEASES" herein.

[Extraordinary Monthly Rent. MERF will pay Rent under each Lease solely from revenues directly or indirectly derived by MERF's operation of the School named therein. A shortfall in payment of Base Rent when due from revenues of the School will result in additional Rent payments becoming due under such Lease. In the event that MERF receives a notice (each an "Extraordinary Monthly Rent Notice") from either the Lessor or the Master Trustee, stating the Master Trustee has not received the payment of rent with respect to a Related Project (as defined in the Master Indenture) on or before the date that such required payment is due, then Lessee shall pay the Extraordinary Monthly Rent to the Master Trustee within three (3) business days after MERF's receipt of the Extraordinary Monthly Rent Notice. Under each Lease, the Lessor covenants to immediately provide MERF with a copy of any Extraordinary Monthly Rent Notice received by the Lessor pursuant to the terms of the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "THE LEASES – Payment of Rent" and "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS" attached hereto.

Principal of and interest on the Bonds is payable solely from Payments (defined herein). Neither the State nor the Authority shall be obligated to pay the Bonds or the interest thereon except from certain Payments set forth herein, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof shall be pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority will not be treated or deemed as having incurred any liability under the Master Indenture or by reason of or in connection with the Bond Indenture, the Loan Agreement or any of the transactions contemplated by any thereof except to the extent payable from certain Payments set forth herein or other amounts available therefor under and pursuant to the Bond Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes of the Bond Indenture any funds of the Authority which may be made available to it for such purposes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

For information regarding the Corporation, MERF and the Schools, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS."

Mortgages. Pursuant to the Master Indenture, each Member will enter into a Mortgage (defined herein) for the Facilities to secure the obligations of the Member under the Master Indenture. Each Member, respectively, agrees to supplement such deed of trust or mortgage or to execute and deliver such other deeds of trust or mortgages as may be necessary from time to grant to the Master Trustee a first priority Lien on any Property, Plant and Equipment of the Member, subject to certain Permitted Liens. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgages" herein.

Pursuant to each Lease, MERF acknowledges and consents to the assignment by the Lessor of such Lessor's rights under such Lease to the Master Trustee under the Master Indenture and covenants and agrees to deposit all Base Rent and Additional Rent with the Master Trustee under the Master Indenture. See "THE LEASES" herein. The Mortgaged Property generally consists of all real property and personal property that constitute the Facilities at which MERF operates the School. Pursuant to the Master Indenture and in connection with the execution and delivery of the Mortgages, the Corporation has covenanted to obtain, or to cause to be obtained, at its own cost and expense, ALTA policies of lender's title insurance on its respective Facilities, in an aggregate amount not less than the aggregate principal amount of the Related Bonds, insuring the Master Trustee, insuring the leasehold or fee title interests, as applicable, of the respective Members to the Facilities, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS" attached hereto.

Reserve Account. Under the Bond Indenture, the Bond Trustee will establish the Reserve Account within the Revenue Fund. All amounts in the Reserve Account are required to be used and withdrawn by the Bond Trustee solely for the purpose of making up any deficiency in the Interest Account or Principal Account that exists on the date when monies on deposit in the Interest Account or the Principal Account are required to be applied, as provided in the Bond Indenture, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – BOND INDENTURE – Reserve Account" herein.

Outstanding Obligations. [On June 24, 2014, the Authority issued its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014A, in the aggregate principal amount of $5,675,000 (the "2014A Bonds") and its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014B (Taxable), in the aggregate principal amount of $345,000 (the "2014B Bonds" and, together with the 2014A Bonds, the "2014 Bonds"). Pursuant to a Loan Agreement, dated as of June 1, 2014, the Authority loaned the proceeds of the 2014 Bonds to MPM Sherman Way, as borrower to (i) finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the land and facilities located at 18238 Sherman Way, Reseda, California, to be owned by the Corporation and leased to MERF, for use and occupancy by MSA-1, (ii) to fund a deposit to a repair and replacement fund, and (iii) to pay the cost of certain expenses incurred in connection with the issuance of the 2014 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN RISK FACTORS – Additional Indebtedness and Additional School Indebtedness."]

See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS – Debt Summary" and "APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION FOR THE FISCAL YEAR ENDED JUNE 30, 2016" attached hereto.

The Corporation does not currently have any outstanding obligations with a lien on the Payments or the assets pledged under the Bond Indenture prior to or on a parity with the lien of the Bond Indenture. Pursuant to the Master Indenture, additional Obligations (defined below) may be issued from time to time on parity with Obligation No. 1 and Obligation No. 2. The See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN RISK FACTORS – Additional Indebtedness and Additional School Indebtedness."

Pursuant to the Master Indenture, the term "Obligations" means any obligation of the Obligated Group issued under the Master Indenture, which shall be in the form set forth in a Related Supplement, including, but not limited to, bonds, obligations, debentures, reimbursement agreements, Financial Products Agreements, loan agreements or leases. Reference to a Series of Obligations or to Obligations of a Series means Obligations or Series of Obligations issued pursuant to a single Related Supplement, unless otherwise specified in the Related Supplement. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – DEFINITIONS" attached hereto.

Redemption

The Bonds will be subject to extraordinary optional redemption, optional redemption, and mandatory sinking fund redemption as described below under "THE BONDS – Redemption."

Certain Risk Factors

The Bonds may not be a suitable investment for all investors. Prospective purchasers of the Bonds must read this entire Limited Offering Memorandum, including the appendices and the information under the section "CERTAIN RISK FACTORS," to obtain information essential to making an informed investment decision in the Bonds.

Miscellaneous

This Limited Offering Memorandum contains brief descriptions of, among other things, the Bonds, the Master Indenture, the Mortgage, the Deed of Trust, the Bond Indenture, the Loan Agreement, the Leases, the Santa Ana Loan Agreement, the Authority, MERF, the Corporation, the Schools and the Obligated Group. All references in this Limited Offering Memorandum to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Bond Indenture. MERF maintains a website providing additional information about itself and the operation of the Schools. The information on such website is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum. Any capitalized terms in this Limited Offering Memorandum that are not defined herein will have such meaning as given to them in the Master Indenture or Bond Indenture, as applicable. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS" attached hereto.

THE AUTHORITY

The Authority is a public instrumentality of the State of California created pursuant to provisions of the Act. The Authority is authorized to issue the Bonds under the Act and to make the loan contemplated by the Loan Agreement and to secure the Bonds by a pledge of the Payments and certain other funds and accounts as provided in the Bond Indenture.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indenture and Master Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference.

General

The Bonds are being issued pursuant to the Bond Indenture in the aggregate principal amount set forth on the cover of this Limited Offering Memorandum. The Bonds will initially be delivered as registered Bonds in minimum denominations of $25,000 and any integral multiple of $5,000 in excess thereof ("Authorized Denominations"), and will be transferable and exchangeable only as set forth in the Bond Indenture and as described herein; provided that, at such time as the Corporation provides to the Authority and the Bond Trustee written evidence to the effect that if any of Fitch Ratings, Inc. ("Fitch"), Standard & Poor's Global Ratings ("S&P"), or Moody's Investors Service ("Moody's") has rated the Bonds "BBB-" or "Baa3" or higher, then "Authorized Denominations" will mean $5,000 and any integral multiple thereof. The Bonds will be dated the date of issuance and will bear interest at the rates set forth on the inside front cover page hereof from their dated date. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable in arrears on each Interest Payment Date. The Bonds will mature in the amounts and in each of the years as set forth on the inside front cover page hereof.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC, and will be evidenced by one Bond for each maturity of a Series in the total aggregate principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Bond Indenture. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners will mean Cede & Co. as aforesaid and will not mean the "beneficial owners" of the Bonds.

The principal and redemption price of and interest on the Bonds shall be payable in lawful money of the United States of America upon surrender at the Principal Corporate Trust Office. The interest on any Bond shall be payable to the person whose name appears on the registration books of the Bond Trustee as the registered owner thereof as of the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day (the "Record Date") for the Interest Payment Date, such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of $1,000,000 or more in an aggregate principal amount of the Bonds shall be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such other Holder shall designate in writing to the Bond Trustee by the applicable Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Bond Trustee to Cede & Co., as nominee for the Depository.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a date established by the Bond Trustee pursuant to the Bond Indenture as a record date for the payment of defaulted interest on the Bonds (the "Special Record Date") for the payment of such defaulted interest. The Special Record Date will be fixed by the Bond Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities without coupons in Authorized Denominations. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of a Series of Bonds set forth on the inside front cover page of this Limited Offering Memorandum, and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see "APPENDIX F – BOOK-ENTRY SYSTEM" attached hereto.

Transfer of Bonds

So long as the Bonds are subject to a system of book-entry only transfers, beneficial ownership interests in the Bonds may not be purchased by, or transferred to, any person except a Qualified Institutional Buyer or an Accredited Investor. During any period of time when the Bonds are not subject to a system of book-entry only transfers, the registration of any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Bond Trustee, duly executed. The Bond Trustee will conclusively rely upon such written instrument of transfer as evidence that the transferee is a Qualified Institutional Buyer or an Accredited Investor, each as defined in the Bond Indenture.

Whenever any Bond or Bonds is required to be surrendered for transfer, the Authority will execute and the Bond Trustee will authenticate and deliver a new Bond or Bonds, of the same series and maturity and for a like aggregate principal amount of Authorized Denominations. The Bond Trustee will require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, and there shall be no other charge to any Holder for any such transfer. The Bond Trustee will not be required to register the transfer of any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bond selected for redemption in whole or in part as provided in in the Bond Indenture or during the period established by the Bond Trustee for selection of Bonds for redemption. The Bonds are subject to certain transfer restrictions under the Bond Indenture, as described herein under "TRANSFER RESTRICTIONS."

Exchange of Bonds

The Bonds may be exchanged at the Principal Corporate Trust Office of the Bond Trustee for a like aggregate principal amount of the Bonds of the same series and maturity of other authorized denominations. The Bond Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there shall be no other charge to any Holder for any such exchange. No exchange of Bonds shall be required to be made during the period established by the Bond Trustee for selection of Bonds for redemption and after a Bond has been selected for redemption.

Redemption

Redemption Fund. Pursuant to the Bond Indenture, the Bond Trustee will establish and maintain a special fund designated as the Redemption Fund. Within the Redemption Fund, the Bond Trustee will establish separate accounts designated as the Optional Redemption Account and the Special Redemption Account. The Bond Trustee is required to accept all moneys deposited for redemption and deposit such moneys into the Optional Redemption Account or the Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account are required to be accepted and used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Bond Indenture, at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee will, upon written direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Borrower.

Optional Redemption. The Bonds are subject to redemption prior to their respective stated maturities, at the option of the Borrower, from any amounts in the Redemption Fund, in whole or in part on any date on or after [July 1, 2024], at a redemption price equal to 100% of the principal amount of Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to their stated maturity, at the option of the Borrower, as a whole or in part on any date from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Optional Construction Related Redemption. The Bonds are subject to redemption in part prior to their stated maturity, on any date, at the option of the Borrower, from amounts transferred from the Project Fund following Completion of the Project as provided in Section 5.08(b) hereof at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Mandatory Redemption from Unspent Project Proceeds. The Bonds are subject to redemption, as a whole or in part, prior to their stated maturity, on any date, from unspent proceeds of the Bonds transferred to the Redemption Fund from the Project Fund in accordance with the Bond Indenture, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, on the earliest date for which notice of redemption can reasonably be given in accordance with the Bond Indenture.

Extraordinary Mandatory Redemption Due to Change of Use. The Bonds are subject to redemption prior to their stated maturity, as a whole or in part, on any date from Loan prepayments made by the Borrower in connection with the cessation of operation of a charter school at any of the Facilities, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium. See "CERTAIN RISK FACTORS – Default Under the Leases; No Assurance Regarding Subsequent Tenant" and " – No Assurance of Lease Renewal" herein.

Extraordinary Redemption upon Event of Taxability. The Series 2017A Bonds are subject to redemption prior to their respective stated maturities from any amounts in the Redemption Fund, in whole, or in part on any date upon an Event of Taxability (defined herein) at a redemption price equal to 103% of the principal amount of such Series 2017A Bonds called for redemption, plus accrued interest to the date fixed for redemption.

[The term "Event of Taxability" as defined in the Bond Indenture means the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, which has the effect of a determination that the interest on any of the Series 2017A Bonds is includable in the gross income of the recipients thereof for federal income tax purposes.]

Mandatory Sinking Account Redemption. The Term Series 2017A Bonds maturing July 1, 20__ are subject to redemption prior to their stated maturities in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on July 1, 20__ and on each July 1 thereafter, to and including July 1, 20___, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Series 2017A Bonds Maturing July 1, 20___

Mandatory Sinking Account Payment Date (July 1)	Principal Amount
20__	$
20__	
20__	
20__	
20__†	

† Maturity Date.

The Term Series 2017A Bonds maturing July 1, 20__ are subject to redemption prior to their stated maturities in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on July 1, 20__ and on each July 1 thereafter, to and including July 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Series 2017A Bonds Maturing July 1, 20__

Mandatory Sinking Account Payment Date (July 1)	Principal Amount
20__	$
20__	
20__	
20__	
20__†	

† Maturity Date.

The Term Series 2017A Bonds maturing July 1, 20___ are subject to redemption prior to their stated maturities in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on July 1, 20__ and on each July 1 thereafter, to and including July 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Series 2017A Bonds Maturing July 1, 20__

Mandatory Sinking Account Payment Date (July 1)	Principal Amount
20__	$
20__	
20__	
20__	
20__†	

† Maturity Date.

The Term Series 2017A Bonds maturing _________ 1, 20___ are subject to redemption prior to their stated maturities in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on _________ 1, 20___ and on each _________ 1 thereafter, to and including _________ 1, 20___, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Series 2017A Bonds Maturing ________ 1, 20___

Mandatory Sinking Account Payment Date (_________ 1)	Principal Amount
20__	$
20__	
20__	
20__	
20__†	

† Maturity Date.

The Term Series 2017B Bonds maturing July 1, 20___ are subject to redemption prior to their stated maturities in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on July 1, 20__ and on each July 1 thereafter, to and including July 1, 20___, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Series 2017B Bonds Maturing July 1, 20___

Mandatory Sinking Account Payment Date (July 1)	**Principal Amount**
20__	$
20__	
20__	
20__	
20__†	

† Maturity Date.

Notice of Redemption. In connection with the redemption of the Bonds pursuant to the Bond Indenture, the Corporation shall give notice of redemption to the Bond Trustee (with a copy to the Authority) not less than thirty five (35) days prior to the redemption date (or such shorter notice as the Bond Trustee may approve). Notice of redemption of any Bonds is required to be given by the Bond Trustee upon such written request of the Corporation. Notice of any redemption of Bonds is required to be mailed postage prepaid by the Bond Trustee, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date by first-class mail to the respective Holders thereof at the addresses appearing on the bond registration books described in the Bond Indenture. Each notice of redemption is required to contain all of the following information: (a) the date of such notice; (b) the name of the Bonds and the date of issue of the Bonds; (c) the redemption date; (d) the redemption price; (e) the dates of maturity of the Bonds to be redeemed; (f) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (g) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (i) a statement that such Bonds must be surrendered by the Holders at the Principal Corporate Trust Office of the Bond Trustee, or at such other place or places designated by the Trustee; (j) a statement that such redemption is conditioned upon the receipt by the Bond Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price or upon the happening of such other event as shall be specified in the Bond Indenture, and if such moneys shall not have been so received, said notice is required to be rescinded and the redemption is required to be cancelled; (k) a statement that any such redemption notice can be rescinded as provided in the Bond Indenture; and (l) notice that further interest on such Bonds, if any, will not accrue from and after the designated redemption date.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers provided therein or on the Bonds. If money is not received as described in the Bond Indenture, the Bond Trustee, within a reasonable time after the date on which such redemption was to occur, shall give notice to the persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of the Bonds pursuant to the notice of redemption. Failure of the Bond Trustee to give such notice or any defect therein shall not in any way impair or affect the validity of the proceedings for redemption.

Conditional Notice of Redemption. Any notice of optional redemption may state that such redemption is conditioned ("Conditional Notice") upon the receipt by the Bond Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed or upon the occurrence of such other event or condition as is set forth in such Conditional Notice, and that, if such moneys are not so received, or if such other event or condition has occurred or failed to occur (as the case may be), said notice will be of no force and effect and the redemption of the Bonds specified in the notice will no longer be required. The Bond Trustee will within a reasonable time thereafter give notice, in the manner in which the original Conditional Notice was given, of the cancellation of such redemption.

Effect of Notice. A certificate of the Bond Trustee or the Corporation that notice of call and redemption has been given to Holders and as may be further required in the Continuing Disclosure Agreement as provided therein will be conclusive as against all parties. The actual receipt by the Holder of any Bond or any other party of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest, if any, on the date fixed for redemption.

Notice of redemption having been given substantially as provided for in the Bond Indenture, and the redemption price of the Bonds called for redemption being on deposit or otherwise available to the Bond Trustee as provided in the Bond Indenture, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest, if any, shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will required to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to the fund established for such purpose. All Bonds redeemed are required to be cancelled forthwith by the Bond Trustee and will not be reissued.

Right to Rescind Notice. Upon written notice from the Corporation that the Corporation [has cured] the conditions that caused the Bonds to be subject to extraordinary redemption, the Corporation may rescind any extraordinary redemption and notice thereof on any date prior to the date fixed for redemption by causing the Bond Trustee to send written notice of the rescission to the Holders of the Bonds so called for redemption. Notice of rescission of redemption is required to be given in the same manner in which notice of redemption was originally given. The actual receipt by the Holder of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. See "THE BONDS – Redemption – Extraordinary Optional Redemption from Insurance and Condemnation Proceeds," " – Extraordinary Mandatory Redemption Due to Change of Use," and " – Extraordinary Redemption upon Event of Taxability" herein.

Funds for Redemption. Prior to or on the redemption date of any Bonds there is required to be available in the Redemption Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the premiums payable as provided in the Master Indenture, the Bonds designated in said notice of redemption. Such monies so set aside in the Redemption Fund or in the escrow fund established for such purpose is required to be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds, provided that all monies in the Redemption Fund are required to be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date is required to be paid from the Redemption Fund, unless otherwise provided for to be paid from an escrow fund established for such purpose. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Redemption Fund or otherwise held in trust for the payment of redemption price of the Bonds, said monies are required to be held in or returned or transferred to the Redemption Fund for payment of any outstanding Bonds of the Corporation payable from said fund; provided, however, that if said monies are part of the proceeds of refunding Bonds of the

Corporation, said monies will be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such refunding Bonds of the Corporation are at such time outstanding, said monies are required to be transferred to the general fund of the Corporation as provided and permitted by law.

Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of the Bond Indenture and less than all of the Outstanding Bonds are to be redeemed, the Bond Trustee shall select the Bonds to be redeemed from the Outstanding Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in inverse order of maturity or in such other order of maturity as shall be specified in a Request of the Corporation.

In no event shall Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Bonds in denominations greater than minimum Authorized Denominations, the Bond Trustee shall assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, shall treat such amounts as separate Bonds. The Bond Trustee shall promptly notify the Authority and the Corporation in writing of the numbers of the Bonds selected for redemption.

"Outstanding" under the Bond Indenture when used as of any particular time with reference to Bonds, means (subject to the provisions of the Bond Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Bond Indenture except (a) Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Bond Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to the Bond Indenture.

Defeasance

Discharge of the Bond Indenture. Bonds may be paid or caused to be paid in any of the following ways, provided any other sums payable under the Bond Indenture have also been paid or caused to be paid: (i) by paying or causing to be paid the principal of and interest on the Bonds Outstanding as and when the same become due and payable; (ii) by depositing with the Bond Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Indenture) to pay or redeem Bonds Outstanding; or (iii) by delivering to the Bond Trustee, for cancellation by it, all Bonds Outstanding.

If all Bonds then Outstanding are paid or caused to be paid as provided above and all other sums payable under the Bond Indenture shall also be paid or caused to be paid, then and in that case, at the election of the Corporation (evidenced by a Certificate of the Corporation, filed with the Bond Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Bond Indenture and the pledge of Payments made under the Bond Indenture and all covenants, agreements and other obligations of the Authority under the Bond Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Bond Indenture. In such event, upon request of the Corporation, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the Corporation to be prepared and filed with the Corporation and shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Bond Trustee is required to pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to the Bond Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Bond Trustee.

Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Bond Indenture) to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Bond, and the Authority shall remain liable for such payment but only out of the money or securities deposited with the Bond Trustee as aforesaid for its payment; provided further, however, that the provisions of the Bond Indenture will apply in all events.

The Bonds may at any time be surrendered to the Bond Trustee for cancellation by the Authority or the Corporation, which may have been acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the amount necessary to pay any Bonds, such amount (which may include money or securities held by the Bond Trustee in the funds established pursuant to the Bond Indenture) shall be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Bonds and all unpaid interest thereon to maturity, and shall be: (a) lawful money of the United States of America; or (b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations State and Local Government Series and Zero Coupon United States Treasury Bonds; (c) provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of the Bond Indenture or by Request of the Corporation or the Authority) to apply such money to the payment of such principal of and interest on such Bonds and provided, further, that the Bond Trustee shall have received (i) an Opinion of Bond Counsel to the effect that such deposit shall not cause interest on the Tax-Exempt Bonds to be included in the gross income of the Holder thereof for federal income tax purposes and that the Bonds to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Bond Trustee verifying that the money or securities so deposited or held together with earnings thereon will be sufficient to make all payments of principal of and interest on the Bonds to be discharged to and including their maturity date.

Payment of Bonds after Discharge of Bond Indenture. Notwithstanding any provision of the Bond Indenture, and subject to applicable escheat laws, any moneys held by the Bond Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in the Bond Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by the Bond Indenture, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Bond Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

TRANSFER RESTRICTIONS

The purchase and holding of the Bonds involve risks that may not be appropriate for certain investors. The Bonds are to be offered and sold (including in secondary market transactions) only to "Qualified Institutional Buyers" and "Accredited Investors" (each as defined herein). Pursuant to the Bond Indenture, the Bonds may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except an Accredited Investor or Qualified Institutional Buyer; provided however, that Bonds registered in the name of the Depository or its nominee shall be deemed to comply with the Bond Indenture so long as each beneficial owner of the Bonds is an Accredited Investor or a Qualified Institutional Buyer. Each initial beneficial owner of the Bonds shall provide an executed Investor Letter in the form attached as Appendix H hereto.

In addition, the face of each Bond will contain a legend indicating that such Bond is subject to transfer restrictions as set forth in the Bond Indenture. See "CERTAIN RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses related to the Bonds.

Sources:	
Bond Principal	$
Net Original Issue Premium/Discount	
Other Available Funds	
Total Sources:	$
Uses:	
Deposit to Project Fund	$
Deposit to Interest Account	
Deposit to Reserve Account	
Costs of Issuance Fund(1)	
Total Uses:	$

Source: Magnolia Educational & Research Foundation.

(1) Includes legal, rating, printing, title insurance, underwriting discount and other professional fees and other miscellaneous costs of issuance.

DEBT SERVICE

Outstanding Indebtedness. [On June 24, 2014, the Authority issued its 2014A Bonds in the principal amount of $5,675,000 and its 2014B Bonds in the principal amount of $345,000. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN RISK FACTORS – Additional Indebtedness and Additional School Indebtedness."].

The Corporation does not currently have any outstanding obligations with a lien on the Payments or the assets pledged under the Bond Indenture prior to or on a parity with the lien of the Bond Indenture. Pursuant to the Master Indenture, additional Obligations (defined below) may be issued from time to time on parity with Obligation No. 1 and Obligation No. 2. The See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN RISK FACTORS – Additional Indebtedness and Additional School Indebtedness."

The Bonds. The following table sets forth the annual debt service payment requirements of the Bonds (assuming no optional redemptions or extraordinary optional redemptions prior to the stated date of maturity).

	The Series 2017A Bonds		The Series 2017B Bonds		
Period Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**	**Total Debt Service**
Totals					

THE PROJECT

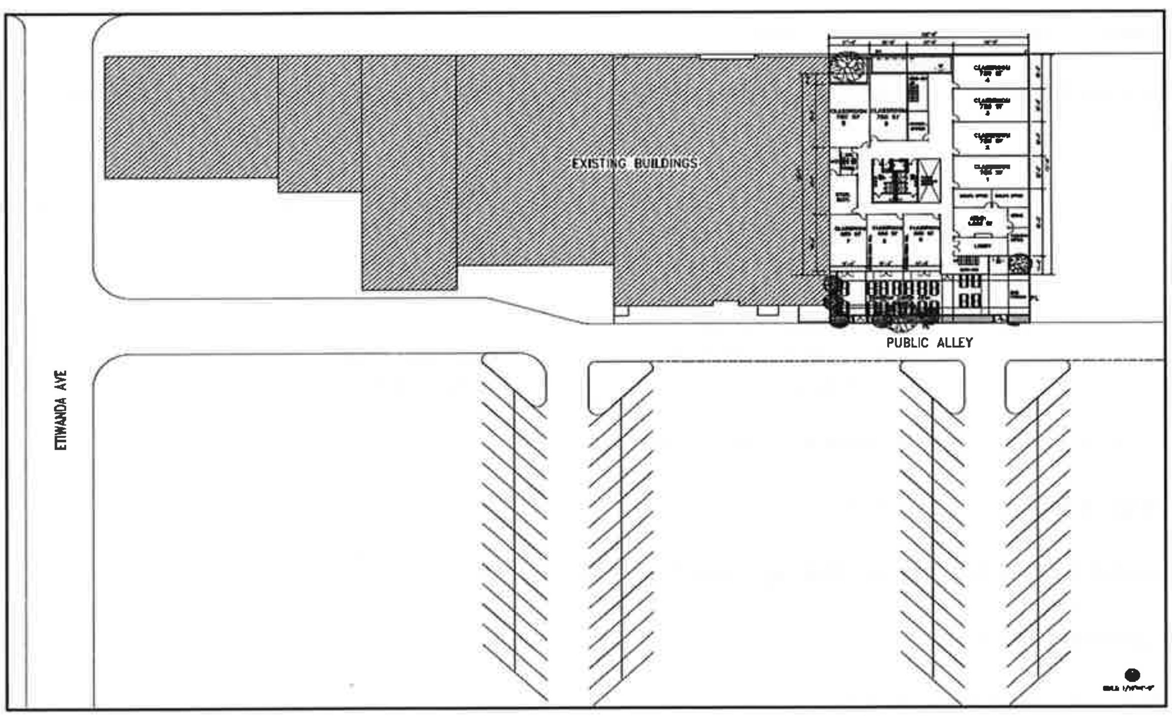
General

The Corporation will use the proceeds of the Bonds to fund the loan to the Corporation under the Loan Agreement to (1) to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of the Additional MSA-1 Facility ("MSA 1 Phase 2"), the San Diego Facility, and the Santa Ana Facility ("MSA Santa Ana Phase 2), (2) to pay certain expenses incurred in connection with the issuance of the Bonds, (3) to pay capitalized interest on the Bonds and/or related working capital and (4) to fund a debt service reserve fund with respect to the Bonds and a repair and replacement fund.

Additional MSA-1 Facility

General. MSA-1 operates at a school facility located at 18328 in the City of Reseda. In connection with the Project, MERF expects to increase enrollment at MSA-1 through the development of a new two-story educational facility at 18216-18220 Sherman Way in the City of Reseda (the "Additional MSA-1 Facility"). MERF expects that the new building, upon its completion, will provide capacity to increase enrollment from 525 students to approximately 925 students. The Additional MSA-1 Facility will be constructed in an area immediately adjacent to the existing school. MERF projects that, upon completion, the Additional MSA-1 Facility will be 25,224 square feet with twenty classrooms, science labs, offices, a rooftop playground and landscaping. MERF expects construction of the Additional MSA-1 Facility to begin in July 2017 and occupancy of the Additional MSA-1 Facility in July 2018. The portion of the Project at MSA-1 includes the refinancing of the $3.8 million purchase of the site and building.

Site Plan. The following diagram sets forth the site plan for the Additional MSA-1 Facility.



Source: Magnolia Educational & Research Foundation.

The rectangular lot/parcel area is approximately 38,840 square feet, with community commercial and parking zoning. The property was acquired by MERF in October 2015. MERF expects to construct the new building immediately adjacent to the existing school. The current Project includes a 25,224 square foot building with 20 classrooms, science labs, offices, a rooftop playground and landscaping throughout. The following diagram sets forth the floor plans for the Additional MSA 1 Facility.

Source: Magnolia Educational & Research Foundation.

Project Schedule. The following table sets for the projected schedule for the Additional MSA 1 Facility.

Event	Projected Date
Submit Construction Documents	April 15, 2017
Ready To Issue Permit	June 15, 2017
Demolition Start	July 5, 2017
Construction NTP	July 21, 2017
Construction Complete	May 21, 2018
Occupancy	July 1, 2018

Source: Magnolia Educational & Research Foundation.

Project Budget. [To Come]

Architecture and Construction Agreements. [To Come]

Appraisal. [To Come]

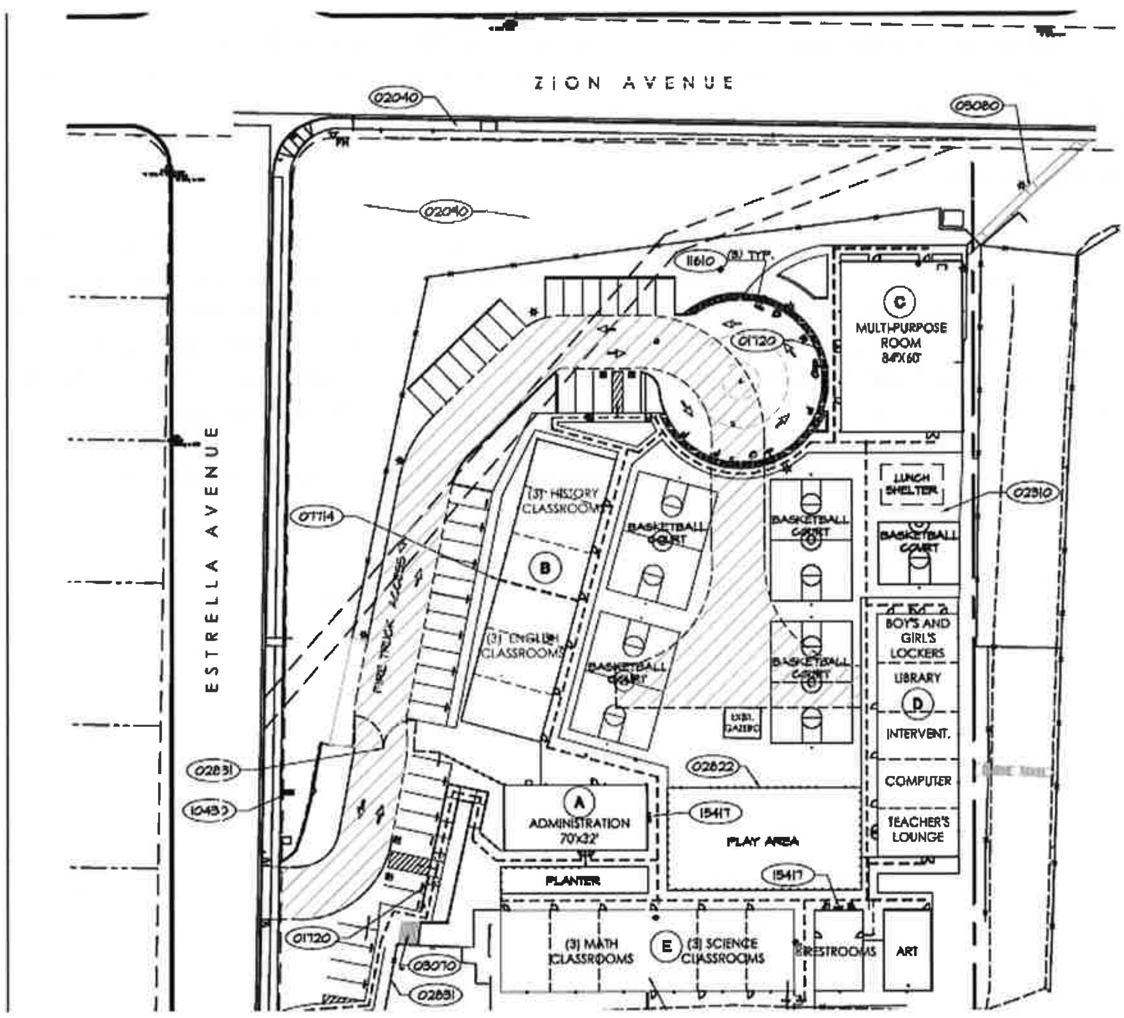
Environmental Reports. [To Come]

San Diego Facility

General. MSA-SD presently operates at a school facility located at 6365 Lake Atkin Avenue in the City of San Diego. In connection with the Project, MERF expects to relocate MSA-SD to a new school facility, the DeAnza School, which is located at 6525 Estrella Avenue in the City of San Diego, California (the "San Diego Facility"), in September 2017. The San Diego Facility is expected to have sixteen classrooms, a multipurpose room, a cafeteria, and outdoor recreation spaces. The San Diego Facility MERF expects the San Diego Facility to accommodate approximately 450 students in grades six through eight.

The San Diego Facility portion of the Project is expected to include, among other things, the removal of eleven existing portables and three permanent structures, and the installation of eighteen portable/relocatable classroom structures. The classroom structures have received the approval of the Division of State Architect.

Site Plan. The following diagram sets forth the site plan for the San Diego Facility.



Source: Magnolia Educational & Research Foundation.

Project Schedule. The following table sets for the projected schedule for the Additional MSA 1 Facility.

Event	Projected Completion Date
Submit Construction Documents	April 2017
Ready To Issue Permit	June 2017
Construction NTP	June 2017
Construction Complete	August 2017
Occupancy	September 2017

Source: Magnolia Educational & Research Foundation.

Project Budget. [To Come]

Architecture and Construction Agreements. [To Come]

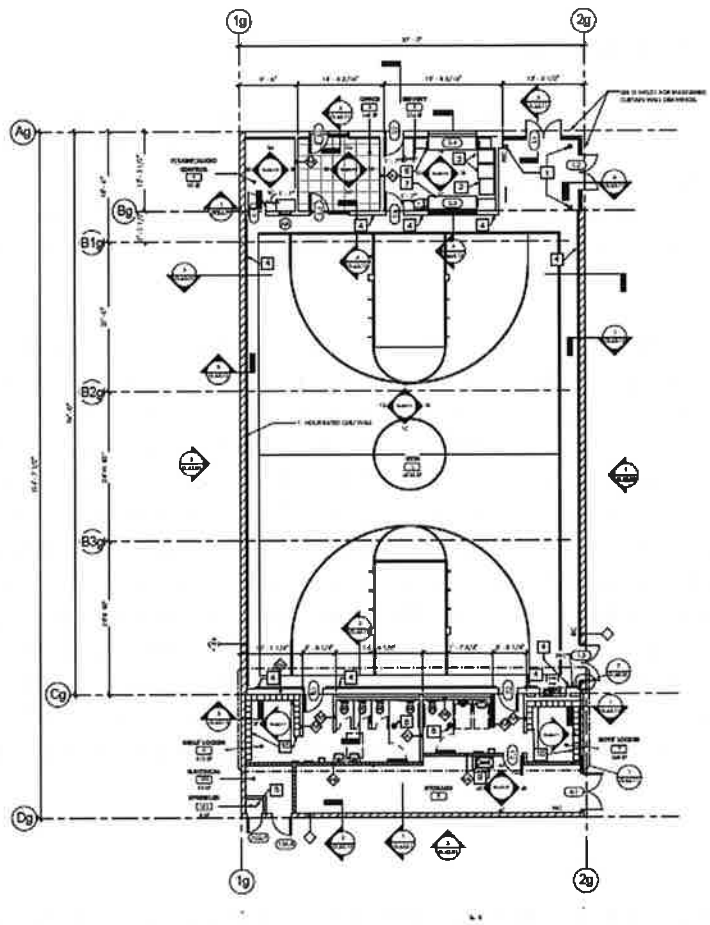
Appraisal. [To Come]

Environmental Reports. [In October 2016, the San Diego Unified School District received the "Final Initial Study for the Magnolia Science Academy Relocation Project" from BRG Consulting (the "San Diego Facility Report")].

Santa Ana Facility

General. MSA-SA operates at a school facility located at 2840 W 1st Street in the City of Santa Ana, California. MERF expect to construct a new gymnasium with a multi-sport athletic court, restrooms, lockers, and a server (collectively, the "Santa Ana Facility"). The gymnasium has been approved by the Division of State Architect. In addition, MERF expects the Santa Ana Facility portion of the Project to include a landscaped and covered outdoor eating area. MERF expects construction of the Santa Ana Facility to begin in March 2017 and occupancy of the Santa Ana Facility in September 2017.

Site Plan. The following diagram sets forth the site plan for the Santa Ana Facility.



Source: Magnolia Educational & Research Foundation.

Project Schedule. The following table sets for the projected schedule for the Santa Ana Facility.

Event	Projected Completion Date
Project Bid Award	March 2017
Construction NTP	March 2017
Construction Complete	September 2017
Occupancy	September 2017

Source: Magnolia Educational & Research Foundation.

Project Budget. [To Come]

Architecture and Construction Agreements. [To Come]

Appraisal. [To Come]

Environmental Reports. [To Come]

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations of the Authority

The Bonds and interest thereon constitute special, limited obligations of the Authority and are payable solely from certain revenues received under the Bond Indenture and from certain funds and accounts established and maintained under the Bond Indenture. The Authority is not obligated to advance any moneys derived from any source other than the Payments (as defined below) and other assets pledged under the Bond Indenture, whether for the payment of the principal of or redemption price or interest on the Bonds.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, WHICH SHALL ONLY BE OBLIGATED TO PAY THE BONDS SOLELY FROM THE PAYMENTS AND FUNDS PROVIDED THEREFOR IN THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER FOR THE BONDS OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. NOTHING IN THIS INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICE OR TO MAKE FUNDS AVAILABLE TO MERF ON BEHALF OF THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

Bond Indenture

Pledge of Payments and Other Amounts. Pursuant to the Bond Indenture, the Authority pledges to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture, all of the Payments (except Payments described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Bond Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

The term "Payments," under the Bond Indenture, means ((i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Bond Trustee with respect to the Intercept, (ii) all moneys, if any, received by the Bond Trustee directly from, or on behalf of, the Corporation, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into any fund or account created and held under the Bond Indenture) or Obligation No. 1 and Obligation No. 2, and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – BOND INDENTURE" attached hereto.

State Intercept Program. As additional security for the Bonds, in connection with the issuance of the Bonds, MERF will provide instructions to the Controller to make Intercepts to the Bond Trustee with respect to and on behalf of MERF in amounts and on dates provided in the Intercept Notices sufficient in the aggregate to repay the Bonds and pay necessary and incidental costs. Funds received by the Bond Trustee pursuant to each Intercept will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture, including if necessary, the payment of Debt

Service on the Bonds. Under the laws of the State, no party, including the Authority, MERF, the Corporation or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Bond Trustee by the Controller pursuant to the Intercepts. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Assignment of Payments and Other Amounts, Loan Agreement, Lease, and Mortgages" herein.

In addition, pursuant to the Loan Agreement, the Corporation certifies that it will instruct or cause MERF to pay Base Rent directly to the Bond Trustee for deposit in the Revenue Fund. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – LOAN AGREEMENT" attached hereto.

Assignment of Payments and Other Amounts, Loan Agreement, Lease, and Mortgages. The Authority assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments (except Payments described in clause (i) of the definition thereof) and other amounts pledged in paragraph (a) of this section and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights). The Bond Trustee will be entitled to and is required to receive all of such assigned Payments, and any such Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bond Trustee and shall forthwith be paid by the Authority to the Bond Trustee.

The Bond Trustee also will be entitled to and shall (subject to the provisions of the Bond Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment, or as directed in writing by the Holder, to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Bond Trustee and all of the obligations of the Corporation under the Loan Agreement.

The Corporation is required to take all actions necessary for the Bond Trustee to collect directly from the Controller the amounts set forth in the Intercept Notice on the dates set forth in the Intercept Notice. The Payments described in clause (i) of the definition thereof are assigned to the Bond Trustee, for the benefit of the Holders of the Bonds, by virtue of the filing of the Intercept Notice with the Controller. The Bond Trustee will be entitled to and is required to receive all of such assigned Payments.

All Payments are required to be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee is directed under the Bond Indenture to establish, maintain and hold in trust. All Payments are required to be held in trust for the benefit of the Holders from time to time of the Bonds but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture.

The Bonds are not and shall not be deemed to constitute a debt or liability of the State, or any political subdivision thereof, and are not and shall not be deemed to be a pledge of the faith and credit of the State, or any political subdivision thereof, other than the Authority, which shall only be obligated to pay the Bonds solely from the Payments and funds provided therefor in the Bond Indenture. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever for the Bonds or to make any appropriation for their payment. Nothing in the Bond Indenture, the Act or otherwise is an undertaking by the Authority or the State or any political subdivision thereof to fund the transfers described in the Intercept Notice or to make funds available to MERF on behalf of the Schools in any amount or at any time.

Revenue Fund. The Bond Trustee will establish, maintain and hold in trust a special fund designated as the "Revenue Fund." All Payments are required to be promptly deposited by the Bond Trustee upon receipt thereof in the Revenue Fund. All Payments shall be held in trust for the benefit of the Holders from time to time of the Bonds but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture. The Bond Trustee will establish within the Revenue Fund an Interest Account, a Principal Account, and a Reserve Account for the payment of Debt Service on the Bonds.

Interest Account. All amounts in the Interest Account are required to be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Bond Indenture).

Principal Account. All amounts in the Principal Account are required to be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided in the Bond Indenture with respect to Bonds.

The Bond Trustee is required to establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the "____ Sinking Account," inserting therein the Series and maturity (if more than one such account established) for each Term Bond. On or before [July 1] in each year, the Bond Trustee shall transfer the amount deposited in the Principal Account on that date pursuant the Bond Indenture, as described in " – Allocation of Revenues" below, from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Bond Trustee shall transfer the amount deposited in the Principal Account pursuant to the Bond Indenture for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in the Bond Indenture; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee shall apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Borrower has deposited Bonds with the Bond Trustee, or Bonds were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to the applicable provisions of the Bond Indenture are required to be delivered to the Bond Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds are no longer Outstanding shall be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Borrower with the Bond Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Borrower directs in writing along with a revised sinking fund schedule giving effect to the purchase so completed.

Subject to the terms and conditions set forth in the Bond Indenture, the Term Bonds, which are Bonds payable on or before their specified maturity dates from Mandatory Sinking Account Payments, will be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments as set forth in "THE BONDS – Redemption – Mandatory Sinking Fund Redemption."

Reserve Account. Under the Bond Indenture, the Bond Trustee will establish the Reserve Account within the Revenue Fund. All amounts in the Reserve Account are required to be used and withdrawn by the Bond Trustee, [with the consent of the Bondholder Representative,] solely for the purpose of making up any deficiency in the Interest Account or Principal Account that exists on the date when monies on deposit in the Interest Account or the Principal Account are required to be applied, as provided in the Bond Indenture, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding.

The Bond Trustee is required to [notify the Bondholder Representative immediately if any amounts from the Reserve Account shall be needed to make up any deficiency in the Interest Account or Principal Account, and shall obtain the consent of the Bondholder Representative before withdrawing any such amount from the Reserve Account. The Bond Trustee shall then] notify the Authority and the Borrower immediately of any withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account, which notice shall specify the amount of such withdrawal. The Bond Trustee shall notify the Authority [and Bondholder Representative] immediately of the final maturity, earlier redemption in full of the Bonds or the date on which no Bonds are Outstanding under the Bond Indenture.

Amounts on deposit in the Reserve Account shall be valued by the Bond Trustee at their fair market value, as reflected on Trustee's account statement, on [January 1 and July 1] of each year while the Bonds are Outstanding, and the Bond Trustee shall notify the Borrower of the results of each such valuation. If the amount on deposit in the Reserve Account on the first (1st) Business Day following such valuation is less than one hundred percent (100%) of the Reserve Account Requirement, the Borrower has agreed in the Loan Agreement to make the deposits to the Reserve Account required by the Bond Indenture. If the amount on deposit in the Reserve Account on the first (1st) Business Day following such valuation is greater than the Reserve Account Requirement, then any additional excess shall be withdrawn from the Reserve Account and transferred to the Revenue Fund. See "CERTAIN RISK FACTORS – Reserve Account."

[The term "Reserve Account Requirement" means as of any date of calculation, an amount which shall be equal to the [least of (a) ten percent (10%) of the original principal amount of the Bonds;] (b) maximum annual Debt Service with respect to the Bonds Outstanding[, (c) one hundred twenty-five percent (125%) of average annual Debt Service with respect to the Bonds or (d) for the last Bond Year only, the total Debt Service with respect to the Bonds Outstanding.] Annual Debt Service [and average annual Debt Service,] for purposes of the Bond Indenture, shall be calculated on the basis of twelve-month periods ending on [July 1] of any year in which Bonds are Outstanding.]

See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – BOND INDENTURE."

Allocation of Revenues. Promptly upon receipt, the Bond Trustee is required to deposit the Payments to the Revenue Fund. On or before May 25th and November 25th of each year, the Bond Trustee is required to transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee is required to establish and maintain within the Revenue Fund) and then to the Repair and Replacement Fund, to the Rebate Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Payments sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority; provided, however, no moneys deposited in the Revenue Fund pursuant to the Intercept shall be deposited to the Rebate Fund:

(1) To the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest;

(2) To the Principal Account, one-half of the aggregate amount of principal becoming due to and payable on the next succeeding Principal Payment Date, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments; provided that from the date of delivery of the Bonds until the first Principal Payment Date with respect to the Bonds (if less than twelve months), transfers to the Principal Account shall be sufficient on a pro rata basis to pay the principal becoming due and payable on said Principal Payment Date;

(3) To the Reserve Account, (a) the greater of (i) the amount designated for deposit to the Reserve Account in a written direction of the Corporation, and (ii) one-half of the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Reserve Account if the balance in said account is at least equal to the Reserve Account Requirement, and (b) in the event the balance in said account shall be less than the Reserve Account Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount);

(4) To the Repair and Replacement Fund, (a) $_____ until the balance therein is at least equal to the Repair and Replacement Fund Requirement, and thereafter the greater of (i) such amount as shall be set forth in the written request of the Corporation and (ii) [one-thirty-sixth] of the aggregate amount of each prior withdrawal from the Repair and Replacement Fund, provided that no deposit need be made into the Repair and Replacement Fund if the balance in said account is at least equal to the Repair and Replacement Fund Requirement, and (b) in the event the balance in said account shall be less than the Repair and Replacement Fund Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Repair and Replacement Fund Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount); and

(5) To the Rebate Fund, such amounts as are required to be deposited therein by instruction from the Corporation given in accordance with the Bond Indenture (including the Tax Certificate).

Moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred on ________________ 1 and ______________ 1 of each year, commencing ________________ 1, 20__ by the Bond Trustee to the Corporation free and clear of the lien of the Bond Indenture.

See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – BOND INDENTURE" and "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – LOAN AGREEMENT" attached hereto.

For more information on the Corporation, MERF and the School, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" attached hereto.

[***Repair and Replacement Fund.*** Pursuant to the Bond Indenture, the Bond Trustee will establish, maintain and hold in trust a separate fund designated as the "Repair and Replacement Fund," which shall be used solely for the purposes set forth in the Bond Indenture. The Bond Trustee will withdraw funds from the Repair and Replacement Fund to pay for capital items not budgeted as ordinary maintenance and repair costs related to the Facilities. Moneys in the Repair and Replacement Fund are required to be disbursed upon receipt of a requisition of the Corporation and the Bond Trustee is authorized and directed to issue payments.

Amounts on deposit in the Repair and Replacement Fund will be valued by the Bond Trustee at their fair market value each January 1 and July 1, and the Bond Trustee is required to notify the Corporation of the results of such valuation. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is less than one hundred percent (100%) of the Repair and Replacement Fund Requirement, the Corporation has agreed in the Loan Agreement to make the deposits to the Repair and Replacement Fund required by the Bond Indenture. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is greater than the Repair and Replacement Fund Requirement, then any additional excess will be withdrawn from Repair and Replacement Fund and transferred to the Revenue Fund.

When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Revenue Fund, the balance of the Redemption Fund and the balance of the Repair and Replacement Fund, and (ii) all other amounts owed under the Loan Agreement and the Bond Indenture shall have been paid, moneys held in the Repair and Replacement Fund may be deposited into the Revenue Fund and credited against payments of Loan Repayments required under the Loan Agreement.

Amounts Remaining in Funds and Accounts. Any amounts remaining in the Revenue Fund or any other fund or account established under the Bond Indenture after payment in full of the Bonds (or after provision for payment thereof as provided in the Bond Indenture) and payment of the fees, charges and expenses of the Bond Trustee and the Authority, shall belong and be paid to the Borrower by the Bond Trustee.

Capital Needs Assessment. Pursuant to the Master Indenture, the Obligated Group is required to pay or cause to be paid to the Related Bond Trustee on the twentieth day of each month, commencing [_______ 20, 20__], for deposit into the Repair and Replacement Fund established under each Related Bond Indenture, the Repair and Replacement Fund Contribution or the Modified Repair and Replacement Fund Contribution, as applicable (each as defined below). On or before [September 1, 20__], and every fifth anniversary thereafter as long as the Bonds issued under each Related Bond Indenture are Outstanding, the Obligated Group shall select an Independent Consultant to complete a capital needs assessment of the Obligated Group projecting the Obligated Group's capital needs and the total cost thereof over the five year period commencing on the following [September 1] (each a "Capital Needs Assessment").

The total cost set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Fund, divided by 60, shall be the "Repair and Replacement Fund Contribution" for such five year period; provided, however, that in the event (i) the Obligated Group pays all or a portion of the cost of a capital need projected in the Capital Needs Assessment from a source of funds other than the Repair and Replacement Fund, the Repair and Replacement Fund Contribution for the remainder of the applicable five year period shall be decreased by the amount of such projected cost that is paid from such other source of funds divided by the number of Repair and Replacement Fund Contribution payments remaining in the applicable five year period or (ii) a draw is made upon the Repair and Replacement Fund in excess of the cost for a capital need projected in the Capital Needs Assessment or in any amount for a capital need not projected in the Capital Needs Assessment, the Repair and Replacement Fund Contribution for the subsequent 12 month period shall be increased by the excess amount of such draw or the total amount of such unanticipated draw, as applicable, divided by 12 (the Repair and Replacement Fund Contribution as modified by either clause (i) or clause (ii), the "Modified Repair and Replacement Fund Contribution").

The Loan Agreement

The Authority and the Corporation will execute the Loan Agreement to provide for the loan by the Authority to the Corporation of proceeds from the sale of the Bonds.

Pursuant to the Bond Indenture, the Authority will assign its right to receive Administrative Fees and Expenses and any Additional Payments, any right to be indemnified, held harmless or defended and rights to inspection and to receive notices, certificates and opinions, express rights to give approvals, consents or waivers, and the obligation of the Corporation to make deposits pursuant to the Tax Certificate.

Pursuant to the Loan Agreement, the Corporation will be required to make loan repayments sufficient to pay the principal, premium, if any, and interest on the Bonds when due. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – LOAN AGREEMENT" attached hereto.

Pursuant to the Loan Agreement, simultaneously with the execution and delivery of the Bonds, the Corporation covenants to cause MERF to deliver an Intercept Notice to the Controller with respect to each School. Pursuant to the Loan Agreement, the Corporation certifies that it will instruct or cause each Member, as applicable, to cause each School to pay Base Rent, or repayment obligations under a School Loan Agreement, as applicable, directly to the [Master Trustee for deposit in the Gross Revenue Fund and subsequent transfer to the Bond Trustee for deposit to the Revenue Fund]. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – LOAN AGREEMENT" attached hereto. Rent under each Lease is payable solely by MERF from the revenues of MERF. The Corporation is not liable for payment of Rent under the Leases.

MERF is not a party to, and is not liable under, the Loan Agreement. Subject to the limitations of the Bond Indenture regarding Loan Agreement amendments, the Corporation may amend Exhibit A of the Loan Agreement, which is a description of the Project, from time to time in connection with the prepayment of a portion of the loan pursuant to the loan prepayment provisions; provided that (x) the sum total of allocable amounts in Exhibit A to the Loan Agreement shall not be less than the principal amount of Bonds Outstanding at any time and (y) such amendment shall not provide an allocable amount for the Facilities greater than the allocable amount stated on Exhibit A to the Loan Agreement on the date of delivery of the Bonds. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – LOAN AGREEMENT" attached hereto.

The Master Indenture

Joint and Several Obligations of the Obligated Group but not the Corporation. Under the Master Indenture, the Obligated Group Representative may authorize the issuance, on behalf of the Members of the Obligated Group, of Obligations to evidence or secure Indebtedness or other obligations. As of the date hereof, the Corporation, MPM Sherman Way, MPM Santa Ana, and MPM San Diego are the only Member of the Obligated Group.

Each Member of the Obligated Group is jointly and severally liable with respect to the payments due in respect of each Obligation issued under the Master Indenture, including Obligation No. 1 and Obligation No. 2. The Members of the Obligated Group are required to make payment on Obligation

No. 1 and Obligation No. 2 and all subsequent Obligations issued under the Master Indenture in amounts sufficient to pay when due the principal of and premium, if any, and interest on the Bonds.

For a more detailed discussion of entry to or withdrawal from the Obligated Group, see "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – MASTER INDENTURE – Membership in Obligated Group" and " – Withdrawal from Obligated Group." All capitalized terms used and not defined in this section have the meanings listed in "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – DEFINITIONS." However, each Lessee is liable only under the related Lease and is not responsible or otherwise obligated under the Loan Agreement, the Bond Indenture, the Master Indenture, the Obligations, including Obligation No. 1 and Obligation No. 2, the Santa Ana Loan Agreement, or the Bonds.

Pursuant to the Master Indenture, each Member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided herein, in any Related Supplement and in said Obligations and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture, any Related Supplement and any Obligation. Pursuant to the Master Indenture, each Member acknowledges and agrees that the time of such payment and performance is of the essence of the obligations thereunder. See "INTRODUCTION – Security for the Bonds – Extraordinary Monthly Rent" herein.

Subject to the provisions of the Master Indenture permitting withdrawal from the Obligated Group, the obligation of each Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with the Master Indenture. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Members or otherwise, shall be regarded as payments in gross without any right on the part of any one or more of the Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that in the event of any such Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee shall be entitled to prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Member has become fixed.

Each such Obligation shall be a primary obligation and shall not be treated as ancillary to or collateral with any other obligation and shall be independent of any other security so that the covenants and agreements of each Member under the Master Indenture shall be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement, as provided in the Master Indenture, and to enforce the making of Required Payments. Each Member will authorize the Obligated Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant and agreement of the Members under the Master Indenture and to make any arrangement or compromise with any particular Member or Members as the Obligated Group Representative or the Master Trustee may deem appropriate, consistent with the Master Indenture and any Related Supplement. Each Member will waive in favor of the Obligated Group Representative and the Master Trustee all rights against the Obligated Group Representative, the Master Trustee and any other Member, insofar as is necessary to give effect to any of the provisions of the Master Indenture.

Notwithstanding anything in the Master Indenture to the contrary, the Master Trustee covenants that it will not take recourse against the Obligated Group Representative or any of the Members with respect to the failure by the Obligated Group Representative or any of the Members to make any Required Payment under the Master Indenture and any Related Supplement except recourse to the Gross Revenues and the amounts held in the funds and accounts created under the Related Bond Indenture (except the

Rebate Fund) or under the Master Indenture, or to such other security as may from time to time be given for the payment of obligations arising out of the Master Indenture, any Related Supplement or any other agreement securing the obligations of the Members with respect to the Related Bonds.

Gross Revenue Fund. The Members of the Obligated Group agree in the Master Indenture that, unless otherwise provided in a Related Supplement or if such Related Bonds are payable in full from funds that are subject to the Intercept, each Member covenants and agrees that, so long as any of the Obligations remain Outstanding, on or before the twenty-fifth (25th) day of each month, commencing [April 25, 2017], the Members shall cause all Base Rent and School Loan Repayments to be transferred directly to the Master Trustee, which shall be deposited in the Gross Revenue Fund, which the Master Trustee is hereby directed to establish, maintain and hold in trust. The Obligated Group Representative shall furnish to the Master Trustee all related and relevant Base Rent payment schedules and School Loan Repayment schedules designating the required deposits and payment amounts and the Master Trustee shall be under no obligation to independently determine such amounts. Upon receipt, such amounts shall immediately be transferred by the Master Trustee into the following respective accounts (each of which the Master Trustee is required to establish and maintain) in the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

FIRST, to the Related Bonds Account, the amount necessary to pay all Required Payments as designated in any Obligation issued hereunder on the next date upon which such payments become due; and

SECOND, to the Additional Payments Account, the amount necessary to pay all Additional Payments as defined in and pursuant to any Related Loan Agreement, or for costs necessary or incidental to the issuance of any Obligation, or any Required Payments not described in clause (i) above on the next date upon which such payments become due

Subject to the applicable provisions of the Master Indenture regarding the creation of subaccounts within the Gross Revenue Fund, the Master Trustee shall apply the moneys deposited in the foregoing accounts of the Gross Revenue Fund as follows:

FIRST, amounts deposited in the Related Bonds Account shall, upon receipt, be paid directly to each Related Bond Trustee for deposit in the revenue fund for such Related Bonds to pay amounts due and payable under each Related Bonds Indenture, and to such other payee of Required Payments as designated in any Obligation issued hereunder; and

SECOND, amounts deposited in the Additional Payments Account shall be paid directly to the respective payees of Additional Payments pursuant to (and as defined in) each Related Loan Agreement, and to such other payee as designated by the Obligated Group Representative for costs necessary or incidental to the issuance of any Obligation.

Pursuant to the Master Indenture, the Master Trustee is required to promptly transfer any remaining moneys held in the Gross Revenue Fund to the Obligated Group Representative [for deposit to the Obligated Group Operating Account maintained pursuant to the Master Indenture in the form and manner designated on a written request of the Obligated Group Representative.

If the Base Rent amount and [the School Loan Repayment amount] are not received by the Master Trustee when due as set forth above in the Master Indenture, the Master Trustee shall, on the following Business Day, notify the Obligated Group Representative (with copy to each tenant of each

Facility) of such delinquency (an "Extraordinary Monthly Rent Notice"). Upon receipt of such Extraordinary Monthly Rent Notice, the Obligated Group Representative shall cause each Member to collect Extraordinary Monthly Rent (as defined in each respective Lease) for transfer within three (3) Business Days to the Master Trustee for deposit to the Gross Revenue Fund.

As it deems necessary or appropriate, the Master Trustee may create subaccounts within the Gross Revenue Fund.

THE BONDS ARE PAYABLE IN FULL FROM FUNDS SUBJECT TO AN INTERCEPT. ACCORDINGLY, NO GROSS REVENUE FUND WILL INITIALLY BE CREATED IN CONNECTION WITH THE ISSUANCE OF THE BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – BOND INDENTURE – STATE INTERCEPT PROGRAM," "– ASSIGNMENT OF PAYMENTS AND OTHER AMOUNTS, LOAN AGREEMENT, LEASE, AND MORTGAGES" AND "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – THE LOAN AGREEMENT" HEREIN.

Debt Service Coverage Ratio. Pursuant to the Master Indenture, each Member covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges for the use of its Facilities and for the services furnished or to be furnished by the Members so that the Debt Service Coverage Ratio of the Obligated Group as a whole at the end of each Fiscal Year is not less than 1.0:1.0. If the Debt Service Coverage Ratio of the Obligated Group falls below 1.0:1.0, it shall constitute an Event of Default under the Master Indenture.

See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – MASTER INDENTURE – Additional Covenants" and related definitions.

Required Financial Covenants. Pursuant to the Master Indenture, each Member further covenants and agrees that each related Lease [or School Loan Agreement, as applicable] will contain the following provisions in substantially the following form:

Extraordinary Monthly Rent Notice. In the event that MERF under such Lease receives a notice (each an "Extraordinary Monthly Rent Notice") from either the lessor under such Lease (the "Lessor") or the Master Trustee stating the Master Trustee has not received the payment of Rent with respect to a Related Project on or before the date that such required payment is due, then MERF shall pay the Extraordinary Monthly Rent to the Master Trustee within three (3) Business Days after MERF's receipt of such Extraordinary Monthly Rent Notice. The Lessor shall covenant in such Lease to immediately provide MERF with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture.

The term "*Extraordinary Monthly Rent*" shall mean the amount set forth in an Extraordinary Monthly Rent Notice, which shall be MERF's Proportionate Share of the Extraordinary Monthly Rent.

The term "*Proportionate Share*" shall mean the amount required to be paid by MERF to ensure that all of the required Base Rent payments and School Loan Repayments with respect to all of the Related Projects have been timely made.

The term "*Base Rent*" set forth under each related Lease shall include, as one component, the "Extraordinary Monthly Rent."

Base Rent Coverage Ratio. MERF shall budget for and maintain a Base Rent Coverage Ratio of not less than 1.10:1.00 for each Fiscal Year, commencing with the Fiscal Year ended June 30, 2017.

Lessee shall require its auditor to provide the Bond Trustee by no later than December 31 of each year, commencing December 31, 2017, with a certification of the Base Rent Coverage Ratio as of the end of the preceding Fiscal Year.

(i) Definitions to be included in such covenant are as follows:

(1) The term "*Base Rent*" means an amount not less than the debt service due and payable with respect to the related Facility plus any ground rent on a related Facility or the amounts provided in the rent schedule attached to each Lease. The term "Base Rent" set forth under each related Lease shall include, as one component, the "Extraordinary Monthly Rent."

(2) The term "*Base Rent Coverage Ratio*" means, for the indicated period, the ratio obtained by dividing the budgeted amounts for (A) Lessee Revenue Available for Base Rent by (B) Base Rent payable under the Bond Indenture.

(3) The term "*Excess Unrestricted Revenues*" means, for any fiscal year, the amount equal to Unrestricted Cash less five percent (5%) of Total Operating Revenues

(4) The term "*Extraordinary Monthly Rent*" means the amount set forth in an Extraordinary Monthly Rent Notice, which shall be MERF's Proportionate Share of the Extraordinary Monthly Rent.

(5) The term "*Lessee Gross Revenues*" means all revenues, income, receipts and moneys received by MERF or on behalf of MERF solely relating to the operations of the School, including from any applicable district or county or from the State pursuant to the Charter School Law from any categorical block grant, general purpose entitlement or revenue limit; but excluding gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for Rent payments or operating expenses.

(6) The term "*Lessee Operating Expenses*" means fees and expenses of MERF relating solely to the School, including maintenance, repair expenses, utility expenses, administrative and legal expenses, miscellaneous operating expenses, advertising costs, payroll expenses (including taxes), the cost of materials and supplies used for current operations of MERF, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of MERF, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with Generally Accepted Accounting Principles, all in such amounts as reasonably determined by MERF; provided, however, "Lessee Operating Expenses" shall not include rent payable under the Lease, subordinated management fees, depreciation, amortization or other non-cash expenses, payment for subordinated management fees or improvements to MERF facility which are capitalized for accounting purposes, nor expenses paid from or allocable to any gifts, grants, bequests, donations and contributions excluded from the calculation of Lessee Gross Revenues as restricted by the donor.

(7) The term "*Lessee Revenue Available for Base Rent*" means (A) for the indicated period, an amount equal to Lessee Gross Revenues less Lessee Operating Expenses or (B) in the event that, for the indicated period, the Base Rent Coverage Ratio would be less than 1.10:1.00 based on the formula set forth in clause (A), at the option of MERF exercised for not more than any three fiscal years within a period of any five consecutive fiscal years, an amount equal to Lessee Gross Revenues plus an amount of Excess Unrestricted Revenues (as set forth in a written

notice) less Lessee Operating Expenses; provided, however, that the formula set forth in clause (B) shall not be applicable for purposes of calculating whether Additional Indebtedness may be incurred under the Indenture; provided, further, that any such amount of Excess Unrestricted Revenues added to Lessee Gross Revenues pursuant to this paragraph may not be used to satisfy the same requirement under any other Lease.

(8) The term "*Proportionate Share*" means the amount required to be paid by MERF to ensure that all of the required Rent payments with respect to all of the Related Projects (as that term is defined in the Master Indenture) have been timely made.

(9) The term "*Total Operating Revenue*" means, for any fiscal year, the dollar amount identified as "Total support and revenue" on the consolidated statement of activities and changes in net assets in the consolidated financial statements of MERF as prepared by an independent auditor.

(10) The term "*Unrestricted Cash*" means, for any fiscal year, the dollar amount identified as "cash and cash equivalents" on the consolidated statement of financial position or balance sheet of the consolidated financial statements of MERF as prepared by an independent auditor.

(ii) For any period of measurement, if the Base Rent Coverage Ratio shall be less than 1.10:1.00 but greater or equal to 1.00:1.00, then Bondholders holding a majority of the Outstanding Bonds shall have the right to direct the Bond Trustee in writing to require MERF to engage, at MERF's expense, an Independent Consultant acceptable to the Bondholders. Notwithstanding the foregoing, (x) the Holders of a majority of the Outstanding Bonds will have the right, by written notice to MERF, to require MERF to comply with any recommendation of the Independent Consultant with respect to items set forth above in such Independent Consultant's report and (y) the failure of Lessee to comply with the Lease shall not constitute a Default or Breach unless Lessee fails to comply with the written direction of the Holders of a majority of the Outstanding Bonds as provided in the Lease.

(iii) For any period of measurement, if the Base Rent Coverage Ratio falls below 1.00:1.00, it shall constitute an Event of Default under the Lease.

Liquidity Covenant. [MERF shall maintain Days Cash on Hand equal to at least [25 days] as measured on June 30, 2017. MERF shall maintain Days Cash on Hand equal to at least [35 days] as measured on June 30, 2018. MERF shall maintain Days Cash on Hand equal to at least [45 days] as measured on each June 30, commencing on June 30, 2019.]

The covenant described in the first paragraph pf " – Liquidity Covenant" is to be evidenced by a certificate of MERF setting forth the calculation of such amount based on the results of the annual audit of MERF for such Fiscal Year upon release of such audit. If on any testing date MERF's minimum Unrestricted Cash and Investments is below that required as described above, MERF is required to retain, at its expense, an Independent Consultant to submit a written report and make recommendations within 45 days of being retained (a copy of such report and recommendations shall be filed with the Underwriter and the Bond Trustee) with respect to increasing income of MERF, decreasing Operating Expenses of MERF or other financial matters of MERF which are relevant to increasing MERF's Unrestricted Cash and Investments to at least the required level. MERF agrees that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it shall revise its methods of operation and take such other actions to comply with any reasonable recommendation of the Independent Consultant identified in the report of the Independent Consultant. So long as MERF shall retain an Independent Consultant and complies with such Independent Consultant's reasonable recommendations (subject to applicable requirements or restrictions imposed by law), no default or Event of Default shall be declared solely by reason of a violation of the requirements of the applicable section of the Lease.

(1) The term "*Days Cash on Hand*" shall mean, as of any date of determination with respect to MERF, the product of 365 times a fraction, (a) the numerator of which is Unrestricted Cash and Investments; and (b) the denominator of which is total Operating Expenses, in each case, for the period of four consecutive fiscal quarters ended on the date of determination, and determined in accordance with generally accepted accounting principles.

(2) The term "*Unrestricted Cash and Investments*" means the sum of unrestricted cash, cash equivalents, marketable securities, including without limitation board-designated assets, but excluding any trustee-held or similar funds held under the Bond Indenture or similar debt documents. For the purposes of calculations of the liquidity requirements of such Lease, an unrestricted contribution from a third party or affiliate shall be treated as being made during the period of such calculation so long as the unrestricted contribution is made prior to the date the applicable Officer's Certificate is required to be delivered with respect to such calculation.

(3) The term "*Operating Expenses*" means fees and expenses of MERF, including maintenance, repair expenses, utility expenses, administrative and legal expenses, miscellaneous operating expenses, debt service, advertising costs, payroll expenses (including taxes), the cost of materials and supplies used for current operations of MERF, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of MERF, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with Generally Accepted Accounting Principles, all in such amounts as reasonably determined by MERF; provided, however, "Operating Expenses" shall not include depreciation, amortization or other non-cash expenses nor those expenses which are actually paid from any revenues of MERF which are not Pledged Revenues, nor payment for improvements which are capitalized for accounting purposes.

(4) The term "*Pledged Revenues*" means, to the extent permitted by law, all revenues, rentals, fees, third-party payments, receipts, accounts, or other income of MERF, including the rights to receive such revenues (each subject to Permitted Encumbrances), all as calculated in accordance with Generally Accepted Accounting Principles, including, without limitation, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by MERF; and all gifts, grants, bequests, donations and contributions (including income and profits therefrom) to the extent permitted by the terms thereof and by law.

MERF shall deliver to the [Bondholder Representative,] Borrower and the Bond Trustee an officer's certificate executed by the [Executive Director or Chief Financial Officer] of MERF, no later than six months after the close of each Fiscal Year based upon audited results, commencing for the quarter ended [March 31, 2017], setting forth a computation of the Days Cash on Hand as of such date.

If the certification referred to in the applicable Lease or School Loan Agreement discloses that MERF's Days Cash on Hand to be less than what is required above, Bondholders holding a majority of the Outstanding Bonds shall have the right to direct the Bond Trustee in writing to require MERF to engage, at MERF's expense, an Independent Consultant acceptable to the Bondholders. Notwithstanding the foregoing, (a) the Holders of a majority of the Outstanding Bonds will have the right, by written notice to MERF, to require MERF to comply with any recommendation of the Independent Consultant with respect to items set forth above in such Independent Consultant's report and (b) the failure of MERF to comply with the respective Lease or School Loan Agreement shall not constitute a Default or Breach unless MERF fails to comply with the written direction of the Holders of a majority of the Outstanding Bonds as provided in the applicable Lease or School Loan Agreement.

The term "*Independent Consultant*" means a Person that does not have any direct financial interest or any material indirect financial interest in the Borrower or any School and is not connected with the Borrower or any School as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Borrower, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by MERF and having a favorable reputation for skill and experience in the financial affairs of such facilities.

Coverage Ratio Covenant. MERF shall deliver annually, upon completion of MERF's annual audit, to the Issuer, the Bond Trustee[, the Bondholder Representative] and the Underwriter a certificate stating the Debt Service Coverage Ratio for the Fiscal Year then ended and evidencing the calculation thereof, commencing with the Fiscal Year ending June 30, 2017. The Debt Service Coverage Ratio is required to be at or above 1.10 to 1 for each applicable School for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2017; provided, however, that if MERF has Unrestricted Cash and Investments in an amount at least equal to [75] Days Cash on Hand on June 30 of any Fiscal Year, the Debt Service Coverage Ratio is required to be at or above 1.00 to 1 for such Fiscal Year. If, for any Fiscal Year ending June 30, 2017, or after, such Debt Service Coverage Ratio is below 1.10 to 1 or 1.00 to 1, as applicable, MERF shall retain, at its expense, an Independent Consultant to submit a written report and make recommendations within 45 days of being retained (a copy of such report and recommendations shall be filed with the Underwriter and the Bond Trustee) with respect to increasing income of MERF, decreasing Operating Expenses or other financial matters of MERF which are relevant to increasing the Debt Service Coverage Ratio to at least the required level. MERF agrees that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it shall revise its methods of operation and take such other actions to comply with any reasonable recommendation of the Independent Consultant identified in the report of the Independent Consultant. Within 5 Business Days of receipt of the certificate to be delivered pursuant to the Lease, the Bond Trustee is required to notify Registered Owners of the Obligations Outstanding of the Debt Service Coverage Ratio if the Debt Service Coverage Ratio is below 1.00 to 1. So long as the Debt Service Coverage Ratio is not below 1.00 to 1, and so long as MERF shall retain an Independent Consultant and complies with such Independent Consultant's reasonable recommendations (subject to applicable requirements or restrictions imposed by law), no default or Event of Default shall be declared solely by reason of a violation of the requirements of the applicable section of the Lease. Notwithstanding the foregoing provisions in the Master Indenture, the failure of MERF to have a Debt Service Coverage Ratio of at least 1.00 to 1 for any Fiscal Year ending June 30, 2017 or after shall be an Event of Default hereunder.

For the purpose of the Coverage Ratio Covenant subsection, the following terms shall be prescribed the following meanings:

(1) The term "*Debt Service Coverage Ratio*" means, for any Fiscal Year, the ratio obtained by dividing the Net Income Available for Debt Service for such Fiscal Year by the

Maximum Annual Debt Service on Indebtedness, as such ratio is certified to by an Accountant of MERF.

(2) The term "*Maximum Annual Debt Service on Indebtedness*" means, as of any date of calculation, the highest amount of Debt Service (net of (i) amounts in the Capitalized Interest Account with respect to such Long-Term Indebtedness and (ii) amounts in the Debt Service Reserve Fund available and required to be applied in the year of final maturity of such Long-Term Indebtedness) with respect to all Long-Term Indebtedness outstanding for any succeeding Fiscal Year.

(3) The term "*Net Income Available for Debt Service*" means, for any period of determination thereof, the Pledged Revenues of MERF for such period, plus the interest earnings on moneys held in the Debt Service Reserve Fund established under the Related Bond Indenture (but only to the extent that such interest earnings are transferred to the Bond Fund under the Related Bond Indenture), plus required payments from the Capitalized Interest Account, minus the total Operating Expenses of MERF for such period but excluding from Operating Expenses (i) debt service paid on Indebtedness, (ii) any profits or losses which would be regarded as extraordinary items under Generally Accepted Accounting Principles, (iii) gain or loss in the extinguishment of Indebtedness of MERF, (iv) proceeds of the Bonds and any other Indebtedness permitted by the Master Indenture and (v) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of MERF, the proceeds of any sale, transfer or other disposition of the Facilities or any other of MERF's assets by MERF, and any condemnation or any other damage award received by or owing to MERF.

(4) The term "Indebtedness" means all obligations for borrowed money, installment sales and all lease obligations, *incurred* or assumed by MERF, including Guaranties, Long-Term Indebtedness, Short-Term Indebtedness or any other obligation for payments of principal and interest with respect to money borrowed.

(5) The term "*Guaranty*" means all loan commitments and all obligations of MERF guaranteeing in any manner whatever, whether directly or indirectly, any obligation of any other Person that would, if such other Person were MERF, constitute Indebtedness.

(6) The term "*Long-Term Indebtedness*" means Indebtedness having an original maturity greater than one year or renewable at the option of MERF for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least twenty (20) consecutive days during each calendar year.

(7) The term "*Short-Term Indebtedness*" means all Indebtedness of MERF not considered Long-Term Indebtedness or a Guaranty.

Additional Indebtedness and Leases. Pursuant to the Master Indenture, each Member shall covenant and agree in the related lease agreement that such Member will not incur any Additional Indebtedness except for the following purposes as described below:

Long-Term Indebtedness. MERF may incur additional Long-Term Indebtedness if any of the following tests is met:

(1) the Debt Service Coverage Ratio for the most recent Fiscal Year for which an audit has been completed was at least [1.10 to 1] (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby); or

(2) an Independent Consultant reports that the (a) the Debt Service Coverage Ratio for the most recent Fiscal Year for which an audit has been completed was at least [1.10 to 1] and (b) the Debt Service Coverage Ratio for each the first three consecutive Fiscal Years following the incurrence of such Long-Term Indebtedness or, if such Long-Term Indebtedness is being issued to finance improvements, equipment or new facilities, the first three consecutive Fiscal Years after such improvements, equipment or new facilities are placed in service, is projected to be at least [1.10 to 1] (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby and provided that, such projected Net Income Available for Debt Service shall be adjusted to provide for any projected revenues and expenses anticipated as the result of any real or personal property acquired, constructed, or completed with the proceeds of any such Long-Term Indebtedness); or

(3) an Independent Consultant reports that the Debt Service Coverage Ratio for each the first three consecutive Fiscal Years following the incurrence of such Long-Term Indebtedness or, if such Long-Term Indebtedness is being issued to finance improvements, equipment or new facilities, the first three consecutive Fiscal Years after such improvements, equipment or new facilities are placed in service, is projected to be at least [1.35 to 1.00] (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby and provided that, such projected Net Income Available for Debt Service shall be adjusted to provide for any projected revenues and expenses anticipated as the result of any real or personal property acquired, constructed, or completed with the proceeds of any such Long-Term Indebtedness).

Completion Indebtedness. MERF may issue Completion Indebtedness in an amount not to exceed 10% of the original Indebtedness issued for the purpose of financing certain Capital Improvements, if the following conditions are met: (i) MERF certifies, in writing, to the Bond Trustee that at the time the original Indebtedness issued for the purpose of financing certain Capital Improvements was incurred, MERF believed or had reason to believe that the proceeds of such Indebtedness together with other moneys then expected to be available to pay for such Capital Improvements would provide sufficient moneys for the completion thereof; (ii) a Consulting Architect provides the Bond Trustee with a written statement specifying the amount necessary to complete such Capital Improvements; and (iii) MERF certifies, in writing, to the Bond Trustee that the proceeds of the proposed Completion Indebtedness, together with other legally available moneys of MERF, will be in an amount equal to the amount set forth in clause (ii) of this subsection.

Refunding Indebtedness. MERF may issue Refunding Indebtedness, provided that MERF certifies, in writing, to the Bond Trustee that the Maximum Annual Debt Service on Indebtedness will not be increased by more than 10% by such refunding.

Balloon Indebtedness. MERF may issue Balloon Indebtedness if the conditions set forth in clause (A)(1) or (A)(2) under this heading are met when it is assumed that: (A) the Balloon Amount is Long-Term Indebtedness maturing over a term equal to the term of the Balloon Amount or a term of 20 years from the date of issuance of the Balloon Indebtedness, whichever is greater; and (B) the Balloon Amount bears interest on the unpaid principal balance at the Projected Rate and is payable on a level debt service basis over a 20-year period.

Put Indebtedness. MERF may issue [Put Indebtedness – NEED DEFINITION] if:

(1) (A) at the time such Put Indebtedness is incurred a Financial Institution has provided a binding commitment that provides for the amortization of Indebtedness incurred under such commitment over a term of at least 24 months commencing with the next succeeding Put Date, to provide financing sufficient to pay such Put Indebtedness on the Put Date occurring during the term of such commitment; and (B) the conditions set forth in clause (A)(1) or (A)(2) under this heading are met when it is assumed that the Put Indebtedness is Long-Term Indebtedness that bears interest at the Projected Rate and is payable on a level debt service basis over a 25-year period; or

(2) (A) the period from the date of incurrence of the proposed Put Indebtedness to the first Put Date is at least 36 months and (B) the conditions set forth in clause (A)(1) are met when it is assumed that the Put Indebtedness is Long-Term Indebtedness that either: (i) bears interest at the fixed rate applicable to the Put Indebtedness to be incurred (within such fixed interest rate applied over the entire term of the Indebtedness, for purposes under this heading; or (ii) bears interest at the Projected Rate and is payable on a level debt service basis over a 25-year period.

Short-Term Indebtedness. Short Term Indebtedness (other than Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business, which may be incurred without limitation) in a total principal amount which at the time incurred does not, together with the principal amount of all other such Short Term Indebtedness of MERF then outstanding but excluding the principal payable on all Funded Indebtedness during the next succeeding 12 months and also excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed 10% of the Gross Revenues of MERF for the most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year the total amount of such Short Term Indebtedness of MERF outstanding shall not be more than 5% of the Gross Revenues of MERF during the preceding Fiscal Year. For the purposes of this subsection, Short Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of MERF sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

Other Indebtedness. Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued pursuant to the provisions of this subsection and which has not been subsequently reclassified as having been issued under another subsection of the Master Indenture as described in " – Additional Indebtedness" does not exceed 5% of the Gross Revenues of MERF for the latest preceding Fiscal Year for which audited financial statements have been delivered to the Bond Trustee in accordance herewith.

Non-Recourse Indebtedness, Commitment Indebtedness and Subordinated Indebtedness. MERF may issue Non-Recourse Indebtedness, Commitment Indebtedness and Subordinated Indebtedness without limitation.

<u>Selection of Independent Consultant Covenant.</u> Within 15 days of any event requiring MERF to retain an Independent Consultant under this Lease, MERF shall select such Independent Consultant and shall cause a notice of the selection of such Independent Consultant, including the name of such

Independent Consultant and a brief description of the Independent Consultant, to be filed with EMMA. Such notice shall also state that each holder of Obligations Outstanding will be deemed to have consented to the selection of the Independent Consultant named in such notice unless such holder submits an objection to the selected Independent Consultant in writing (in a manner acceptable to the Bond Trustee) to the Bond Trustee within 30 days of the date that the notice is filed with EMMA. No later than two Business Days after the end of the 30-day objection period, the Bond Trustee shall notify MERF of the aggregate principal amount of Obligations Outstanding held by the holders submitting objections. If the holders of more than 50% of the aggregate principal amount of the Obligations Outstanding have been deemed to have consented to the selection of the Independent Consultant or have not responded to the request for consent, MERF shall engage the Independent Consultant within two Business Days. If the holders of at least 50% of the aggregate principal amount of the Obligations Outstanding have objected to the Independent Consultant selected, MERF shall select another Independent Consultant.

Capital Needs Assessment/Repair and Replacement Fund. MERF, together with the Members of the Obligated Group, shall pay or cause to be paid to the Master Trustee on the twentieth day of each month, commencing [August 20, 2021], for deposit into the Repair and Replacement Fund, the Repair and Replacement Fund Contribution or the Modified Repair and Replacement Fund Contribution, as applicable (each as defined below). On or before [September 1, 2020], and every fifth anniversary thereafter as long as the Bonds are Outstanding, the Obligated Group shall select an Independent Consultant to complete a capital needs assessment of the Obligated Group projecting the Obligated Group's capital needs and the total cost thereof over the five year period commencing on the following [September 1] (each a "Capital Needs Assessment").

The total cost set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Fund, divided by 60, shall be the "Repair and Replacement Fund Contribution" for such five year period; provided, however, that in the event (i) the Obligated Group pays all or a portion of the cost of a capital need projected in the Capital Needs Assessment from a source of funds other than the Repair and Replacement Fund, the Repair and Replacement Fund Contribution for the remainder of the applicable five year period shall be decreased by the amount of such projected cost that is paid from such other source of funds divided by the number of Repair and Replacement Fund Contribution payments remaining in the applicable five year period or (ii) a draw is made upon the Repair and Replacement Fund in excess of the cost for a capital need projected in the Capital Needs Assessment or in any amount for a capital need not projected in the Capital Needs Assessment, the Repair and Replacement Fund Contribution for the subsequent 12 month period shall be increased by the excess amount of such draw or the total amount of such unanticipated draw, as applicable, divided by 12 (the Repair and Replacement Fund Contribution as modified by either clause (i) or clause (ii), the "Modified Repair and Replacement Fund Contribution").

See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – MASTER INDENTURE – Additional Covenants" and related definitions and "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – MASTER INDENTURE – Selection of Independent Consultants."

Limitations on Additional Indebtedness under the Master Indenture. Pursuant to the Master Indenture, the Member covenants and agrees and each subsequent Member shall covenant and agree that it will not incur any Additional Indebtedness after the date of the Master Indenture except as follows:

(i) Such indebtedness is supported by Payments due under one or more Leases or School Loan Agreements with MERF for the use and occupancy of Facilities, which include provisions substantially similar to those attached to the Master Indenture; and

(ii) Payments due to the Members under the applicable Lease or School Loan Agreement referred to in subsection (i) are sufficient to satisfy a Debt Service Coverage Ratio of the Corporation of not less than 1.0:1.0.

See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – MASTER INDENTURE."

Amendment of the Lease or School Loan Agreement. Pursuant to the Master Indenture, there shall be no amendment, modification or termination of any of the Leases or School Loan Agreements without (1) an Officer's Certificate delivered to the Master Trustee stating that the amendment, modification or termination of the Lease or School Loan Agreement contemplated shall not have a material adverse effect on the financial position of the Obligated Group or (2) the prior written consent of the Master Trustee. The Master Trustee shall give such written consent only if:

(a) in the Opinion of Bond Counsel, such amendment is necessary to preserve the exclusion of interest on Tax-Exempt Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Tax-Exempt Bonds from state income taxation; or

(b) (1)(A) the Holders of a majority in principal amount of the Tax-Exempt Bonds then Outstanding consent in writing to such amendment, modification or termination or (B) in the Opinion of Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Related Bondholders or result in any material impairment of the security given for the payment of the Related Bonds and (2) the Master Trustee shall receive an Opinion of Bond Counsel substantially to the effect that such amendment, modification or termination will not, in and of itself, adversely affect any exclusion of interest on the Related Bonds from gross income for purposes of federal income taxation; or

(c) it has received a written representation from the Obligated Group Representative to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Related Bonds; provided that, if either of the following Events of Default under the Bond Indenture has occurred and is continuing:

(1) Failure on the part of the Obligated Group to make due and punctual payment of any Required Payment on an Obligation, or

(2) Failure on the part of the Obligated Group to observe and perform any other covenant or agreement under the Master Indenture (including covenants or agreements contained in any Related Supplement or Obligation) for a period of 60 days after the date on which written notice of such failure, specifying such default and requiring the same to be remedied, shall have been given to the Obligated Group Representative by the Master Trustee or to the Obligated Group Representative and the Master Trustee by the Holders of at least half in aggregate Principal Amount of Outstanding Obligations except that, in each case, if such failure can be remedied but not within such 60-day period, such failure shall not become an Event of Default for so long as the Obligated Group Representative shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Master Trustee,

has occurred and is continuing, the Master Trustee rather than the Obligated Group Representative shall make a determination that such an amendment or modification will not materially and adversely affect the interest of the Holders of the Related Bonds (provided that, in making such determination, the Master Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel).

Membership in Obligated Group. Additional Members may be added to the Obligated Group from time to time provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of the Master Indenture;

(b) a Related Supplement executed by the Obligated Group Representative, the new Member and the Master Trustee pursuant to which the proposed new Member (1) agrees to become a Member, (2) agrees to be bound by the terms and restrictions imposed by the Master Indenture and the Obligations and (3) irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants to the Obligated Group Representative full power to execute Related Supplements authorizing the issuance of Obligations and to execute and deliver Obligations;

(c) an Opinion of Counsel addressed to the Master Trustee to the effect that (i) the proposed new Member has taken all necessary action to become a Member, and upon execution of the Related Supplement, such proposed new Member will be bound by the terms of the Master Indenture and (ii) the addition of such Member will not cause the Master Indenture or any Obligations to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred);

(d) an Independent Consultant's or Accountant's report, or an Officer's Certificate, as appropriate, to the effect that the condition described in the Master Indenture would be met for the incurrence of one dollar of additional Long-Term Indebtedness immediately following the addition of such new Member;

(e) an Opinion of Bond Counsel to the effect that the addition of such Member will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred);

(f) an Officer's Certificate to the effect that no Member, immediately after the addition of such new Member, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(g) a duly executed and delivered Mortgage encumbering all Property, Plant and Equipment of such new Member, subject only to Permitted Liens.

Any certification or calculation made in accordance with the Master Indenture may take into account the effect of the withdrawal of another Member or Members from the Obligated Group in connection with the addition of a Member to the Obligated Group contemplated therein.

Withdrawal from Obligated Group. Any Member may withdraw from the Obligated Group, and be released from further liability or obligation under the provisions of the Master Indenture, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that, immediately following withdrawal of such Member, no Member would be in default in the performance or observance of any covenant or condition of the Master Indenture;

(b) an Opinion of Bond Counsel to the effect that the withdrawal of such Member is in compliance with the conditions contained in the Master Indenture, and such withdrawal will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred);

(c) an Officer's Certificate to the effect that, to the best of such Officer's knowledge, the withdrawal of such Member will not cause a downgrade or withdrawal of any then-current rating on the Related Bonds outstanding under the Master Indenture by the related rating agency; and

(d) an Independent Consultant's report stating that:

(i) the Consolidated Payment Obligations Coverage Ratio for the Fiscal Year immediately preceding such withdrawal, taking such withdrawal into account, is calculated to be at least 1.00 in such Fiscal Year or would have been greater than it would otherwise have been absent such withdrawal; and

(ii) the forecast Consolidated Payment Obligations Coverage Ratio for the two consecutive Fiscal Years immediately following such withdrawal, taking such withdrawal into account, is projected to be at least 1.25 in each Fiscal Year or would be greater than it would otherwise have been absent such withdrawal.

Any certification or calculation made in accordance with the Master Indenture may take into account the effect of the addition of another Member or Members to the Obligated Group in connection with the withdrawal of a Member from the Obligated Group contemplated herein.

Upon compliance with the conditions contained in the Master Indenture as described above, the Master Trustee is required to execute any documents reasonably requested by the withdrawing Member to evidence the termination of such Member's obligations under the Master Indenture (including without limitation termination of the pledge of such Member's Gross Revenues) under any Related Supplements and under all Obligations (including, without limitation, reconveyance of the Mortgage encumbering such Member's Property, Plant and Equipment for the benefit of the Master Trustee).

Limitations on Liens. Except as otherwise provided in the Master Indenture, each Member, respectively, covenants and agrees that it will not create, assume or suffer to exist any Lien upon the Property of the Obligated Group; provided that the following Liens are permitted: (i) a Lien that is subordinate to the Obligations or (ii) a Permitted Lien. Notwithstanding the foregoing, each Member, respectively, further covenants and agrees that if such a Lien is created or assumed by any Member, it will make or cause to be made effective a provision whereby all Obligations will be secured prior to any such Indebtedness or other obligation secured by such Lien; provided, however, that notwithstanding the provisions described in this paragraph, each Member may create, assume or suffer to exist Permitted Liens. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – MASTER INDENTURE – Mortgages; Against Encumbrances."

Other Covenants. The Members of the Obligated Group have agreed to other covenants in the Master Indenture, including without limitation, limitations on guaranties; limitations on consolidation, merger, sale or conveyance; and limitations on sale, lease or other disposition of assets. For a description of these covenants see "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – MASTER INDENTURE –Particular Covenants of the Lessee."

Mortgages

Pursuant to the Master Indenture, each Member will enter into a mortgage, deed of trust, security agreement, assignment of rents and leases and/or financing statement as provided therein (each, a "Mortgage") for each Facility to secure the obligations of the Members under the Master Indenture. Each Member, respectively, will agree pursuant to the Master Indenture to supplement such deed of trust or mortgage or to execute and deliver such other deeds of trust or mortgages as may be necessary from time to grant to the Master Trustee a first priority Lien on any Property, Plant and Equipment of the Member.

The Mortgages also create a current and absolute assignment of the rents under each Lease in favor of the Master Trustee. See "THE LEASES" herein. The Mortgaged Property generally consists of all real property and personal property that constitute the "Facilities" at which MERF operates. Pursuant to the Master Indenture and in connection with the execution and delivery of the Mortgages, each Member has covenanted to obtain or cause to be maintained, ALTA title insurance policies on its Facilities in an aggregate amount not less than the aggregate principal amount of the Bonds, insuring the liens of the Mortgages held by the Master Trustee, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State. See "APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS" attached hereto.

Mortgages may be terminated on the facilities owned by a Member withdrawing from the Obligated Group. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – THE MASTER INDENTURE – Withdrawal from Obligated Group" and "CERTAIN RISK FACTORS – Addition and Withdrawal of Members" herein.

THE LEASES

The following section contains brief descriptions of the Leases. All references in this Limited Offering Memorandum to the Leases are qualified in their entirety by reference to the Leases, copies of which may be obtained by request to the Underwriter. See "APPENDIX D – SUMMARY OF THE LEASES AND THE SANTA ANA LOAN AGREEMENT."

General

The primary source of Gross Revenues for the Members of the Obligated Group is the payment of Rent received pursuant to each Lease. The term of each Lease will commence on ______ 2017 (the "Commencement Date") and is scheduled to end on July 1, 2037 (the "Initial Term") (or such other later date if Lessee exercises its extension option described herein) (such date, as it may be extended, the "Expiration Date"). Pursuant to each Lease, the Lessee has two (2) options to extend the Initial Term for five (5) years each and a third option to extend the Lease Term for an additional four (4) years (each such extension term, an "Extension Term" and, collectively with the Initial Term, the "Term") in accordance with each Lease with the Rent (as defined herein) during an Extension Term to be set at an amount no less than the Fair Market Rent (as defined herein) of the Premises at the date the option becomes exercisable.

Payment of Rent

Pursuant to each Lease, the Lessee will make monthly payments of Rent in advance on the 15th day of each calendar month. "Rent," as defined under the Leases, is comprised of the following: (i) the monthly payment of Base Rent (as defined in the Leases); (ii) Expenses; (iii) Additional Rent; (iv) Extraordinary Monthly Rent (as defined herein) and (v) all other monetary obligations of the Lessee to Lessor or to third parties arising under the terms of the Leases. See "APPENDIX D – SUMMARY OF THE LEASES AND THE SANTA ANA LOAN AGREEMENT" herein.

Under the Leases, in the event that the Lessee receives a notice (each an "Extraordinary Monthly Rent Notice") from either Lessor or the Master Trustee, stating the Master Trustee has not received the payment of rent with respect to a Related Project (as defined in the Master Indenture) on or before the date that such required payment is due, then Lessee shall pay the Extraordinary Monthly Rent to the Master Trustee within three (3) business days after Lessee's receipt of the Extraordinary Monthly Rent Notice. Under the Leases, the Lessor covenants to immediately provide Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture. The term "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Lessee's Proportionate Share of the Extraordinary Monthly Rent. The term "Proportionate Share" means the amount required to be paid by the Lessee to ensure that all of the required rent with respect to all of the Related Projects have been timely made.

Except as provided in the Leases, Lessee's obligation to pay the Rent shall be a special obligation limited solely to, and not in excess of, the "Gross Income of the School," as defined below, and under no circumstances shall the Lessee be required to advance any moneys derived from any source of income other than, or pay Rent which is in excess of, the Gross Income of the School, nor shall any other funds or property of the Lessee be liable for the payment of the Rent. Nothing contained in this paragraph will be construed to release the Lessor from the performance of any of the agreements on its part herein contained, and in the event the Lessor shall fail to perform any such agreements on its part, the Lessee may institute such action against the Lessor as the Lessee may deem necessary to compel performance so long as such action does not abrogate the obligations of the Lessee described in the second sentence of this paragraph. The Lessee may, however, at the Lessee's own cost and expense and in the Lessee's own name or in the name of the Lessor prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect the Lessee's right of possession, occupancy and use under the Leases, and in such event the Lessor will agree to cooperate fully with the Lessee and to take such action necessary to effect the substitution of the Lessee, as lessee, for the Lessor in such action or proceeding if the Lessee shall so request. As used herein, subject to the terms of the Leases, the term "Gross Income of the School" means all income and revenues directly or indirectly derived by the Lessee's operation of the School, including without limitation per pupil revenues and other funding received from the State of California or by virtue of the charter granted to Lessee for the School and all gifts, grants, bequests and contributions (including income and profits therefrom) specifically restricted by the donor or maker thereof to the School or the Premises, to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for the payments required under the Loan Agreement. Gross Income of the School also includes net insurance or condemnation proceeds received or payable to the Lessee on account of damage or destruction of the Premises or other loss incurred by Lessee with respect to its operation of the School or the Premises.

The Lessee's obligation to pay Rent will commence on the Rent Commencement Date. Subject to payments made in accordance with the Intercept Notice, Lessee has covenanted to cause all Rent payable to Lessor under each Lease to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction. Rent for any period during the Term of the Leases which is for less than one full calendar month will be prorated based upon the actual number of days of said month. Payment of Rent due to Lessor will be made to Lessor at its address stated in the Leases or to such other persons or place as Lessor may from time to time designate in writing. Subject to the terms of the Master Indenture, and so long as any of the Bonds or the Loan remains outstanding, Lessee will: (a) through the Intercept Notice, cause the Controller to transfer the portion of the State Apportionment attributable to the School to the Master Trustee for deposit in the Gross Revenue Fund (as defined in the Master Indenture) as set forth in the Intercept Notice; and (b) cause the Master Trustee to pay from the Gross Revenue Fund the Rent due to Lessor under the terms of the Leases. See

"APPENDIX D – SUMMARY OF THE LEASES AND THE SANTA ANA LOAN AGREEMENT" herein.

Pursuant to each Lease, so long as the Bonds remain outstanding, (i) the Lessee's obligation to pay management fees to third parties shall be subordinate to Lessee's obligation to pay rent to Lessor under such Lease; (ii) the Lessee's obligation to pay management fees to third parties shall be suspended for any such length of time as the payment of such fees would cause Lessee to fail to meet any of the financial covenants (concerning the days cash on hand and the debt service coverage ratio, respectively); and (iii) during any period of time when the payment of management fees is suspended in accordance with clause (ii) above, such fees shall accrue without interest. See "– Certain Covenants of the Lessee under the Lease – Financial Covenants – Subordination of Collection of Management Fees" below.

Certain Covenants of the Lessee under the Leases

General. Each Lease contains various covenants (including reporting covenants), representations and warranties made by the Lessee, as lessee, to the Lessor. Covenants include, but are not limited to:

(i) restrictions on the use of the Premises to the operation of a charter school;

(ii) compliance by the Lessee with applicable laws, including all environmental laws;

(iii) sublease and assignment restrictions without the prior written consent of Lessor;

(iv) covenants to maintain insurance policy coverages required pursuant to the Lease;

(v) indemnification of the Lessee pursuant to the Lease terms;

(vi) indemnification of the Lessor pursuant to the Lease terms;

(vii) covenant to take all reasonable actions to maintain School's Charter;

(viii) limitations on disposition of property, plant and equipment of the Lessee;

(ix) covenant not to incur further indebtedness of the Lessee or to encumber any of the assets attributable to and necessary for the operation of the School; and

(x) covenant not to take any action or omit to take any action that, if taken or omitted, would cause Lessee to lose status as an organization described under Section 501(c)(3) of the Code.

Financial Covenants. Each Lease contains the following financial covenants on the part of the Lessee, as tenant thereunder.

<u>Limitation on Liens on Gross Revenues of the School</u>. Except as expressly set forth in the Leases, the Lessee covenants and agrees that it will not create, assume or suffer to exist any lien upon the Gross Revenues of the School and that, if a subordinate security interest is created or assumed upon the Gross Revenues of the School by Lessee, Lessee will make or cause to be made effective a provision whereby the obligations of Lessee under this Lease will be secured prior to any such indebtedness or other obligation secured by such security interest and that the revenues required by the Intercept Notice to be deposited with the Trustee under the Indenture will continue to be so deposited. A security interest in the Gross Revenues of the School on parity with the lien created by this Lease may only be created in

connection with the issuance of Additional Bonds under the Indenture and with the consent of the Bondholder Representative.

Consolidated Days Cash on Hand. In accordance with the covenants under the Master Indenture, the Lessee has covenanted under the Lease that it will comply with the Consolidated Days Cash on Hand requirement set forth in the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – THE MASTER INDENTURE – Consolidated Days Cash on Hand."

Base Rent Coverage Ratio. In accordance with the Master Indenture, the Lease contains a covenant substantially in the form of the required Base Rent Coverage Ratio provisions set forth in the Mater Indenture. Under each Lease, the Lessee has agreed to comply with a covenant substantially in the form of the covenant set forth in the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – THE MASTER INDENTURE – Required Lease Covenants."

Subordination of Collection of Management Fees. The Lessee shall amend any management agreement for the School such that, so long as Bonds remain outstanding: (i) the obligation of the Lessee to pay management fees relating to the School shall be subordinate to its payment of operating expenses of the School and rent payments to Lessor under the Lease; (ii) the obligation of the Lessee to pay management fees relating to the School shall be suspended for any such time as the payment of management fees would cause Lessee to fail to meet any of the financial covenants contained in the Lease (concerning the days cash on hand and the debt service coverage ratio); and (iii) during any period of time when management fees remain unpaid, such fees shall accrue without interest.

Change in Financial Accounting Under GAAP. If any pending or future change in financial accounting under GAAP, including but not limited to a change in the treatment of leases, shall lead to a materially different result in a calculation under any financial covenant set forth under the Lease, then such financial covenant shall calculated based on GAAP in effect as of the date of this Lease as if such change in financial accounting had never occurred.

See "APPENDIX D – SUMMARY OF THE LEASES AND THE SANTA ANA LOAN AGREEMENT" herein.

SANTA ANA LOAN AGREEMENT

The following section contains brief descriptions of the Santa Ana Loan Agreement. All references in this Limited Offering Memorandum to the Santa Ana Loan Agreement are qualified in their entirety by reference to Santa Ana Loan Agreement, copies of which may be obtained by request to the Underwriter. See "APPENDIX D – SUMMARY OF THE LEASES AND THE SANTA ANA LOAN AGREEMENT."

General

Pursuant to a Loan Agreement, dated as of April 1, 2017 (the "Santa Ana Loan Agreement"), MPM Santa Ana LLC, a California limited liability company, as lender, and MERF, MPM Santa Ana LLC will make a loan to MERF in the principal amount of [$3,685,000] (the "Santa Ana Loan") with a stated maturity date of ______, 20__. MERF will use the proceeds of the Santa Ana Loan to fund the portion of the Project located at the Santa Ana Facility or, with the consent of MPM Santa Ana, to finance or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of other charter school educational facilities located at the Santa Ana Facility.

Certain Covenants of MERF

MPM Santa Ana is a Member of the Obligated Group established under the Master Indenture. All deposits of moneys derived from the Intercept Notice under the Santa Ana Loan are required to be made at the corporate trust office of the Master Trustee or such other payee as set forth in the Intercept Notice. In connection with the Santa Ana Loan, MERF will timely amend, supplement or restate the Intercept Notice to require transfers to such other location as shall be designated in writing by the Master Trustee or such other payee to MERF.

Subject to payments made in accordance with the Intercept Notice, MERF has agreed to cause all Loan Payments payable to MPM Santa Ana under the Santa Ana Loan Agreement to be received by MPM Santa Ana in lawful money of the United States on or before the day on which it is due, without offset or deduction. Payment of Loan Payments due to MPM Santa Ana will be made to MPM Santa Ana at its address stated in the Santa Ana Loan Agreement or to such other persons or place as MPM Santa Ana may from time to time designate in writing. Subject to the terms of the Master Indenture, and so long as any of the Bonds or the Santa Ana Loan remains outstanding, MERF has agreed to: (a) through the Intercept Notice, cause the Controller to transfer the portion of the State Apportionment attributable to the School to the Master Trustee for deposit in the Gross Revenue Fund as set forth in the Intercept Notice; and (b) cause the Master Trustee to pay from the Gross Revenue Fund the Loan Payments due to MPM Santa Ana under the terms of the Santa Ana Loan Agreement.

Pledge and Security Interest

To secure the payment and performance of its obligations under the Santa Ana Loan Agreement, MERF has pledged to MPM Santa Ana and grants MPM Santa Ana a security interest in the Gross Revenues of the School and in the MERF Management Fees. From time to time, MERF may own or hold funds or other assets subject to a statutory, regulatory, grantor-imposed or donor-imposed restriction on use that prohibits the use of such funds or assets to satisfy the obligations of MERF under the Santa Ana Loan Agreement and/or prohibits the encumbrance of such funds or assets to secure such obligations. The pledge and grant of security interest set forth in the Santa Ana Loan Agreement will not encumber, attach to, or transfer, and the holder of any claims of MPM Santa Ana under the Santa Ana Loan Agreement will have no recourse under the Santa Ana Loan Agreement to, any funds or assets of MERF to the extent that any transfer of such funds or assets to or for the benefit of such holder would violate any such restriction on the use of such funds or assets.

Certain Covenants of the MERF under the Santa Ana Loan Agreement

For so long as the Sana Ana Loan is outstanding and has not been defeased or for so long as MPM Santa Ana shall have obligations under the Issuer Loan Agreement and Master Indenture, the following provisions of Exhibit B shall be applicable for the benefit of MPM Santa Ana and the Master Trustee.

School's Charter. To take all reasonable actions to maintain the School's Charter with a sponsoring entity and to take or cause to be taken any and all actions required to renew or extend the term of the School's Charter with a sponsoring entity. As soon as practicable, MERF covenants to provide MPM Santa Ana with a copy of any notice received with regards to any sponsoring entity's intent to renew or extend the term of any such Charter or any notice of any issues which, if not corrected or resolved, could lead to termination or nonrenewal of any such Charter. If such Charter is terminated or not renewed, MERF shall use its best efforts, and shall cooperate with MPM Santa Ana, to amend references to the School in the Loan Agreement and related promissory note to references to a successor charter school, if any, operated by MERF at the Premises that maintains a Charter with a sponsoring entity. Further, MERF shall maintain accreditation status under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and related administrative rules and, to the extent required to maintain the approval of the School's Charter petition by the sponsoring entity, meet the student performance accountability standards stated in the School's Charter petition

Limitation on Disposition of Property, Plant and Equipment. Without the consent of the Master Trustee, not to dispose or transfer any property, plant and equipment consisting of all or any part of the Premises, except for dispositions or transfers: (i) of property, plant and equipment no longer necessary for the operation of the Premises; (ii) of property, plant and equipment replaced by property, plant and equipment of similar type and/or of substantially equivalent function with a substantially equivalent value; or (iii) of property, plant and equipment sold or disposed of at a price equal to their fair market value.

Financial Reporting. [MERF agrees to provide MPM Santa Ana, and upon written request, the Master Trustee, the following information: (a) quarterly unaudited financial information of the School not later than 60 days from the end of each quarter, (b) annual budgets of the School within 60 days of their adoption, (c) financial information of the School within 30 days of approval by the governing board of MERF, (d) the results of any federal or State of California testing within 60 days of receipt by the governing board of MERF, (e) within 14 days of receipt, any notification or report of any potential or alleged violation of the Charter for the School, and (f) such other information as may be reasonably requested by MPM Santa Ana or MPM Santa Ana on behalf of the Master Trustee.

Assignment to Master Trustee; Deposit of Loan Payments

Pursuant to the Santa Ana Loan Agreement, MERF acknowledges and consents to the assignment by MPM Santa Ana of MPM Santa Ana's rights under the Santa Ana Loan Agreement to the Master Trustee under the Master Indenture and covenants and agrees to deposit all Loan Payments with the Master Trustee under the Master Indenture. MERF hereby covenants to pay to the Master Trustee the Loan Payments due under the Note on or before the twenty-fifth (25th) day of each month. In accordance with the terms of the Santa Ana Loan Agreement, MERF also agrees to provide an Intercept Notice to the Controller requesting that the amounts specified therein be transferred to the Master Trustee.

Limitation on Liens on Gross Revenues

Except as otherwise set forth in the Santa Ana Loan Agreement, MERF covenants and agrees that it will not create, assume or suffer to exist any lien upon the Gross Revenues of the School and that, if a subordinate security interest is created or assumed upon the Gross Revenues of the School by MERF, MERF will make or cause to be made effective a provision whereby the obligations of MERF under the Loan Agreement will be secured prior to any such indebtedness or other obligation secured by such security interest and that the revenues required by the Intercept Notice to be deposited with the Master Trustee under the Master Indenture will continue to be so deposited. A security interest in the Gross Revenues of the School on a parity with the lien created by the Loan Agreement may only be created in connection with the issuance of Indebtedness under the Master Indenture.

Liquidity Covenant

[To Come]

Coverage Ratio Covenant

[To Come]

CERTAIN RISK FACTORS

Investment in the Bonds involves substantial risks. The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Certain factors which could result in a reduction of revenues available to MERF and a corresponding reduction in payments made to the Authority are discussed herein.

A number of factors could have an adverse impact on the ability of MERF to generate revenues needed to meet its respective obligations under each Lease and the Santa Ana Loan Agreement, which could, in turn, have an adverse effect on the ability of the Members of the Obligated Group to generate sufficient revenues to meet their respective obligations to make payments due under the Loan Agreement and the Obligations, including Obligation No. 1 and Obligation No. 2. The ability of MERF to generate sufficient revenues to make payments under each Lease and the Santa Ana Loan Agreement is dependent upon a number of elements, including State budget pressures, demand for charter schools, the ability of a School to provide the educational services and classes demanded by parents or to attract students generally, changes in the level of confidence in the public school system in general or public charter schools in particular, competition, faculty recruitment, demographic changes, legislation, governmental regulations, changes in immigration policy, litigation and the School's ability to achieve enrollment and fundraising levels. This, in turn, is affected by numerous circumstances both within and outside the control of the Obligated Group and MERF, including a continuation of favorable governmental policies and programs with respect to public charter schools (see "CHARTER SCHOOLS" herein); the competitive appeal and perceived quality of each School's curriculum; the ability and energy of each School's faculties and administration; and the benevolence of each School's supporters. There can be no assurance given that revenues of the Obligated Group or the revenues of MERF will not decrease. Any and all financial projections are only good faith estimates and are not intended as a representation or warranty as to the future financial condition of the members of the Obligated Group or MERF.

See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS," and "APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF MAGNOLIA EDUCATIONAL AND RESEARCH FOUNDATION FOR THE FISCAL YEAR ENDED JUNE 30, 2016" attached hereto.

Sufficiency of Revenues

The Bonds are payable primarily from Payments which are derived from payments received under the Loan Agreement and Obligation No. 1 and Obligation No. 2. The Corporation and the Members will also encumber the Facilities with the Mortgages as security for the obligation to make the payments under the Loan Agreement and Obligation No. 1 and Obligation No. 2.

The Corporation's primary expected source of the revenues will be the Rent payments that the Members received from MERF pursuant to each Lease and the Loan Payments that the Members received from MERF pursuant to the Santa Ana Loan Agreement. Based on present circumstances, including the successful operating history of MERF, the Corporation believes that MERF will generate sufficient revenues to meet its payment obligations under each Lease and the Santa Ana Loan Agreement representing the source of payment by the Corporation and the Members of the Obligated Group of debt service on the Bonds. However, the charter of the Schools may be terminated or not extended or renewed, or the basis of the assumptions utilized by MERF and the Corporation to formulate such beliefs may otherwise change. No representation or assurance can be made that the Members of the Obligated Group generates or will continue to generate sufficient revenues to meet its obligations under the Loan Agreement and Obligation No. 1 and Obligation No. 2 with respect to the Bonds.

THE OBLIGATION OF MERF TO MAKE PAYMENTS UNDER EACH LEASE IS A SPECIAL OBLIGATION LIMITED SOLELY TO THE GROSS INCOME OF THE SCHOOL NAMED THEREIN, WHICH INCOME DERIVES SOLELY FROM THE OPERATION OF THE SCHOOL AND NOT FROM THE OTHER CHARTER SCHOOLS OPERATED BY OR ANY OTHER REVENUES OF MERF. NEITHER THE GENERAL REVENUES NOR THE REVENUES MERF MAY DERIVE FROM THE OPERATION OF CHARTER SCHOOLS OTHER THAN THE SCHOOLS, NOR FROM ANY SCHOOL MERF MAY OPERATE IN THE FUTURE, ARE PLEDGED TO MAKE PAYMENTS WITH RESPECT TO THE LEASES OR THE BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, WHICH SHALL ONLY BE OBLIGATED TO PAY THE BONDS SOLELY FROM THE PAYMENTS AND FUNDS PROVIDED THEREFOR IN THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER FOR THE BONDS OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. NOTHING IN THIS INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICE OR TO MAKE FUNDS AVAILABLE TO MERF ON BEHALF OF THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

Operating History; Reliance on Projections

Notwithstanding MERF's history of performance with respect to the Schools, future financial performance of the Schools may not equal or exceed the projections set forth in this Offering Memorandum. No assurance is given that such projections will be met, or that the number of students attending a School may not diminish in the future. The projections of revenues and expenses contained in Appendix A are based upon the number of students projected to be enrolled at each School and were prepared by MERF for the Corporation and have not been independently verified by any party other than MERF. See Appendix A for information regarding current and projected enrollment of the Schools.

No feasibility studies have been conducted with respect to operations of the Facilities pertinent to the Bonds. The projections are "forward-looking statements" and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified MERF's projections set forth in Appendix A hereto or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Bonds will be outstanding.

MERF PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES, INCLUDING

STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED IN THIS LIMITED OFFERING MEMORANDUM WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" TO REVIEW THE PROJECTIONS, THEIR UNDERLYING ASSUMPTIONS, AND THE OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS. REFER TO "INTRODUCTION" ABOVE, FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors

California charter schools such as the Schools may not charge tuition and have no taxing authority. The primary source of revenue generated by charter schools is aid provided by the State for all public schools. The amount of State aid received with respect to any individual school is based on a variety of factors. The amount of aid available in any year to pay the per pupil allowance is subject to appropriation by the California Legislature. The Legislature bases its decisions about appropriations on many factors, including the State's economic performance. Moreover, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. As a result, the Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, for the Schools to generate sufficient revenue to allow MERF to meet its obligations under the Leases and the Santa Ana Loan Agreement representing debt service payments on the Bonds. No liability would accrue to the State in such event, and the State would not be obligated or liable for any future payments or any damages. If the State were to withhold State aid payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the Schools could be forced to cease operations.

Possible Offsets to State Apportionment

Section 41344 of the Education Code provides that if an audit or review requires a school to repay prior year apportionments because of significant audit exceptions, including penalty payments ("Audit Exceptions"), the Superintendent of Public Instruction (the "Superintendent") and the Director of the Department of Finance (the "Director"), or their designees, will jointly establish a plan for the annual repayment of Audit Exceptions (the "Audit Repayment Plan"), which under certain circumstances can extend for a period of up to eight equal annual payments. The Controller withholds from the State School Fund the amounts specified in the Audit Repayment Plan. If the Superintendent and the Director do not establish an Audit Repayment Plan, the Controller withholds the entire amount of the Audit Exceptions from the next apportionment.

Included in the principal apportionment is the general-purpose entitlement for charter schools, which are the "funds subject to intercept" pursuant to Section 17199.4 of the Education Code. Specifically, the funds subject to intercept are State Apportionments with respect to the Schools.

Because the apportionments are the sum of multiple program entitlement calculations as well as prior adjustments, the amount available may be more or less than the calculated amount of funds subject to intercept. The amount available for intercept is therefore the lesser of periodic calculated funds subject to intercept and the amount of cash provided to MERF with respect to the School by the State.

The Controller may reduce the funding available in the payment schedules for these apportionments to offset for funds owing to the State. These offsets include, but are not limited to, the following: Charter School Revolving Loan (Education Code Section 41365), Class Size Reduction (Education Code Section 52124); Audit Repayment (Education Code Sections 41341, 41344); and Accounts Receivable (Government Code Section 12419.5), in addition to other possible authorized or required offsets, or additional offsets not yet authorized by legislation. None of the foregoing offsets is currently applicable to the Schools.

Risk of Non-Continued Philanthropy or Grants

In the past, MERF has received substantial income from unrestricted gifts or grants to supplement operating revenues to finance operations and capital needs. Gifts, grants and donations are expected to continue. However, there can be no assurance that the projections of this non-operating revenue will be realized or will not decrease, adversely affecting the financial condition of MERF.

Reliance on MERF; MERF Not Liable on Loan Agreement or Bonds

All ten Magnolia Public Schools were established by and are operated by MERF. The success of MERF and the Schools in attracting and retaining students, and on managing their respective expenses, depends largely on the efforts of MERF. MERF is a party to and obligated under the Leases or the Santa Ana Loan Agreement, but is not a party to, or obligated under, the Loan Agreement or the Bonds. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" hereto for more information about MERF. Financial information with respect to the Schools and MERF is included in APPENDIX B hereto.

Competition for Students

[MSA-1 is located within the City of Reseda, California. MSA-1 is located within the geographical boundaries of Los Angeles Unified School District and grants preference for enrollment for students currently attending the School and pupils who reside in the geographical boundaries of the Los Angeles Unified School District. MSA-SD is located within the _____ neighborhood of the City of San Diego. MSA-SD is located within the geographical boundaries of the San Diego Unified School District and grants preference for enrollment to students currently attending the charter school and pupils who reside in the San Diego Unified School District boundaries. MSA-SA is located within the _____ neighborhood of the City of Santa Ana. MSA-SA is located within the geographical boundaries of the Santa Ana Unified School District and grants preference for enrollment to students living within such boundaries.

There are other charter schools located in the geographical boundaries of Los Angeles Unified School District, San Diego Unified School District, and Santa Ana Unified School District, and MERF expects additional schools to open in in proximity to the Schools in future years. Accordingly, each School may face competition for student enrollment. There can be no assurance that the Schools will continue to attract and retain the number of students needed to produce revenues necessary for MERF to make payments under the Leases, the Santa Ana Loan Agreement, and the Loan Agreement in order to satisfy debt service on the Bonds.]

Default Under the Leases or the Santa Ana Loan Agreement; No Assurance Regarding Subsequent Tenant

If there is a default by the Corporation under the Loan Agreement attributable to a default by the MERF under a Lease or the Santa Ana Loan Agreement, the Members of the Obligated Group will likely not have sufficient funds to satisfy the obligations under the Loan Agreement and Obligation No. 1 and Obligation No. 2, absent re-leasing – or in appropriate cases, selling – the Facilities. Were MERF to default under a Lease, there is no assurance that the applicable Member would be able to find a new tenant for the Facilities with authorization to operate a charter school which could generate revenues in a sufficient amount to allow the Corporation and the Members of the Obligated Group to make payments under the Loan Agreement and Obligation No. 1 and Obligation No. 2 to satisfy debt service on the Bonds or a buyer that would purchase such Facilities for a sufficient amount to allow the Corporation to repay principal and interest with respect to the Loan. This risk is heightened by the fact that the Facilities have been improved specifically for use as a charter school campus and may be legally restricted to that use. See "THE BONDS – Redemption – Extraordinary Mandatory Redemption Due to Change of Use" herein.

No Assurance of Lease Renewal

The Initial Term under each Lease ends on June 30, 20__*. In addition, MERF has two 5-year Extension Options and one 4-year Extension Option under each Lease to extend the Initial Lease Term for the periods applicable for each Extension Option. See "THE LEASES – General" herein. Pursuant to the Leases, MERF has covenanted that, so long as the applicable Member has any obligations under the Loan Documents, MERF will exercise each Extension Option under the applicable Lease. In the event MERF fails to exercise an Extension Option while Bonds are outstanding or other default by MERF under a Lease occurs, the Members of the Obligated Group may not have sufficient funds to satisfy the obligations under the Loan Agreement and Obligation No. 1 and Obligation No. 2, absent re-leasing – or, where possible, selling – the Facilities. See "THE BONDS – Redemption – Extraordinary Mandatory Redemption Due to Change of Use" herein and " – Default Under a Lease; No Assurance Regarding Subsequent Tenant" above.

Survival of the Leases after a Bond Default and Foreclosure

The Corporation, the Members, MERF, and the Master Trustee will enter into Subordination, Non-Disturbance and Attornment Agreements (each, an "SNDA"). The SNDAs address the priority of the rights between MERF and the Master Trustee. Each SNDA provides that MERF's rights under each Lease to the use, possession and enjoyment of the related Facilities will not be disturbed by the Master Trustee so long as no event of default exists under such Lease. The non-disturbance portion assures MERF that its rights to the relevant Facilities will be preserved ("nondisturbed") on specified conditions within control of MERF if the Corporation defaults on its Loan with the Authority and the Master Trustee forecloses on the Facilities. The attornment component of the SNDAs provides that MERF will continue its obligations under each Lease if a new landlord takes over such Lease.

---

* Preliminary, subject to change.

Additional Indebtedness and Additional School Indebtedness

The Master Indenture permits the issuance of Additional Indebtedness on a parity basis with Obligation No. 1 and Obligation No. 2 if certain conditions are met. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Limitations on Additional Indebtedness under the Master Indenture" The Corporation expects to acquire, construct and equip additional charter schools in the future. If it does, or for certain other expenses, it may issue Additional Indebtedness which may or may not be on a parity basis with Obligation No. 1 and Obligation No. 2 and may or may not be issued through the Master Indenture. If secured on a parity basis, any such parity indebtedness would be entitled to share ratably with the holders of the Bonds and any other holder of parity debt in any moneys realized from the exercise of remedies in the event of a default by the Corporation to the extent provided in the Bond Documents. The amount of any such Additional Indebtedness is undetermined at this time. The issuance of Additional Indebtedness may adversely affect the investment security of the Bonds.

Under each Lease, MERF may also issue additional School Indebtedness, subject to certain conditions and limitations. See "THE LEASES – Certain Covenants of the Lessee under the Lease – Financial Covenants" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Limitations on Additional Indebtedness under the Leases" herein. The issuance of such additional School Indebtedness may adversely affect the investment security of the Bonds. See also "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS – FINANCIAL INFORMATION AND CASHFLOWS – Debt Summary" for a summary of MERF's current debt obligations.

Addition and Withdrawal of Members

The Master Indenture permits the addition of Members under the Obligated Group, but it also permits the withdrawal of Members, subject to certain conditions and limitations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Withdrawal from Obligated Group." Any such withdrawal of Members from the Obligated Group may decrease the revenues available for payment of debt service on the Bonds and may adversely affect the investment security of the Bonds.

Reserve Account

The Bond Indenture establishes the Reserve Account within the Revenue Fund for payment of principal of and interest on the Bonds to the extent the Payments are insufficient to make such payments. Although the Corporation believes such reserve to be reasonable and anticipates that the Payments will be sufficient to cover the debt service on the Bonds, there is no assurance that funds on deposit in the Reserve Account and future Payments will be sufficient to cover debt service on the Bonds.

Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors

As described in the "NOTICE TO INVESTORS" that precedes the Table of Contents of this Limited Offering Memorandum, the Bonds are to be sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The Indenture contains provisions limiting transfers of the Bonds and beneficial interests therein to Qualified Institutional Buyers and Accredited Investors. The face of each Bond will contain a legend indicating that the Bond is subject to transfer restrictions as set forth in the Bond Indenture. The Bonds will be issued in minimum denominations of $25,000 and any integral multiple of $5,000 in excess thereof. Each initial beneficial owner of the Bonds shall provide an executed Investor Letter in the form attached as Appendix H hereto. In light of these restrictions, purchasers should not expect that there will be an active secondary market for the Bonds.

There can be no assurance that there will be a secondary market for the purchase or sale of the Bonds, and there may be no market for the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Corporation, the Schools, and MERF. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Bonds.

Investors should be aware that they might be required to bear the financial risks of this investment for an indefinite period of time and/or that to the extent there is a secondary market for the Bonds, the secondary market price of the Bonds may be affected as a result of the restrictions. If a trading market for the Bonds develops, future trading prices of such Bonds will depend on many factors, including, among other things, prevailing interest rates and the market for similar instruments. Depending upon those and other factors, the Bonds may trade at a discount from their principal amount.

Tax Related Issues

Tax-Exempt Status of Interest on the 2017A Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings of Bond proceeds prior to expenditure, a requirement that certain investment earnings on Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the "IRS"). The Authority, the Corporation, and MERF have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by any of the foregoing to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance of the Bonds.

Maintenance of Tax-Exempt Status. The tax-exempt status of the 2017A Bonds depends upon the maintenance by the Corporation and MERF of their respective statuses as organizations described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including the operation for charitable and educational purposes and avoidance of transactions which may cause the assets of either to inure to the benefit of private individuals.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations and, in particular, charter schools. As a result, tax-exempt organizations are increasingly subject to a greater degree of scrutiny. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by the Corporation or MERF could potentially result in loss of tax exemption of interest on the Bonds and of other existing and future tax-exempt debt of the Members of the Obligated Group, if any, and defaults in covenants regarding the Bonds and other existing and future tax-exempt debt, if any, would likely be triggered.

Less onerous sanctions have been enacted which focus enforcement on private persons who transact business with a tax-exempt organization rather than the tax-exempt organization, but these sanctions do not replace the other remedies available to the IRS as mentioned above.

State Income Tax Exemption. The loss by MERF or the Corporation of federal tax exemption might trigger a challenge to its State income tax exemption. Such event could be adverse and material.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). The Corporation and MERF currently report no UBTI. The School and its affiliates may, however, participate in activities which generate UBTI in the future. If so, the Corporation and MERF believe such UBTI would be properly accounted for and reported; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Corporation or the School, as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Exemption from Property Taxes. In recent years, State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt corporations with respect to their real property tax exemptions. The management of the Corporation and MERF believe that the Facilities will be exempt from California real property taxation.

Limitations of Appraisals

Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the appraised values set forth in "THE PROJECT – Appraisal" represent reliable estimates of what such Facilities would bring in liquidation following an Event of Default.

Limitations on Value of the Facilities and to Remedies under the Mortgages

Maintenance of Value. The Facilities are located in a region that has experienced significant real property market volatility over the past several years. There can be no assurance made that, should the Corporation default in making the payments due under the Loan Agreement, including in the event MERF defaults in making the Rent payments due under a Lease, the Facilities could be foreclosed upon and sold for the amounts owed under the Loan Agreement.

Hazardous Substances. While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Corporation may be required by law to remedy conditions of the Facilities relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are stringent and similar to certain federal acts. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. The effect, therefore, should the Facilities be affected by a hazardous substance, is generally to reduce the marketability and value of the parcel by the cost of remedying the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling the hazardous substance. Any of these potentialities could significantly affect the value of the Facilities that would be realized upon a default and foreclosure.

Foreclosure. There are two methods of foreclosing on a deed of trust or mortgage under California law, by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and send a copy to the trustor, to any person who has recorded a request for a copy of the notice of default and notice of sale, to any successor in interest of the trustor and to certain other parties discernable from the real property records. The trustee then must wait for the lapse of at least three months after the recording of the notice of default and election to sell before establishing the trustee's proposed sale date and giving a notice of sale (in a form mandated by California statutes). The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the trustee's sale by at least 20 days. Such notice of sale must be posted on the property and sent, at least 20 days prior to the trustee's sale, to the trustor, to each person who has requested a copy, to any successor in interest of the trustor, to the beneficiary of any junior deed of trust and to certain other parties discernable from the real property records. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. The trustor, any successor in interest of the trustor in the trust property, or any person having a junior lien or encumbrance of record may, during the statutory reinstatement period, which extends to five days prior to the sale date, cure any monetary default by paying any delinquent installments of the debt then due under the terms of the deed of trust and certain other obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys' and trustees' fees. Following a nonjudicial sale, neither the trustor nor any junior lienholder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

Should foreclosure under a deed of trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and may require several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs). In addition, in order to assure collection of any rents assigned as additional collateral under either deed of trust, a receiver for the Facilities may be appointed by a court.

Damage, Destruction or Condemnation. Although the Corporation will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement and the Mortgage, there can be no assurance that any portion of the Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which MERF, as a result of damage or destruction to a Facility, cannot generate revenues, will not exceed the coverage of such insurance policies.

If a Facility, or any portion thereof, is damaged or destroyed, or is taken in a condemnation proceeding, the proceeds of insurance or any condemnation award for a Facility, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Facilities or to redeem Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Facilities, or any portion thereof, or to redeem Bonds will be sufficient for that purpose, or that any remaining portion of the Facilities will generate revenues sufficient to pay the expenses of the Corporation and the Loan Repayments.

Seismic. Each of the Facilities is located in a seismically active region of California. The occurrence of severe seismic activity could result in substantial damage to all or a portion of the Project, which could adversely affect the ability of MERF to operate the Facilities or make payments due under the Leases and/or the ability of the Corporation to make the Loan Repayments and could adversely affect the value of the Project and the Facilities. Neither the Corporation nor any Member of the Obligated

Group are obligated by the Loan Agreement or the Master Indenture to maintain earthquake insurance on any portion of the Project and there can be no assurance that the Corporation or any Member of the Obligated Group will obtain such coverage in the future.

Field Act Compliance. Certain public schools in the state of California, are entitled and approved through the Division of the State Architect ("DSA"), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the California building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 et seq. of the California Education Code (the "Field Act"). The Field Act resulted from the Long Beach Earthquake in 1933 in which 70 public schools were destroyed and another 120 schools suffered major structural damage. The Field Act sets forth structural design standards to enable applicable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake. The DSA process requires state approved inspectors to certify that the work is being done in accordance with the approved plans.

The Field Act does not apply generally to all public schools.

Flood. Neither the Corporation nor any Members of the Obligated Group are obligated by the Loan Agreement or the Master Indenture to maintain flood insurance on any portion of the Project and there can be no assurance that the Corporation or any Member of the Obligated Group will obtain such coverage in the future. The Facilities are not located in special flood hazard areas as designated by the Federal Emergency Management Agency.

Environmental Risks. There are potential risks relating to liabilities for environmental hazards with respect to the ownership of any real property. If hazardous substances are found to be located on a property, owners of such property may be held liable for costs and other liabilities related to the removal of such substances which costs and liabilities could exceed the value of the Facilities or any portion thereof.

Bankruptcy

The rights and remedies of the Beneficial Owners of the Bonds are subject to various provisions of the Federal Bankruptcy Code (the "Bankruptcy Code"). If the Corporation, any Member or any Lessee were to become a debtor in a bankruptcy case, its revenues and certain of its accounts receivable and other property created or otherwise acquired after the filing of such petition and for up to 90 days prior to the filing of such petition may not be subject to the security interest created under the deed of trust for the benefit of the Beneficial Owners of the Bonds. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such entity, and their property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over such property. If the bankruptcy court so ordered, the property of the Corporation or a Member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such entity despite the security interest of the Bond Trustee therein. While the Bankruptcy Code requires that the interest of the Bond Trustee as lien owner be adequately protected before the collateral may be used by the Corporation or Members, such protection could take the form of a replacement lien on assets of the Corporation or Members acquired or created after the bankruptcy petition is instituted. The rights of the Bond Trustee to enforce liens and security interests against the Corporation's or Members' assets could be delayed during the pendency of the rehabilitation proceedings.

The Corporation or MERF could file a plan for the reorganization of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Factors Associated with a School's Operations

There are a number of factors affecting schools generally that could have an adverse effect on the School and, consequently, on revenues generated by MERF for operation of the School and on MERF's financial position and ability operate the Facilities as a charter school and, consequently, on the Corporation's ability to make Loan Repayments necessary to make debt service payments on the Bonds. These factors include, but are not limited to: (i) failure to qualify for statutory reimbursement under state programs; (ii) increasing costs of compliance with federal, state or local laws or regulations, including, but not limited to, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; (iii) taxes or other charges imposed by federal, state or local governments; (iv) the ability to attract a sufficient number of students; (v) changes in existing statutes pertaining to the powers of MERF and disruption of a School's operations by real or perceived threats against such School, its staff members or students; and (vi) decline in the reputation of a School or MERF or the ability of MERF and its management to provide educational services desired and accepted by the population it serves. Potential purchasers should be aware that the School faces constant competition for students and there can be no assurance that such School will continue to attract and retain the number of students that are needed to generate revenues sufficient to make payments on the Lease that are the source of revenue to debt service on the Bonds. See "CERTAIN RISK FACTORS – Competition for Students" herein. Neither the Corporation nor MERF can assess or predict the ultimate effect of the foregoing factors on its operations or financial results of its operations or on its ability to make payments required under the Lease, the Loan Agreement or Obligation No. 1 and Obligation No. 2.

State Financial Difficulties

Charter schools, like all public schools, depend on revenues from the State for a large portion of their operating budgets. The availability of State funds for public education is a function of constitutional and statutory provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State School Fund) and the annual State budget process. Decreases in State revenues may adversely affect education appropriations made by the Legislature. As noted, the Legislature bases its decisions about appropriations on many factors, including the State's economic performance, and, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. See "CERTAIN RISK FACTORS – Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors" above.

The State has previously experienced severe financial difficulties. In prior years, the State's response to its financial difficulties has had a significant impact on Proposition 98 funding and settle-up treatment, as further described in "STATE FUNDING OF EDUCATION" herein. In the past, the State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. The State has also sought to avoid increases in the minimum guarantee through various mechanisms by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current-year increases; by deferring State aid payments from one fiscal year to the next; and by suspending Proposition 98. Continued decreases in State revenues may adversely affect education appropriations made by the Legislature. None of the Corporation, MERF or any other party to the Bond transaction can predict how State income or State education funding will vary over the entire term of the Bonds. No party to the Bond transaction takes any responsibility for informing owners of the Bonds about any such changes.

Information about the financial condition of the State, as well as its budget and spending for education, is available and regularly updated on various State-maintained websites, including those of the LAO, the Department of Finance and the Controller. In addition, various State of California official statements, which contain summaries of current and past State budgets and the impact of those budgets on State education funding, may be found at the website of the California State Treasurer, www.treasurer.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

Budget Delays and Restrictions on Disbursement of State Funds during a Budget Impasse

The State Constitution specifies that an annual budget will be proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues for the ensuing fiscal year. State law also requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "May Revision"). The May Revision is normally the basis for final negotiations between the Governor and Legislature to reach agreement on appropriations and other legislation to fund State government for the ensuing fiscal year (the "Budget Act").

The Budget Act must be approved by a majority vote of each House of the Legislature and must be in balance. The budget becomes law upon the signature of the Governor. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, currently under the heading "California Budget." Analyses of budgets are prepared by the Legislative Analyst's Office at www.lao.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

The State Legislature is required to approve a State Budget Act no later than June 15 of each year. The State Legislature has failed to approve the State Budget Act by the deadline therefor in a number of years. Failure by the State to adopt a Budget Act restricts the Controller's ability to disburse State funds after the beginning of the ensuing fiscal year. See "STATE FUNDING OF EDUCATION – General – Adoption of Annual State Budget" herein regarding the ability of the Controller to disburse State funds in such situations.

Any State budget delay would delay the State's appropriation of funds and could negatively impact the School's ongoing viability and its ongoing ability to make payments under the Leases representing debt service on the Bonds.

Key Management

The creation of, and the philosophy of teaching in, charter schools generally initially may reflect the vision and commitment of a few key persons on the board of directors and/or the upper management of the charter school or its management organization ("Key Directors/Managers"). Loss of any such Key

Directors/Managers, and the inability of the Corporation, MERF, or the Schools to find comparable qualified replacements, could adversely affect their respective operations or financial results. However, the Key Directors/Management of MERF believe that MERF's fifteen years of operations will have a positive impact on MERF's operations and continuity in the event any of such Key Directors/Managers were to leave. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" for information regarding the management and leadership of the Corporation, MERF, and the School.

Other Limitations on Enforceability of Remedies

There exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

In addition to the foregoing, the realization of any rights under the Loan Agreement, the Bond Indenture and the Mortgages upon a default depends upon the exercise of various remedies specified in the Loan Agreement, the Bond Indenture and the Mortgages. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement, the Bond Indenture and the Mortgages may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Loan Agreement, the Bond Indenture or a deed of trust. Accordingly, the ability of the Authority or the Bond Trustee to exercise remedies under the Loan Agreement, the Bond Indenture and the Mortgages upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Specific Risks of Charter Schools

Charter School Law. The Charter School Law is evolving. Amendments are made relatively frequently and legislative and public attitudes are still forming. Certain amendments effective in 2006 and later have been described elsewhere in this Limited Offering Memorandum. It is likely that additional changes will be made in the future, some of which may be adverse to charter schools in general and may affect the financial viability of the School.

Non-Renewal or Revocation of Charter. The Charter School Law enables charter authorizers to grant five-year charters which may be renewed after evaluation and can be revoked at any time because of either educational non-performance or fiscal mismanagement. See "CHARTER SCHOOLS – Charter Revocation" attached hereto. The Key Directors/Managers of MERF believe that MERF has a stable relationships with the Los Angeles County Board of Education, the authorizer of MSA-1's charter, the State Board of Education, the authorizer of MSA-SA's charter, and the San Diego Unified School District, the authorizer of MSA-SD's charter. The Key Directors/Managers of MERF believe that MERF's relationship with the Los Angeles Unified School District, which serves as the authorizers of certain other schools operated by MERF, may lead to the denial of certain charter renewal petitions in the future. Nevertheless, MERF does not expect any changes in its relationship with the Los Angeles Unified School District to have a direct impact on the operation of any of the Schools. Further, MERF believes that it has stable relationships with the appeal bodies for each of its schools, each of which is authorized to renew charter petitions under the Charter School Law. See "APPENDIX A – CERTAIN

INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" herein.

Legal Challenges. In addition to non-renewal or revocation, a charter may also be subject to challenge by an interested third-party. No assurance can be given that the charter for any of the Schools will not be subjected to legal challenge. See "ABSENCE OF MATERIAL LITIGATION – The Corporation" herein. Any failure of MERF to have a charter for a School in place could well have a material adverse effect on the Members of the Obligated Group or the Corporation and their ability to generate revenues necessary to make payments under the Loan Agreement and Obligation No. 1 and Obligation No. 2, which are expected to provide sufficient revenues to satisfy the debt service requirements for the Bonds.

Budgetary Constraints. Charter schools are funded primarily from State and local tax revenues and budgetary pressures at the State or local level may jeopardize future funding levels, which may adversely affect the ability of the Corporation and the Members of the Obligated Group to make payments under the Loan Agreement and the Obligations, including Obligation No. 1 and Obligation No. 2. See "STATE FUNDING OF EDUCATION" attached hereto.

Enrollment Levels. MERF's revenues and financial strength will depend in part upon maintaining certain enrollment levels at the Facilities. A reduction in enrollment for a School will have a direct result of reducing revenues available to pay amounts due under a Lease or the Santa Ana Loan Agreement, as applicable. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" attached hereto.

Risk of Reduction in ADA Funding. Since the majority of funds for each School's operations come from the State on the basis of ADA, MERF is subject to State funding reductions or restrictions that might affect all public school districts and charter schools. Among other such risks, over time the State may not increase ADA-based funding commensurate with increases in the cost of school operations, or the State may even decrease ADA-based funding.

ADA-based funding is determined by actual attendance, and not by student enrollment data. Regardless of the statewide level of ADA-based funding, MERF is subject to loss of revenue if enrollment should decrease, or if average daily attendance should decrease even if enrollment remains steady, whether due to student illness, truancy or other factors. Such a loss of revenues could adversely affect the ability of MERF to make Rent payments due under each Lease and, consequently, the ability of the Corporation to make payments under the Loan Agreement.

In addition, the Charter School Law prohibits a charter school from imposing fees or charges for its educational services. Therefore, MERF is dependent upon receipt of ADA-based funding, as well as philanthropic support. There is little the Corporation or MERF can do to increase revenues, other than for MERF to admit a larger number of students to the Schools.

Compliance with the Elementary and Secondary Education Act. Prior to the adoption of the ESSA (defined herein), the No Child Left Behind Act of 2001 (the "NCLB") served as the primary federal law with respect to K-12 education. NCLB used Adequate Yearly Progress to measure and hold schools and school districts responsible for student achievement. Under California law, the right to operate a charter school may be terminated if the school fails to make or meet reasonable progress toward achievement of goals, objectives, content standards, pupil performance standards or applicable federal requirements.

In December 2015, the Every Student Succeeds Act of 2015 (the "ESSA") was passed by Congress and signed by then-President Obama in connection with the amendment and reauthorization of the Elementary and Secondary Education Act of 1965. ESSA, among other things, prohibits officers and employees of the federal government from mandating, directing or controlling a state, local education agency or school's specific instructional content, academic standards and assessments, curriculum, or program of instruction, as a condition of eligibility to receive funds under ESSA. MERF does not expect ESSA to impact its ability to make payments under each Lease representing debt service on the Bonds.

Claims and Insurance Coverage

Litigation could arise from the corporate and business activities of MERF or the Corporation. Such litigation may result as a result of either MERF's or the Corporation's status as an employer. Many of these risks are covered by insurance, but some are not. For example, claims arising from wrongful termination or sexual molestation claims and business disputes may not be covered by insurance or other sources. Such claims may, in whole or in part, constitute a significant liability of MERF or the Corporation if determined or settled adversely, as may any additional claims for other torts, accidents, or environmental enforcement actions, to the extent such claims exceed the limits of applicable insurance coverage.

The Corporation and MERF covenant and agree in the Loan Agreement and the Leases, respectively, that they will keep maintain, or caused to be maintained, property, general liability and business interruption insurance with respect to the Facilities at levels set forth therein. The Corporation and MERF are not obligated by the Loan Agreement or the Leases, respectively, to maintain earthquake insurance and there can be no assurance that the Corporation or MERF will obtain such coverage in the future. See "APPENDIX D – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – LOAN AGREEMENT" attached hereto.

Failure to Provide Ongoing Disclosure

The Corporation and MERF will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, LLC, as dissemination agent, pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule") in connection with the issuance of the Bonds. Any failure to comply with the Continuing Disclosure Agreement and the Rule in the future may adversely affect the liquidity of the affected Bonds and their market price in the secondary market. See "CONTINUING DISCLOSURE" herein regarding prior compliance with previous continuing disclosure undertakings by Related Entities (defined herein).

Use of the Facilities

No assurance can be given as to whether a challenge to the educational use of a Facility brought would result in an interruption of the related School's operations and have a material negative impact on the Revenues. Any court order prohibiting the educational use of the Facilities would entitle the Bond Trustee to submit a claim on the lender's title insurance policy. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgages."

CHARTER SCHOOLS

General

This section provides a brief overview of California's system for funding charter schools. Prospective purchasers of the Bonds should note that the overview contained in this section and the summary of relevant law noted by cross-reference in the sections that follow are provided for the convenience of prospective purchasers but are not and do not purport to be comprehensive. Additional information regarding various aspects of charter school funding in California is available on numerous State-maintained websites and through other publicly available sources.

Under State Law, charter schools are largely independent schools operating as part of the public school system under the exclusive control of the officers of the public schools. A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and is usually sponsored by an existing local public school district or county board of education. Specific goals and operating procedures for the charter school are detailed in a "charter" granted by the sponsoring board to the charter organizers.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. Charter schools in the State are created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). The law also requires that a public charter school be nonsectarian in its programs, admission policies, employment practices and all other operations, and prohibits the conversion of a private school to a charter school. Public charter schools may not charge tuition and may not discriminate against any pupil on the basis of ethnicity, national origin, gender or disability. State public charter schools are required to participate in the State Testing and Reporting Program.

According to the Charter School Law, the purpose of a charter school is to: (1) improve pupil learning; (2) increase learning opportunities for all pupils, with special emphasis on expanded learning experiences for pupils identified as academically low achieving; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site; (5) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (6) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (7) provide competition within the public school system to stimulate improvements in all public schools.

Anyone may write a charter. However, for a new charter school (not conversion of an existing traditional public school), charter developers must present a petition to the governing board of the local school district (or other chartering authority) containing the signatures of either: (1) a number of teachers meaningfully interested in teaching at the school equal to at least 50 percent of the number of teachers the charter school estimates will be employed, or (2) a number of parents representing at least 50 percent of the number of pupils expected to enroll at the school in its first year. For conversion schools, Charter School Law requires signatures of at least 50 percent of the teachers at the school to be converted. Pupils may not be required to attend a charter school nor may teachers be compelled to teach there. Charters are granted for a maximum term of five years, and may be renewed for new five-year terms without limitation upon satisfaction of certain criteria described below.

Generally, each charter school is funded to its statutory entitlement after the local contribution is taken into account. Local funding comes from the chartering school district or other sponsoring local education agency in lieu of property taxes (generally funded from the school district's own property tax receipts), while the State funds the balance directly through the county office of education. The proportion coming from the State will vary from district to district depending on the amount of local property taxes collected. In addition, charter schools receive State categorical block grant funding and lottery funds based upon pupil attendance, and may be eligible for other special programmatic aid from State and federal grants. Charter schools are prohibited from charging tuition under the Charter School Law.

For additional information regarding funding of education in the State and information relating to certain risks and other considerations relevant to a decision to invest in the Bonds, see "STATE FUNDING OF EDUCATION" and "CERTAIN RISK FACTORS – Specific Risks of Charter Schools."

Chartering Authority

Under the Charter School Law, the local school district governing board serves as the primary chartering authority. A petitioner may seek approval of a charter from a county board of education if the pupils to be served are pupils that would normally be provided direct education and related services by the county office of education. A petitioner may also seek approval from a county board of education for a countywide charter school, which may be granted only if the county board finds that the proposed countywide charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates only in one school district in the county. See "Countywide Benefit Charter Schools" below. A petitioner may seek approval directly from the State Board of Education only if the State Board of Education finds that the proposed state charter school will provide instructional services of statewide benefit that cannot be provided by a charter school operating in only one school district or county. See "Statewide Benefit Charter" below. Petitioners may request the county board of education or the State Board of Education to review a charter petition if the petition has been previously denied by the local school district governing board.

For information concerning the charters granted with respect to the Schools, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS – GENERAL INFORMATION – History" attached hereto.

Elements of a Charter Petition

Each charter petition, at a minimum, must contain reasonably comprehensive descriptions of each of sixteen required elements. They are:

1. A description of the educational program of the charter school.

2. The measurable pupil outcomes identified for use by the charter school.

3. The method by which pupil progress in meeting those pupil outcomes is to be measured.

4. The charter school's governance structure, including parental involvement.

5. The qualifications to be met by individuals employed by the charter school.

6. Procedures to ensure health and safety of pupils and staff.

7. The means by which the charter school will achieve racial and ethnic balance among pupils, reflective of the general population residing in the chartering district.

8. Admission requirements, if applicable.

9. The manner in which annual financial audits will be conducted, and the manner in which audit exceptions and deficiencies will be resolved to the satisfaction of the chartering authority.

10. The procedures by which pupils may be suspended or expelled.

11. Provisions for employee coverage under the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security.

12. The public school alternatives for pupils residing within the district who choose not to attend charter schools.

13. A description of the rights of any employee of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school.

14. The procedures to be followed by the charter school and the entity granting the charter to resolve disputes relating to provisions of the charter.

15. A declaration of whether or not the charter school will be deemed the exclusive public school employer of the employees of the charter school for purposes of the Educational Employment Relations Act.

16. A description of the procedures for closure of the school and disposition of assets.

Under the accountability requirements of Assembly Bill 1137 ("AB 1137"), signed into law in October 2003, districts or other agencies that grant charter authority must identify a contact person for charter schools, visit each charter school at least once a year, and ensure that charter schools submit all required reports (including fiscal reports that must be sent four times a year to the district and local county office of education). In addition, the district must monitor the fiscal condition of its charter schools and notify the State Department of Education whenever a charter is granted, denied, revoked, or the charter school will cease operation. AB 1137 also required that charter schools show a certain level of academic performance to have their charters renewed.

Countywide Benefit Charter Schools

Education Code Section 47605.6 provides for the creation of countywide benefit charter schools to operate at one or more sites within the geographic boundaries of a county and that provide instructional services that are not generally provided by a county office of education. A county board of education may approve a countywide charter only if it finds, in addition to the other requirements of the Charter School Law, that the educational services to be provided by the charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates in only one school district in the county.

The provisions governing denial of a charter petition for school district governing boards, also apply to the denial of petition to countywide benefit charters. A county board of education will deny a petition if it finds one or more of the following: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, and (v) the petition does not contain comprehensive descriptions of the educational program of the school.

None of the Schools operates pursuant to a countywide benefit charter. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" attached hereto.

Statewide Benefit Charter Schools

Education Code Section 47605.8 provides for the creation of statewide benefit charter schools to operate at multiple locations throughout the State of California. A petition for the operation of a state charter school may be submitted to the State Board of Education ("SBE") and thc SBE has the authority to approve a charter for the operation of a state charter school. The SBE may not approve a petition for the operation of a state charter school unless it finds that the proposed state charter school will provide instructional services of statewide benefit that cannot be provided by a charter school operating in only one school district, or only in one county. As a condition of charter petition approval, the SBE may enter into an agreement with a third party, at the expense of the charter school, to oversee, monitor, and report on, the operations of the charter school.

The provisions governing denial of a charter petition for county boards of education, also apply to the denial of a petition to statewide benefit charters. Petition denials include: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, and (v) the petition does not contain comprehensive descriptions of the educational program of the school. The School does not operate pursuant to a statewide benefit charter.

Charter Management Organizations

As the number of charter schools operating pursuant to the Charter School Law has increased over time, nonprofit organizations have been established, referred to as charter management organizations ("CMOs"), to manage the operations of several charter schools for the purpose of achieving certain economic and operational efficiencies. CMOs centralize or share certain functions and resources among multiple charter schools, including but not limited to accounting, human resources, marketing, purchasing, property management and administration. CMOs may operate at the regional or statewide level. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PRJECT, MERF, THE CORPORATION, AND THE SCHOOLS."

Charter Revocation

A charter may be revoked if the charter granting authority finds, based on substantial evidence, that a charter school (i) has committed a material violation any of the conditions, standards or procedures set forth in its charter, or (ii) has failed to meet or to pursue any of the student outcomes identified in its charter, or (iii) has failed to meet generally accepted accounting principles, or engages in fiscal mismanagement, or (iv) has violated any provision of law. Prior to revoking a charter, the charter granting authority must notify the charter school of the violation, afford the charter school a reasonable opportunity to remedy the violation, and, upon failure to do so, give written notice of intent to revoke and hold a public hearing on the matter. An adverse decision by a school district governing board may be appealed to the county board of education and an adverse decision by the county board, directly or on appeal, may be appealed to the SBE. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters" herein.

In addition, the SBE, whether or not it is the charter granting authority, may take action based on the recommendation of the State Superintendent of Public Instruction, including but not limited to revocation of a school's charter, upon a finding of (i) gross financial mismanagement that jeopardizes the financial stability of the charter school; (ii) illegal or substantially improper use of charter school funds for the personal benefit of any officer, director, or fiduciary of the charter school; (iii) substantial and sustained departure from measurably successful practices such that continued departure would jeopardize the educational development of the school's pupils; or (iv) failure to improve pupil outcomes across multiple state and school priorities identified in the charter pursuant to the Education Code. The California Department of Education is required to identify and notify the SBE of each charter school that is determined to warrant action pursuant to clause (iii) of the immediately preceding sentence by November 1 of each year. Under these regulations, charter schools so notified are required to be given an opportunity to submit written information as to why its charter should not be revoked. Any resulting action to revoke a charter is effective at the end of the fiscal year in which the action is taken, unless the SBE identifies departures at the school that are so significant as to be cause for immediate revocation and closure of the charter school. SBE must hold a public hearing to consider action including but not limited to charter revocation not later than March 31. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters" herein.

None of the Schools has received any notice from the SBE or their respective chartering authorities regarding any violation or proposal to revoke the School' charters or of any other violation requiring corrective action. In addition, as noted above, any future adverse decision by the governing board of any authorizing entity may be appealed to the applicable county Board of Education and an adverse decision by such Board of Education, directly or on appeal, may be appealed to the SBE. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS" attached hereto."

Amendments to the Charter School Law

The Legislature has amended the Charter School Law frequently since its initial adoption in 1992, and legislative and public attitudes are still evolving. Neither the Borrower nor any Charter School has any control over State legislative or regulatory decision making that could affect the operations or ongoing funding sources for the School. For example, Senate Bill 1290, signed into law by the Governor on September 26, 2012, requires the chartering authority to consider increases in pupil academic achievement for all groups of pupils as the most important factor in determining whether to grant a charter renewal or revoke a charter. In addition, Assembly Bill 948, signed into law by the Governor on September 30, 2014, expanded eligibility for the Charter School Facility Grant Program.

In addition, certain currently pending legislation affecting the Charter Schools Act and/or related law include: Senate Bill 322 ("SB 322") which, if approved, would require that charter schools follow similar suspension and expulsion procedures established under the Education Code for traditional public schools districts including due process and notice requirements; and Senate Bill 739 ("SB 739") which, if approved, would prohibit the governing board of a school district from authorizing new charter schools located outside of the boundaries of such school district if the school district is assigned a negative certification in connection with its financial reports. Neither the Borrower nor the School makes any representation as to whether SB 322 or SB 739 or any other proposed amendments to Charter School Law will be enacted into law.

For legislative updates, see www.calcharters.org/advocacy/statewide/current-legislation.html. The parties to this transaction take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Growth in Charter Schools in California

California has the largest concentration of charter schools in the nation with more than 572,752 students enrolled in charter schools for the 2015-16 school year according to the California Department of Education. The California Charter Schools Association also reported that 46 new charter schools opened in the State of California during the 2015-16 school year, bringing the total number of charter schools in California up to 1,230.

TOTAL CHARTER SCHOOLS IN CALIFORNIA
2002-03 through 2016-17

Year	Number of Schools
2016-17	1,253
2015-16	1,228
2014-15	1,182
2013-14	1,130
2012-13	1,063
2011-12	982
2010-11	912
2009-10	809
2008-09	746
2007-08	682
2006-07	585
2005-06	560
2004-05	502
2003-04	443
2002-03	408

Source: California Charter School Association.

STATE FUNDING OF EDUCATION

General

The Charter School Law provides that the State legislature intended "each charter school be provided with operational funding that is equal to the total funding that would be available to a similar school district servicing a similar pupil population." As is true for school districts in the State, charter schools' revenue is derived primarily from two sources: a State portion funded from the State's general fund and a locally generated portion derived from each sponsoring school district's share of the local *ad valorem* property tax. Decreases in State revenues, or in the legislative appropriations made to fund education, may significantly affect charter schools' operations.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15, although this deadline has been breached in previous years. Pursuant to Proposition 25, which was approved by voters in November 2010, the vote requirement to pass a budget bill is a simple majority (50% plus one) of each house of the State Legislature. This vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the Fiscal Year 2015-16 State budget on June 24, 2015.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each charter school's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to charter schools, school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the Borrower might experience delays in receiving certain expected revenues. See "CERTAIN RISK FACTORS."

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. A brief description of the adopted State budget for Fiscal Year 2016-17 is included below; however, no prediction can be made as to how State income or State education funding will vary over the entire term to maturity of the Bonds, and neither the Borrower nor the Authority takes any responsibility for informing Beneficial Owners of the Bonds as to any such annual fluctuations. Information about the State budget and State spending for education is regularly available at various State maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, currently located at www.treasurer.ca.gov., and the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org. The information referred to is prepared by the respective entities maintaining each website and not by the Borrower or the Authority, and neither the Borrower nor the Authority can take any responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

Aggregate State Education Funding. Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is mandated for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs, including charter schools.

The Proposition 98 guaranteed amount for education is based on prior year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post year end revisions, as additional information regarding the various factors becomes available. Over the long run, the guaranteed amount may increase as enrollment and per capita personal income grow.

If, at year end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the mandated amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits resulted in in accrued State settle-up obligations. Further, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal years 2004-05 and 2010-11; and by proposing to amend the Constitution's definition of the guaranteed amount and settle up requirement under certain circumstances. The State Budget Act, in recent fiscal years, has reversed certain of these trends by, among other things, eliminating certain deferrals, authorizing payments of certain deferred amounts owed to schools subject to State General Fund Revenues and authorizing settle-up payments with respect deferred apportionments of the Proposition 98 minimum guarantee.

2016-17 State Budget. The Governor signed the fiscal year 2016-17 State budget (the "2016-17 State Budget") on June 27, 2016. The 2016-17 State Budget sets forth a balanced budget for Fiscal Year 2016-17 and allocates funds from Proposition 2 to pay down outstanding budgetary borrowing and retirement liabilities of the State and University of California. The 2016-17 State Budget estimates that total resources available in fiscal year 2015-16 totaled approximately $120.45 billion (including a prior year balance of $3.4 billion) and total expenditures in fiscal year 2015-16 totaled approximately $115.57 billion. The 2016-17 State Budget projects total resources available for fiscal year 2016-17 of $125.18 billion, inclusive of revenues and transfers of $120.31 billion and a prior year balance of $4.87 billion. The 2016-17 State Budget projects total expenditures of $122.47 billion, inclusive of non-Proposition 98 expenditures of $71.42 billion and Proposition 98 expenditures of $51.05 billion. The 2016 17 State Budget proposes to allocate $966 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $1.75 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the 2016-17 State Budget estimates the Rainy Day Fund will have a fund balance of $6.71 billion.

Certain budgeted adjustments for K-12 education set forth in the 2016-17 State Budget include the following:

School District Local Control Funding Formula. The 2016-17 State Budget includes an increase of more than $2.9 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 State Budget proposes to commit most new funding to Supplemental Grants and Concentration Grants. The Governor estimates that the budgeted increase will bring the total Local Control Funding Formula implementation to 96%.

Proposition 98 Minimum Guarantee. The 2016-17 State Budget includes Proposition 98 funding of $71.9 billion, inclusive of State and local funds, for fiscal year 2016-17. Such amount is expected to satisfy the Proposition 98 minimum guarantee for fiscal year 2016-17.

Mandate Claims. The 2016-17 State Budget proposes to allocate approximately $1.3 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The State expects such funds to be used for activities including, among others, deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology and the implementation of new educational standards.

College Readiness Block Grant. The 2016-17 State Budget includes a one-time increase of $200 million to the Proposition 98 General Fund for grants to school districts and charter schools that serve high school students. The State will direct grant recipients to such funds be used to support access to higher education and transition to higher education.

Integrated Teacher Preparation Grant Program. The 2016-17 State Budget includes a one-time allocation of $10 million from the Proposition 98 portion of the General Fund to the Integrated Teacher Preparation Grant Program, which provides competitive grants to colleges and universities to develop or improve teacher credential programs.

Classified School Employees Credentialing Program. The 2016-17 State Budget includes a one-time allocation of $20 million from the Proposition 98 portion of the General Fund to establish a credentialing program that recruits non-certified school employees and prepares them to become certificated classroom teachers.

California Center on Teacher Careers. The 2016-17 State Budget includes a one-time increase of $5 million of Proposition 98 General Fund to establish a multi-year competitive grant, which will be awarded to a local education agency to establish and operate the California Center on Teaching Careers. The California Center on Teaching Careers, once established, will recruit individuals to the teaching profession, host a referral database for teachers seeking employment, develop and distribute recruitment publications, conduct outreach activities to high school and college students, provide statewide public service announcements related to teacher recruitment, and provide prospective teachers information on credential requirements, financial aid and loan assistance programs.

California Collaborative for Educational Excellence. The 2016-17 State Budget provides a one-time increase of $24 million to the Proposition 98 portion of the General Fund for the California Collaborative for Educational Excellence to, among other things, support statewide professional development training relating to evaluation methods and metrics and implement a pilot program related to advising and assisting local education agencies on improving pupil outcomes.

Safe Drinking Water in Schools. The 2016-17 State Budget includes an increase of $9.5 million of one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated areas and economically disadvantaged areas. The program will be developed and administered by the State Water Resources Control Board in consultation with the California Department of Education.

Charter School Startup Grants. The 2016-17 State Budget allocates an increase of $20 million of one-time Proposition 98 General Fund resources to support operational startup costs for new charter schools in 2016 and 2017. Such allocation is expected to partially offset the loss of federal funding previously available for such purpose.

Multi-Tiered Systems of Support. The 2016-17 State Budget allocates an increase of $20 million of one-time Proposition 98 General Fund resources to build upon the $10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way. The State expects such funds to, among other things, assist local education agencies as they provide services that support academic, behavioral, social and emotional needs and improve outcomes for students.

Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 State Budget includes an increase of $18 million on a one-time basis to the Proposition 98 portion of the General Fund allocated to a grant program for truancy and dropout prevention.

The complete 2016-17 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

2017-18 Proposed State Budget. The Governor released his proposed fiscal year Proposed 2017-18 State Budget (the "Proposed 2017-18 State Budget") on January 10, 2017. The Proposed 2017-18 State Budget sets forth a balanced budget for fiscal year 2017-18. However, the Governor cautions that the State's projected revenues are approximately $5.8 billion lower than projected for 2015-16 through 2017-18 and, absent corrective action, could lead to annual deficits of $1 billion to $2 billion. The Proposed 2017-18 State Budget estimates that total resources available in fiscal year 2016-17 totaled approximately $123.79 billion (including a prior year balance of $5.0 billion) and total expenditures in fiscal year 2016-17 totaled approximately $122.76 billion. The Proposed 2017-18 State Budget projects total resources available for fiscal year 2017-18 of $125.05 billion, inclusive of revenues and transfers of $124.03 billion and a prior year balance of $1.03 billion. The Proposed 2017-18 State Budget projects total expenditures of $122.52 billion, inclusive of non-Proposition 98 expenditures of $71.17 billion and Proposition 98 expenditures of $51.35 billion. The 2016-17 State Budget proposes to allocate $980 million of the General Fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $1.55 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2017-18 State Budget estimates the Rainy Day Fund will have a fund balance of $7.87 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2017-18 State Budget include the following:

School District Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of more than $744 million to continue the transition to full implementation of the Local Control

Funding Formula. The Governor estimates that the Local Control Funding Formula's implementation will reach 96 percent in fiscal year 2017-18.

Proposition 98 Minimum Guarantee. The Proposed 2017-18 State Budget proposes to fund the Proposition 98 minimum guarantee in fiscal year 2016-17 and 2017-18. However, due to changes in workload factors and budgetary adjustments, the Governor's calculation of the Proposition 98 minimum guarantee will be approximately $55.5 million and $113.5 million less than previously projected for fiscal years 2015-16 and 2016-17, respectively. The Proposed 2017-18 State Budget projects a Proposition 98 minimum guarantee of $73.5 billion in 2017-18.

One-Time Local Control Funding Formula Cost Shift. The Proposed 2017-18 State Budget proposes to shift $859.1 million in Local Control Funding Formula expenditures from June 2017 to July 2017 in order to maintain 2016-17 programmatic expenditure levels. The Proposed 2017-18 State Budget will repay this deferral in 2017-18.

One-Time Discretionary Funding. The Proposed 2017-18 State Budget includes an increase of $287 million in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion. This funding will support investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance.

Career Technical Education Funding. The Proposed 2017-18 State Budget includes $200 million for the Career Technical Education Incentive Grant Program, the final installment of funding for this three-year program.

County Offices of Education Local Control Funding Formula. The Proposed 2017-18 State Budget includes an increase of $2.4 million Proposition 98 General Fund to support a cost-of-living adjustment and average daily attendance changes for county offices of education.

Charter School Growth. The Proposed 2017-18 State Budget includes an increase of $93 million Proposition 98 General Fund to support projected charter school average daily attendance growth.

Special Education. The Proposed 2017-18 State Budget includes a decrease of $4.9 million Proposition 98 General Fund to reflect a projected decrease in special education average daily attendance.

Local Property Tax Adjustments. The Proposed 2017-18 State Budget includes a decrease of $922.7 million in Proposition 98 General Fund for school districts and county offices of education in 2017-18 as a result of increased offsetting local property tax revenues.

School District Average Daily Attendance. The Proposed 2017-18 State Budget includes a decrease of $63.1 million in fiscal year 2017-18 for school districts as a result of a projected decline in average daily attendance.

Cost-of-Living Adjustments. The Proposed 2017-18 State Budget includes an increase of $58.1 million Proposition 98 General Fund to support a 1.48-percent cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program.

California Clean Energy Jobs Act. The California Clean Energy Jobs Act of 2012 increases state corporate tax revenues, and requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency for fiscal years 2013-14 through 2017-18. The Proposed 2017-18 State Budget includes $422.9 million to support school district and charter school energy efficiency projects.

Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The Proposed 2017-18 State Budget includes $10.1 million to support investments aimed truancy and dropout prevention among K-12 public school pupils.

Proposition 56. Proposition 56 (2016) requires a portion of the revenues from the increased cigarette tax and the tax on other tobacco products to be used for school programs that prevent and reduce the use of tobacco and nicotine products by youths. The Proposed 2017-18 State Budget includes $29.9 million to support tobacco and nicotine prevention and reduction programs at K-12 schools.

Kindergarten Through Community College Public Education Facilities Bond Act. The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 authorized $7 billion in State general obligation bonds for K-12 schools. The Proposed 2017-18 State Budget states that the Governor will support the expenditures of Proposition 51 funds after, among other things, legislation is approved regarding bond expenditures audit requirements and the State Allocation Board and Office of Public School Construction revise policies and regulations for school participants that request funding through the school facilities program.

The complete Proposed 2017-18 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of 2017-18 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2017-18 Proposed State Budget entitled "The 2017-18 Budget: Overview of the Governor's Budget" on January 13, 2017 (the "2017-18 Proposed Budget Overview"). In the 2017-18 Proposed Budget Overview, the LAO challenges the Governor's revenue projections with regard to personal income tax revenues as being far too low. While the LAO admits that the Governor's estimated 3.3% personal income tax growth rate is possible, the LAO points out that it is inconsistent with other aspects of the administration's economic outlook, which predicts stock price growth for several years after 2016. By the May revision of the budget, the LAO predicts that the budget will change and reflect considerably more revenue since the State will have more information on its fiscal condition. The LAO also points out that the Governor's budget proposal assumes no major changes in federal policy, which the LAO notes is a reasonable assumption given that at this point, there is no way of knowing precisely what actions the new Congress and President will pursue. The LAO explains that there may be some near-term benefit to state tax revenues based on changes in federal tax policies, but states that other possible federal policy changes, however, could affect the economy, reduce federal funding, and/or increase state costs substantially in future years—especially potential changes in federal health care programs.

With respect to the Proposition 98 budget plan in the 2017-18 Proposed State Budget, the LAO expects that the minimum guarantee for fiscal year 2015-16 will remain unchanged while the fiscal year 2016-17 minimum guarantee could be revised more substantially. In light of the higher revenue that the LAO expects in fiscal year 2017-18, the LAO also predicts that the minimum guarantee for fiscal year 2017-18 will be higher.

As discussed in the 2017-18 Proposed Budget Overview, the largest ongoing budget proposal is a $744 million augmentation to LCFF. According to the LAO, the proposed augmentation is approximately equal to the cost of applying the statutory 1.48% cost-of-living adjustment. The LAO reports that the Governor estimates that LCFF would be 96% funded in fiscal year 2017-18—about the same percentage as fiscal year 2016-17. Under this proposal, school districts would receive 13 months of payments in fiscal year 2017-18, which includes 12 normal monthly LCFF payments plus a one-time payment of $859 million related to the prior-year deferral. The LAO notes that the Governor's proposed budget also includes new community college funding—about half of which is for apportionments, and the remainder is for mainly one-time payments for categorical programs. The 2017-18 Proposed Budget Overview provides that the Governor's budget plan includes $600 million in additional Proposition 98 related funding, including (1) $287 million for the K-12 mandates backlog, (2) $200 million for the Career Technical Education Incentive Grant program, (3) $44 million for deferred maintenance at the community colleges, and (4) $70 million for fund swaps (using one-time payments to support ongoing programs).

The Governor's budget roughly balances new ongoing and one-time Proposition 98 spending in fiscal year 2017-18. Regardless of the exact level of the fiscal year 2017-18 minimum guarantee, the LAO recommends that the Legislature adopt a final budget plan that continues to rely on a mix of ongoing and one-time spending. Under the LAO's advised approach, the Legislature could dedicate a portion of any additional increases in the minimum guarantee to LCFF and California Community College apportionments while using the remainder for one-time payments to reduce or eliminate the K-12 mandates backlog. The LAO cautions that a stronger fiscal year 2017-18 does not necessarily imply a strong fiscal year 2018-19, and by setting aside some funding for one-time purposes, the state would be better positioned to accommodate a drop in the fiscal year 2018-19 minimum guarantee without needing to make cuts to LCFF or community college apportionments.

The 2017-18 Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2017-18 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2017-18 State budget from the 2017-18 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2017-18 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2017-18 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2016-17 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years – such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Future Budgets and Budgetary Actions. The Borrower and the Authority cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the Borrower's and the Authority's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the Lessee.

Allocation of State Funding to Charter Schools

General Purpose Entitlement. Under the Charter School Law, each charter school is calculated to have a "general purpose entitlement," which has in the past been based on the statewide average amount of State aid, local property taxes and other revenue received by school districts of similar type and serving similar pupil populations. The general purpose entitlement is calculated on a per student basis at each of four grade level ranges (grades K-3, grades 4-5, grades 6-8, and grades 9-12) and is multiplied by the charter school's Average Daily Attendance ("ADA") in each grade level range.

Each charter school's general purpose entitlement is funded from local funding in lieu of property taxes and, to the extent such funding is insufficient to fulfill the entire entitlement, from money appropriated by the State from the State's general fund for education. The local share, which must be transferred in monthly installments to the charter school by the sponsoring local educational agency in lieu of property taxes, is the average amount of property taxes per ADA received by the district, including charter school students, multiplied by the charter school's ADA.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), which was enacted in connection with the State Budget Act for Fiscal Year 2013-14, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

Funding. The primary component of AB 97, as modified by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. Under the LCFF, State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans (identical to the grade spans previously used for charter school funding). Each Base Grant is subject to certain adjustments and add-ons, as discussed below. The Department of Finance's projections indicate that the LCFF will be fully funded by the Fiscal Year ending June 30, 2021. Beginning in fiscal year 2013-14, an annual transition adjustment is calculated for each charter school, equal to such charter school's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, charter schools will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of the charter school' respective funding gaps.

The LCFF includes the following components:

- A Base Grant for each local education agency. The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2016-17, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,820 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,189 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,403 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$8,801 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 50% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Under the new formula, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Pursuant to the LCFF, each local education agency ("LEA") is required to, among other things show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school. Accordingly, the LCFF includes an adjustment to the Base Grant for kindergarten through grade 3 of approximately 10.4% in order to cover the costs associated with class size reduction. In addition, the LCFF includes an adjustment to the Base Grant for grades 9 through 12 of approximately 2.6% in order to cover the costs of, among other things, providing career technical education.

Charter schools that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. Based on the ADA of the given demographic classification, charter schools and school districts are eligible to receive a 20% supplemental grant (the "Supplemental Grant") for students classified as EL students, students eligible to receive a free or reduced price meal ("FRPM"), and students classified as foster youth. The State expects the Supplemental Grants to reflect the additional costs associated with the education of EL, FRPM and LI students. In addition, charter schools and school districts are eligible to receive a concentration grant (the "Concentration Grant") if such charter school or school district has a significant concentration of students classified as EL, FRPM or LI. The LCFF uses an unduplicated student count to determine the amount of the Supplemental Grant and Concentration Grant authorized for a charter school or school district. A charter school or school district may only count a student one time if such student classified in more than one of the categories EL, FRPM and LI. In the event the percentage of EL or LI students exceeds 55% of the total enrollment of such charter school or school district, as applicable, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district's adjusted Base Grant for each EL or LI student above the 55% threshold.

For certain charter schools that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the general purpose funding such charter schools would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such charter schools in the same year. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF.

The sum of a school district's or charter school's adjusted Base, Supplemental and Concentration Grants will be multiplied by (i) the school district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts) or (ii) the charter school's current year ADA. This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield the total LCFF allocation. Generally, the amount of annual State apportionments received by a school district or charter school will amount to the difference between such total LCFF allocation and such entity's share of applicable local property taxes. Most school districts and charter schools receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts and charter schools.

Accountability. In November 2014, the SBE adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts and charter schools increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts and charter schools are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. Charter school LCAPs are required to be included in charter petitions and updated annually. School district LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter.

Categorical Funding. In addition, each charter school has been entitled to a "categorical block grant." School districts must qualify for categorical aid on the basis of the actual number of students in attendance who qualify for one or more special programs, and may only spend the aid for the restricted purposes of the program. Charter school students do not need to qualify individually for each program of certain categorical aid. Instead, a charter school "categorical block grant" is computed annually. Categorical block grant funding may be used for any purpose determined by the charter school. In addition, charter schools may apply for and receive separate categorical funds for many programs that are not included in the block grants, if otherwise eligible, but may not receive aid for programs exclusively or almost exclusively provided by a county office of education.

Lottery Funding. Charter schools receive funding from the State Lottery Fund, which receives all proceeds from, among other sources, the sale of lottery tickets. Lottery funding is allocated to charter schools per unit of ADA. Lottery funds are distributed quarterly by the State Controller's Office. Funding is based on annual average ADA. Lottery funds are identified as either "Proposition 20" funds or "non-Proposition 20" funds. Proposition 20 lottery funds may only be used to purchase instructional materials. Non-Proposition 20 lottery funds are unrestricted, except that they may not be used for acquisition of property, construction of facilities, financing of research, or for other non-instructional purposes. Lottery funding is not included in the charter school categorical block grant.

SB 740 Facilities Grant Program Funding. Charter schools that meet certain criteria are eligible to receive up to $750 per unit of ADA to reimburse an amount up to 75% of their annual facilities rent and lease costs from amounts appropriated under the annual Budget Act (and, if insufficient amounts are appropriated, then on a pro-rata basis) pursuant to the Charter School Facility Grant Program established under Senate Bill 740 (2001) ("SB 740"). Assembly Bill 104 (2015) amended the provisions of the Education Code modified by SB 740 such that eligibility requires (i) 55% or more of the charter school's students must be eligible for free or reduced cost meals, or (ii) the charter school must be located in the attendance area of a public elementary school in which 55% or more of students are eligible for free or reduced cost meals and (iii) the charter school gives a preference in admissions to students who are currently enrolled in that public elementary school and to students who reside in the elementary school attendance area where the charter school is located. SB 740 facilities funding may be used for costs associated with facilities rents and leases, and for costs associated with remodeling buildings, deferred maintenance, installing or extending service systems and other built-in equipment, and improving sites. SB 740 facilities funding is not included in the charter school categorical block grant. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE AND THE SCHOOL – THE SCHOOL – Enrollment, Attendance and Student Retention – SB 740 Funding for the Schools" for information regarding SB 740 and the Schools.

While it is the intent of the Legislature to appropriate funds sufficient to fund all grant amounts approved under the Program, the Program is subject to the annual Budget Act. In the event insufficient funds are appropriated, the available funds are apportioned on a pro rata basis. In addition to the risk of underfunding, should there be any changes to the free and reduced-price meal eligibility data the amount of grant funds, which is awarded in three disbursements, may be adjusted (or a reimbursement notice provided).

The following tables describe ADA-based state funding of California charter school education for Fiscal Years 2012-13 through 2016-17:

STATE FUNDING OF CHARTER SCHOOL EDUCATION
Fiscal Year 2012-13
(Dollars per unit of ADA)

	Grades			
	K-3	**4-6**	**7-8**	**9-12**
General Purpose Entitlement	$5,076	$5,153	$5,308	$6,141
Categorical Block Grant	412	412	412	412
Lottery[2]	150	150	150	150
Total[1]	$5,674	$5,755	$5,911	$5,752

STATE FUNDING OF CHARTER SCHOOL EDUCATION
Fiscal Year 2013-14
(Dollars per unit of ADA)

	Grades			
	K-3	**4-6**	**7-8**	**9-12**
Target LCFF Base Grant	$6,952	$7,056	$7,266	$8,149
CTE/CSR Add-ons	723	--	--	219
Lottery[2]	154	154	154	154
Total	$7,829	$7,210	$7,420	$8,522

STATE FUNDING OF CHARTER SCHOOL EDUCATION
Fiscal Year 2014-15
(Dollars per unit of ADA)

	Grades			
	K-3	**4-6**	**7-8**	**9-12**
Target LCFF Base Grant	$7,011	$7,116	$7,328	$8,490
CTE/CSR Add-ons	729	--	--	221
Lottery[2]	162	162	162	162
Total	$7,902	$7,278	$7,490	$8,873

STATE FUNDING OF CHARTER SCHOOL EDUCATION
Fiscal Year 2015-16
(Dollars per unit of ADA)

	Grades			
	K-3	**4-6**	**7-8**	**9-12**
Target LCFF Base Grant	$7,083	$7,189	$7,403	$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery[2]	195	195	195	195
Total	$8,015	$7,384	$7,598	$8,995

STATE FUNDING OF CHARTER SCHOOL EDUCATION
Fiscal Year 2016-17[3]
(Dollars per unit of ADA)

	Grades			
	K-3	**4-6**	**7-8**	**9-12**
Target LCFF Base Grant	$7,083	$7,189	$7,403	$8,578
CTE/CSR Add-ons	737	--	--	223
Lottery[2]	189	189	189	189
Total[3]	$8,009	$7,378	$7,592	$8,990

(1) Excludes Special Education, Nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind, Class Size Reduction, Supplemental Instruction, Economic Impact Aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.
(2) Estimated.
(3) The Fiscal Year 2016-17 funding amounts are preliminary, used for initial budgeting purposes in general. For specific projections with respect to the School, see "APPENDIX A—CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS – The School – Projected Income" attached hereto.

Sources: California Charter Schools Association; California Department of Education.

Appendix A

CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS

APPENDIX A

CERTAIN INFORMATION REGARDING THE PROJECT, MERF, THE CORPORATION, AND THE SCHOOLS

The information in this Appendix A has been compiled from information provided by representatives of Magnolia Educational & Research Foundation, and has not been independently confirmed or verified by either the Underwriter, Financial Advisor or the Authority. Capitalized terms used but not separately defined herein shall have the meanings given thereto in this Limited Offering Memorandum, including Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL BOND DOCUMENTS."

GENERAL INFORMATION

Magnolia Educational & Research Foundation

History. In 1998, the Magnolia Educational & Research Foundation ("MERF") began its first project of providing volunteer tutors for middle and high school students, especially for math, science and computer technology assistance, utilizing its connections to major research universities throughout southern California. In 1999, MERF organized and implemented a joint program with the Culver City Unified School District to provide tutoring for district students. It also started a free tutoring program in the Sherman Oaks/Van Nuys Area of the San Fernando Valley. These programs resulted from cooperative partnerships with school districts to support educational initiatives.

In the fall of 2002, MERF established its first charter school, Magnolia Science Academy (also known as Magnolia Science Academy 1 ("MSA-1")), in the San Fernando Valley of southern California. Since then, MERF has grown in size and sophistication, establishing ten other charter schools in the State of California (the "State"), while maintaining the goal of providing an innovative, high-quality education to students. See Table A-1 for information about the locations and charter renewal status of the existing schools.

Organization. MERF operates as a non-profit charter management organization headquartered in Los Angeles, California, that operates a network of charter schools throughout the State, including MSA-1, Magnolia Science Academy-San Diego ("MSA-SD"), and Magnolia Science Academy-Santa Ana ("MSA-SA"). MERF currently operates ten charter schools (collectively, the "Magnolia Schools"). While each school has its own charter, MERF operates all Magnolia Schools as a single California nonprofit corporation, and all faculty and staff of the Magnolia Schools are employees of MERF. MERF was incorporated on August 28, 1997 as an organization described under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

MERF is dedicated to inspiring students to choose career paths in science, technology, engineering and math ("STEM"), while providing a robust, standards-based education program within a supportive culture that strives toward excellence. MERF's "culture of excellence" is based on core values, the cultivation of college aspirations, and a dedicated, highly trained faculty that implements a comprehensive educational approach. Its four-part educational model includes (1) technology integration across all subject areas, (2) advanced studies for selected students, (3) proactive and personalized academic guidance, and (4) data-driven instruction based on analysis of student performance, all in support of a standards-based educational program.

MERF's central office (the "central office") executes the decisions and policies set by the Board of Directors of MERF (the "Board") and manages business operations in MERF's schools. The responsibilities of the central office include overseeing operations for compliance with charter agreements, hiring school principals, managing payroll, purchasing, budgeting and auditing, community outreach, public relations, data management, information technology and facilities, and serving as a point of contact for the chartering agency. MERF employs ___ employees, including ___ teachers, ____ administrators, and ___ staff. All staff and faculty of MSA-1, MSA-SD, and MSA-SA, as well as those of the other Magnolia School, are employees of MERF.

Magnolia Properties Management, Inc.

Magnolia Properties Management, Inc. (the "Corporation") is a single purpose entity formed for the sole purpose of acquiring and owning the Facilities. The Corporation was formed in 2012 and in the same year received a determination letter from the Internal Revenue Service recognizing it as exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986 (the "Code") as an organization described in Section 501(c)(3) of the Code. The Corporation provides property development and maintenance services for schools operated by MERF and was formed as a supporting organization for MERF. The Corporation is governed by a three-member board of directors. All staff of the Corporation are employees of MERF. The Corporation has no significant assets other than the Facility and is not expected to accumulate any. It also has no operating experience. Therefore, no financial information regarding the Corporation is provided in this Limited Offering Memorandum. See "MAGNOLIA PROPERTIES MANAGEMENT, INC." herein.

MAGNOLIA PROPERTIES MANAGEMENT, INC.

Board of Directors and Key Directors/Management

Board of Directors. The current members of the Board of Directors of the Corporation are set forth in the following table.

Name	Position	Beginning of Current Term	End of Current Term
Mr. Serdar Orazo	Director	November 12, 2015	November 11, 2020
Mr. John Helgeson	Director	November 12, 2015	November 11, 2020
Mr. Johnathan Williams	Director	November 12, 2015	November 11, 2020

Brief biographical information about the members of the Board follows below.

Serdar Orazov, Director. Mr. Orazov is the Controller of the Church Divinity School of the Pacific (Graduate School) in Berkeley, California. He has more than ten years of experience in finance and operations in the private and public sector. He has served MERF as a Business Manager and Senior Accountant for six years. He holds a Master of Business Administration from Moscow Aviation Institute (State Technical University) in the field of Finance and Accounting and a Bachelor of Science degree in textile engineering from International University in Ashgabat, Turkmenistan. He has more than nine years of experience in non-profit accounting and finance, with charter schools comprising the majority of his experience.

John Helgeson, Director. Mr. Helgenson is the Executive Vice President of Strategic Planning and Growth of the Learn 4 Life Concept charter schools. He has more than twenty years in private and public school development and finance, having been a co-Founder of Charter School Capital, Inc. in 2004 after serving in development officer roles for the University of Southern California and the Webb School. He earned his Bachelor of Arts in Political Economy from the University of California, Berkeley.

Johnathan Williams, Director. Mr. Williams is the Chief Executive Officer/Co-Founder of The Accelerated School. During his distinguished career in education, he has served as a Commissioner of the Los Angeles City Recreation and Parks Commission, a Board Member of the California State Board of Education, and a founding Board Member of the California Charter Schools Association. He earned his Bachelor of Arts in _________ and teaching credential from the University of California, Los Angeles.

Key Directors/Management. The current officers of the Corporation are set forth in the following table.

Name	Position
Dr. Caprice Young	Chief Executive Officer
Mr. Serdar Orazov	Treasurer
Ms. Nanie Montijo	Chief Financial Officer

See "MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION – Management Team" for biographical information relating to the current officers of the Corporation.

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION

MERF Board of Directors

The Board of MERF currently consists of nine members. The Board establishes broad policies to implement the mission of MERF and its schools, including MSA-1, MSA-SD, and MSA-SA. The policies adopted by the Board influence school operations such as educational program development, after-school programs, financial planning, staffing, benefits, compensation, and conditions for student suspension or expulsion.

The following table sets forth the members of the Board of MERF.

Name	Position	Beginning of Current Term	End of Current Term
Ms. Noel Russell-Unterburger	President	October 11, 2012	October 10, 2017
Dr. Umit Yapanel	Secretary	October 11, 2012	October 10, 2017
Mr. Serdar Orazo	Treasurer	September 10, 2015	September 9, 2020
Dr. Saken Sherkanov	Director	December 12, 2013	December 11, 2018
Mr. Nguyen Huynh	Director	March 12, 2015	October 10, 2017
Dr. Salih Dikbas	Director	April 21, 2016	December 10, 2019
Ms. Diane Gonzalez	Director	December 11, 2014	December 10, 2019
Dr. Remzi Oten	Director	March 12, 2015	March 11, 2020
Rabbi Beliak	Director	February 9, 2017	February 8, 2022

Brief biographical information about the members of the Board follows below.

Noel Russel-Uterburger, President. Ms. Russel-Uterburger is a Director and serves as President of the Board of MERF. Ms. Russel-Uterburger is an executive-level accounting professional with more than 18 years of financial management, leadership and advisory experience and expertise. Her responsibilities include oversight of accounting and finance operations, best practices, ongoing cash flow and budgeting, and financial planning and analysis. In addition to accounting and finance oversight, Ms. Russel-Uterburger offers comprehensive management, internal control and strategic advice to executive management. She has previously held various positions in the nonprofit sector, including as chief financial officer, comptroller and management accounting, and has served as an accounting director in manufacturing and served as a senior financial analyst in banking. Ms. Russel-Uterburger serves as the financial advisor on the board of directors for the Powell Academy, which is currently seeking charter status, and Dr. Theodore T. Alexander, Jr. Science Center, a charter school within LAUSD (defined herein). Ms. Russel-Uterburger holds as an Associate degree in Accounting from Santa Monica College and a Bachelor of Science degree in Business Management from Pepperdine University, Graziadio School of Business & Management.

Umit Yapanel, Ph.D., Secretary. Dr. Yapanel is a Director and serves as Secretary of the Board of MERF. Dr. Yapanel is a Senior Algorithm Developer for Automatic Speech Recognition (ASR) Audience, Inc. During the spring of 2010, he served as an adjunct faculty at the University of Colorado at Boulder, Department of Electrical, Computer and Energy Engineering and taught Digital Signal Processing classes to graduate and undergraduate students. Previously, Dr. Yapanel worked as a Speech Technology Engineer at a high-tech company focused on inventing language monitoring systems for children and on early detection of delay and deficiencies related to infants' language development, and spent two summers at IBM's TJ Watson Research Center in New York. Dr. Yapanel holds a Bachelor of Science in Electronics and Communications, a Master of Science in Communications Engineering and a Master of Science in Electrical and Computer Engineering, as well as a degree in Automatic Speech Recognition from the University of Colorado at Boulder. From 2003 through 2007, Dr. Yapanel served as a founding board member at Lotus School for Excellence, a charter school in Aurora, Colorado.

Serdar Orazo, Treasurer. Mr. Orazov serves as a Director on the Board of MERF. Mr. Orazov is the Controller of the Church Divinity School of the Pacific (Graduate School) in Berkeley, California. He has more than ten years of experience in finance and operations in the private and public sector. He has served MERF as a Business Manager and Senior Accountant for six years. He holds a Master of Business Administration from Moscow Aviation Institute (State Technical University) in the field of Finance and Accounting and a Bachelor of Science degree in textile engineering from International University in Ashgabat, Turkmenistan. He has more than nine years of experience in non-profit accounting and finance, with charter schools comprising the majority of his experience.

Saken Sherkhanov, Director. Mr. Sherkhanov is a Director and serves as Secretary of the Board of MERF. Mr. Sherkhanov received his Bachelor of Science degree in biology from California Institute of Technology in 2003. Upon completion of his undergraduate study, he joined MSA-1 as a physical science and biology teacher. During his five-year tenure at MERF, he helped to develop the curriculum and adaptive assessment programs for the Physical and Life Sciences courses, introduced advanced math, science and engineering programs, and initiated an Advancement Placement program in multiple schools. Currently, Mr. Sherkhanov is attending a Ph.D. program at the University of California, Los Angeles in the Chemistry & Biochemistry Department.

Mr. Nguyen Huynh, Director. Mr. Huynh joined GATES Capital Corporation in 2002. Prior to the GATES Capital Corporation, Mr. Huynh worked in the Municipal Finance Department of Goldman, Sachs & Co. where he was responsible for the structuring and execution of financings for infrastructure, airport and higher education clients. Mr. Huynh started his career as a financial analyst for the New York City Municipal Water Finance Authority where he assisted with the issuance of water and wastewater revenue bonds and operation of a commercial paper program. Mr. Huynh received his Master in Public Policy with a concentration in International Trade and Finance from Harvard University and a Bachelor of Arts in Political Economy from the University of California at Berkeley. He currently holds FINRA Series 7, Series 3, and Series 63 licenses.

Dr. Salih Dikbas, Director. Dr. Dikbas joined Qualcomm Inc. in 2013 as a Staff Engineer. Prior to joining Qualcomm Inc., Dr. Dikbas was a System Engineer for Texas Instruments Inc. and helped develop a frame noise algorithm. In addition, he co-authored Texas Instrument's proposal for a next-generation video standard. Dr. Dikbas received his degree from Middle East Technical University, a Master of Science degree from Clemson University and a Ph.D. from Georgia Institute of Technology.

Ms. Diane Gonzalez, Director. Ms. Gonzaelz has served as a Community Outreach Coordinator for the United States Department of Justice since 1964. In addition to her many community service volunteer roles, Ms. Gonzalez has served on the Law Enforcement Torch Run Council for Special Olympics Southern California since 1988.

Dr. Remzi Oten, Director. Dr. Remzi Oten is an entrepreneur and founder of several companies including Sena Cases, a copy which was acquired by Targus Inc. in 2012. After the acquisition of Sena Cases, Dr. Oten continued his role as the President and Chief Executive Officer of Sena Cases. Dr. Oten is also a Senior Vice President in Targus Group International. Dr. Oten received his Ph.D. degree in electrical and computer engineering from University of California at Irvine, in 2000. Since 1997, he has worked in research and development in various technology companies of different sizes in the imaging industry. Between 2005 and 2008, Dr. Oten was part of a start-up core team at Newport Imaging Corp. At Newport Imaging Corp., he has managed the research and development team that developed an innovative multi-sensor CMOS camera.

Rabbi Beliak, Director. Rabbi Beliak pursued his higher education at Claremont Graduate University specializing in Cairo Genizah.

Management Team

The chief executive officer of MERF is appointed by the Board of Directors to manage the day-to-day operations of MERF. Dr. Caprice Young currently serves as the Chief Executive Officer.

Dr. Caprice Young, Chief Executive Officer. Caprice Young, Ed.D., is the chief executive officer of Magnolia Public Schools. Dr. Young has an extensive history leading school systems, philanthropic, business, governmental and community-based organizations, which are engaged in transformational work. Prior to joining MERF, Dr. Young served as Assistant Deputy Mayor of the City of Los Angeles, a manager in IBM's eBusiness consulting practice, the founding CEO/President of the California Charter Schools Association, CEO/President of KC Distance learning. In addition, Dr. Young has served as the Chief Executive Officer of Inner City Education Foundation Public Schools and Chief Executive Officer/President of EnCorps, a non-profit organization recruiting and training new STEM teachers. Dr. Young earned her doctorate in education from the University of California at Los Angeles, her Master of Public Administration from the University of Southern California and her Bachelor of Arts from Yale University.

Nanie Montijo, Chief Financial Officer. Ms. Montijo has more than 30 years of experience in accounting and finance, including twenty years within the California public school system and government fund accounting. Prior to joining MERF, Ms. Montijo served as a consultant with FCMAT (defined herein). Ms. Montijo has served as the Director of Fiscal Services for several school districts including Centinela Valley Union High School District, El Monte Union High School District, Sweetwater Union High School District, Puget Sound Education Service District, and San Bernardino City Unified School District. Ms. Montijo holds a Bachelor's degree in accounting and is a certified public accountant.

Kenya Jackson, Chief Academic Officer. Kenya Jackson has more than fifteen years of experience teaching and leading in public and charter schools in New York City and Los Angeles. She is a Teach for America Alumna and a UNCF Mellon Fellow. She is currently an America Achieves Fellow.

Her extensive work as a charter school principal in south Los Angeles is published in "The Urban Challenge in Education: The Story of Charter School Successes in Los Angeles" by Joseph Scollo, Dona Stevens, Ellen Pomella. Additionally, her work with respect to personalized literacy, online learning and closing the belief gap has been featured on several websites, including Edutopia.org and Smartblogs.com. Ms. Jackson graduated from Dillard University with a Bachelor of Arts in English and received Masters of Science degree in Secondary Education from Pace University.

Alfredo Rubalcava, Chief External Officer. Mr. Rubalcava brings a well-rounded perspective from his prior work with MERF as a previous Magnolia Public Schools Teacher and Athletic Director at MSA-1 and Dean of Students and Principal Magnolia Science Academy 8 (Bell). Mr. Rubalcava holds a Bachelor of Science in Kinesiology with an emphasis in Physical Education from California State University of Northridge.

David Yilmaz, Chief Accountability Officer. Mr. Yilmaz pursued his undergraduate study in the Electrical & Electronics Engineering Department at Bilkent University, Turkey, and graduated with high honors. He has published journal articles and conference papers in the areas of image processing and circuit simulation, and has developed mathematical software modules for Cadence, a world-known electronic circuit design and simulation company. Mr. Yilmaz has taught computer programming classes to undergraduates at UCI, Microsoft Office applications for the City of Fountain Valley as a volunteer, and SAT Math classes at private organizations. Holding clear teaching credential in both math and science fields, Mr. Yilmaz served as a teacher, dean of academics, and principal at three different campuses of Magnolia Public Schools for ten years. Mr. Yilmaz now serves as the Chief Academic Officer coordinating curriculum and instruction, charter renewal, accreditation, and other accountability measures at MPS. Mr. Yilmaz's experience within MERF has ranged from Teacher (math, science, computer) for 6 years (MSA-1 & MSA-SD), Dean of Academics for 2 years (MSA-SD), Principal for 3.5 years (MSA-SD & PTS-Santa Ana), Chief Academic & Accountability Officer for 2.5 years (MPS Home Office), and Director of Accountability for 1 year (MPS Home Office). Mr. Yilma holds a Master of Arts in School Leadership from California State University, Dominguez Hills, a Master of Science in Electrical & Computer Engineering from University of California, Irvine, a Clear Single Subject Teaching Credential in Mathematics and Science: Physics and an Administrative Services Credential.

Erdinc Acar, Regional Director – South. Mr. Acar is an accomplished and forward-thinking educator with more than fifteen years of leadership in developing and implementing leading-edge programs and services that align with mission and vision of educational institutions. He has an outstanding record of improving processes by adapting and applying aspects of STEAM Education in school systems, through comprehensive research, strategic evaluation and effective presentations of best practices in curricula, programs, tools and technologies. He has pioneered establishment of state-of- the-art online learning programs and professional development portals for academic advancement, combined with directing formative assessment and performance-based programs. He has served in top school level administrative positions in Nevada and California for over a decade. His professional licenses include: Clear Administrative Services Credential, CA; General Science Teaching Credential, CA School Administrator CE, NJ; Physical Science Teacher, CEAS, NJ; Administrator, School License, NV Physical Science Teacher License, NV. He holds the following degrees: Master of Education, Educational Leadership, University of Nevada, Reno; Master of Education, Science Education, Rutgers University, New Brunswick; and Bachelor of Science, Teaching Physics.

Suat Acar, Chief Operating Officer and Regional Director – North. Mr. Acar started his educational career as a math teacher and taught all types of math for 11 years. Subsequently, Mr. Acar became a school administrator in Arizona. He served as a principal from various traditional public schools and charter schools, including Principal at a Magnolia Public School and Principal at the Sonora Schools in the Phoenix Arizona area. Mr. Acar has a Bachelor of Arts in Economics from Bosphorus University in

Instanbul, Turkey and a Master's in Education in Educational Leadership with principal credential from Arizona State University. Mr. Acar is presently enrolled in a doctoral program in educational leadership and administration at California State University, Northridge.

Terri Boatman, Chief Human Resources Officer. Ms. Boatman has significant experience and consummate achievements building multiple best-in-class organizations in diverse industries operating over multiple jurisdictions and globally. Ms. Boatman prides herself on being a proactive change agent that spends time in the employee environment encouraging learning and career development whose award winning and innovative "people strategy" has directly contributed to revenue growth and branding. Throughout her career, Ms. Boatman has gained valuable human resources experience in fields such as employee/labor relations, organizational design, benefits, mergers & acquisitions, compensation, worker's comp management and health and safety. Ms. Boatman spent most of her career working with Fortune 500 companies including subsidiaries of Alcoa and Citigroup. Most recently, she was the Senior Human Resources Manager for Republic Services in the Los Angeles area. Ms. Boatman holds a Bachelor of Arts and Science degree from Oglethrope University in Atlanta, Georgia

Academic Mission

The heart of the mission of each school is to provide a solid academic foundation in the core subject areas through implementation of a rigorous, yet motivating and exciting curriculum. MERF seeks to:

- Enable students to become self-motivated, competent, and lifelong learners.
- Provide challenging and engaging curriculum with carefully selected standards-based teaching materials and state-of-the-art equipment implemented by highly qualified teachers.
- Create a supportive and caring environment with small class sizes and strong student-parent-teacher communication.
- Improve students' knowledge and skills in core subjects, thereby increasing their chances of success in higher education and beyond.
- Establish intensive enrichment programs for both high and low achieving students.
- Enable students to think objectively and critically, respect truth, and be socially responsible.
- Prepare students to be conscientious and productive citizens.
- Prepare them to become responsible, educated citizens who have the skills and understanding to participate and work productively in a diverse, multicultural community.
- Enable literacy in math, science, and technology, self-motivated life-long learners equipped with communication and presentation skills indispensable for the technologically oriented global environment of the 21st century.
- Provide a standards-based curriculum with emphasis on math, science, and technology, supported by state-of-the-art science and computer labs.
- Provide academic and recreational after-school activities with the aim of enabling students to attain a healthy body, a healthy mind and the disciplinary and behavioral standards necessary for their future endeavors.
- Provide opportunities for parental involvement.

Curriculum and Instruction

General. MERF's educational program specifically emphasizes science, technology, engineering and math (STEM) education. While the curriculum concentrates on STEM, it also provides a solid instruction in humanities and social sciences in order to provide a comprehensive education. At the core of the curriculum is the notion that writing serves as an important vehicle for learning in all subject areas.

Thus, at each Magnolia School, students in all classes write frequently about what they have learned, thereby reinforcing learning and enhancing understanding. Another significant feature of the curriculum is the emphasis on collaborative learning.

- *Math.* Math courses provide a comprehensive scope and sequence in an effort to address the diverse skills, interests and backgrounds of all learners. Students are assessed for their current knowledge and skill level and placed in an appropriate class. Those with little math background in mathematics are supported with remediation and intervention. Students with a strong background are provided with enrichment opportunities. These students also have the opportunity to participate in the Advanced Math and Science Program ("AMSP") which challenges qualifying students by preparing them for various levels of competitions from regional to state to international in math, science, and computers. Students can further reinforce the material they learned in math through Technology Integrated Education ("TIE") courses.

- *Science.* The science curriculum immerses students in the scientific method and encourages them to use applicable technology, to plan and organize projects, hypothesize, analyze data, and draw conclusions from tests they create. Using this method, MERF believes, will give its students, who accumulate experience applying scientific inquiry and reasoning to real-world problems in the classroom a clear advantage when they are exposed as adults to questions requiring a similar thought and reasoning process. In keeping with the math, science and technology emphasis at the School, advanced courses are offered to spur interest and prepare students for STEM-related fields. Science classes employ technology in laboratory explorations and experimentation. Computer simulations assist in expanding the number of lab opportunities in all grade levels.

- *Language Arts.* The language arts curriculum is literature-based with fluency practice in reading and writing. Conventions of writing are emphasized in daily written homework and lab assignments. The curriculum incorporates a period of sustained silent reading as part of the daily curriculum. Accelerated Reader by Renaissance Learning is used to make essential reading practice more effective for every student and personalize reading practice to each student's current level.

- *Social Science.* The social science courses use inquiry-based research topics involving real-world problems, with a focus on local current events, history and culture. In accord with the National Council for the Social Studies, the School's social studies programs prepare students to identify, understand, and work to solve the challenges facing the nation in an increasingly interdependent world. Education for citizenship is intended to help students acquire and learn to use certain skills, knowledge, and attitudes to prepare them to be competent and responsible citizens throughout their lives, to aim to participate in their communities, be involved politically, and exhibit moral and civic virtues.

- *Art, Music and Technology.* The arts are an important part of the curriculum. Specialized art, music and technology courses will be offered for students at both the middle and high school levels. Study of the arts will be enhanced by their integration into lesson plans in other subjects, such as: The Physics of Sound and Music, The Art of Fractals and Snowflakes, Design Elements in Art (analysis of Marc Chagall's work in technology courses), Design on the Frontier (simulated quilt construction in an eighth grade American History course), Japanese Papermaking and Kite Design (World History and Cultures), and streamline and deco design, as used in automobile styling, and film robots described in science fiction literature (as part of the technology and robotics lab). The School's goal is to immerse its students in culture and diversity through daily discussion, projects and guest speaker presentation.

Middle School Curriculum. Middle school students are required to take core courses in mathematics, science, English-language arts and history-social science. In addition, students are required to take courses in computers and technology, TIE, physical education, visual and performing arts, foreign languages, sustained silent reading and Get Ready For Life ("GRFL").

The GRFL program contains units on Life Skills, Study Skills, Test Taking Skills, Drug Prevention, Environmental Issues, Career Awareness, and Character Development. Each middle grade students attends a GRFL class for one period each week. GRFL themes are integrated into broader school-wide activities including assemblies, field trips, displays, announcements, and the general curriculum. Parents are informed about the topic of the week to cultivate their involvement and support at home.

High School Curriculum. One of the cornerstones of MERF's academic vision is the understanding that science is a central factor in understanding the world around us. As a college-preparatory school, the high schools must consider the various factors that correlate with student success at university, such as high school achievement in advanced science and math courses and writing ability. Consequently, MERF's curriculum emphasizes writing in all classes, including math and science.

The high school curriculum meets all California state minimum course requirements for high school graduation, and the a-g requirements of the University of California system. MERF offers courses in mathematics, science, history-social science, and English-language arts. In addition to these core subjects, students are required to take physical education and foreign language courses. Students who wish to apply for higher education at any college or university are required to take two courses in computers and technology, at least one course in the visual and performing arts, and college preparatory electives.

- *Life Skills.* High school students will be required to take a life skills course which consists of a community service project and soft skills development. Students engage in community service to develop and demonstrate the incorporation of necessary life skills into their academic achievements. Students are required to complete at least one community service project before graduation. Projects are curriculum-related and designed to ensure that students gain "real life" responsibility, caring and respect for the community. Students are required to present the results of their community service projects to parents, teachers, students and other members of the School community.

- *Advanced Math and Science Program ("AMSP").* AMSP is a program for academically high-achieving students. The School prepares participating students to participate in competitions such as the Intel Science Talent Search, the California State Science Fair, and the International Academic Olympiads in Mathematics, Informatics, Physics and Biology.

- *Technology Integrated Education.* Use of multimedia and other technology resources in all classes enable powerful learning situations that aid students in extracting meaning out of complexity. TIE is a unique program to MERF and integrates math, science, social science and language arts classes with technology education in an engaging and comprehensive manner. Students gain an understanding of how computers operate and learn basic skills to successfully use programs such as Microsoft Word, Excel and PowerPoint. They learn how to design websites and effectively use the Internet. Core teachers spend time each week in the computer lab with their students, using the NetSupport School Classroom Management program to enhance the interaction between the students and the teachers.

- *AP Courses.* MERF is committed to increasing the college readiness of its students by offering Advanced Placement ("AP") courses. These courses have been approved by The National Advanced Placement Program by The College Board, based on the quality of the college-preparatory, honors curriculum. Some of the AP courses offered include Biology, Calculus AB, Psychology, Spanish Language, English Language World History, U.S. History and Comparative Government & Politics.

Parent-Student-Teacher Cooperation

MERF works with parents to increase their awareness of the importance of their involvement in their children's education through the following activities:

- *Individualized parent counseling.* Teachers and mentors will be assigned to a small group of students. They will arrange two to four meetings with each parent during the school year to discuss their students' academic achievements.

- *Parent Volunteer Hours.* A voluntary time commitment is requested. There are multiple areas of volunteering available, including classroom teacher support, clerical, site improvements, field trips, and fundraising.

- *One-on-one Meetings.* Schools operated by MERF hold one-on-one meetings with parents of academically low-achieving students to assist the parent in providing support to the student.

- *Small Class Sizes.* The average number of students per class at schools operated by MERF will be 25 in order to guarantee close communication between teacher and student.

- *Sustained Reading Time.* All students, teachers and administrators read for 25 minutes every day during a dedicated time that is part of the structured school day.

- *Online Portal.* MERF uses CoolSIS, an online web portal, to enable parents, students and teachers to communicate more efficiently.

Charter Authorizations

General. MERF currently operates ten schools under 4 different charter authorizers. MERF has completed more than twenty initial charter authorizations and/or renewals with charter authorizers, such as local school districts, county boards of education, and the State Department of Education. A copy of the action of the State or local education agency authorizing each school's charter petition is available upon request to MERF during the underwriting period. To obtain a copy, please contact ______________, Magnolia Educational & Research Foundation, at 250 E. 1st Street, Suite 1500, Los Angeles, California. MERF may impose a fee for copying, mailing and handling.

The following Table A-1 sets forth the location, current authorizer, the year on which the school opened and the years on which a renewal occurred of each of the Magnolia Schools.

Table A-1
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
CHARTER HISTORY

School	Location	Charter Authorizer	Year Opened	Charter Renewals
Magnolia Science Academy 1	18238 Sherman Way Reseda, CA 91335	Los Angeles County Board of Education	2002	2007, 2012
Magnolia Science Academy San Diego	6365 Lake Atlin Ave San Diego, CA 92119	San Diego Unified School District	2005	2008
Magnolia Science Academy-2, Valley	17125 Victory Blvd Van Nuys, CA 91406	Los Angeles County Office of Education	2007	2012
Magnolia Science Academy-3, Carson	1254 East Helmick Street Carson, CA 90746	Los Angeles County Board of Education	2008	2012
Magnolia Science Academy-4, Venice	11330 W Graham Place Los Angeles, CA 90064	Los Angeles Unified School District	2008	2013
Magnolia Science Academy-5, Hollywood	929 N Las Palmas Ave Los Angeles, CA 9003	Los Angeles Unified School District	2008	2013
Magnolia Science Academy-6, Palms	3754 Dunn Dr. Los Angeles CA 90034	Los Angeles Unified School District	2009	2014
Magnolia Science Academy Santa Ana	280 W. 1st Street Santa Ana, CA 92703	California Department of Education	2009	2014
Magnolia Science Academy-7, Van Nuys	18355 Roscoe Boulevard, Northridge, CA 91325	Los Angeles Unified School District	2010	2015
Magnolia Science Academy-8, Bell	6411 Orchard Ave Bell, CA 90201	Los Angeles Unified School District	2010	2015

Source: Magnolia Educational & Research Foundation.

In 2012, the Board of MERF approved the closure of Pacific Technology School, located in Orangevale, California, as a result of the inability of MERF to locate adequate facilities, including a Proposition 39 site. On July 1, 2016, MERF closed its Santa Clara, California location after Magnolia Science Academy Santa Clara after MERF was unable to identify a reasonable facility replacement. The closure, among other things, impacted MERF's finances. In connection therewith, MERF wrote off uncollectable revenue due to MERF from the school district. In addition, MERF believes that all costs associated with closure are being addressed and will be absorbed over time by MERF. MERF does not plan to reopen a school in the City of Santa Clara at this time.

Events Relating to Charter Approvals.

LAUSD Denial of Charter Renewal Petitions (2014). In November 2013, MERF submitted to LAUSD petitions to renew the charters for Magnolia Science Academy 6 ("MSA-6") and Magnolia Science Academy 7 ("MSA-7"). In March 2014, LAUSD granted conditional approval to the charter petitions pending further review of fiscal processes and operations. LAUSD determined that MSA-6 and MSA-7 did not meet the renewal conditions and rescinded the conditional approvals. See " – State Audit of MERF" for information relating to the renewal conditions which LAUSD stated were not satisfied. In response to LAUSD's actions, MERF filed a petition for writ of mandate and complaint for injunctive and declaratory relief in Los Angeles Superior Court to challenge LAUSD's actions.

In November 2014, the LAUSD Board denied a charter renewal petition for Magnolia Science Academy ("MSA-8") based on the same underlying issues which led to the denial of petitions to renew the charters for MSA-6 and MSA-7. In response to LAUSD's actions. MERF amended its petition for writ of mandate to address the denial of MSA-8's charter renewal petition.

In March 2015, MERF and LAUSD entered into a Settlement Agreement (the "Settlement Agreement"), pursuant to which LAUSD agreed to reconsider its actions rescinding the renewal of MSA-6 and MSA-7 and denying the renewal charter petition for MSA-8. Further, LAUSD agreed to renew charters of MSA-6, MSA-7, and MSA-8 and acknowledged that such schools had met the applicable academic renewal criteria set forth in the Education Code. Pursuant to the Settlement Agreement, MERF agreed to terminate a contract with a third-party vendor and modify its governance structure through the use of staggered terms of service for Board members. MERF also agreed to add three members to its Board of Directors. In addition, MERF agreed that it would end its practice of permitting fund transfers between schools and between schools and its central office and authorizing expenditures on immigration fees except for certain existing employees. Further, MERF agreed to be subject to fiscal oversight during fiscal year 2015-16 by the Fiscal Crisis & Management Assistance Team ("FCMAT").

State Audit of MERF (2014-2015). In July 2014, subsequent to LAUSD's denial of the renewal petitions for MSA-6 and MSA-7, State Assemblyman Adrin Nazarian requested the State conduct an audit of MERF. The Joint Legislative Audit Committee approved the proposed audit in August 2014 and an inquiry related to MERF's operations commenced in September 2014. In May 2015, the State Auditor released Report 2014-035 with respect to the Magnolia Science Academies (the "Magnolia Audit"). The Magnolia Audit is available on the website of the State Auditor at https://www.auditor.ca.gov/reports/recommendations/2014-135R. Such website is not incorporated herein by reference and neither the Corporation nor MERF makes any representation as to the accuracy of the information provided therein.

The Magnolia Audit acknowledged that MERF and its schools had been the subject of scrutiny from LAUSD in previous years which led to, among other things, the denial of renewal petitions for MSA-6, MSA-7, and MSA-8. The Magnolia Audit concluded that LAUSD may have acted prematurely when it rescinded the charter renewal petitions submitted by MERF on behalf of MSA-6, MSA-7, and MSA-8. The Magnolia Audit noted that LAUSD based its decision to rescind the three charter renewal petitions on a summary of an outside accounting firm's draft findings, which did not provide sufficient context regarding the financial situation at the schools. Further, LAUSD did not provide sufficient time for MERF to respond to its concerns and did not share the accounting firm's findings with MERF until the charter renewal petitions were denied.

The Magnolia Audit found that, during the prior three years, some of MERF's schools were insolvent due, in part, to funding delays by the State. Nevertheless, the Magnolia Audit recommended that MERF strengthen its financial and management processes. The State Auditor recommended that MERF ensure that each school maintains the minimum required cash reserve, implement procedures relating to the authorization of MERF expenditures and school expenditures, and ensure that staff follow fundraising procedures in its accounting manual. The State Auditor also recommended that MERF continue to develop procedures relating to the reporting of truancy data. In addition, the State Auditor recommended that LAUSD modify its procedures when it considers whether to rescind a charter school's conditional renewed petition. MERF believes that it has continued to make improvements in all aspects of its operations including those areas recommended in the Magnolia Audit.

The Magnolia Audit noted that MERF's expenditures related to the employment of citizens from outside the United States appear to be "lawful and appropriate." However, the State Auditor cautioned that MERF may not have always provided the requisite notifications to the United States Department of Homeland Security with respect to changes in noncitizen employment.

In response to the State Auditor's findings MERF retained a new auditor and educational services prover. In July 2016, the State Auditor confirmed that MERF had fully implemented the recommendations set forth in the Magnolia Audit and remains financially stable.

LAUSD Denial of Charter Petitions (2016). In August 2016, MERF submitted renewal petitions to LAUSD in order operate MSA-1, Magnolia Science Academy-2 ("MSA-2"), and Magnolia Science Academy-3 ("MSA-3") for an additional five year term. Following such submission, LAUSD denied each of the petitions and stated that the schools were unlikely to successfully implement the educational program set forth in the petitions and the petitions did not contain reasonable comprehensive descriptions of the fifteen elements required in a charter school petition. In response to the denial, MERF appealed to LAUSD to reconsider its decision, which MERF stated did not comply with the recommendations set forth in the Magnolia Audit. MERF submitted an appeal of LAUSD's decision to the Los Angeles County Board of Education. Upon review of MERF's petition, the Los Angeles County Board of Education approved the charter renewal petitions for MSA-1, MSA-2, and MSA-3. The term of the current charters for MSA-1, MSA-2, and MSA-3 is scheduled to end on June 30, 2022.

MERF notes that a report from Standard & Poor's Rating Services cautioned that the political environment with regards to charter schools and LAUSD has eroded over the last couple of years. The report speculates that factors such as LAUSD's financial position and decreased enrollment are contributing to the change in relationship between LAUSD and MERF. MERF expects elections to be held for LAUSD's Board of Education in the spring 2017 may significantly improve or worsen this relationship depending on the winning candidates. During 2017-18, MERF expects to submit renewal petitions to LAUSD for Magnolia Science Academy 4 (Westside) and Magnolia Science Academy 4 (Reseda), which are two of MERF's smaller schools. MERF presently expects that LAUSD will decline to renew the charter petitions for such schools. In the event, LAUSD does not approve the charter renewal petitions, MERF plans to appeal the decision to the Los Angeles County Board of Education through the appeal process set forth in the Education Code.

Compliance with the Settlement Agreement. In connection with the Settlement Agreement, MERF agreed to fiscal oversight by the FCMAT and created a finance committee and an audit committee within the MERF Board of Directors. MERF completed the initial FCMAT review, but has retained FCMAT to complete a limited scope review for an additional six month period during the 2016-17 school year.

As of the date hereof, MERF and the LAUSD Office of the Inspector General (the "LAUSD OIG") have not agreed to whether MERF has complied with all terms of the Settlement Agreement. In September 2015, the LAUSD OIG submitted a document request, which MERF believes covers documents that were requested by LAUSD in 2014. MERF is currently cooperating with the LAUSD OIG in connection with its current review of MERF's operations.

The LAUSD OIG has not filed any claims or notices alleging criminal or civil violations of law on the part of MERF or any of its Board members or officials. The Law Offices of Young, Minney & Corr, LLP, MERF's counsel in this matter, has stated to the LAUSD OIG that any matters with respect to MERF's charter petitions were resolved with the execution of the Settlement Agreement and the approval of all parties to the terms thereof.

Inquiry by the California Department of Education. In 2015, the California Department of Education was named in a complaint filed by several residents of the State of California. The complaint was submitted by the law firm, Amsterdam & Associates, which represents, among other entities, the Republic of Turkey. In connection therewith, in August 2015, the California Department of Education requested that MERF provide to it documents similar to those requested by the LAUSD OIG. MERF believes that the complaint contains unfounded claims and unsubstantiated allegations with respect to MERF and its staff, including its staff of Turkish descent. MERF has retained counsel to represent it in these matters and has provided to the California Department of Education's request and provided all requested documents. However, MERF has not received any communication regarding the complaint from the State subsequent to the transmittal of the requested documents.

Awards and Recognition

[To Come]

Student Admissions

Application for Enrollment. Pursuant to the California Education Code, MERF is required to admit all pupils who reside in the State of California who wish to attend the charter school who submit a timely application. Each MERF school only accepts applications from prospective students during a publicly advertised open application period each year for enrollment in the following school year. Following the enrollment period each year, applications are counted to determine whether any grade level has received more applications than availability. See "Student Waitlist" herein. In the event that any grade level receives applications in excess of availability, the charter school holds a public, random drawing to determine enrollment for the impacted grade level, with the exception of existing students who are guaranteed enrollment in the following school year.

MERF is nonsectarian in its programs, admission policies, and all other operations. MERF does not charge tuition nor discriminate against any student based upon any of the characteristics listed in Section 220 of the California Education Code. Further, MERF may not administer or require a test or assessment to prospective students prior to acceptance and enrollment into the school. In addition, MERF is required to comply with all laws establishing minimum and maximum age for public school attendance in charter schools. The MERF application process is comprised of the completion of a random public drawing (lottery) application for each child who is interested in attending a school.

SB 740 Funding. The Charter School Facility Grant Program was enacted pursuant to Senate Bill 740 of 2001 ("SB 740"). SB 740 provides authority for the State to grant funding assistance to charter schools for rent and lease expenditures subject to certain conditions including, among other things, the percentage of pupil enrollment classified as FRPM students. Charter schools may qualify for SB 740 funding if (1) 55% or more of the charter school's students are eligible for FRPM, or (2) the charter school must be located in the attendance area of a public elementary school in which 55% or more of students are eligible for FRPM, and the charter school must give a lottery preference to such local students. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – SB 740 Facilities Grant Program Funding" in the forepart of the Limited Offering Memorandum.

Based on, among other things, the composition of competing schools in the area and the demographics of the local area, MERF expects ___________ to qualify for funding under SB 740. [Each MERF school accepts applications from prospective students during a publicly advertised open application period each year for enrollment in the following school year. In the event that any grade level receives applications in excess of availability, the charter school holds a public, random drawing to determine enrollment for the impacted grade level, with the exception of existing students who are guaranteed enrollment in the following school year. MERF uses outreach to bring together students from different backgrounds to attain benefits from a diverse student body.

Waiting List

The total waitlist for MERF Schools for 2016-17 was ____, which includes ___ applicants to the Obligated Group Schools. The following Table A-2 sets forth the waitlist for admission into each Magnolia School, including the Schools, for the 2016-17 school year for each grade level.

Table A-2
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Student Waitlist
2016-17 School Year

	Grades													
	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
Magnolia Science Academy 1														
Magnolia Science Academy San Diego														
Magnolia Science Academy-2, Valley														
Magnolia Science Academy-3, Carson														
Magnolia Science Academy-4, Venice														
Magnolia Science Academy-5, Hollywood														
Magnolia Science Academy-6, Palms														
Magnolia Science Academy Santa Ana														
Magnolia Science Academy-7, Van Nuys														
Magnolia Science Academy-8, Bell														
Total														

Source: Magnolia Educational & Research Foundation.

Student Enrollment

The following Table A-3 sets forth the enrollment for the 2016-17 school year and the grades served for each Magnolia School.

Table A-3
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
SCHOOL ENROLLMENT
Fiscal Year 2015-16

School	Grades Served	2015-16 School Enrollment
Magnolia Science Academy 1	6-12	540
Magnolia Science Academy San Diego	6-8	423
Magnolia Science Academy-2, Valley	6-12	480
Magnolia Science Academy-3, Carson	6-12	455
Magnolia Science Academy-4, Venice	6-12	184
Magnolia Science Academy-5, Hollywood	6-9	148
Magnolia Science Academy-6, Palms	6-8	165
Magnolia Science Academy Santa Ana	K-12	144
Magnolia Science Academy-7, Van Nuys	K-5	291
Magnolia Science Academy-8, Bell	6-8	493

Source: California Department of Education.

The following Table A-4 sets forth the number of charter schools operated by MERF and related enrollment from fiscal year 2003-04 through 2016-17.

Table A-4
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Enrollment
2003-04 through 2016-17

Year	Number of Schools	Enrollment
2003-04	1	191
2004-05	1	225
2005-06	1	375
2006-07	2	490
2007-08	2	695
2008-09	3	1,203
2009-10	6	1,649
2010-11	9	2,595
2011-12	12	3,164
2012-13	11(1)	3,645
2013-14	11	3,935
2014-15	11	3,790
2015-16	11	3,420
2016-17	10(2)	

(1) In 2012, the Board of MERF approved the closure of Pacific Technology School, located in Orangevale, California, as a result of the inability of MERF to locate adequate facilities, including a Proposition 39 site.

(2) In 2016, after an eighteen month search, the Board of MERF determined that it could not find a suitable campus at which to operate Magnolia Science Academy Santa Clara. Accordingly, Magnolia Science Academy Santa Clara ceased operations effective July 1, 2016.
Source: Magnolia Educational & Research Foundation.

Student Demographics

MERF's educational program is based on, among other things, the instructional needs of its target student profile. MERF estimates that, during fiscal year 2016-17, approximately ___% of its students qualify for a free or reduced price meal ("FRPM Students"), approximately ___% of its students qualify as English Language Learners ("EL Students") and approximately ___% of its students qualify as Foster Youth ("FY Students").

In addition, each school maintains a special education program which includes services for students who are eligible under the Individuals with Disabilities Education Act. MERF estimates that approximately __% of its students are students classified as having special needs during the 2016-17 school year.

SB 740 provides authority for the State to grant funding assistance to charter schools for rent and lease expenditures subject to certain conditions including, among other things, the percentage of FRPM Students. __________ currently qualifies for funding under SB 740. For additional information regarding the SB 740 requirements and the Lessee's qualification therefor, see "MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION – Student Admissions – SB 740 Funding" herein. The demographic profile of MSA-1, MSA-SD, MSA-SA, and Magnolia Public Schools on a system-wide basis for the 2016-17 school year set forth in the table below.

Table A-5
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Demographics of Current Students
2016-17 School Year

Category	MSA-1	MSA-SD	MSA-SA	MERF[1]
American Indian or Alaska Native	%	%	%	%
Asian				
Black or African American				
Filipino				
Hispanic or Latino				
Native Hawaiian or Pacific Islander				
White				
Two or More Races				
Other/Declined to State				
Total				
[Socioeconomically Disadvantaged]	%	%	%	%
English Learners	%	%	%	%
Students with Disabilities	%	%	%	%

Source: Magnolia Educational & Research Foundation.

Employment and Staffing

General. As of March 1, 2017, MERF has approximately ____ employees which consists of ___ teachers, ___ school support staff, and ___ non-school professional staff including staff based in MERF's central office. The following Table A-6 sets forth information regarding MERF's employment for fiscal years 2013-14 through 2015-16.

Table A-6
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Teachers & Professional Staff
Fiscal Years 2016-17

	2016-17
Teachers	
School Support Staff	
Non-School Professional Staff	
Total Employees	
Total Number of Students	
Student-to-Teacher Ratio	

Source: Magnolia Educational & Research Foundation.

Salaries and Compensation. Salaries are generally equivalent to the salaries paid to teachers at the schools in the jurisdiction which each of MERF's schools are located. In addition to competitive salaries, MERF offers 100% health, dental and vision care to all full time employees and their dependents.

Budgetary Process

General. MERF adopts its annual budget for the upcoming fiscal year at or prior to the last meeting of the Board of Directors for the current fiscal year. The budget sets forth final expenditures, revenues, and fund balances available so that appropriations during that fiscal year will not exceed revenues and other funds. The Board of Directors may only adopt the recommended budget for a fiscal year with the approval of at least a majority of the members of the Board of Directors in attendance.

Fiscal Year 2016-17 Adopted Budget. MERF adopted its budget for Fiscal Year 2016-17 on _____, 2016 (the "Fiscal Year 2016-17 MERF Budget"). The Fiscal Year 2016-17 MERF Budget projects revenues of $___ million and total expenditures of $____ million. MERF expects to adopt its budget for Fiscal Year 2017-18 in June 2017. The following Table A-7 sets forth the Fiscal Year 2016-17 MERF Budget.

TABLE A-7
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Fiscal Year 2016-17 MERF Budget

REVENUE	
Local Revenues	$6,410,367
Fundraising and Grants	150,000
Total Revenue	$6,560,367
EXPENSES	
Compensation and Benefits	$3,567,998
Books and Supplies	84,820
Services and Other Operating Expenditures	2,616,824
Depreciation	1,440
Total Expenses	$6,271,082
OPERATING INCOME	$289,286
FUND BALANCE	
Beginning Balance (Unaudited)	$(285,175)
Audit Adjustment	284,225
Beginning Balance (Audited)	(950)
Operating Income	289,286
ENDING FUND BALANCE	$288,335

Source: Magnolia Educational & Research Foundation.

FINANCIAL INFORMATION AND CASH FLOWS

Local Control Funding Formula in the State of California

In the State of California, MERF receives operating revenues from federal, State and local sources, including appropriations from the State of California's general fund and philanthropic bequests. In addition, the State of California appropriates funds which are restricted to specific categories of use under various programs such as student transportation, class-size reduction and special education. The amount of categorical funding appropriated to a school may vary significantly from other schools and yearly. Article XVI of the California State Constitution requires that from all State revenues there first be set apart the moneys to be applied by the State of California for support of the public school system and public institutions of higher education. However, the actual appropriations and the timing of such appropriations are subject to, among other things, the estimated amount of State General Fund revenues during the fiscal year and subsequent changes in State law.

Beginning with the Fiscal Year ended June 30, 2014, the State of California replaced the former revenue limit formula for determining State of California apportionments for general operating costs ("State Aid") to schools with the Local Control Funding Formula (the "LCFF"). See " – Local Control Funding Formula" in the forepart of this Limited Offering Memorandum. Funding for school districts, charter schools and county offices of education in connection with the LCFF includes State Aid and funding for categorical programs. During Fiscal Year 2015-16, approximately ___% of MERF's revenues were pursuant to the LCFF. During Fiscal Year 2016-17, MERF projects that approximately ___% of MERF's revenues will consist of funds determined under the LCFF.

The LCFF allocates State funding based on a school district's demographics. Each school district receives a base grant (the "Base Grant") per ADA in an amount determined by the State of California. Pursuant to the LCFF, each local education agency ("LEA") is required to, among other things, show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school. Accordingly, the LCFF includes an adjustment to the Base Grant for kindergarten through grade 3 of approximately 10.4% in order to cover the costs associated with class size reduction. In addition, the LCFF includes an adjustment to the Base Grant for grades 9 through 12 of approximately 2.6% in order to cover the costs of, among other things, providing career technical education.

Based on the ADA of the given demographic classification, school districts are eligible to receive a 20% supplemental grant (the "Supplemental Grant") for students classified as English learners ("EL"), students eligible to receive a free or reduced price meal ("FRPM"), and students classified as foster youth ("LI"). The State of California expects the Supplemental Grants to reflect the additional costs associated with the education of EL, FRPM and LI students. In addition, school districts are eligible to receive a concentration grant (the "Concentration Grant") if the school district has a significant concentration of students classified as EL, FRPM or LI. The LCFF uses an unduplicated student count to determine the amount of the Supplemental Grant and Concentration Grant authorized for a school district. A school district may only count a student one time if such student is classified in more than one of the categories EL, FRPM and LI. In the event the percentage of EL or LI students exceeds 55% of the school district's total enrollment, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district's adjusted Base Grant for each EL or LI student above the 55% threshold.

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2016-17, the LCFF is expected to provide: (a) a Base Grant for each LEA equivalent to $7,820 per ADA for kindergarten through grade 3; (b) a Base Grant for each LEA equivalent to $7,189 per ADA for grades 4 through 6; (c) a Base Grant for each LEA equivalent to $7,403 per ADA for grades 7 and 8; (d) a Base Grant for each LEA equivalent to $8,801 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State of California.

Statement of Financial Position

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from the consolidated financial statements of MERF and its affiliates which have been prepared by MERF's independent auditors, Vavrinek, Trine, Day & Co., Rancho Cucamonga, California (the "Vavrinek, Trine, Day & Co.") for fiscal years 2014-15 and 2015-16 and Hill, Morgan and Associates LLP, Culver City, California ("Hill, Morgan and Associates, LLP" and together with Vavrinek, Trine, Day & Co, the "Independent Auditors"). The significant accounting policies followed by MERF are described in Note 1 to MERF's audited financial statements for the fiscal year ended June 30, 2016, which are included as Appendix C hereto. The Independent Auditors have not been requested to consent to the use or to the inclusion of their financial statements in this Limited Offering Memorandum, and they has not audited nor reviewed this Limited Offering Memorandum.

The following Table A-8 sets forth the assets, liabilities and net assets of MERF and its affiliates as of June 30, 2015 and June 30, 2016.

Table A-8
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Consolidated Statement of Financial Position
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
ASSETS		
Current Assets:		
Cash and Equivalents	$10,173,244	$9,875,931
Restricted Cash	998,292	6,327,515
Accounts Receivable	4,170,911	4,317,399
Prepaid Expenses and Deposits	29,854	141,671
Total Current Assets	$15,372,301	$20,662,516
Non-Current Assets		
Debt Issue Costs, Net	$ 126,849	$ 371,596
Security Deposits	110,561	144,150
Fixed Assets	10,716,608	23,391,744
Less: Accumulated Depreciations	1,795,398	2,338,891
Total Non-Current Assets	9,158,620	21,568,599
Total Assets	$24,530,921	$42,231,115
LIABILITIES		
Current Liabilities		
Accounts Payable and Accruals	$2,569,245	$3,117,074
Deferred Revenue	445,725	507,918
Current Portion of Long-Term Obligations	244,392	190,871
Total Current Liabilities	3,259,362	3,815,863
Long Term Obligations		
Non-Current Portion of Long-Term Obligations	$8,263,038	$17,553,792
Total Liabilities	$11,522,400	$21,369,655
NET ASSETS		
Unrestricted	$13,008,521	$20,861,460
Total Liabilities and Net Assets	$24,530,921	$42,231,115

Source: Magnolia Educational & Research Foundation.

Activities and Changes in Net Assets

The following Table A-9 sets forth the activities and changes in net assets of MERF and its affiliates for fiscal years ended June 30, 2015 and June 30, 2016.

Table A-9
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Consolidated Statement of Activities and Changes in Net Assets
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
REVENUE:		
State Apportionments	$ 26,635,709	$ 28,674,688
Federal Revenue	2,425,080	2,983,400
Other State Revenue	4,313,775	14,298,155
Local Revenue	982,894	1,358,287
Total Revenues	$34,357,458	$47,762,041
EXPENSES		
Program Services		
Salaries and Benefits	$19,967,246	$24,182,556
Student Services	2,190,954	2,028,885
Materials and Supplies	985,129	1,237,521
Student Nutrition	1,182,504	1,312,016
Other Expenses	300,509	1,139,571
Subtotal	24,626,342	29,900,549
Management and General		
Amortization	--	$12,814
Depreciation	$286,341	543,494
Management Fee	--	642,960
Occupancy	2,669,178	1,785,885
Operating Expenses	3,704,719	6,342,425
Interest	8,485	680,975
Subtotal	6,668,723	10,008,553
Total Expenses	$31,295,065	$39,909,102
CHANGE IN NET ASSETS	$ 3,062,393	$7,852,939
NET ASSETS, BEGINNING OF YEAR	$ 9,946,128	$13,008,521
NET ASSETS, END OF YEAR	$13,008,521	$20,861,460

Source: Magnolia Educational & Research Foundation

Retirement Plans

General. Certificated employees in the State of California are eligible to participate in the California State Teachers Retirement System ("CalSTRS"). Classified employees in the State of California are eligible to participate in the California Public Employees Retirement System ("CalPERS"). MERF employees in the State of California who are not members of CalSTRS or CalPERS are required to contribute to the federal Social Security system.

The information set forth below regarding CalSTRS and CalPERS and their respective actuarial valuations and comprehensive annual financial reports has been obtained from publicly available sources and has not been independently verified by MERF and is not guaranteed as to the accuracy or completeness thereof by or to be construed as a representation by MERF. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities stated below.

California State Teachers' Retirement System. CalSTRS is a defined benefit plan that covers all full-time certificated employees of MERF and some classified employees of MERF, which are employees employed in a position that does not require a teaching credential from the State of California. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in Chapter 282, Statutes of 1979.

For many years prior to Fiscal Year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State of California contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State of California did pay a surcharge when the teacher and school district contributions were not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to as "pre-enhancement benefits") within a 30-year period. In recent fiscal years, participant employees contributed 8.00% of gross salary expenditures to CalSTRS, and participant employers contributed 8.25% of gross salary expenditures to CalSTRS.

As of June 30, 2015, an actuarial valuation (the "2015 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $76.2 billion, an increase of approximately $3.48 million from the June 30, 2014 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2015, June 30, 2014 and June 30, 2013, based on the actuarial assumptions, were approximately 68.5%, 68.5% and 66.9%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2015 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2015 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "–California Public Employees' Pension Reform Act of 2013" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor. Due to the revised actuarial assumptions, among other factors, CalSTRS projects that the June 30, 2016 actuarial valuation will reflect a decrease in overall funded ratio of its defined benefit program from 68.5% to approximately 64% based on the actuarial value of assets.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2015 CalSTRS Actuarial Valuation noted that, as of June 30, 2015, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 33.439% over the next 30 years.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, contribution rates for local education agencies will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2016	12.58%
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The following Table A-10 sets forth MERF's regular annual contributions to CalSTRS for Fiscal Years 2010-11 through 2013-14 and the estimated contribution for Fiscal Year 2014-15. MERF has always paid all required CalSTRS annual contributions. As of March 1, 2017, approximately __% of MERF employees are members of CalSTRS.

Table A-10
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Annual Regular CalSTRS Contributions
Fiscal Years 2010-11 through 2014-15
($ in millions)

Fiscal Year	Contributions
2012-13	$
2013-14	1,001,421
2014-15	1,001,799
2015-16	1,322,909
2016-17	

(1) Estimated.

Source: Magnolia Educational & Research Foundation.

The UAAL and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years ended June 30, 2010 through June 30, 2014 are set forth in the following Table A-11. The fair market value of the CalSTRS pension fund as of June 30, 2013 and June 30, 2014 was $157.2 billion and $179.7 billion, respectively, based on total system assets less amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve. The individual funding progress for MERF is not provided in the actuarial report from CalSTRS.

Table A-11
ACTUARIAL VALUE OF
STATE TEACHERS' RETIREMENT FUND DEFINED BENEFIT PROGRAM
Valuation Dates June 30, 2010 through June 30, 2014
($ in billions)

Valuation Date (June 30)	Actuarial Obligation	Actuarial Value of Assets[1]	Unfunded Actuarial Obligation	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2010	$196.315	$140.291	$56.024	71.5%	59.7%
2011	208.405	143.930	64.475	69.1	67.2
2012	215.189	144.232	70.957	67.0	62.7
2013	222.281	148.614	73.667	66.9	66.5
2014	231.213	158.495	72.718	68.5	73.3

(1) Actuarial Value of Assets and Fair Market Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account Reserve which was approximately $9.27 billion as of June 30, 2013 and $10.24 billion as of June 30, 2014.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2010 through June 30, 2014.

Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Limited Offering Memorandum.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by the Board of Administration of CalPERS. MERF's contributions for all members for Fiscal Years 2016-17 were in accordance with the required contribution rates calculated by CalPERS' actuary for each fiscal year.

PEPRA members are required to contribute 6% of their monthly salary, and MERF is required to contribute based on an actuarially determined rated. The required employer contribution rates for Fiscal Year 2013-14 is 11.442% for members hired prior to January 1, 2013. The required employer contribution rate for Fiscal Year 2014-15 is 11.771% for members hired prior to January 1, 2013. MERF's annual pension costs for Fiscal Years 2012-13 through 2015-16 were equal to the annual required contributions for such fiscal years and its net pension obligation to CalPERS for such fiscal years was $0.

The following Table A-12 sets forth MERF's regular annual contributions to CalPERS for Fiscal Years 2011-12 through 2015-16 and the estimated contributions for Fiscal Year 2016-17. MERF has always paid all required CalPERS annual contributions. As of March 1, 2017, approximately __% of MERF employees were members of CalPERS.

Table A-12
MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION
Annual CalPERS Regular Contributions
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Contributions
2012-13	$
2013-14	
2014-15	94,508
2015-16	169,607
2016-17	

(1) Estimated.
Sources: Magnolia Educational & Research Foundation.

The actuarial funding method used in the CalPERS Schools Pool Actuarial Valuation as of June 30, 2013 is the "Individual Entry Age Normal Cost Method." The CalPERS Schools Pool Actuarial Valuation as of June 30, 2013 assumes, among other things, a 7.50% investment rate of return (net of administrative expenses), projected 2.75% inflation, and projected payroll growth of 3.00%. The UAAL and funded status of the schools portion of CalPERS as of June 30 of Fiscal Years ended June 30, 2010 through June 30, 2014 are set forth in the following Table A-13

Table A-13
ACTUARIAL VALUE OF SCHOOLS PORTION OF CALPERS
HISTORICAL FUNDING STATUS
Valuation Dates June 30, 2010 through June 30, 2014
($ in millions)

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Determining Contributions	Unfunded Liability/ (Surplus) as a % of Payroll
2010	$55,306.96	$38,435.17	69.5%	$16,871.79	$11,283.40	149.5%
2011	58,358.41	45,900.99	78.7	12,457.42	10,540.43	118.2
2012	59,439.13	44,853.80	75.5	14,585.33	10,242.25	142.4
2013	61,487.18	49,481.90	80.5	12,005.28	10,423.82	115.2
2014	65,599.71	56,838.24	86.6	8,761.47	11,293.82	77.6

Source: CalPERS Schools Pool Actuarial Valuation as of June 30, 2014.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Limited Offering Memorandum.

THE OBLIGATED GROUP AND RELATED SCHOOLS

MPM Sherman Way LLC

MPM Sherman Way LLC (the "MPM Sherman Way LLC"), is a California limited liability company whose sole member is the Corporation. At the request of the Borrower, the Authority is issuing the Bonds for the purpose of making a loan to the Corporation, pursuant to the Loan Agreement. Pursuant to the Loan Agreement, the Corporation will use the loan of the proceeds, along with other available funds of the Corporation, to, among other things, finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of charter school educational facilities known as Magnolia Science Academy 1 – Reseda ("MSA-1"), located at 18238 Sherman Way in the City of Reseda, California, with associated properties located or to be located at [18214 and 18228 Sherman Way] in the City of Reseda, California, to be owned by MPM Sherman Way LLC, a California limited liability company.

MSA-1 was established by MERF in the fall of 2002 as its first charter school, serving grades 6-12. MSA-1 is located at 18238 Sherman Way in the City of Reseda, California. As of March 1, 2017, MSA-1 serves approximately ___ students. The charter for MSA-1 was authorized by the Los Angeles Unified School District ("LAUSD") in the fall of 2002. LAUSD approved renewal petitions for MSA-1 in 2012 and 2015. In December 2016, the Board of Education of LAUSD declined to renew MERF's charter renewal petition for MSA-1, Magnolia Science Academy-2 ("MSA-2"), and Magnolia Science Academy-3 ("MSA-3"). MERF submitted an appeal of this decision to the Los Angeles County Board of Education. Upon review of MERF's petition, the Los Angeles County Board of Education approved the charter renewal petitions for MSA-1, Magnolia Science Academy-2, and Magnolia Science Academy-3. See "Charter Reauthorizations – Events Relating to Charter Approvals" herein. The term of the current charter for MSA-1 is scheduled to end on June 30, 2022.

MSA-1's curriculum specifically emphasizes science, technology, engineering and math education while also providing solid instruction in humanities and social sciences, and is in alignment with California Content Standards. MSA-1 is fully accredited through the Western Association of Schools and Colleges ("WASC") and courses offered are transferable to other public schools and meet the entrance requirements of the University of California system and the University of Southern California.

MPM San Diego, LLC

MPM San Diego, LLC (the "MPM San Diego, LLC"), is a California limited liability company whose sole member is the Corporation. At the request of the Borrower, the Authority is issuing the Bonds for the purpose of making a loan to the Corporation, pursuant to the Loan Agreement. Pursuant to the Loan Agreement, the Corporation will use the loan of the proceeds, along with other available funds of the Corporation, to, among other things, finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of charter school educational facilities known as Magnolia Science Academy – Santa Ana ("MSA-SA"), located at Magnolia Science Academy – San Diego ("MSA-SD"), located at 6365 Lake Atlin Avenue in the City of San Diego, California, to be owned by MPM San Diego LLC.

MSA-SD is currently located at 6365 Lake Atlin Avenue in the San Carlos community of the City of San Diego, California. In connection with the Project, MERF expects to relocate MSA-SD to a new school facility, the DeAnza School, which is located at 6525 Estrella Avenue in the City of San Diego, California (the "San Diego Facility"), in September 2017. MSA-SD serves approximately 425 students in grades 6 through 8 with an average class size of thirty or fewer students.

MSA-SD was founded in the fall of 2005 by a group of scientists and engineers who are devoted to math, science, and technology education. The charter for MSA-SD has been authorized by the San Diego Unified School District since 2005 and was most recently renewed in ______ 20__. The current charter for MSA-SD is scheduled to end on _____ 20__.

MPM Santa Ana, LLC

MPM Santa Ana, LLC (the "MPM Santa Ana, LLC"), is a California limited liability company whose sole member is the Corporation. At the request of the Borrower, the Authority is issuing the Bonds for the purpose of making a loan to the Corporation, pursuant to the Loan Agreement. Pursuant to the Loan Agreement, the Corporation will use the loan of the proceeds, along with other available funds of the Corporation, to, among other things, finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of charter school educational facilities known as Magnolia Science Academy – Santa Ana ("MSA-SA"), located at 2840 W 1st Street in the City of Santa Ana, California, to be owned by MPM Santa Ana LLC, a California limited liability company.

MSA-SA is currently located at 2840 W 1st Street in the City of Santa Ana, California. MSA-SA serves approximately 639 students in transitional kindergarten through grade twelve. MSA-SA maintains a mission to provide a college preparatory educational program, emphasizing STEM education in a safe environment that cultivates respect for self and others. MSA-SA offers, among other things, a comprehensive learning experience designed to serve the needs of students. MSA-SA uses site-based instruction, hands-on learning, and basics presented in ways that are relevant and inspiring for students. Classroom instruction at MSA-SA is supplemented with tutoring, morning school, after-school programs, and school-to-university collaborations (e.g. dual enrollment partnerships with local community colleges). The charter for MSA-SA has been authorized by the California Department of Education since 20__ and was most recently renewed in ______ 20__. The current charter for MSA-SD is scheduled to end on _____ 20__.

Student Enrollment

As of March 1, 2017, MSA-1 had enrolled approximately ____ students in grades six through twelve. The following Table A-14 sets forth the historic, current and projected enrollment each year by grade level.

Table A-14
MAGNOLIA SCIENCE ACADEMY 1
Enrollment By Grade
Fiscal Year 2011-12 through 2018-19

Grade	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
6	106	83	90							
7	94	87	80							
8	92	78	80							
9	69	70	70							
10	63	61	70							
11	53	53	55							
12	39	51	55							
Total	516	483	500							

Source: Magnolia Educational & Research Foundation.

As of March 1, 2017, MSA-SD had enrolled approximately ____ students in grades six through eight. The following Table A-15 sets forth the historic, current and projected enrollment each year by grade level.

Table A-15
MAGNOLIA SCIENCE ACADEMY – SAN DIEGO
Enrollment By Grade
Fiscal Year 2011-12 through 2018-19

Grade	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
6										
7										
8										
Total										

Source: Magnolia Educational & Research Foundation.

As of March 1, 2017, MSA-SA had enrolled approximately ____ students in grades six through twelve. The following Table A-16 sets forth the historic, current and projected enrollment each year by grade level.

Table A-16
MAGNOLIA SCIENCE ACADEMY – SANTA ANA
Enrollment By Grade
Fiscal Year 2011-12 through 2018

Grade	2011-12	2012-13	2013-14	2014-15*	2015-16*	2016-17	2017-18	2018-19	2019-20	2020-21
K										
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
Total										

Source: Magnolia Educational & Research Foundation.

Retention Rate

MSA-1. Of the non-graduating students enrolled during the 2015-16 school year, approximately ___% of those students returned to MSA-1 for the 2016-17 school year.

MSA-SD. Of the non-graduating students enrolled during the 2015-16 school year, approximately ___% of those students returned to MSA-SD for the 2016-17 school year.

MSA-SA. Of the non-graduating students enrolled during the 2015-16 school year, approximately ___% of those students returned to MSA-SA for the 2016-17 school year.

Assessments and Evaluation

Student Assessments. MERF uses a variety of student assessments to, among other things, observe individual student progress, determine the efficacy of individual teachers, and evaluate the success of the program as a whole. MERF students are assessed through, standardized tests mandated in the California Education Code (e.g. CAASPP), nationally recognized tests, specialized assessments developed by MERF for all areas of the academic core, and day-to-day assessments related to specific content.

Implementation of the Common Core. In 2010, the California Department of Education and State Board of Education adopted the language arts and mathematics academic content standards proposed by the California Academic Content Standards Commission. The standards with respect to the Common Core State Standards for English language arts and literacy in history/social studies, science, and technical subjects and Common Core State Standards for Mathematics (collectively, the "Common Core") set forth the expected levels of achievement that students are expected to possess at each grade from kindergarten through grade 12.

California Assessment of Student Performance and Progress. Beginning in the 2014-15 school year, the State of California began implementation of the CAASPP. The CAASPP includes the Smarter Balanced Summative Assessments for English language arts/literacy and mathematics (the "Smarter Balanced Assessments"). See "Academic Results" herein.

Prior Assessment Systems. In connection with the reauthorization of the Elementary and Secondary Education Act of 1965, the United States Congress passed the federal No Child Left Behind Act of 2001 (the "NCLB Act"). Under the NCLB Act, a state was required to identify a local educational agency ("LEA") for improvement ("Program Improvement") if the LEA failed to make federal Adequate Yearly Progress ("AYP") requirements, evaluated by state standards, for two consecutive years. The State of California evaluated AYP based on, among other things, a LEA's (1) percentage participation rates in English-language arts and mathematics assessments measured LEA-wide, by grade span (grades 2 through 5, grades 6 through 8 and grade 10) and by numerically significant subgroups within grade spans, (2) graduation rate criteria LEA-wide, if a LEA has high school students, and (3) percentage of students performing at or above the proficient level in English-language arts and mathematics (also measured LEA-wide, by grade span and by subgroups) as compared to performance targets established under the NCLB Act.

In December 2015, in connection with a subsequent reauthorization and amendment of the Elementary and Secondary Education Act of 1965, the United States Congress passed the federal Every Student Succeeds Act of 2015 ("ESSA"). ESSA eliminated the AYP requirement implemented under the NCLB Act. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Compliance with the Elementary and Secondary Education Act" in the forepart of this Limited Offering Memorandum.

Prior to the implementation of CAASPP, the Academic Performance Index ("API"), which was established by the California Public Schools Accountability Act of 1999, served as the State of California's measurement of academic progress. Scores on the API ranged from 200 to 1000 and, the Statewide API performance target for all schools under the API was 800. The California Department of Education measured API growth by the extent to which a school or local education agency moves toward or past the Statewide performance target of 800. The API was also used in meeting State requirements under the Public Schools Accountability Act or 1999 and the federal AYP requirements under the then-existing federal NCLB Act. Information about the API can be found at the California Department of Education's website at http://www.cde.ca.gov/ta/ac/ap. The information on such website is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum.

The State of California did not calculate API scores for schools during the 2013-14 and 2014-15 school years. Effective July 1, 2013, the State of California repealed the section of the California Education Code requiring API ranking of schools. In January 2014, the State of California established CAASPP for student assessment. Accordingly, beginning in 2014, the State of California no longer produces statewide and similar schools API rankings.

The following Table A-17 sets forth a comparison of the API scores for MSA-1 to schools in the LAUSD and State of California in the fiscal years 2008-09 through 2012-13.

Table A-17
MAGNOLIA SCIENCE ACADEMY 1
API Comparison to LAUSD and California Schools
Fiscal Years 2008-09 to 2012-13

Fiscal Year	API MSA-1	API LAUSD	API All State Schools
2008-09	787	693	755
2009-10	800	709	767
2010-11	807	729	779
2011-12	805	744	788
2012-13	797	750	790

Source: Magnolia Educational & Research Foundation.

The following Table A-18 sets forth a comparison of the API scores for MSA-1 to schools in the San Diego Unified School District and State of California in the fiscal years 2008-09 through 2012-13.

Table A-18
MAGNOLIA SCIENCE ACADEMY – SAN DIEGO
API Comparison to San Diego Unified School District and California Schools
Fiscal Years 2008-09 to 2012-13

Fiscal Year	API MSA-SD	API SDUSD	API All State Schools
2008-09	796	766	755
2009-10	818	785	767
2010-11	814	798	779
2011-12	865	808	788
2012-13	847	809	790

Source: Magnolia Educational & Research Foundation.

Academic Performance of Competing Schools. There are a number of traditional public and charter schools at the middle and high school levels located in close proximity to each of the Schools. The following Table A-19 sets forth the names of such competing schools, the estimated enrollment, and the percentage of students who met or exceeded the standard on the Smarter Balanced Assessment with respect to MSA-1.

Table A-19
MAGNOLIA SCIENCE ACADEMY – 1
Competing Schools in a Three-Mile Radius from the Additional MSA-1 Facility

	Distance	Enrollment	ELA	Math	ELA Econ Dis	Math Econ Dis
MSA-1	--		**43%**	**31%**	**41%**	**29%**
Reseda Senior High School			60	31	62	31
John R. Wooden High School			3	0	0	0
Grover Cleveland High School			69	39	63	31
William Mulholland Middle School			34	22	33	22
High Tech Los Angeles School			80	58	75	51
Birmingham Community			64	26	64	25
Northridge Middle School			28	21	27	21
John A. Sutter Middle School			26	18	25	18
James Jordan Middle School			40	29	39	28

Source: Magnolia Educational & Research Foundation.

Table A-20
MAGNOLIA SCIENCE ACADEMY – 1
Competing Schools in a Three-Mile Radius from the Additional MSA-1 Facility
School Year 2016-17

[Map of Competing Schools]

The following Table A-20 sets forth the names of such competing schools, the estimated enrollment, and the percentage of students who met or exceeded the standard on the Smarter Balanced Assessment with respect to MSA-sd.

Table A-20
MAGNOLIA SCIENCE ACADEMY – SAN DIEGO
Competing Schools in a Three-Mile Radius from the San Diego Facility

	Distance	Enrollment	ELA	Math	ELA Econ Dis	Math Econ Dis
MSA-SD	--		71%	61%	61%	48%

Source: Magnolia Educational & Research Foundation.

Table A-21
MAGNOLIA SCIENCE ACADEMY – 1
Competing Schools in a Three-Mile Radius from the San Diego Facility
School Year 2016-17

[Map of Competing Schools]

The following Table A-22 sets forth the names of such competing schools, the estimated enrollment, and the percentage of students who met or exceeded the standard on the Smarter Balanced Assessment with respect to MSA-SA.

Table A-22
MAGNOLIA SCIENCE ACADEMY – SANTA ANA
Competing Schools in a Three-Mile Radius from the Santa Ana Facility

	Distance	Enrollment	ELA	Math	ELA Econ Dis	Math Econ Dis
MSA-SD	--		73%	46%	70%	36%

Source: Magnolia Educational & Research Foundation.

Table A-23
MAGNOLIA SCIENCE ACADEMY – SANTA ANA
Competing Schools in a Three-Mile Radius from the Santa Ana Facility
School Year 2016-17

[Map of Competing Schools]

Administration, Teachers and Staff

MSA-1. The administration of MSA-1 is set forth below:

Name	Title
Mr. Mustafa Sahin	Principal
Mr. Omar F. P.	Dean of Academics
Mrs. Azniv Fotolyan	Dean of Academics
Ms. Jillian Okamura	Dean of Culture
Mr. Salvador Gonzalez	Dean of Discipline

The following Table 8 sets forth the leadership structure and staffing at MSA-1.

Table A-24
MSA-1
Staffing and Leadership Structure
As of March 1, 2017

Personnel	Number
Principal	1
Assistant Principals and Deans	4
Teachers	28
Counselors and Instructional Assistants	7
Office, Facility and Campus Monitor Staff	3
Total	43

Source: Magnolia Educational & Research Foundation.

Mr. Mustafa Sahin currently serves as the Principal of MSA-1. Brief biographical information for the Principal of MSA-1 is set forth below.

Mustafa Sahin, Principal. [To Come]

The following Table A-25 sets forth the number of teachers and employees at MSA-1, the rate of retention from the 2015-16 school year to the 2016-17 school year, and student to teacher ratio for the 2016-17 school year.

Table A-25
MAGNOLIA SCIENCE ACADEMY -1
Teacher Training and Experience

Category	Number
Teachers	
Teachers with B.S. or B.A.	
Teachers with a Master's degree	___
Total Teachers	___
Non-Teaching Employees	___
Total Employees	___
2016-17 Teacher Retention Rate	%
2016-17 Student to Teacher Ratio	:1

Source: Magnolia Educational & Research Foundation.

MSA-SD. The administration of MSA-SD is set forth below:

Name	Title
Mr. Gokhan Serce	Principal
Mrs. Nellie Tate	Dean of Academics
Mr. Halil Akdeniz	Dean of Culture/ Engineering Teacher
Mr. Nathan Williams	Dean of Students

The following Table A-26 sets forth the leadership structure and staffing at MSA-SD.

Table A-26
MAGNOLIA SCIENCE ACADEMY – SAN DIEGO
Staffing and Leadership Structure
As of March 1, 2017

Personnel	Number
Principal	1
Assistant Principals and Deans	3
Teachers	21
Counselors and Instructional Assistants	2
Office, Facility and Campus Monitor Staff	3
Total	30

Source: Magnolia Educational & Research Foundation.

Mr. Gokhan Serce currently serves as the Principal of MSA-1. Brief biographical information for the Principal of MSA-1 is set forth below.

Mr. Gokhan Serce, Principal. [To Come]

The following Table A-27 sets forth the number of teachers and employees at MSA-1, the rate of retention from the 2015-16 school year to the 2016-17 school year, and student to teacher ratio for the 2016-17 school year.

Table A-27
MAGNOLIA SCIENCE ACADEMY – SAN DIEGO
Teacher Training and Experience

Category	Number
Teachers	
Teachers with B.S. or B.A.	
Teachers with a Master's degree	__
Total Teachers	__
Non-Teaching Employees	__
Total Employees	__
2016-17 Teacher Retention Rate	%
2016-17 Student to Teacher Ratio	__:1

MSA-SA. The administration of MSA-SA is set forth below:

Name	Title
Mrs. Laura Schlottman	MS/HS Principal
Varol Gurler	Elementary Principal (K-5)/Site Director
Ms. Teresita Diaz	Dean of Academics
Ms. Sheri A. Johnson	Dean of Culture
Bao Nguyen	Dean of Students
Mrs. Hulya Odabasoglu	College Counselor
Meg Fuller	Special Education Coordinator
Melik Sayin	RTI Coordinator

The following Table 8 sets forth the leadership structure and staffing at MSA-SA.

Table A-28
MAGNOLIA SCIENCE ACADEMY – SANTA ANA
Staffing and Leadership Structure
As of March 1, 2017

Personnel	Number
Principal	2
Assistant Principals and Deans	3
Elementary Teachers	12
Secondary Teachers	15
Counselors and Instructional Assistants	3
Office, Facility and Campus Monitor Staff	3
Total	38

Source: Magnolia Educational & Research Foundation

Mrs. Laura Schlottman currently serves as the Principal of the elementary school at MSA-SA. Brief biographical information for the Principal of MSA-SA elementary school is set forth below.

Mrs. Laura Schlottman, Principal. [To Come]

Mr. Varol Gurler currently serves as the Principal of the secondary school at MSA-SA. Brief biographical information for the Principal of MSA-SA secondary school is set forth below.

Mr. Varol Gurler, Principal. [To Come]

The following Table A-29 sets forth the number of teachers and employees at MSA-SA, the rate of retention from the 2015-16 school year to the 2016-17 school year, and student to teacher ratio for the 2016-17 school year.

Table A-29
MAGNOLIA SCIENCE ACADEMY – SANTA ANA
Teacher Training and Experience

Category	Number
Teachers	
Teachers with B.S. or B.A.	
Teachers with a Master's degree	
Total Teachers	
Non-Teaching Employees	
Total Employees	
2016-17 Teacher Retention Rate	
2016-17 Student to Teacher Ratio	

Source: Magnolia Educational & Research Foundation

Extracurricular Activities

MSA-1. The School offers a variety of after-school activities and Saturday school for all students free of charge ranging from tutoring to athletic teams. All subject teachers are required to have tutoring sessions twice a week, and a fun/sport club once a week. Examples of activities include: Girls' Club, Digital Art, College Mentorship and Leadership Program (CMLP), Stand-up Comedy Club, Food Prep-Cooking Club, Cheerleaders Club, SRLA, Soccer Club, Calculus Club, Craft Club, Theatre/Acting Club, Video Game Club, Movie Club, Ping Pong Club, Early Morning Walk Club, Horror Make-up Club, Volleyball Club and Robotics Club.

MSA-SD. [To Come]

MSA-SA. [To Come]

FINANCIAL PERFORMANCE OF THE SCHOOLS

General

See Appendix B for the audited financial statements of MERF, MSA-1, MSA-SD, and MSA-SD for the fiscal year ended June 30, 2016. Historic and projected operating results as well as projected debt service coverage and cash on hand computations are also included.

Magnolia Science Academy 1

Statement of Financial Position. The following Table A-30 sets forth the assets, liabilities and net assets of MSA-1 and its affiliates as of June 30, 2015 and June 30, 2016.

Table A-30
MAGNOLIA SCIENCE ACADEMY 1
Consolidated Statement of Financial Position
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
ASSETS		
Current Assets:		
Cash and Equivalents	$1,737,714	$ 1,403,525
Restricted Cash	--	--
Accounts Receivable	440,019	853,258
Intra-company receivable	--	332,908
Prepaid Expenses and Other Current Assets	--	14,351
Total Current Assets	$2,177,733	$2,604,042
Non-Current Assets		
Debt Issue Costs, Net	--	--
Security Deposits	$39,035	$39,035
Fixed Assets	658,685	4,458,685
Less: Accumulated Depreciations	583,322	745,865
Total Non-Current Assets	$114,398	$3,751,855
Total Assets	$2,292,131	$6,355,897
LIABILITIES		
Current Liabilities		
Accounts Payable and Accruals	$64,913	$208,364
Intra-Company Payable	--	187,120
Deferred Revenue	--	--
Current Portion of Long-Term Obligations	--	--
Total Current Liabilities	$64,913	$395,484
Long Term Obligations		
Non-Current Portion of Long-Term Obligations	--	$2,800,000
Total Liabilities	$64,913	$3,195,484
NET ASSETS		
Unrestricted	$2,227,218	$3,160,413
Designated	--	--
Total Net Assets	$2,227,218	$3,160,413
Total Liabilities and Net Assets	$2,227,218	$6,355,897

Source: Magnolia Educational & Research Foundation.

Activities and Changes in Net Assets. The following Table A-31 sets forth the activities and changes in net assets of MERF and its affiliates for fiscal years ended June 30, 2015 and June 30, 2016.

Table A-31
MAGNOLIA SCIENCE ACADEMY 1
Consolidated Statement of Activities and Changes in Net Assets
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
REVENUE:		
State Apportionments	$4,108,987	$4,902,054
Federal Revenue	600,269	673,666
Other State Revenue	749,565	1,778,747
Rent Revenue	--	--
Local Revenue	71,342	137,854
Total Revenues	$5,530,163	$7,492,321
EXPENSES		
Program Services		
Salaries and Benefits	$2,756,741	$3,359,332
Student Services	368,240	243,193
Materials and Supplies	190,130	171,245
Student Nutrition	264,309	270,203
Other Expenses	29,459	133,304
Subtotal	$3,608,879	$4,177,277
Management and General		
Amortization	--	--
Depreciation	$5,820	$162,543
Management Fee	1,013,451	915,722
Occupancy	676,885	620,993
Operating Expenses	221,826	556,505
Debt Service	--	--
Interest	--	126,086
Subtotal	$1,917,982	$2,381,849
Total Expenses	$5,526,861	$6,559,126
CHANGE IN UNRESTRICTED NET ASSETS	$3,302	$933,195
NET ASSETS (DEFICIT), BEGINNING OF YEAR	$2,223,916	$2,227,218
NET ASSETS, END OF YEAR	$2,227,218	$3,160,413

Source: Magnolia Educational & Research Foundation

Magnolia Science Academy –San Diego

Statement of Financial Position. The following Table A-32 sets forth the assets, liabilities and net assets of MSA-SD and its affiliates as of June 30, 2015 and June 30, 2016.

Table A-32
MAGNOLIA SCIENCE ACADEMY – SAN DIEGO
Consolidated Statement of Financial Position
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
ASSETS		
Current Assets:		
Cash and Equivalents	$382,157	$761,775
Restricted Cash	118,998	106,607
Accounts Receivable	248,652	308,121
Intra-company receivable	--	10,064
Prepaid Expenses and Other Current Assets	--	8,521
Total Current Assets	$749,807	$1,195,088
Non-Current Assets		
Debt Issue Costs, Net	--	--
Security Deposits	--	--
Fixed Assets	$586,778	$644,168
Less: Accumulated Depreciations	258,217	302,836
Total Non-Current Assets	328,561	341,332
Total Assets	$1,078,368	$1,536,420
LIABILITIES		
Current Liabilities		
Accounts Payable and Accruals	$85,518	$190,591
Intra-Company Payable	202,149	19,442
Deferred Revenue	2,940	--
Current Portion of Long-Term Obligations	--	--
Total Current Liabilities	$290,607	$210,033
Long Term Obligations		
Non-Current Portion of Long-Term Obligations	$151,806	$151,806
Total Liabilities	$442,413	$361,839
NET ASSETS		
Unrestricted	$516,957	$1,174,581
Designated	118,998	--
Total Net Assets	$635,955	$1,174,581
Total Liabilities and Net Assets	$1,078,368	$1,536,420

Source: Magnolia Educational & Research Foundation.

Activities and Changes in Net Assets. The following Table A-33 sets forth the activities and changes in net assets of MSA-SD and its affiliates for fiscal years ended June 30, 2015 and June 30, 2016.

Table A-33
MAGNOLIA SCIENCE ACADEMY – SAN DIEGO
Consolidated Statement of Activities and Changes in Net Assets
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
REVENUE:		
State Apportionments	$2,243,691	$2,888,409
Federal Revenue	93,377	97,228
Other State Revenue	361,721	602,791
Rent Revenue	--	--
Local Revenue	99,896	84,976
Total Revenues	$2,798,625	$3,673,404
EXPENSES		
Program Services		
Salaries and Benefits	1,834,111	$1,985,116
Student Services	132,745	128,325
Materials and Supplies	27,733	172,634
Student Nutrition	38,481	44,650
Other Expenses	10,249	105,525
Subtotal	$2,043,319	$2,436,250
Management and General		
Amortization		--
Depreciation	$37,442	$44,619
Management Fee	416,373	334,759
Occupancy	--	305
Operating Expenses	110,824	318,845
Debt Service	--	--
Interest	82	--
Subtotal	564,721	698,528
Total Expenses	$2,608,040	$3,134,778
CHANGE IN UNRESTRICTED NET ASSETS	$190,645	$538,626
NET ASSETS (DEFICIT), BEGINNING OF YEAR	$445,310	$635,955
NET ASSETS, END OF YEAR	$635,955	$1,174,581

Source: Magnolia Educational & Research Foundation

Magnolia Science Academy – Santa Ana

Statement of Financial Position. The following Table A-34 sets forth the assets, liabilities and net assets of MSA-SA and its affiliates as of June 30, 2015 and June 30, 2016.

Table A-34
MAGNOLIA SCIENCE ACADEMY – SANTA ANA
Consolidated Statement of Financial Position
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
ASSETS		
Current Assets:		
Cash and Equivalents	$140,106	$170,647
Restricted Cash	432,732	5,774,345
Accounts Receivable	578,641	213,512
Intra-company receivable	--	2,759
Prepaid Expenses and Other Current Assets	19,000	5,354
Total Current Assets	$1,170,479	$6,166,617
Non-Current Assets		
Debt Issue Costs, Net	--	--
Security Deposits	$27,000	$27,000
Fixed Assets	3,788,424	12,030,297
Less: Accumulated Depreciations	94,867	128,715
Total Non-Current Assets	$3,720,557	$11,928,582
Total Assets	$4,891,036	$18,095,199
LIABILITIES		
Current Liabilities		
Accounts Payable and Accruals	$149,228	$201,105
Intra-Company Payable	330,000	776,832
Deferred Revenue	354,000	61,355
Current Portion of Long-Term Obligations	25,000	25,000
Total Current Liabilities	$858,228	$1,064,292
Long Term Obligations		
Non-Current Portion of Long-Term Obligations	$2,090,702	$8,731,986
Total Liabilities	$2,948,938	$9,796,278
NET ASSETS		
Unrestricted	$1,509,374	$8,298,921
Designated	432,732	--
Total Net Assets	$1,942,106	$ 8,298,921
Total Liabilities and Net Assets	$4,891,036	$18,095,199

Source: Magnolia Educational & Research Foundation.

Activities and Changes in Net Assets. The following Table A-35 sets forth the activities and changes in net assets of MSA-SA and its affiliates for fiscal years ended June 30, 2015 and June 30, 2016.

Table A-35
MAGNOLIA SCIENCE ACADEMY – SANTA ANA
Consolidated Statement of Activities and Changes in Net Assets
Fiscal Years ended June 30, 2015 and June 30, 2016

	2014-15	2015-16
REVENUE:		
State Apportionments	$1,155,757	$1,178,240
Federal Revenue	89,864	364,623
Other State Revenue	210,696	7,070,882
Rent Revenue	--	--
Local Revenue	29,745	47,229
Total Revenues	$1,486,062	$8,660,974
EXPENSES		
Program Services		
Salaries and Benefits	$993,530	$1,239,163
Student Services	231,343	127,714
Materials and Supplies	27,013	169,969
Student Nutrition	37,922	68,807
Other Expenses	9,483	49,339
Subtotal	$1,299,291	$1,654,992
Management and General		
Amortization	--	--
Depreciation	$24,823	$33,848
Management Fee	--	60,000
Occupancy	206,499	229,754
Operating Expenses	260,521	325,565
Debt Service	--	--
Interest	460	--
Subtotal	492,303	649,167
Total Expenses	$1,791,594	$2,304,159
CHANGE IN UNRESTRICTED NET ASSETS	$(305,532)	$6,356,815
NET ASSETS (DEFICIT), BEGINNING OF YEAR	$2,247,638	$1,942,106
NET ASSETS, END OF YEAR	$1,942,106	$8,298,921

Source: Magnolia Educational & Research Foundation

BOND PURCHASE AGREEMENT

BOND PURCHASE AGREEMENT

$_________	**$_________**
California School Finance Authority	**California School Finance Authority**
Charter School Revenue Bonds	**Charter School Revenue Bonds**
(Magnolia Public Schools – Obligated Group)	**(Magnolia Public Schools – Obligated Group)**
Draw Down Series 2017A	**Series 2017B (Taxable)**

April __, 2017

The Honorable John Chiang
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

Magnolia Properties Management, Inc.
250 E First Street, Suite 1500
Los Angeles, California 90012
Attention: Ms. Caprice Young

California School Finance Authority
304 S. Broadway, Suite 550
Los Angeles, California, 90013
Attention: Executive Director

Ladies and Gentlemen:

The undersigned, D.A. Davidson & Co., acting on its own behalf (the "Underwriter"), offers to enter into the following agreement (this "Agreement") with the Honorable John Chiang, Treasurer of the State of California (the "State Treasurer"), as agent for sale, the California School Finance Authority (the "Authority") and Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), which, upon the State Treasurer's, the Authority's and the Borrower's written acceptance of this offer and approval by Magnolia Educational and Research Foundation, a California nonprofit public benefit corporation ("MERF"), will be binding upon the State Treasurer, the Authority, the Borrower and the Underwriter. This offer is made subject to the State Treasurer's and the Authority's written acceptance hereof and approval by the Borrower on or before 4:00 p.m., Pacific time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the State Treasurer, the Authority and Borrower at any time prior to the acceptance hereof by the State Treasurer, the Authority and approval by the Borrower. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Indenture (as defined herein) or in the Limited Offering Memorandum (as defined herein).

1. **Underwriter Not Acting as Advisor or Fiduciary.** The State Treasurer, the Authority, the Borrower and the Underwriter acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length, commercial transaction among the State Treasurer, the Authority, the Borrower and the Underwriter in which the Underwriter is

acting solely as a principal and is not acting as an agent, advisor or fiduciary including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), of the State Treasurer, the Authority or the Borrower, (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the State Treasurer, the Authority or the Borrower with respect to this Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, has provided other services or is currently providing other services to the State Treasurer, the Authority or the Borrower on other matters), (iii) the only contractual obligations the Underwriter has to the State Treasurer, the Authority and the Borrower with respect to the transactions contemplated hereby are those set forth in this Agreement, (iv) the Underwriter has financial and other interests that differ from those of the State Treasurer, the Authority and the Borrower, and (v) each of the State Treasurer, the Authority and the Borrower has consulted with its own legal, accounting, tax, financial and other advisors, as applicable, to the extent each has deemed appropriate. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligations of fair dealing under MSRB Rule G-17.

2. **Purchase and Sale of the Bonds.** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the State Treasurer on behalf of the Authority, and the Authority hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the above-captioned bonds (the "Bonds"). Inasmuch as this purchase and sale represents a negotiated transaction, the Authority and the Borrower understand, and hereby confirm, that the Underwriter is not acting as a fiduciary of the Authority or the Borrower, but rather is acting solely in its capacity as Underwriter for its own account. The Underwriter's obligation to purchase the Bonds is dependent upon Hamlin Capital Management LLC, as Bondholder Representative for the Bonds, providing the Underwriter with funds equal to the aggregate principal amount of the Bonds.

The purchase price for the Bonds shall be $________ (calculated as the aggregate principal amount of the Bonds ($__________), plus/less an Underwriter's premium/discount of $[__________]), less Underwriter's compensation of $__________).

The principal amount of the Bonds to be issued, the dated date therefor, the maturities and interest rates per annum are set forth in Schedule I hereto. The Bonds will be issued pursuant to the Constitution and laws of the State of California (the "State") and particularly under and pursuant to Chapter 18 (commencing with section 17170) of Part 10 of Division 1 of Title 1 of the California Education Code (the "Act"), and will be issued and secured under and pursuant to an Indenture, dated as of April 1, 2017 (the "Indenture"), by and between the Authority and UMB Bank, National Association, as trustee (the "Trustee"). The Bonds shall be as described in the Limited Offering Memorandum (as defined herein). The Authority approved the issuance of the Bonds pursuant to a resolution adopted by the Authority on April [12], 2017 (the "Bond Resolution").

The Bonds may only be offered and sold (including, in secondary market transactions) in whole or in part, in connection with a sale to or through a broker/dealer only to (i) any accredited investor (within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended) or qualified institutional buyer (within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended), (ii) any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any accredited investor or qualified institutional buyer), (iii) any trust or custodial arrangement each of the beneficial owners of which is an accredited investor or qualified institutional buyer, or (iv) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended.

The Authority will loan the proceeds of the sale of the Bonds (the "Loan") to the Borrower pursuant to a loan agreement, dated as of the date of the Indenture (the "Loan Agreement"), by and between the Authority and the Borrower to finance and/or refinance the acquisition, construction, equipping and/or improvement of: (i) the charter school facility at [18214 and 18228] Sherman Way, Reseda, California 91335 (the "MSA-1 Facility") owned by MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), and leased to MERF pursuant to a lease (the "MSA-1 Lease"), for use and occupancy by Magnolia Science Academy-1 ("Magnolia Science Academy-1"), a charter school organized under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the Education Code) (the "Charter School Law"), (ii) certain charter school facilities located at 6365 Lake Atlin Avenue, San Diego, California 92119 (the "San Diego Facility") owned by MPM San Diego LLC, a California limited liability company ("MPM San Diego"), on land used by MERF pursuant to a shared use agreement between MERF and the San Diego Unified School District, for use and occupancy by Magnolia Science Academy-San Diego ("Magnolia Science Academy-San Diego"), a charter school organized under the Charter School Law, and (iii) certain charter school facilities located at 2840 W 1st Street, Santa Ana, California 92703 (the "Santa Ana Facility," and together with the MSA-1 Facility and the San Diego Facility, the "Facilities"), to be owned by MPM Santa Ana LLC ("MPM Santa Ana" and together with the Borrower, MPM Sherman Way and MPM San Diego, the "Initial Members") and leased by MERF for use and occupancy by Magnolia Science Academy-Santa Ana ("Magnolia Science Academy-Santa Ana" and together with Magnolia Science Academy-1 and Magnolia Science Academy-San Diego, the "Schools"), a charter school organized under the Charter School Law (collectively, the "Project").

In connection with the issuance of the Bonds and financing and/or refinancing of the Project, MERF will enter into a: (1) Lease Agreement with [MPM Sherman Way] to finance the portion of the Project located at the MSA-1 Facility (the "Sherman Way Lease"); (2) [Lease and Equipment Agreement] with MPM San Diego to finance the portion of the Project located at the San Diego Facility (the "San Diego Lease" and together with the Sherman Way Lease, the "Leases"); and (3) School Loan Agreement with MPM Santa Ana to finance the portion of the Project located at the Santa Ana Facility (the "School Loan Agreement"). The Initial Members and UMB Bank, National Association, as master trustee (the "Master Trustee") will enter into a Master Indenture of Trust (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 2 (the "Supplemental MTI for Obligation No. 2"), each dated as of the date of the Indenture, pursuant to which the Initial Members will issue an Obligation (as defined in the Master Indenture) to evidence the Initial Members' obligation to ensure performance of the obligations of the Borrower arising under the Loan Agreement ("Obligation No. 2"). Obligation No. 2 will be secured by a [Deed of Trust, made as of April 1, 2017, executed by [the Borrower], to MPM Sherman Way for the benefit of the Master Trustee] and a [Leasehold Deed of Trust, made as of April 1, 2017, executed by [the Borrower], to MPM San Diego for the benefit of the Master Trustee] (collectively, the "Deeds of Trust").

Simultaneously with the issuance of the Bonds, the Borrower shall cause MERF to provide to the State Controller of the State of California (the "Controller"), a notice (the "Intercept Notice"), including a schedule of transfers to the Trustee of certain amounts to become due and payable with respect to the Bonds (the "Intercept") pursuant to Section 1.7199.4(a)(1) and (4) of the California Education Code.

To ensure compliance with the requirements of Securities and Exchange Commission Rule 15c2-12, the Borrower and MERF will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") pursuant to which MERF will annually prepare audited financial statements and other specified operating information, as well as provide notice of certain enumerated events.

3. **Public Offering.** The Underwriter agrees to make a bona fide limited public offering of all of the Bonds at a price not to exceed the public offering price set forth on the cover of the Limited Offering Memorandum and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover of the Limited Offering Memorandum.

4. **The Limited Offering Memorandum.** The Authority has approved the use of the Limited Offering Memorandum dated the date hereof (such Limited Offering Memorandum, including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto, and any amendments and supplements thereto being herein called the "Limited Offering Memorandum"). The Authority and the Borrower represent and warrant that the Limited Offering Memorandum was deemed final by the Authority and the Borrower as of its date within the meaning of Section 240.15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations ("Rule 15c2-12"). The Borrower represents that it has reviewed and approved the information in the Limited Offering Memorandum and hereby authorizes the Limited Offering Memorandum to be used by the Underwriter in connection with the limited public offering and the sale of the Bonds. The Borrower will cause the delivery of a final printed form of the Limited Offering Memorandum not later than seven (7) business days after the execution of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and the Rules of the Municipal Securities Rulemaking Board, with only such changes as shall have been approved by Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") and the Underwriter, signed on behalf of the Borrower by any authorized officer. The Authority and the Borrower also authorize the use, in connection with the limited public offering and sale of the Bonds, of copies of the final Limited Offering Memorandum, the Indenture and the Loan Agreement. The Underwriter hereby agrees to deliver a copy of the Limited Offering Memorandum to a nationally recognized municipal securities information repository, which as of the date hereof, is the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system, on or before the date of the original issuance and delivery of the Bonds (the "Closing Date"), and to otherwise comply in all material respects with all applicable statutes and regulations in connection with the offering and sale of the Bonds, including, without limitation, MSRB Rule G-32.

5. **Representations, Warranties, and Covenants of the Authority.** The Authority hereby represents and warrants to and covenants with the Underwriter that:

(i) The Authority is and will be at the Closing Date duly organized and existing under the Constitution and laws of the State of California, has full power and authority to issue the Bonds, to adopt the Bond Resolution, to enter into the Indenture, the Loan Agreement and this Agreement (collectively, the "Authority Documents") and to perform its obligations under the Authority Documents and when executed and delivered by the respective parties hereto and thereto, the Authority Documents will constitute the valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights generally, by the application of equitable principles as the court having jurisdiction may impose, regardless of whether such proceeding is considered in a proceeding in equity or law, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against governmental entities in the State of California;

(ii) When delivered to and paid for by the Underwriter at the Closing (as defined herein) in accordance with the provisions of this Agreement, the Bonds will have been duly authorized, executed, issued and delivered, and assuming due authentication by the Trustee, will constitute valid and binding limited obligations of the Authority, enforceable in accordance with their terms, in conformity with, and entitled to the benefit and security of, the Indenture;

(iii) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has authorized and approved the distribution of the Limited Offering Memorandum and the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Bonds and the Authority Documents and the consummation by the Authority of all other financing transactions on its part contemplated by the Limited Offering Memorandum and this Agreement;

(iv) There is no action, suit or proceeding, at law or in equity, before or by any court pending (with service of process having been accomplished against the Authority) or any action, suit, proceeding, inquiry or investigation before any court, governmental agency, public board or body known to the Authority to be threatened against the Authority seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or contesting any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Bonds or the Authority Documents or contesting in any way the completeness or accuracy of the information in the Limited Offering Memorandum under the captions "THE AUTHORITY" or "ABSENCE OF MATERIAL LITIGATION – The Authority" (the "Authority Information") or the existence or powers of the Authority relating to the issuance of the Bonds;

(v) As of the date hereof and as of the Closing Date, the statements and information contained in the Authority Information were and will be true and correct in all material respects, and did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

(vi) Both at the time of acceptance hereof by the Authority and at the Closing Date, the statements and information contained in the Authority Information (including any supplements or amendments) are and will be true and correct in all material respects, and do not and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect, it being further understood that no such representation, warranty or agreement shall apply to any other statements or information in or omissions from the Limited Offering Memorandum;

(vii) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in endeavoring (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and, subject to Section 9 hereof, will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Authority be required to take any action that would subject it to general, special or unlimited service of process in any jurisdiction in which it is now not so subject;

(viii) To the best knowledge of the Authority, the execution and delivery by the Authority of the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Documents nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority pledged under the Authority Documents under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, which lien, charge, security interest or encumbrance would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Documents;

(ix) The Authority is not in material breach of or in material default under any applicable law or administrative regulation of the State or the United States or any applicable material judgment or material decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Documents and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material breach of or a material default or a material event of default under any such instrument, which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Documents;

(x) (1) If between the date of this Agreement and up to and including the 25th day following the "end of the underwriting period" (as such term is defined in Rule 15c2-12) an event occurs affecting the Authority, of which the Authority has knowledge, which might or would cause the Authority Information contained in the Limited Offering Memorandum, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which they were made, not misleading, or if the Authority is notified by the Borrower pursuant to the provisions of this Agreement or otherwise requested to amend, supplement or otherwise change the Limited Offering Memorandum, the Authority will notify the Underwriter and the Borrower, and if in the reasonable opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Limited Offering Memorandum, the Authority will amend or supplement the Limited Offering Memorandum in a form and in a manner approved by the Underwriter, and all reasonable expenses thereby incurred will be paid by the Borrower pursuant hereto; and

(2) During the period described in the preceding paragraph, the Authority will not participate in the issuance of any amendment of or supplement to the Limited Offering Memorandum to which, after being furnished with a copy, the Borrower, the Trustee or the Underwriter shall reasonably object in writing or which shall be disapproved by any of their respective counsel.

The execution and delivery of this Agreement by the Authority shall constitute a representation by the Authority to the Underwriter that the representations, warranties and agreements contained in this Section 5 are true as of the date hereof; provided, that as to information furnished by the Borrower pursuant to this Agreement or otherwise and in the Limited Offering Memorandum, the Authority is relying on such information in making the Authority's representations, warranties and agreements; and as to all matters of law, the Authority is relying on the advice of counsel to the Authority; and provided further, that no member of the governing body of the Authority or officer, employee or agent of the Authority shall be individually liable for the breach of any representation, warranty or agreement contained herein.

6. **Representations, Warranties and Covenants of the Borrower**. The Borrower hereby represents, warrants and agrees as follows:

(i) The Borrower is a California nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California. The Borrower has and, at the Closing Date will have, requisite organizational power and authority to enter into the Master Indenture of Trust, the Supplemental MTI for Obligation No. 2, Obligation No. 2, the Deeds of Trust, the Loan Agreement, the Bond Purchase Agreement, the Leases, the School Loan Agreement, the Tax Certificate of the Authority and the Borrower relating to the Bonds and the Continuing Disclosure Agreement (collectively, the "Borrower Documents"); to execute the Limited Offering Memorandum and to carry out and consummate all transactions contemplated by the Borrower Documents and the Limited Offering Memorandum; and by proper organizational action has duly authorized the execution and delivery of the Borrower Documents and the Limited Offering Memorandum and the distribution of the Limited Offering Memorandum.

(ii) The officers or other designees of the sole member of the Borrower executing the Borrower Documents and the Limited Offering Memorandum on behalf of the Borrower are duly and properly in office and authorized to execute and approve the same.

(iii) As of the date hereof, this Agreement has been duly executed and delivered by the Borrower and as of the Closing the Borrower Documents will be legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforcement of each of these documents may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(iv) [Reserved]

(v) As of the date thereof and at the Closing Date, the statements and information contained in the Limited Offering Memorandum (including any supplements or amendments) relating to the Borrower are and will be true and correct in all material respects, and do not and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect, it being further understood that no such representation, warranty or agreement shall apply to any other statements or information in or omissions from the Limited Offering Memorandum.

(vi) The Borrower is not (i) in violation of any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, which violation would materially adversely affect the financial position or operations of the Borrower or (ii) in default under any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which MERF or the Borrower is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, which default would materially adversely affect the financial position or operations of the Borrower.

(vii) The execution and delivery of the Borrower Documents and execution and delivery of the Limited Offering Memorandum by the Borrower, the consummation by the Borrower of the transactions herein and therein contemplated and the Borrower's fulfillment of or compliance with the terms and conditions thereof will not (a) conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under (i) the operating Agreement of the Borrower, (ii) any indenture, mortgage, deed of trust, loan agreement, contract, lease or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound or (iii) any law or administrative rule or regulation or any court or administrative decree or order applicable to the Borrower; or (b) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, except for the liens or pledges created by the Borrower Documents, which conflict, violation, breach, default, lien, charge or encumbrance could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents, the Limited Offering Memorandum or the financial condition, assets, properties or operations of the Borrower.

(viii) No consent or approval of any trustee or holder of any indebtedness of the Borrower and no consent, permission, authorization, order or license of, or filing or registration with, any governmental issuer (except the approval of the Authority for the execution and delivery of the Bonds and in connection with Blue Sky proceedings) is necessary in connection with the execution and delivery of this Agreement, the execution and delivery of the other Borrower Documents at the Closing, the approval of the Limited Offering Memorandum, or the consummation of any transaction therein contemplated, except in all such cases as have been obtained or made and as are in full force and effect.

(ix) There are no actions, suits or proceedings which have been served on the Borrower or, to the best of the knowledge of the Borrower, are otherwise pending or threatened against the Borrower:

(a) seeking to restrain or enjoin the execution or delivery of any of the Bonds or the pledge under the Loan Agreement or any payments to be made by the Borrower pursuant to the Loan Agreement,

(b) in any way contesting or affecting the Authority or the execution or delivery of the Bonds or the validity when executed and delivered of Borrower Documents or the pledge under the Indenture,

(c) in any way contesting the corporate existence or powers of the Borrower;

(d) which, if determined adversely to it, could reasonably be expected to materially adversely affect the consummation of the transactions contemplated by the Borrower Documents or the financial condition, assets or properties of the Borrower,

(e) alleging that the Limited Offering Memorandum, as amended or supplemented pursuant to this Agreement contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or

(f) contesting the powers of the Borrower to conduct the business now being conducted by it and as contemplated by the Borrower Documents.

(x) To the extent permitted by law, the Borrower agrees to indemnify and hold harmless the Authority, the State Treasurer, the Underwriter and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act")) any of the Underwriter and the members, officers, agents and employees of the State Treasurer and the Authority (collectively, the "Indemnified Persons," and individually, an "Indemnified Person") from and against any and all judgments, losses, claims, damages or liabilities, joint or several, to which any Indemnified Person may become subject insofar as such judgments, losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Limited Offering Memorandum, or that arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to the information contained therein, and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in connection with investigating, defending or preparing to defend any such loss, claim, damage, liability or any action in respect thereof; provided, however, that the Borrower shall not be liable to the Authority for the information provided by the Authority in the "AUTHORITY" portion of the Limited Offering Memorandum, and the Borrower shall not be liable to the Authority for the information provided by the Underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum. On the date of delivery of the Bonds, the Borrower will deliver a certificate to the effect that the Limited Offering Memorandum (except for the Authority Information and the information provided by the Underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum) does not contain a misstatement of a material fact or omit to state a material fact required to be stated therein in order to make the statements therein not misleading.

In case any claim shall be made or action brought against any Indemnified Person based upon the Limited Offering Memorandum, in respect of which indemnity may be sought against the Borrower, the Borrower shall be promptly notified in writing setting forth the particulars of such claim or action and the Borrower shall assume the defense thereof including the retaining of counsel and the payment of all expenses. Any Indemnified Person shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless: (i) the Borrower shall have specifically authorized the retaining of such counsel and has consented to pay the fees and expenses thereof; or (ii) the parties to such suit include said Indemnified Person, and the Borrower and such Indemnified Person or Persons have been advised by such counsel that one or more legal defenses may be available to said Indemnified Person or Persons which may not be available to the Borrower; or

(iii) the Attorney General assumes the defense of the Authority and/or the State Treasurer, or any Indemnified Party thereof, in which case the Borrower shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel.

(xi) The Borrower shall pay the fees and expenses described as payable by it in Section 12 of this Agreement and pay any expenses incurred in amending or supplementing the Limited Offering Memorandum pursuant to this Agreement.

(xii) The Borrower:

(a) is in material compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations and finances;

(b) has obtained all licenses, permits, franchises or other governmental authorizations necessary and material to the ownership of its property or to the conduct of its activities, agrees to obtain all permits and approvals or other governmental authorizations that are required and necessary for construction and operation of newly acquired facilities for the Borrower and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for its operations in all cases where failure to obtain such licenses, permits, franchises or other governmental authorizations could reasonably be expected to materially and adversely affect the condition (financial or otherwise) of the Borrower or its ability to perform its obligations under the Borrower Documents; and

(c) is in material compliance with all provisions of the Borrower Documents applicable to the Borrower including, but not limited to, the requirements of the Loan Agreement that the Borrower maintain certain insurance policies or programs.

(xiii) The Project constitutes a "project" and the Borrower is a "participating party," as those terms are defined in the Act.

(xiv) As of the date thereof and at the Closing Date, the Limited Offering Memorandum does not and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading;

(xv) If between the date hereof and up to and including the 25th day following the "end of the underwriting period" (as such term is defined in Rule 15c2-12), any event shall occur which might or would cause the Limited Offering Memorandum, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Borrower shall notify the Authority, the Treasurer and the Underwriter and if in the reasonable opinion of the Borrower, the Authority or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Limited Offering

Memorandum, the Borrower will request the Authority to cause the Limited Offering Memorandum to be amended or supplemented in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid by the Borrower.

(xvi) During the period described in the preceding paragraph, the Borrower will not participate in the issuance of any amendment of or supplement to the Limited Offering Memorandum to which, after being furnished with a copy, either the Authority or the Underwriter shall reasonably object in writing or which shall be disapproved by their respective counsel.

The representations, warranties, agreements and indemnities herein shall survive the Closing and any investigation made by or on behalf of the Authority, the State Treasurer or the Underwriter or any person who controls the Authority, the State Treasurer or the Underwriter of any matters described in or related to the transactions contemplated hereby and by the Borrower Documents or the Limited Offering Memorandum.

7. **Closing.** At or before 10:00 a.m. California time, on _______, 2017, or at such other time and date as shall have been mutually agreed upon by the Authority and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver or cause to be delivered the Bonds to The Depository Trust Company ("DTC") in New York, New York, or to the Trustee as part of the FAST system, for the account of the Underwriter duly executed and authenticated, in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds, registered in the name of Cede & Co., all as provided in the Indenture, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 2 of this Agreement by wire transfer payable in immediately available funds to the order of the Trustee (such delivery an payment being referred to as the "Closing"). Payment for the Bonds as aforesaid shall be made at the offices of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") in Los Angeles, California, or such other place as shall have been mutually agreed upon by the Authority and the Underwriter.

8. **Closing Conditions.** The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Authority, the State Treasurer and the Borrower contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority, the State Treasurer and the Borrower of their obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the Borrower of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(i) The representations and warranties of the Authority and the Borrower contained herein shall be true and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(ii) The Authority and the Borrower shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(iii) At the time of the Closing, (i) the Authority Documents, the Borrower Documents and the Bonds shall be duly executed, issued and delivered and shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Limited Offering Memorandum shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and (ii) all actions of the Authority and the Borrower required to be taken shall be performed in order for Bond Counsel and other counsel to deliver their respective opinions referred to hereafter;

(iv) At or prior to the Closing, the Bond Resolution shall have been duly executed and delivered by the Authority and the Authority shall have duly executed and delivered and the trustee shall have duly authenticated the Bonds;

(v) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the Project, in the condition, financial or otherwise, or in the revenues or operations of the Borrower, from that set forth in the Limited Offering Memorandum that in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Limited Offering Memorandum;

(vi) The Borrower shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(vii) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(viii) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(a) The Limited Offering Memorandum, and each supplement or amendment thereto, if any, and the reports and audits referred to or appearing in the Limited Offering Memorandum;

(b) The Bond Resolution with such supplements or amendments as may have been agreed to by the Underwriter;

(c) The Continuing Disclosure Agreement;

(d) The approving opinion of Bond Counsel with respect to the Bonds, in substantially the form attached to the Limited Offering Memorandum;

(e) A supplemental opinion of Bond Counsel addressed to the Underwriter, substantially to the effect that:

(A) the Bonds not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(B) the Bond Purchase Agreement has been duly executed and delivered by, and is a valid and binding agreement of, the Authority;

(C) The statements contained in the Limited Offering Memorandum under the captions "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "TAX MATTERS," Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL BOND DOCUMENTS," and Appendix F – "FORM OF OPINION OF BOND COUNSEL," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Indenture, the Loan Agreement, and the form and content of their Bond Opinion, are accurate in all material respects;

(D) That they are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 3 above), completeness or fairness of any of the statements contained in the Limited Offering Memorandum, and make no representation that they have independently verified the accuracy, completeness or fairness of any such statements. They do not assume any responsibility for any electronic version of the Limited Offering Memorandum, and assume that any such version is identical in all respects to the printed version. In their capacity as bond counsel to the Authority in connection with issuance of the Bonds, they participated in conferences with representatives of the Underwriter and its counsel, representatives of the Authority, the Borrower, Alliance, the Sole Member, their respective counsel, and others, during which conferences the contents of the Limited Offering Memorandum and related matters were discussed. Based on their participation in the above-referenced conferences (which did not extend beyond the date of the Limited Offering Memorandum), and in reliance thereon, on oral and written statements and representations of the Borrower, Alliance, the Sole Member and others and on the records, documents, certificates, opinions and matters herein mentioned, subject to the limitations on their role as bond counsel, they advise you as a matter of fact and not opinion that no facts came to the attention of the attorneys in their firm rendering legal services with respect to the Limited Offering Memorandum which caused them to believe that the statements contained in the Limited Offering

Memorandum as of its date (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, absorption, real estate or environmental matters, ratings, underwriters, underwriting, Appendices B, E and G, included or referred to therein, which we expressly exclude from the scope of this paragraph and as to which they express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Limited Offering Memorandum;

(f) An opinion of the Honorable Xavier Becerra, Attorney General of the State of California (the "Attorney General"), counsel to the Authority, dated the Closing Date, addressed to the Authority and the Trustee, in a form acceptable to the Authority and the Underwriter;

(g) An opinion of Borrower's Counsel addressed to the Authority, the Trustee and the Underwriter to the effect that:

(A) Each of the Schools is a school established pursuant to the Charter School Law.

(B) The Borrower has the corporate power and authority to execute and deliver the Borrower Documents and to perform its obligations thereunder. The execution and delivery by the Borrower of the Borrower Documents and the performance of its obligations thereunder have been duly authorized by proceedings of the sole member of the Borrower;

(C) The Borrower Documents constitute the valid and binding obligations of the Borrower enforceable against it in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally, and except as their enforcement may be subject to the application of equitable principles, the exercise of judicial discretion in appropriate cases and the limitations on legal remedies against public schools in the State of California;

(D) The approval and distribution of the Limited Offering Memorandum, the approval of the Bond Purchase Agreement and the Indenture, the execution and delivery of the Borrower Documents by the

Borrower, and the performance of the obligations of the Borrower under the Borrower Documents on the date hereof do not violate the provisions of the Borrower's operating agreement, and, to our knowledge, do not require any consents, approvals, authorizations, registrations, declarations or filings by the Borrower under, any federal or California statute (other than Blue Sky laws, as to which no opinion is expressed), rule or regulation applicable to the Borrower, and of a type that is typically applicable to transactions similar to those transactions contemplated by the Borrower Documents, that have not been obtained or made except filings and recordings required in order to perfect or otherwise protect the security interests under the Borrower Documents.

(h) A certificate, dated the Closing Date, of the Authority to the effect that (A) the Authority has fulfilled or performed each of its obligations contained in the Authority Documents required to be fulfilled or performed by it as of the Closing Date; and (B) to the best of such official's knowledge, the representations and warranties made by the Authority in this Agreement are true and correct in all material respects on the Closing Date, with the same effect as if made on and with respect to the facts as of the Closing Date;

(i) A certificate, dated the date of Closing, of the sole member of the Borrower on behalf of the Borrower to the effect that (i) the representations and warranties of the Borrower contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) no litigation or proceeding against it is pending or, to its knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the due organization and valid existence of the Borrower, (b) contest the validity, due authorization and execution of the Bonds or the Borrower Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Borrower from functioning and collecting revenues and other income; (iii) the resolutions of the sole member of the Borrower authorizing on behalf of the Borrower the execution, delivery and/or performance of the Limited Offering Memorandum and Borrower Documents have been duly adopted by the sole member of the Borrower, are in full force and effect and have not been modified, amended or repealed, and (iv) to the best of its knowledge, no event affecting the Borrower has occurred since the date of the Limited Offering Memorandum which should be disclosed in the Limited Offering Memorandum for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Limited Offering Memorandum is correct in all material respects and, as of the date of the Limited Offering Memorandum did not, and as of the Closing Date does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(j) A Letter of Representations of MERF to the Underwriter and the Authority, substantially in the form of Exhibit A hereto;

(k) The Tax Certificate, in form satisfactory to Bond Counsel and counsel to the Underwriter;

(l) Any other certificates and opinions required by the Indenture for the issuance thereunder of the Bonds;

(m) [a fully executed Pledge Agreement, between each Initial Member and the Trustee, each in form and substance reasonably acceptable to the Underwriter];

(n) [a fully executed Deposit Account Control Agreement, among the Borrower, the Trustee and ___________;]

(o) Mortgage title insurance policies, in amounts aggregating not less than the sum of the aggregate purchase price of all real property collateral subject to the Deeds of Trust, to be obtained at the Borrower's expense, insuring that each of the Deeds of Trust constitutes a valid first lien on the applicable real property collateral, free and clear of all defects and encumbrances except Permitted Encumbrances, as defined in the [Indenture], and naming the Trustee as insured grantee;

(p) a guaranteed maximum price contract or contracts with the general contractor(s) for the Project with respect to which funds are requested to be disbursed, in form and substance reasonably acceptable to the Underwriter, and an assignment of such contract to the [Trustee], executed by the Borrower and acknowledged by the contractor(s), in form and substance reasonably acceptable to the Underwriter; and

(q) Such other certificates, opinions or documents as the Underwriter may reasonably request.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter, as evidenced by the Closing.

If the Authority or the Borrower shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Authority shall be under any further obligation hereunder.

9. **Conditions to the Obligations of the Authority.** The obligations of the Authority to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the

Authority, to the performance by the Underwriter of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(i) The Authority Documents and the Borrower Documents shall have been executed by the other parties thereto;

(ii) No order, decree, injunction, ruling or regulation of any court, regulatory agency, public board or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly, of prohibiting the offering, sale or issuance of the Bonds as contemplated hereby or by the Limited Offering Memorandum;

(iii) The forms of documents contemplated by Section 8(viii), which are set forth herein, shall have been delivered substantially in the forms set forth herein, and the other documents contemplated by Section 8(viii) shall have been delivered to the Authority in form and substance satisfactory to Bond Counsel and the Authority; and

(iv) The Authority shall have received evidence of payment or provision for payment of the fees of the Authority and the State Treasurer as agent for sale.

10. **Indemnification.**

(i) The Underwriter will indemnify and hold harmless the Authority and the State Treasurer and the members, officers, agents and employees of the State Treasurer and the Authority against any losses, claims, damages or liabilities to which any of them may become subject, under federal securities laws, or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the "UNDERWRITING" section of the Limited Offering Memorandum or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or omission or alleged omission was made in the "UNDERWRITING" section of the Limited Offering Memorandum, or any such amendment or supplement, in reliance upon and in conformity with written information furnished to the Authority by the Underwriter expressly for use therein or reviewed without comment by the Underwriter; and will reimburse such indemnified parties for any legal or other expenses reasonably incurred thereby in connection with investigating or defending any such action or claim.

(ii) Promptly after receipt by an indemnified party pursuant to subsection (a) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify of the commencement thereof, and shall be entitled to participate therein and to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party or shall otherwise have an actual or potential conflict in such representation), and, after notice to such indemnified party of its election so to assume the defense thereof, shall not be liable to such indemnified party under such subsection for any legal expenses or other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation; provided, however, that each indemnified party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Underwriter shall pay the reasonable fees and expenses of such separate counsel; provided further, however, that such indemnified party may only employ separate counsel at the expense of the Underwriter if (1) the Attorney General assumes the defense of the indemnified party, (2) in the judgment of such indemnified party a conflict of interest exists by reason of common representation, (3) if all parties commonly represented do not agree as to the action (or inaction) of counsel, or (4) if substantially different or additional defenses apply to such indemnified party.

11. **Termination.** The Underwriter, after notifying the State Treasurer, shall have the right to cancel its obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole, reasonable judgment of the Underwriter, following consultation with the State Treasurer, by the occurrence of any of the following:

(i) legislation shall be enacted by the Congress of the United States or the State legislature, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation, press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made, the effect of any or all of which would be to impose, directly or indirectly, state income taxation upon interest received on obligations of the general character of the Bonds or, with respect to state taxation, of the interest on the Bonds as described in the Limited Offering Memorandum, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or state income tax consequences of any of the transactions contemplated herein;

(ii) legislation enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation, press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Bond Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Limited Offering Memorandum or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(iii) any state Blue Sky or securities commission or other governmental agency or body shall have withheld a registration exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(iv) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental Authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(v) the New York Stock Exchange or other national securities exchange or any governmental issuer, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(vi) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other Authority materially adversely affecting the tax status of the Authority, its property, income securities (or interest thereon);

(vii) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Limited Offering Memorandum, or has the effect that the Limited Offering Memorandum contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(viii) there shall have occurred any materially adverse change in the affairs or financial condition of the Borrower;

(ix) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other new material outbreak or material escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(x) any fact or event shall exist or have existed that, in the Underwriter's reasonable judgment, requires or has required an amendment of or supplement to the Limited Offering Memorandum;

(xi) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any rating of the Bonds;

(xii) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental issuer, board, agency or commission; and

(xiii) the State Treasurer or the Authority may terminate this Agreement if the Underwriter shall fail, by the Closing, to perform its obligations contained herein, upon written notice of such termination to the Underwriter.

Any notice of termination pursuant to this Section 11 shall be given in the manner provided in Section 13 hereof. If this Agreement shall be terminated as provided in this Section 11, such termination shall be without liability of the State Treasurer, the Authority, the Underwriter or the Borrower; provided, however, that in the event of termination of this Agreement for any reason, the Borrower shall remain liable to pay for the Authority's expenses pursuant to this Agreement.

12. **Expenses.**

(i) The Underwriter shall be under no obligation to pay, and the Borrower shall pay, any expenses incident to the performance of the obligations hereunder, including, but not limited to (a) the cost of preparation and printing of the Bonds, (b) the fees and disbursements of Bond Counsel, the State Treasurer and counsel to the Authority, the Trustee, and the Bondholder Representative (and its counsel); (c) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Authority; (d) the fees for bond ratings and credit enhancement fees or premiums, if any; and (e) all other expenses incurred by them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriter, and fees of the California Debt and Investment Advisory Commission.

(ii) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the Borrower to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Borrower shall be unable to perform its obligations under this Agreement, the Borrower will reimburse the Underwriter for all out-of-pocket expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(iii) The Borrower acknowledges that it has had an opportunity in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred in connection with the issuance of the Bonds. The Authority and the Borrower acknowledge that the underwriting fee will pay or reimburse the Underwriter for various expenses incurred by the Underwriter which are incidental to implementing this Bond Purchase Agreement including, but not limited to, meals, transportation and lodging, if any, other miscellaneous closing costs, and the issuance and purchase of the Bonds.

13. **Notices.** Any notice or other communication to be given to the Borrower, the Authority and/or the State Treasurer under this Agreement may be given by delivering the same in writing to the Borrower, the Authority and/or the State Treasurer at the applicable address set forth on the first page hereof. Any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to D.A. Davidson & Co., 1550 Market Street, Suite 300, Denver, Colorado 80202: Matthew DeAngelis, Senior Vice President.

14. **Parties in Interest.** This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Authority, the State Treasurer, the Borrower and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Authority, the State Treasurer or the Borrower. All of the representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter, the State Treasurer or the Authority; and (ii) delivery of and payment for the Bonds pursuant to this Agreement.

15. **Effectiveness.** This Agreement shall become effective upon the acceptance hereof by the State Treasurer and the Authority and approval by the Borrower and shall be valid and enforceable at the time of such acceptance.

16. **Choice of Law; Forum and Venue.** This Agreement shall be governed by and interpreted under the laws of the State of California. Any action arising out of this Agreement shall be filed and maintained in Sacramento County Superior Court, Sacramento, California, unless the Authority shall waive this requirement. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which they may now or hereafter have, to the bringing of any such action or proceeding in such respective jurisdictions.

17. **Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

18. **Business Day.** For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

19. **Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

20. **Counterparts.** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

21. **Limitation of Liability of Authority.** Neither the Authority nor the Treasurer shall be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damaging claims or actions of any conceivable kind under any conceivable theory under this Agreement or any document or instrument referred to herein or by reason of or in connection with this Agreement or other document or instrument except to the extent it receives amounts from the Borrower available for such purpose.

22. **Target Business Enterprise in the Professional Bond Services Report.** Not later than 10 calendar days after the Closing Date, the Underwriter shall submit to the Authority the Target Business Enterprise in the Professional Bond Services Report required pursuant to Section 1899.532 of Subchapter 4, of Chapter 4, Division 2 of Title 2 of the California Code of Regulation.

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement among the Authority, the Borrower and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

[Remainder of Page Left Blank Intentionally]

[Underwriter's Signature Page to Magnolia Public Schools Bond Purchase Agreement]

Respectfully submitted,

D. A. DAVIDSON & CO.

By: ____________________________________
Name:
Title:

[Treasurer and Authority Signature Page to Magnolia Public Schools Bond Purchase Agreement]

ACCEPTANCE

ACCEPTED at [______] p.m. California time this ___ day of ______, 2017

TREASURER OF THE STATE OF CALIFORNIA

By: ____________________________________
Deputy Treasurer

For California State Treasurer John Chiang

CALIFORNIA SCHOOL FINANCE AUTHORITY

By: ____________________________________
Executive Director

[Treasurer and Authority Signature Page to Magnolia Public Schools Bond Purchase Agreement]

ACCEPTANCE

ACCEPTED at [______] p.m. California time this ____ day of _____, 2017.

TREASURER OF THE STATE OF CALIFORNIA

By: ______________________________________
Deputy Treasurer

For California State Treasurer John Chiang

CALIFORNIA SCHOOL FINANCE AUTHORITY

By: ______________________________________
Executive Director

[Borrower Signature Page to Magnolia Public Schools Bond Purchase Agreement]

ACCEPTED at [______] p.m. California time this ____ day of _______, 2017.

MAGNOLIA PROPERTIES MANAGEMENT, INC.,
a California nonprofit public benefit corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

Acknowledged and approved:

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION, a California nonprofit public benefit corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

SCHEDULE I

MATURITY SCHEDULE

SERIES 2017A BONDS

Maturity Dates	Principal Amounts	Interest Rates
July 1, 20__	$ ________	____%
July 1, 20__	________	____%
July 1, 20__	________	____%

SERIES 2017B BONDS

Maturity Date	Principal Amount	Interest Rate
July 1, 2019	$________	_____%

EXHIBIT A

LETTER OF REPRESENTATIONS

________, 2017

The Honorable John Chiang
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

California School Finance Authority
304 S. Broadway, Suite 550
Los Angeles, California 90013

D.A. Davidson & Co.
1550 Market Street, Suite 300,
Denver, Colorado 80202

Re: $________ California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A

$________ California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable)

Ladies and Gentlemen:

The California School Finance Authority (the "Authority") proposes to issue its Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A (the "Series 2017A Bonds"), in the aggregate principal amount of $________, and its Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "Bonds"), in the aggregate principal amount of $________, pursuant to an indenture, dated as of April 1, 2017 (the "Indenture"), by and between the Authority and UMB Bank, National Association, as trustee (the "Trustee"). The Authority will loan the proceeds of the sale of the Bonds (the "Loan") to the Borrower pursuant to a loan agreement, dated as of the date of the Indenture (the "Loan Agreement"), by and between the Authority and the Borrower to finance and/or refinance the acquisition, construction, equipping and/or improvement of: (i) the charter school facility at [18214 and 18228] Sherman Way, Reseda, California 91335 (the "MSA-1 Facility") owned by MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), and leased to Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation (the "Corporation") pursuant to a lease (the "MSA-1 Lease"), for use and occupancy by Magnolia Science Academy-1 ("Magnolia Science Academy-1"), a charter school organized under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the Education Code) (the "Charter School Law"), (ii) certain charter school facilities located at 6365 Lake Atlin Avenue, San Diego, California 92119 (the "San Diego Facility") owned by

MPM San Diego LLC, a California limited liability company ("MPM San Diego"), on land used by the Corporation pursuant to a shared use agreement between the Corporation and the San Diego Unified School District, for use and occupancy by Magnolia Science Academy-San Diego ("Magnolia Science Academy-San Diego"), a charter school organized under the Charter School Law, and (iii) certain charter school facilities located at 2840 W 1st Street, Santa Ana, California 92703 (the "Santa Ana Facility," and together with the MSA-1 Facility and the San Diego Facility, the "Facilities"), to be owned by MPM Santa Ana LLC ("MPM Santa Ana" and together with the Borrower, MPM Sherman Way and MPM San Diego, the "Initial Members") and leased by the Corporation for use and occupancy by Magnolia Science Academy-Santa Ana ("Magnolia Science Academy-Santa Ana" and together with Magnolia Science Academy-1 and Magnolia Science Academy-San Diego, the "Schools"), a charter school organized under the Charter School Law (collectively, the "Project").

In connection with the issuance of the Bonds and financing and/or refinancing of the Project, the Corporation will enter into a: (1) Lease Agreement with [MPM Sherman Way] to finance the portion of the Project located at the MSA-1 Facility (the "Sherman Way Lease"); (2) [Lease and Equipment Agreement] with MPM San Diego to finance the portion of the Project located at the San Diego Facility (the "San Diego Lease" and together with the Sherman Way Lease, the "Leases"); and (3) School Loan Agreement with MPM Santa Ana to finance the portion of the Project located at the Santa Ana Facility (the "School Loan Agreement"). The Initial Members and UMB Bank, National Association, as master trustee (the "Master Trustee") will enter into a Master Indenture of Trust (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 2 (the "Supplemental MTI for Obligation No. 2"), each dated as of the date of the Indenture, pursuant to which the Initial Members will issue an Obligation (as defined in the Master Indenture) to evidence the Initial Members' obligation to ensure performance of the obligations of the Borrower arising under the Loan Agreement ("Obligation No. 2"). Obligation No. 2 will be secured by a [Deed of Trust, made as of April 1, 2017, executed by [the Borrower], to MPM Sherman Way for the benefit of the Master Trustee] and a [Leasehold Deed of Trust, made as of April 1, 2017, executed by [the Borrower], to MPM San Diego for the benefit of the Master Trustee] (collectively, the "Deeds of Trust").

Pursuant to a Bond Purchase Agreement, dated the date hereof (the "Bond Purchase Agreement") among D.A. Davidson & Co. (the "Underwriter"), the Borrower, the Treasurer of the State of California, as agent for sale, and the Authority, and approved by the Corporation, the Authority proposes to sell the Bonds to the Underwriter. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Bond Purchase Agreement. The offering of the Bonds is described in a Limited Offering Memorandum dated ___________, 2017 (the "Limited Offering Memorandum").

In order to induce you to enter into the Bond Purchase Agreement and to make the sale and purchase of the Bonds therein contemplated, the Corporation hereby represents, warrants and agrees with you as follows:

(1) The Corporation is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California. The Corporation has and at the Closing Date will have requisite corporate power and authority to enter into this Letter of Representations (this "Letter of Representations"), the Leases, the School Loan Agreement and a

Continuing Disclosure Agreement dated as of ________, 2017 (collectively, the "Corporation Documents") and to carry out and consummate all transactions contemplated by the Corporation Documents and the Limited Offering Memorandum and by proper corporate action has duly authorized the execution and delivery of the Corporation Documents.

(2) The Corporation is a school established pursuant to the Part 26.8 (commencing with Section 47600) of Title 2 of the California Education Code (the "Charter School Law").

(3) The officers or other designees of the Corporation executing the Corporation Documents are duly and properly in office and authorized to execute and approve the same.

(4) As of the date hereof, the Corporation Documents will have been duly executed and delivered by the Corporation; the Corporation Documents will constitute the legal, valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms; except as enforcement of each of the Corporation Documents may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(5) The Corporation is not (i) in violation of any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, which violation would materially adversely affect the financial position or operations of the Corporation or (ii) in default under any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, which default would materially adversely affect the financial position or operations of the Corporation.

(6) The execution and delivery of the Corporation Documents, the consummation by the Corporation of the transactions herein and therein contemplated, and the Corporation's fulfillment of or compliance with the terms and conditions thereof will not (a) conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under (i) the articles of incorporation of the Corporation, (ii) the bylaws of the Corporation, (iii) any indenture, mortgage, deed of trust, loan agreement, contract, lease or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or (iv) any law or administrative rule or regulation or any court or administrative decree or order applicable to the Corporation, or (b) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, except for the liens or pledges created by the Corporation Documents, which conflict, violation, breach, default, lien, charge or encumbrance could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Corporation Documents or the financial condition, assets, properties or operations of the Corporation.

(7) No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except the approval of the Authority for the

execution and delivery of the Bonds and in connection with Blue Sky filings) is necessary in connection with the execution and delivery of this Letter of Representations, the execution and delivery of the other Corporation Documents at the Closing, or the consummation of any transaction therein contemplated, except in all such cases as have been or will be obtained or made and as are or will be in full force and effect.

(8) The Corporation's charter petition for each School (each a "Charter" and collectively, the "Charters") operating in the Facilities complies with the Charter School Law and is valid and in full force and effect. The Corporation is in material compliance with the provisions of each Charter. The Corporation has the right to renew or extend each Charter, has not received oral or written notice from any Person to the contrary and will use all reasonable efforts to renew each Charter. The Corporation currently qualifies to apply for fiscal year 2017-18 for funding under California Education Code Section 47614.5 for leased facilities and the Corporation will seek funding thereunder each year to the maximum extent available or will seek funding under more favorable state or federal programs if available.

(9) There are no actions, suits or proceedings which have been served on the Corporation or, to the best of the knowledge of the Corporation, are otherwise pending or threatened against the Corporation:

(a) seeking to restrain or enjoin the execution or delivery of any of the Bonds or the pledge or collection of the Leases or the School Loan Agreement or any payments to be made by the Corporation pursuant to the Leases or the School Loan Agreement;

(b) in any way contesting or affecting the authority for the execution or delivery of Corporation Documents or the pledge or collection of rents pledged under the Indenture;

(c) in any way contesting the corporate existence or powers of the Corporation;

(d) which, if determined adversely to it, could reasonably be expected to materially adversely affect the consummation of the transactions contemplated by the Corporation Documents or the financial condition, assets or properties of the Corporation; or

(e) contesting or affecting the Corporation's status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or which would subject any income of the Corporation to federal income taxation to such extent as would result in loss of the exclusion from gross income for federal income tax purposes of interest on any of the Bonds under Section 103 of the Code.

(10) The Corporation is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, except with respect to any unrelated business income of the Corporation, which income is not expected to result from the consummation of any transaction contemplated by the Corporation Documents. Such status is based in part on a letter of determination from the Internal Revenue Service (the "IRS"), which letter has not been withdrawn or conditioned by the IRS. The Corporation is not a private

foundation within the meaning of Section 509(a) of the Code and the Corporation at all times will maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income tax under Section 501(a) of the Code or corresponding provisions of future federal income tax laws. To the best of the Corporation's knowledge, the facts and circumstances which formed the basis of the Corporation's status as an organization described in Section 501(c)(3) of the Code as represented to the Internal Revenue Service continue substantially to exist.

(11) The audited financial statements of the Corporation as of June 30, 2016 present fairly, in all material respects, the financial position of the Corporation as of June 30, 2016 and there has not been any material adverse change in the assets, operations or financial condition of the Corporation since June 30, 2016, which is not described in the Limited Offering Memorandum, whether or not arising from transactions in the ordinary course of business.

(12) The Corporation:

(a) is in material compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as an organization described in Section 501(c)(3) of the Code;

(b) has obtained all licenses, permits, franchises or other governmental authorizations necessary and material to the ownership of its property or to the conduct of its activities, agrees to obtain all permits and approvals or other governmental authorizations that are required and necessary for construction and operation of newly acquired facilities for the Corporation and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for its operations in all cases where failure to obtain such licenses, permits, franchises or other governmental authorizations could reasonably be expected to materially and adversely affect the condition (financial or otherwise) of the Corporation or its ability to perform its obligations under the Corporation Documents; and

(c) is in material compliance with all provisions of the Corporation Documents applicable to the Corporation including, but not limited to, the requirements of the Leases and the School Loan Agreement that the Corporation maintain certain insurance policies or programs.

(13) To the extent permitted by law, the Corporation agrees to indemnify and hold harmless the Authority, the State Treasurer, the Underwriter and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act")) any of the Underwriter and the members, officers, agents and employees of the Authority or the State Treasurer (collectively, the "Indemnified Persons," and individually, an "Indemnified Person") from and against any and all judgments, losses, claims, damages or liabilities, joint or several, to which any Indemnified Person may become subject insofar as such judgments, losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Limited Offering Memorandum other than the portions under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority," or that arise out of or are

based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to the information contained therein, and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in connection with investigating, defending or preparing to defend any such loss, claim, damage, liability or any action in respect thereof; provided, however, that the Corporation shall not be liable to the Authority for the information provided by the Authority in the "AUTHORITY" portion of the Limited Offering memorandum, and the Corporation shall not be liable to the authority for the information provided by the Underwriter in the "UNDERWRITING" portion of the Limited Offering Memorandum. As of the date hereof, the portions of the Limited Offering Memorandum related to the Corporation, or the schools run by it at the Facilities, including the information concerning the Corporation under the captions ["THE FACILITIES," "ABSENCE OF MATERIAL LITIGATION – The Schools," "APPENDIX A: CERTAIN INFORMATION ABOUT THE BORROWER, THE SCHOOLS, THE PROJECT AND MAGNOLIA EDUCATION & RESEARCH FOUNDATION" and "APPENDIX B: AUDITED FINANCIAL STATEMENTS OF MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2016 and UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD FROM JULY 1, 201[_] TO MARCH 31, 201[_]"] (collectively, the "Corporation Information") does not contain a misstatement of material fact or omit to state a material face required to be stated therein in order to make the statements therein not misleading. On the date of delivery of the Bonds, we will deliver a certificate to the effect that the Corporation Information does not contain a misstatement of a material fact or omit to state a material fact required to be stated therein in order to make the statements therein not misleading.

In case any claim shall be made or action brought against any Indemnified Person based upon the Limited Offering Memorandum, in respect of which indemnity may be sought against the Corporation, you shall promptly notify the Corporation in writing setting forth the particulars of such claim or action and the Corporation shall assume the defense thereof including the retaining of counsel and the payment of all expenses. Any Indemnified Person shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless: (i) the Corporation shall have specifically authorized the retaining of such counsel and has consented to pay the fees and expenses thereof, such consent not to be unreasonably withheld; (ii) the parties to such suit include said Indemnified Person, and the Corporation and such Indemnified Person or Persons have been advised by such counsel that one or more legal defenses may be available to said Indemnified Person or Persons which may not be available to the Corporation, or (iii) the Attorney General represents such Indemnified Person, in which case, the Corporation shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel.

The representations, warranties, agreements and indemnities herein shall survive the Closing and any investigation made by or on behalf of either of you or any person who controls either of you of any matters described in or related to the transactions contemplated hereby and by the Corporation Documents or the Limited Offering Memorandum.

This Letter of Representations shall be binding upon and inure solely to the benefit of each of you and the Corporation and, to the extent set forth herein, persons controlling either of you, and their respective officers, employees, agents and personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representations. No recourse under or upon any obligation, covenant or agreement contained in this Letter of Representations shall, under any circumstances, exist or be had against any officer, agent, employee or director of the Corporation as individuals.

This Letter of Representations shall be governed by and interpreted under the laws of the State of California. Any action arising out of this Letter or Representations shall be filed and maintained in Sacramento County Superior Court, Sacramento, California, unless the Authority shall waive this requirement. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which they may now or hereafter have, to the bringing of any such action or proceeding in such respective jurisdictions.

This Letter of Representations may be executed in any number of counterparts and all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of the agreement between us, kindly sign and return to the Underwriter the duplicates of this Letter of Representations whereupon this will constitute a binding agreement among us in accordance with the terms hereof.

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION, a California nonprofit public benefit corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

[Signatures continue on next page]

[Counterpart signature page to MERF's Letter of Representations]

Accepted and Agreed:

D. A. DAVIDSON & CO.
as Underwriter

By: ______________________________
Name: ____________
Title:

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION

RESOLUTIONS OF THE BOARD OF DIRECTORS

(Approval of 2017 Bond Financing Transaction)

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION

RESOLUTIONS OF THE BOARD OF DIRECTORS

(Approval of 2017 Bond Financing Transaction)

WHEREAS, Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation ("MERF" or the "Corporation"), is organized for charitable purposes;

WHEREAS, Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), was formed and is operated exclusively to support MERF;

WHEREAS, the Borrower formed and is the sole member of (i) MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), (ii) MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana"), and (iii) MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and MPM Santa Ana, the "Members");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy 1 – Reseda ("MSA-1") on real property owned by MPM Sherman Way and located at 18214, 18228 and 18238 Sherman Way, Reseda, Los Angeles County, California 91335 (the "Sherman Way Property");

WHEREAS, MERF operates the public charter school known Magnolia Science Academy – Santa Ana ("MSA-SA") on real property owned by MERF and located at 2840 W 1st Street, Santa Ana, California 92703 (the "Santa Ana Property");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy – San Diego ("MSA-SD" and, collectively with MSA-1 and MSA-SA, the "Schools") on real property owned by the San Diego Unified School District and located at 6365 Lake Atlin Avenue, San Diego, California 92119;

WHEREAS, MERF desires to operate MSA-SD on real property owned by the San Diego Unified School District and located at 6525 Estrella Avenue, San Diego, California 92120 (the "San Diego Property");

WHEREAS, the California School Finance Authority (the "Authority") issued its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014A in the aggregate principal amount of $5,675,000 (the "2014A Bonds") and its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014B (Taxable), in the aggregate principal amount of $345,000 (the "2014B Bonds" and, together with the 2014A Bonds, the "2014 Bonds") pursuant to an Indenture (the "2014 Indenture") dated as of June 1, 2014 by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the "2014 Trustee");

WHEREAS, the Authority made a loan (the "2014 Loan") of the proceeds of the 2014 Bonds to MPM Sherman Way pursuant to the terms of (i) the 2014 Indenture and (ii) a Loan Agreement (the "2014 Loan Agreement") dated as of June 1, 2014, between the Authority and the MPM Sherman Way;

WHEREAS, the Authority, the 2014 Trustee, and MPM Sherman Way propose to amend the 2014 Indenture and the 2014 Loan Agreement and to secure the payment of the obligations of MPM Sherman Way under the amended 2014 Loan Agreement pursuant to the terms of (i) a Master Indenture of Trust (the "Master Indenture"), by and among the Borrower, as the initial obligated group representative (the "Obligated Group Representative") and the Members, as the initial members of the obligated group (the "Obligated Group"), and UMB Bank, National Association, as master trustee (the "Master Trustee"), as amended by a Supplemental Master Indenture for Obligation No. 1 (the "Supplemental Master Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) a First Amendment to Indenture (the "First Amendment to Indenture") by and between the Authority and the 2014 Trustee, (iii) a First Amendment to Loan Agreement (the "First Amendment to Loan Agreement") by and between the Authority and MPM Sherman Way, and (iv) an Obligation No. 1 ("Obligation No. 1") issued by the Obligated Group Representative to the 2014 Trustee;

WHEREAS, MPM Sherman Way proposes to construct certain improvements to the Sherman Way Property and to lease the Sherman Way Property to MERF for use and occupation by MSA-1 pursuant to an Amended and Restated Lease Agreement by and between MPM Sherman Way and MERF (the "MSA-1 Lease");

WHEREAS, MPM Santa Ana proposes to make a loan to MERF to fund the construction of certain improvements to the Santa Ana Property pursuant to a Loan Agreement by and between MPM Santa Ana and MERF (the "Santa Ana Loan Agreement");

WHEREAS, MPM San Diego proposes to acquire certain modular classroom and office facilities (the "San Diego Facilities") and to lease the San Diego Facilities to MERF for use by MSA-SD on the San Diego Property pursuant to an Lease and Equipment Agreement by and between MPM Santa Ana and MERF (the "MSA-San Diego Lease");

WHEREAS, the Authority proposes to issue its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") in a maximum amount not to exceed $25,000,000 pursuant to an Indenture (the "Indenture") by and between the Authority and UMB Bank, National Association, as trustee thereunder (the "Trustee");

WHEREAS, D.A. Davidson & Co. (the "Underwriter") proposes to underwrite the Bonds pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), by and among the Underwriter, the Honorable John Chiang, Treasurer of the State of California, as agent for sale on behalf of the Authority, the Authority, the Borrower, and MERF;

WHEREAS, the Authority proposes to make a loan (the "Loan") of the proceeds of the Bonds to the Borrower pursuant to the terms of (i) the Master Indenture, as amended by a Supplemental Master Indenture for Obligation No. 2 (the "Second Supplemental Master Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) the Indenture, (iii) a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower, and (iv) an Obligation No. 2 ("Obligation No. 2") issued by the Obligated Group Representative to the Bond Trustee;

WHEREAS, MERF and the Borrower propose that the Borrower or the Members will use the proceeds of the Loan to (1) finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of charter school educational facilities located at the Sherman Way Property, the Santa Ana Property, and the San Diego Property (collectively, the "Project"), (2) pay certain expenses incurred in connection with the issuance of the Bonds, (3) pay capitalized interest on the Bonds and/or related working capital and (4) fund a debt service reserve fund with respect to the Bonds and a repair and replacement fund;

WHEREAS, MERF and the Borrower propose to secure or support the obligations of the Borrower and the Obligated Group Representative by (i) the Sherman Way Property and related personal property pursuant to the terms of a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust") executed by MPM Sherman Way, as grantor, to Fidelity National Title Insurance Company, as trustee, for the benefit of the Master Trustee, (ii) the Santa Ana Loan Agreement pursuant to the terms of a Security Agreement (the "Santa Ana Security Agreement") executed by MPM Santa Ana, as debtor, to the Master Trustee, as secured party, (iii) the MSA-San Diego Lease pursuant to the terms of a Security Agreement (the "San Diego Security Agreement") executed by MPM San Diego, as debtor, to the Master Trustee, as secured party, (iv) an intercept of portions of each School's general purpose apportionment by the State Controller or another state agency of the State of California pursuant to Section 17199.4(a)(1) of the Education Code of the State of California (collectively, the "Intercept"), and (v) the Borrower's membership interests in the Members pursuant to the terms of a Security Agreement (the "Membership Interest Security Agreement") executed by the Borrower, as debtor, to the Master Trustee, as secured party;

WHEREAS, MERF and the Borrower propose that the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease collectively will provide for the payment of rent and loan payments sufficient to satisfy the Borrower's obligations under the 2014 Loan Agreement, as amended, Obligation No. 1, the Loan Agreement, Obligation No. 2, and all other obligations of the Borrower arising from the foregoing transactions and agreements;

WHEREAS, MERF proposes to make such loans, charitable grants or capital contributions to the Borrower or the Members as may be necessary or desirable to capitalize the Borrower or the Members for purposes of entering into the transactions described above;

WHEREAS, the Board has reviewed proposed forms of the following documents and agreements (collectively, the "Primary Transaction Documents"):

(a) the Bond Purchase Agreement;

(b) the Master Indenture;

(c) the Supplemental Master Indenture;

(d) the Obligation No. 1;

(e) the First Amendment to Indenture;

(f) the First Amendment to Loan Agreement;

(g) the Second Supplemental Master Indenture;

(h) the Obligation No. 2;

(i) the Indenture;

(j) the Loan Agreement;

(k) the MSA-1 Lease;

(l) the Santa Ana Loan Agreement;

(m) the MSA-San Diego Lease;

(n) the Deed of Trust;

(o) the Santa Ana Security Agreement;

(p) the San Diego Security Agreement;

(q) the Membership Interest Security Agreement;

(r) a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") by and among MPM Sherman Way, MERF, and the Master Trustee;

(s) a Continuing Disclosure Agreement among the Borrower, MERF, and the Trustee, as dissemination agent; and

(t) a form of Limited Offering Memorandum that has been prepared to furnish information with respect to the sale and delivery of the Bonds;

WHEREAS, the Borrower is a nonprofit, tax-exempt corporation which, as one of its primary purposes, supports the Corporation and functions of the Board of Directors (the "Board") of the Corporation;

WHEREAS, certain of the directors, officers and employees of the Corporation, including without limitation the persons listed on Schedule 1 hereto, also serve as non-compensated officers or directors of the Borrower, and the interests of such persons in the

Borrower and the indirect interests of such persons in the Members has been disclosed to the Corporation and is hereby noted in the official records of the Corporation;

WHEREAS, the Board finds that the terms of the foregoing transactions (collectively, the "Transactions"), including the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease, are fair and reasonable as to the Corporation under the circumstances, in the best interest of the Corporation, and in furtherance of the charitable purposes of the Corporation; and

WHEREAS, the Board desires the Corporation to take all actions necessary or advisable to facilitate the Transactions;

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the Transactions and authorizes the execution, delivery and performance of the Primary Transaction Documents to which the Corporation is a party and all such other documents, instruments and agreements as may be necessary or advisable to facilitate the Transactions (collectively with the Primary Transaction Documents, the "Transaction Documents");

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the election of the following individuals to the offices of the Corporation set forth after their names:

Noel Russell-Unterburger	Chairman of the Board
Caprice Young	President and Chief Executive Officer
Alfredo Rubalcava	Secretary
Nanie Montijo	Chief Financial Officer and Treasurer

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the designation of the following individuals as the directors of the Borrower, to serve for terms ending November 11, 2020, or until removed or replaced as provided in the bylaws of the Borrower:

Serdar Orazov
John Helgeson
Johnathan Williams;

RESOLVED FURTHER, that the officers of the Corporation (collectively, the "Authorized Signatories"), and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to execute, deliver, approve, and, as appropriate, declare final the Primary Transaction Documents, in the forms that have been presented to the Board for approval or with such amendments or modifications thereto as an Authorized Signatory may approve as necessary or advisable, and all such other purchase and sale agreements, escrow agreements, bond purchase agreements, indentures, loan agreements, promissory notes, leases, deeds of trust, security agreements, account control agreements, subordination, non-disturbance and attornment agreements, tax certificates, offering memoranda, disclosure agreements, assignments, indemnification agreements, guaranties, subordination agreements, letters of representation, notices, certificates, and other documents, agreements, or instruments or amendments to any of the foregoing, as an Authorized Signatory may approve as necessary or advisable to facilitate the Transactions, each with such additions, deletions or changes therein as the Authorized Signatory executing the same shall approve (the execution and delivery thereof by any such Authorized Signatory to be conclusive evidence of his or her approval of any such document, agreement, instrument, amendment, addition, deletion or change);

RESOLVED FURTHER, that, pursuant to Section 17199.4(a)(1) of the Education Code of the State of California, this Board hereby elects to participate in the Intercept to secure payment of the principal of and interest on the Bonds in amounts not exceeding the amounts due under the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease, as applicable, and the Authorized Signatories, and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to provide notice to the State Controller of the State of California or other applicable state agency of the State of California of such election of the Board;

RESOLVED FURTHER, that the Corporation shall apply for grant funds under the Charter School Facility Grant Program to be applied to costs associated with facility rents under the MSA-1 Lease and the MSA-San Diego Lease;

RESOLVED FURTHER, that the Board hereby ratifies and confirms the acts of the officers, agents or employees of the Corporation taken on behalf of the Corporation in connection with the Transactions;

RESOLVED FURTHER, that by the adoption of these resolutions, the Board hereby reconfirms, ratifies and adopts all prior actions of the Board which may have previously been taken in connection with the Transactions;

RESOLVED FURTHER, that all prior resolutions of the Board or any parts thereof in conflict with any or all of the foregoing resolutions are hereby repealed to the extent of such conflict;

RESOLVED FURTHER, that these resolutions shall take effect and be in full force immediately after their adoption by the Board; and

RESOLVED FURTHER, that the Authorized Signatories, and each of them individually, are hereby authorized and directed, for and in the name and on behalf of the Corporation, to approve, execute and deliver any and all documents, instruments and agreements, and to perform or cause to be performed any and all acts as may, in their judgment, be necessary or desirable to accomplish the purposes of the foregoing resolutions and the transactions contemplated thereby and by the agreements therein approved, and any such documents, instrument or agreements so executed and delivered or actions taken by them or any of them shall be conclusive evidence of their authority in so doing.

Certificate of Secretary

The undersigned certifies that the undersigned is the duly appointed and acting Secretary of Magnolia Educational & Research Foundation (the "Corporation"), a California nonprofit public benefit corporation, and that the foregoing Resolutions were duly adopted by the majority vote of the directors of the Corporation then in office at a meeting of the board of directors of the Corporation duly held on April __, 2017, in compliance with the bylaws of the Corporation, in compliance with the notice, agenda, and open meeting requirements of the Ralph M. Brown Act, and while a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Corporation this ___ day of April 2017.

____

Alfredo Rubalcava, Secretary

Schedule 1

Serdar Orazov
Caprice Young
Alfredo Rubalcava
Nanie Montijo

Santa Ana
Loan Agreement

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement" or "Loan Agreement") is made as of April 1, 2017, by and between **MPM SANTA ANA LLC**, a California limited liability company ("Lender"), and **MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION**, California nonprofit public benefit corporation ("MERF"). Lender and MERF are referred to herein singly as a "Party" and collectively as the "Parties." Capitalized terms used in this Agreement and not otherwise defined have the meanings set forth in the Recitals and/or Section 1 hereof.

RECITALS:

A. The School. MERF operates the California public charter school known as Magnolia Science Academy – Santa Ana at the premises (the "Premises") commonly referred to as 2840 W. 1st Street, Santa Ana, California 92703 (the "Premises") and more particularly described in Exhibit A attached hereto.

B. The Improvements. MERF proposes to construct a gymnasium on the Premises and to make certain related improvements to the Premises (such work of improvement, the "Project") and estimates the total cost of the Project at approximately [$3,685,000]. MERF desires to borrow funds from Lender to finance the Project.

C. The Loan. MERF and Lender have agreed that Lender shall make a loan to MERF, concurrently with the execution and delivery of this Agreement, in the principal amount of [$3,685,000.00] (the "Loan").

D. This Agreement. In order to provide for the full payment and performance by MERF of all of its obligations, duties, expenses, and liabilities under or in connection with the Loan as they may be now or hereafter amended, modified, or restated (such obligations, duties, expenses, liabilities, and all other sums of any kind now or hereafter due thereunder are referred to herein collectively as the "Obligations"), MERF is entering into this Agreement for the benefit of Lender and the Bondholders (as hereinafter defined), as required by Lender as a condition of funding the Loan.

AGREEMENT

NOW, THEREFORE, in consideration of the recitals, covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Parties hereby agree as follows:

1. Basic Definitions and Data. Each reference in this Agreement to any of the following terms shall incorporate the definition or data or specified below:

Term	**Definition/Data**
"Bond Trustee"	UMB Bank, National Association, as bond trustee under the Indenture.

Term	Definition/Data
"Bondholder Representative"	The "Bondholder Representative," as such term is defined in the Indenture.
"Bondholders"	The beneficial owners of the Bonds.
"Bonds"	Collectively, the California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017B (Taxable).
"Gross Revenues of the School"	All income and revenues directly or indirectly derived by MERF's operation of the School, including without limitation per pupil revenues and other funding received from the State of California or by virtue of the charter granted to MERF for the School and all gifts, grants, bequests and contributions (including income and profits therefrom) specifically restricted by the donor or maker thereof to the School or the Premises, to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for the payments required under this Agreement. Gross Revenues of the School also includes net insurance or condemnation proceeds received or payable to MERF on account of damage or destruction of the Premises or other loss incurred by MERF with respect to its operation of the School or the Premises.
"Indenture"	The Indenture dated as of the date of this Agreement by and between the California School Finance Authority and UMB Bank, National Association, relating to the Bonds.
"Lender"	MPM Santa Ana LLC, a California limited liability company.
"Lender's Address"	c/o Magnolia Educational & Research Foundation., 250 E. 1st Street, Los Angeles, California 90012.
"MERF Management Fees"	The internal management fees charged by MERF to the public charter schools operated by MERF, including but not limited to the School, for the administrative services provided by the MERF central office staff to such schools, calculated as if each such school and the MERF central office operations were operated as separate legal entities.

Term	Definition/Data
"Material Adverse Change"	(i) A material adverse change in the business, operations or financial condition of MERF or (ii) any event, matter, condition or circumstance that (A) would materially impair the ability of MERF to perform or observe its obligations under or in respect of this Agreement, or (B) affects the legality, validity, binding effect or enforceability of this Agreement.
"Maturity Date"	The Loan is to mature on [TBD].
"MERF"	Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation.
"MERF's Address"	250 E. 1st Street, Los Angeles, California 90012.
"Premises"	The land and improvements commonly referred to as 2840 W 1st Street, Santa Ana, California 92703.
"School"	The charter school operated by MERF known as Magnolia Science Academy – Santa Ana, or any successor charter school operated by MERF on the Premises.
"School Loan Repayments"	The payments due under this Agreement.

2. Agreements to Lend and Borrow; Use of Loan Proceeds. Lender agrees to lend to MERF, and MERF agrees to borrow from Lender, the Loan, subject to the terms and conditions of this Agreement. The Loan is not a revolving loan, and MERF shall not be entitled to re-borrow any amounts borrowed and repaid hereunder. MERF shall use the proceeds of the Loan solely to fund the Project or, with the consent of Lender, to finance or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of other charter school educational facilities on the Premises.

3. Interest. The unpaid principal balance of the Loan shall accrue interest at the rate of [TBD].

4. Loan Payments. Subject to the provisions of Section 12, MERF promises to repay the Loan and to pay interest accrued thereon by making payments to Lender of principal and interest in accordance with the payment schedule attached hereto as Schedule 1. All remaining principal and accrued interest shall be due and payable in full on the Maturity Date. All payments made by or on behalf of MERF under this Agreement shall be applied first to accrued interest, then in reduction of the unpaid principal balance of the Loan, and then to any fees or costs payable hereunder. MERF may, at its election, from time to time prior to maturity, prepay without penalty all [or any portion of] the principal indebtedness of the Loan.

5. Representations and Warranties. MERF hereby represents and warrants to Lender as follows:

(a) MERF is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California, is qualified to do business and is in good standing in each jurisdiction in which the failure so to qualify or be in good standing would have a material adverse effect upon MERF (and/or would cause a Material Adverse Change to occur) and has all requisite power and authority to own its assets and carry on its business and to execute, deliver and perform its obligations under this Agreement.

(b) The execution, delivery and performance by MERF of this Agreement has been duly authorized by all necessary corporate action of MERF, and do not and will not: (i) contravene the terms of the certificate of incorporation and the bylaws of MERF or result in a breach of or constitute a default under any indenture or loan agreement or any other agreement, lease or instrument to which MERF is a party or by which it or its properties may be bound or affected, the breach of which or default under which would have a material adverse effect upon MERF (and/or would cause a Material Adverse Change to occur); or (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree or the like binding on or affecting MERF, the violation of which would have a material adverse effect upon MERF (and/or would cause a Material Adverse Change to occur).

(c) There are no pending or threatened actions or proceedings before any court or administrative agency which may materially and adversely affect the financial condition or operation of MERF.

(d) This Agreement constitutes the legal, valid and binding obligations of MERF, enforceable against MERF in accordance with its terms.

(e) No authorization, consent, approval, license, exemption of, or filing or registration with, any governmental authority, or approval or consent of any other person, that has not been obtained, is required for the due execution, delivery or performance by MERF of this Agreement.

6. Conditions of Lender's Obligations. The obligations of Lender hereunder are subject to satisfaction of all of the following conditions:

(a) Delivery to Lender of this Agreement, executed by each of the parties thereto.

(b) Each of MERF's representations and warranties contained in this Agreement is true, accurate and complete.

(c) Delivery to Lender of any and all other closing documents that Lender reasonably requests.

(d) Non-existence of any Event of Default, as defined in Section 9 hereof.

7. MERF's Covenants. MERF hereby covenants with Lender that, as long as the Loan or any portion thereof, any interest thereon, or any other amounts owing under this Agreement remain unpaid:

(a) MERF shall maintain and preserve its legal existence as a California nonprofit public benefit corporation, its rights to transact business and all other rights, franchises and privileges necessary or desirable in the normal course of its business and operations and the ownership of its properties.

(b) MERF shall execute, acknowledge, deliver, file, notarize and register at its own expense all such further agreements, instruments, certificates, documents and assurances and perform such acts as Lender, the Bond Trustee, or the Bondholder Representative shall deem necessary or appropriate to effectuate the purposes of this Agreement and promptly provide Lender, the Bond Trustee or the Bondholder Representative, as applicable, with evidence of the foregoing satisfactory in form and substance to it.

8. MERF's Additional Covenants.

(a) Lender and MERF acknowledge that Lender is a member (a "Member") of an obligated group (the "Obligated Group") under a Master Trust Indenture dated as of April 1, 2017 (the "Master Indenture"), by and among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation, as the Obligated Group representative (the "Obligated Group Representative"), certain other Obligated Group Members as identified in the Master Indenture (together with the Member, the "Members"), and UMB Bank, National Association, as master trustee (the "Master Trustee"), as amended by a Supplemental Master Indenture for Obligation No. 2 by and among the Obligated Group Representative, the Members, and the Master Trustee. The Obligated Group Representative, on behalf of the Members, obtained a loan (the "Issuer Loan") from the California School Finance Authority (the "Issuer") as evidenced by a Loan Agreement dated as of April 1, 2017, by and between the Issuer and the Obligated Group Representative (the "Issuer Loan Agreement," under which Obligated Group Representative is sometimes referred to as the "Borrower"). The Loan will be funded by a portion of the proceeds of the Issuer's Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017B (Taxable) (collectively, the "Bonds") pursuant to an Indenture dated as of April 1, 2017 (the "Indenture") by and between the Issuer and UMB Bank, National Association, as bond trustee (the "Bond Trustee").

(b) Simultaneously with the execution and delivery of the Bonds, MERF shall deliver or cause to be delivered the Intercept Notice, substantially in the form set forth in Exhibit C attached hereto (the "Intercept Notice"), to the State Controller (as defined in Exhibit C hereto) to indicate transfers to the Bond Trustee to pay amounts due under this Agreement as they come due. Amounts specified in the Intercept Notice for transfer to the Bond Trustee shall be limited to funding apportioned for purposes of the charter school block grant or the local control funding formula pursuant to Section 42238.02 of the Education Code of the State of California (the "State Apportionments"). MERF shall, with Lender's and the Bondholder Representative's prior written consent, amend, supplement or restate the Intercept Notice and deliver such to the State Controller from time to time as necessary or appropriate (including without limitation as a result of redemption prior to maturity) to indicate transfers to the Bond Trustee to pay the amounts due under this Agreement as they come due and to cure any delinquency in payment of such amounts. MERF will cooperate with the Bond Trustee and the Bondholder Representative in any manner the Bond Trustee and the Bondholder Representative may request in connection with amending, supplementing or restating the Intercept Notice. If at any time the Intercept Notice is amended, supplemented or restated for any reason, MERF shall promptly provide the Issuer, the Bondholder Representative, the Department of Education of the State of California and the Bond Trustee with a copy of such amended, supplemented or restated Intercept Notice. The Intercept Notice may provide additional amounts payable to the Bond Trustee for purposes set forth in the Indenture or to any other payee or payees for any other costs necessary or incidental to the Bonds; provided, that MERF shall not grant preference or any prior right of funding access or security in respect of the State Apportionment to any other payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code of the State of California. All deposits of moneys derived from the Intercept Notice hereunder shall be made at the corporate trust office of the Bond Trustee or such other payee as set forth in the Intercept Notice. MERF shall timely amend, supplement or restate the Intercept Notice to require transfers to such other location as shall be designated in writing by the Bond Trustee or such other payee to MERF.

(c) Subject to payments made in accordance with the Intercept Notice, MERF shall cause all amounts payable to Lender under this Agreement to be received by Lender in lawful money of the United States on or before the day on which it is due, without offset or deduction. Payment of amounts due to Lender shall be made to Lender at its address stated herein or to such other persons or place as Lender may from time to time designate in writing.

(d) For so long as Lender shall have any obligations under this Agreement, the provisions of Exhibit B shall be applicable for the benefit of Lender and the Bond Trustee.

9. Events of Default. If one or more of the following events (each an "Event of Default") shall occur, MERF shall be considered in default under this Agreement, subject to any grace, notice, and/or cure period specified below:

(a) MERF fails to make any payment of principal or interest on the Loan pursuant to the terms and conditions of this Agreement, whether at stated maturity or at a date fixed for any installment thereof, or in any notice of prepayment or otherwise.

(b) MERF fails to make any payment of any amount other than principal or interest on the Loan, due and owing under this Agreement (including, without limitation, Lender transaction and dispute expenses under Section 11 hereof), within three business days of the date upon which notice of nonpayment is received by MERF.

(c) Any representation or warranty of MERF contained in this Agreement proves to have been incorrect or misleading in any material respect when made or deemed to have been made.

(d) MERF (i) suspends or discontinues its business; (ii) makes an assignment for the benefit of creditors or a composition with creditors; (iii) generally does not pay its debts as they mature; (iv) admits its inability to pay its debts as they mature; (v) files a petition in bankruptcy; (vi) becomes insolvent (howsoever such insolvency may be evidenced); (vii) is adjudicated insolvent or bankrupt; (viii) petitions or applies to any tribunal for the appointment of any receiver, custodian, liquidator, or trustee of or for it or any of its property or assets; (ix) commences any proceeding relating to it under any bankruptcy, reorganization, arrangement, readjustment of debt, receivership, dissolution, or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; (x) has any such proceeding commenced against it and the same is not dismissed within sixty (60) calendar days after an order, judgment, or decree approving the petition in such proceeding is entered against it; (xi) by any act or failure to act indicates its consent to, approval of, or acquiescence in, any such proceeding or any appointment of any receiver, custodian, liquidator, or trustee of or for it or for any substantial part of its property or assets; (xii) fails to obtain dismissal of any such proceeding within sixty (60) calendar days after any court of competent jurisdiction assumes jurisdiction thereof; (xiii) allows or suffers any receiver, trustee, or other officer or representative of a court, governmental office, or agency, under color of legal authority, to take and hold possession of any of its property or assets without relinquishing possession within sixty (60) calendar days; (xiv) conceals, removes, or permits to be concealed or removed any of its property or assets with intent to hinder, delay, or defraud its creditors or any of them; (xv) makes or suffers any transfer of any of its property or assets which may be fraudulent under any bankruptcy, fraudulent conveyance, or similar law; (xvi) makes any transfer of any of its property or assets to or for the benefit of a creditor which constitutes a preferential transfer under any bankruptcy or similar law; or (xvi) allows or suffers, while insolvent, any creditor to obtain a lien on any of its property or assets through legal proceedings or distraint.

(e) This Agreement ceases to be a legal, valid, and binding agreement, enforceable against MERF in accordance with its terms, or in any way is declared ineffective or inoperative or challenged or contested by MERF or any other obligor thereunder or guarantor thereof.

(f) The revocation, termination or non-renewal of the charter granted to MERF for the operation of the School, unless within 60 days of the expiration of the charter MERF replaces the School with a successor charter school operated by MERF at the Premises that maintains a charter with a sponsoring entity.

(g) MERF fails to observe or perform any other term, covenant, or agreement contained in this Agreement and, if such event is capable of being cured, (i) Lender, the Bond Trustee, or the Bondholder Representative has given written notice to MERF specifying the default and requiring MERF to cure the default and (ii) after MERF has received the notice, MERF has not promptly commenced efforts to cure the default, MERF has not proceeded diligently thereafter, or such event of default continues unremedied for a period of sixty (60) calendar days after MERF's receipt of the notice.

10. Lender's Remedies. If an Event of Default shall have occurred and be continuing, Lender shall have the right to exercise any or all of the remedies provided in this Agreement or by law and may declare all obligations of MERF hereunder to be immediately due and payable, whereupon the same shall become due and payable without presentment, demand, protest, or notice of any kind. No delay in accelerating the maturity of any obligation as aforesaid or in taking any other action with respect to any Event of Default shall affect the rights of Lender later to take such action with respect thereto, and no waiver as to a prior occasion shall affect rights as to any other Event of Default. Lender shall not exercise any remedy or waive any

Event of Default without the prior written consent of the Bondholder Representative and shall do so at the written direction of the Bondholder Representative.

11. Dispute Expenses. Subject to the provisions of Section 12, MERF and Lender each agree to pay to the opposing Party, upon demand, reasonable attorneys' fees and all costs and other expenses which the prevailing Party expends or incurs in any dispute or litigation over any matters described in this Agreement, including but not limited to the collection, or defense against collection, of any amounts claimed to be payable by MERF hereunder or in the enforcement of this Agreement against MERF, whether or not suit is filed.

12. Limitation on Recourse. Notwithstanding any other terms or provisions of this Agreement to the contrary, MERF's liability under this Agreement will be limited to the Gross Revenues of the School and the MERF Management Fees, and under no circumstances shall Lender have recourse to any revenues or assets (other than MERF Management Fees) attributable to, or designated by any third party for, any other school operated by MERF or pledged by MERF to secure loans to or financings or leases for such other school. Such other school's moneys, assets and revenues would include income and revenues directly or indirectly derived by MERF's operation of the other school, including without limitation per pupil revenues and other funding received from the State of California or by virtue of the charter granted to MERF for the other school and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent specifically restricted by the donor or MERF thereof to the other school and such moneys would also include net insurance or condemnation proceeds received or payable to MERF on account of damage or destruction of the other school or its property or other loss incurred by MERF with respect to its operation of the other school or its property.

13. Pledge and Security Interest. To secure the payment and performance of its obligations hereunder, MERF hereby pledges to Lender and grants Lender a security interest in the Gross Revenues of the School and in the MERF Management Fees. From time to time, MERF may own or hold funds or other assets subject to a statutory, regulatory, grantor-imposed or donor-imposed restriction on use that prohibits the use of such funds or assets to satisfy the obligations of MERF under this Agreement and/or prohibits the encumbrance of such funds or assets to secure such obligations. The foregoing pledge and grant of security interest shall not encumber, attach to, or transfer, and the holder of any claims of Lender under this Agreement shall have no recourse under this Agreement to, any funds or assets of MERF to the extent that any transfer of such funds or assets to or for the benefit of such holder would violate any such restriction on the use of such funds or assets.

14. Termination. This Agreement shall terminate and be of no further force or effect upon MERF's performance in full of the Obligations.

15. Miscellaneous.

(a) Notices. All notices, requests, demands, consents, waivers and other communications given under any of the provisions of this Agreement shall be in writing and shall be delivered, mailed, or sent by electronic transmission (i.e., email), and if mailed, shall be deemed given when deposited in the mail first-class, postage prepaid, or registered or certified mail, return receipt requested, sent to the Parties' respective addresses set forth in Section 1 hereof or to such other address as the addressee may have specified in a notice duly given to the sender, and if sent by electronic transmission, shall be deemed delivered only upon and at the time of confirmation of receipt by telephone or by electronic transmission specifically acknowledging the contents of the communication (i.e., an automatic reply does not constitute confirmation of receipt). Copies of all notices given under any of the provisions of this Agreement shall be sent to the Bondholder Representative and the Bond Trustee.

(b) No Waiver; No Third-Party Beneficiaries. No delay or failure on the part of Lender in exercising any rights hereunder, and no partial or single exercise thereof, shall constitute a waiver of such rights or of any other rights hereunder. Nothing in this Agreement shall be construed as giving any person, firm, corporation or other entity other than the Parties hereto, the Bondholder Representative, and the Bond Trustee any right, remedy or claim under or in respect of this Agreement or any provision hereof.

(c) Successors and Assigns. This Agreement shall bind, and the benefits and burdens shall inure to, the Parties hereto and their respective successors and assigns. MERF shall not transfer or assign any of its rights or obligations hereunder without the prior written consent of Lender and the Bondholder Representative, which consent may be withheld for any reason or no reason. Lender may, with the consent of the Bondholder Representative, assign, transfer, sell, or otherwise convey in whole or in part, at any time, its right, duties, title, and interest under, in, and to the Loan and this Agreement. MERF acknowledges that Lender will assign its rights under this Agreement to the Master Trustee to secure the obligations of the Obligated Group Representative under the Master Indenture.

(d) Entire Agreement; Amendments. This Agreement contains the entire agreement of the Parties hereto with respect to the transactions contemplated hereby. No amendment, modification, or waiver of any provision hereof shall be valid unless in writing signed by the Party to be bound and consented to in writing by the Bondholder Representative.

(e) Survival of Representations, Warranties and Agreements. All representations, warranties, and agreements herein shall survive until the expiration of the term of this Agreement, except to the extent that a representation, warranty, or agreement expressly provides otherwise.

(f) Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of law. The Parties further agree that upon an Event of Default, this Agreement may be enforced in any court of competent jurisdiction in the State of California, and they do hereby submit to the jurisdiction of any and all such courts regardless of their residence or where this agreement may be executed. If any provision of this Agreement shall for any reason be held to be illegal, invalid, or unenforceable, no other provision of this Agreement shall be affected thereby, but this Agreement shall be construed as if such illegal, invalid, or unenforceable provision had never been contained herein.

(g) Consents and Approvals. Whenever Lender or the Bondholder Representative has any rights under this Agreement to consent to or approve any request, action, plan, or other matter, such consent or approval rights (i) have been reserved for the sole benefit of Lender and the Bondholder Representative, (ii) shall be given, withheld, or conditioned by Lender or the Bondholder Representative, as applicable, solely to protect its interests or the interests of the Bondholders, and (iii) may not be relied upon by MERF or any third party for any purpose whatsoever.

(h) Counterparts. This Agreement may be executed in any number of several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGES FOLLOW]

COUNTERPART SIGNATURE PAGE

LOAN AGREEMENT

IN WITNESS WHEREOF, the Parties hereto have duly executed this Loan Agreement as of the date first above written.

Lender:

MPM SANTA ANA LLC,
a California limited liability company

By: Magnolia Properties Management, Inc.,
a California nonprofit public benefit corporation,
its sole member

By: ______________________________
________________, President

COUNTERPART SIGNATURE PAGE

LOAN AGREEMENT

IN WITNESS WHEREOF, the Parties hereto have duly executed this Loan Agreement as of the date first above written.

MERF:

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION,
a California nonprofit public benefit corporation

By: ______________________________
_____________, President

EXHIBIT A

Description of Premises

EXHIBIT B

Additional Covenants

For so long as the Issuer Loan is outstanding and has not been defeased or for so long as Lender shall have obligations under the Issuer Loan Agreement or the Master Indenture, the following provisions of Exhibit B shall be applicable for the benefit of Lender, the Bondholders, and the Master Trustee. Capitalized terms not otherwise defined in this Exhibit B shall have the meanings ascribed to such terms in the Loan Agreement or, if not defined therein, in the Issuer Loan Agreement or the Master Indenture, provided that, unless the context otherwise requires, the term "School" shall mean the School described in this Loan Agreement.

1. **General Covenants.** MERF covenants and agrees:

(a) **School's Charter**. To take all reasonable actions to maintain the School's Charter with a sponsoring entity and to take or cause to be taken any and all actions required to renew or extend the term of the School's Charter with a sponsoring entity. As soon as practicable, MERF covenants to provide Lender and the Bondholder Representative with a copy of any notice received with regards to any sponsoring entity's intent to renew or extend the term of any such Charter or any notice of any issues which, if not corrected or resolved, could lead to termination or nonrenewal of any such Charter. If such Charter is terminated or not renewed, MERF shall use its best efforts, and shall cooperate with Lender, to amend references to the School in the Loan Agreement and related promissory note to references to a successor charter school, if any, operated by MERF at the Premises that maintains a Charter with a sponsoring entity. Further, MERF shall maintain accreditation status under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and related administrative rules and, to the extent required to maintain the approval of the School's Charter petition by the sponsoring entity, meet the student performance accountability standards stated in the School's Charter petition.

(b) **Limitation on Disposition of Property, Plant and Equipment**. Without the consent of the Master Trustee and the Bondholder Representative, not to dispose or transfer any property, plant and equipment consisting of all or any part of the Premises, except for dispositions or transfers:

(i) of property, plant and equipment no longer necessary for the operation of the Premises;

(ii) of property, plant and equipment replaced by property, plant and equipment of similar type and/or of substantially equivalent function with a substantially equivalent value; or

(iii) of property, plant and equipment sold or disposed of at a price equal to its fair market value.

2. **Financial Reporting.** [MERF agrees to provide Lender and the Bondholder Representative, and upon written request, the Master Trustee, the following information:

(a) quarterly unaudited financial information of the School not later than 45 days from the end of each quarter,

(b) annual budgets of the School within 30 days of their adoption,

(c) financial information of the School within 30 days of approval by the governing board of MERF,

(d) the results of any federal or State of California testing within 45 days of receipt by the governing board of MERF,

(e) within 7 days of receipt, any notification or report of any potential or alleged violation of the Charter for the School, and

(f) such other information as may be reasonably requested by Lender, the Bondholder Representative, or the Master Trustee.]

3. **MERF Representations and Warranties.** MERF represents, warrants, and covenants that:

(a) it is an organization described in Section 501(c)(3) and Section 170(b)(1)(A)(ii) of the Code, and except for unrelated business income taxable under Section 511 of the Code, it is exempt from federal income tax under Section 501(a) of the Code;

(b) it will not take any action or omit to take any action that, if taken or omitted, would cause: (x) it to lose its current federal income tax status as exempt from federal income taxation under Section 501(a) of the Code as an organization described in Code Section 501(c)(3) and as an organization described in Code Section 170(b)(1)(A)(ii) or 170(b)(1)(A)(vi), or (y) Lender to be viewed, for federal income tax purposes, as other than disregarded as an entity separate from its sole member pursuant to Treasury Regulation Section 301.7701-3(b);

(c) it has not and will not divert a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or operated and will use Bond proceeds solely for the charitable purposes of MERF;

(d) it has not operated, and will not operate, in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3)-1(c)(3) of the Treasury Regulations, including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

(e) it shall not use any of the proceeds of the Bonds to: (A) carry on propaganda, or otherwise attempt to influence legislation, within the meaning of Section 4945(d)(1) or Section 501(c)(3) of the Code, or the corresponding provisions of any subsequent federal tax laws; or (B) participate in, or intervene in (including publishing or distributing of any statements), any political campaign on behalf of any political candidate for public office or attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive, within the meaning of Section 4945(d)(2) or Section 501(c)(3) of the Code, or corresponding provisions of any subsequent federal tax laws, and not make any grant which does not comply with the requirements of Section 4945(d)(3) or Section 4945(d)(4) of the Code, or corresponding provisions of any subsequent federal tax laws, or which violates the provisions of Section 4945(d)(5) of the Code, or corresponding provisions of any subsequent federal tax laws;

(f) none of its directors, officers, organizers or incorporators, or any Person controlled by MERF, or any other Person having a private or professional interest in the activities of MERF has acquired or received nor will such Persons be allowed to acquire or receive, directly or indirectly, without due compensation, goods, or services therefore, or any of the income or assets of MERF, in any form;

(g) it is not a "private foundation" within the meaning of Section 509(a) of the Code;

(h) it has not received any indication or notice to the effect that its exemption from federal income taxation under Section 501(a) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

(i) it will timely file with the Internal Revenue Service all requests for determination, reports, and returns required to be filed by it to maintain its status as an organization described in Section 501(c)(3) of the Code, and such requests for determination, reports, and returns have not omitted or misstated any material fact;

(j) it has not devoted nor will it devote more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code;

(k) the School's Charter is in full force and effect; and

(l) to the best of its knowledge, it is in material compliance with the terms, including financial covenants, of all leases and loan agreements to which it is a party.

4. **Assignment to Master Trustee; Deposit of Loan Payments.** MERF hereby acknowledges and consents to the assignment by Lender of Lender's rights hereunder to the Master Trustee under the Master Indenture and covenants and agrees, subject to the provisions of Sections 8(b) and 12 of this Loan Agreement, to deposit all amounts due under this Loan Agreement with the Master Trustee under the Master Indenture.

5. **Limitation on Liens on Gross Revenues.** Except as set forth above, MERF covenants and agrees that it will not create, assume or suffer to exist any lien upon the Gross Revenues of the School and that, if a subordinate security interest is created or assumed upon the Gross Revenues of the School by MERF, MERF will make or cause to be made effective a provision whereby the obligations of MERF under this Loan Agreement will be secured prior to any such indebtedness or other obligation secured by such security interest and that the revenues required by the Intercept Notice to be deposited with the Bond Trustee under the Indenture will continue to be so deposited. A security interest in the Gross Revenues of the School on a parity with the lien created by this Loan Agreement may only be created in connection with the issuance of Indebtedness under the Master Indenture and with the written consent of the Bondholder representative.

6. **Liquidity Covenant.**

[TBD]

7. **Coverage Ratio Covenant.**

[TBD]

8. **Change in Financial Accounting Under GAAP.** If any pending or future change in financial accounting under GAAP, including but not limited to a change in the treatment of leases, shall lead to a materially different result in a calculation under any financial covenant in this Exhibit B, then such financial covenant shall calculated based on GAAP in effect as of the date of this Loan Agreement as if such change in financial accounting had never occurred.

9. **[Other Covenants].** [TBD]

EXHIBIT C

Form of Intercept Notice

This Notice shall be provided not later than the date of issuance of the Bonds.

Notice to the State Controller Pursuant to Education Code Section 17199.4

_____, 2017

Re: Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017B (Taxable)

WHEREAS, MPM SANTA ANA LLC, a California limited liability company, is a member (a "Member") of an obligated group (the "Obligated Group") under a Master Trust Indenture dated as of __________, 2017 (the "Master Indenture"), by and among Magnolia Properties Management, Inc., as the Obligated Group representative (the "Obligated Group Representative"), the Member, certain other Obligated Group Members as identified in the Master Indenture (together with the Member, the "Members"), and UMB Bank, National Association, as master trustee (the "Master Trustee"), as amended by a Supplemental Master Indenture for Obligation No. 2 by and among the Obligated Group Representative, the Members, and the Master Trustee;

WHEREAS, the Obligated Group Representative (the "Borrower"), on behalf of the Members, has entered into a Loan Agreement, dated as of __________, 2017, by and between the California School Finance Authority (the "Issuer") and the Borrower, providing for a loan (the "Loan") for among other purposes, to construct certain charter school facilities for use by Magnolia Science Academy – Santa Ana, a school established pursuant to the Charter Schools Act of 1992, as amended, constituting Part 26.8 (commencing with Section 47600) of Division 4 of Title 2 of the Education Code of the State of California (the "School") (CDS #30-76893-0130765); and

WHEREAS, the Issuer has issued its above-referenced revenue bonds (the "Bonds") to fund the Loan;

NOW THEREFORE, NOTICE IS HEREBY GIVEN PURSUANT TO SECTION 17199.4(c)(2) OF THE EDUCATION CODE OF THE STATE OF CALIFORNIA TO THE STATE CONTROLLER OF THE STATE OF CALIFORNIA (the "State Controller"), that:

1. The governing board of the School has elected, pursuant to a resolution adopted on _____ and Section 17199.4(c)(1) of the Education Code, to direct the State Controller to make transfers at the times and in the amounts (or such lesser amounts as are available to transfer) in the "State Intercept" column set forth on Schedule I attached hereto, directly to the

payee or payees, or the trustee or agent on their behalf to receive such payments, as set forth therein. If the amount transferred on any transfer date is less than the amount in the "State Intercept" column set forth on Schedule I attached hereto, then such deficiency shall be added to subsequent transfers until no deficiency remains.

2. The School hereby represents and certifies that it is not submitting the notice for the purpose of accelerating the School's receipt of apportionments under Section 42238.02 of the Education Code of the State of California.

3. Transfers pursuant to paragraph 1 above shall be paid by wire transfer of immediately available funds to each of the payees set forth in Schedule I pursuant to the following wire instructions:

UMB Bank, National Association
[Address]
Attention: ____________________
Telephone Number: ___________
ABA Routing Number: ___________
Account Title/Owner: ____________________
Account Number: ____________________

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION,
a California nonprofit public benefit corporation

By: ________________________________
Name: ________________________________
Its: ________________________________

Schedule I

Intercept Payment Amounts and Dates

(Remainder of page intentionally left blank)

SCHEDULE 1

Payment Schedule

MAGNOLIA PROPERTIES MANAGEMENT, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

(Approval of 2017 Bond Financing Transaction)

MAGNOLIA PROPERTIES MANAGEMENT, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

(Approval of 2017 Bond Financing Transaction)

WHEREAS, Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation ("MERF"), is organized for charitable purposes;

WHEREAS, Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower" or the "Corporation"), was formed and is operated exclusively to support MERF;

WHEREAS, the Borrower formed and is the sole member of (i) MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), (ii) MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana"), and (iii) MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and MPM Santa Ana, the "Members");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy 1 – Reseda ("MSA-1") on real property owned by MPM Sherman Way and located at 18214, 18228 and 18238 Sherman Way, Reseda, Los Angeles County, California 91335 (the "Sherman Way Property");

WHEREAS, MERF operates the public charter school known Magnolia Science Academy – Santa Ana ("MSA-SA") on real property owned by MERF and located at 2840 W 1st Street, Santa Ana, California 92703 (the "Santa Ana Property");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy – San Diego ("MSA-SD" and, collectively with MSA-1 and MSA-SA, the "Schools") on real property owned by the San Diego Unified School District and located at 6365 Lake Atlin Avenue, San Diego, California 92119;

WHEREAS, MERF desires to operate MSA-SD on real property owned by the San Diego Unified School District and located at 6525 Estrella Avenue, San Diego, California 92120 (the "San Diego Property");

WHEREAS, the California School Finance Authority (the "Authority") issued its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014A in the aggregate principal amount of $5,675,000 (the "2014A Bonds") and its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014B (Taxable), in the aggregate principal amount of $345,000 (the "2014B Bonds" and, together with the 2014A Bonds, the "2014 Bonds") pursuant to an Indenture (the "2014 Indenture") dated as of June 1, 2014 by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the "2014 Trustee");

WHEREAS, the Authority made a loan (the "2014 Loan") of the proceeds of the 2014 Bonds to MPM Sherman Way pursuant to the terms of (i) the 2014 Indenture and (ii) a Loan Agreement (the "2014 Loan Agreement") dated as of June 1, 2014, between the Authority and the MPM Sherman Way;

WHEREAS, the Authority, the 2014 Trustee, and MPM Sherman Way propose to amend the 2014 Indenture and the 2014 Loan Agreement and to secure the payment of the obligations of MPM Sherman Way under the amended 2014 Loan Agreement pursuant to the terms of (i) a Master Indenture of Trust (the "Master Indenture"), by and among the Borrower, as the initial obligated group representative (the "Obligated Group Representative") and the Members, as the initial members of the obligated group (the "Obligated Group"), and UMB Bank, National Association, as master trustee (the "Master Trustee"), as amended by a Supplemental Master Indenture for Obligation No. 1 (the "Supplemental Master Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) a First Amendment to Indenture (the "First Amendment to Indenture") by and between the Authority and the 2014 Trustee, (iii) a First Amendment to Loan Agreement (the "First Amendment to Loan Agreement") by and between the Authority and MPM Sherman Way, and (iv) an Obligation No. 1 ("Obligation No. 1") issued by the Obligated Group Representative to the 2014 Trustee;

WHEREAS, MPM Sherman Way proposes to construct certain improvements to the Sherman Way Property and to lease the Sherman Way Property to MERF for use and occupation by MSA-1 pursuant to an Amended and Restated Lease Agreement by and between MPM Sherman Way and MERF (the "MSA-1 Lease");

WHEREAS, MPM Santa Ana proposes to make a loan to MERF to fund the construction of certain improvements to the Santa Ana Property pursuant to a Loan Agreement by and between MPM Santa Ana and MERF (the "Santa Ana Loan Agreement");

WHEREAS, MPM San Diego proposes to acquire certain modular classroom and office facilities (the "San Diego Facilities") and to lease the San Diego Facilities to MERF for use by MSA-SD on the San Diego Property pursuant to an Lease and Equipment Agreement by and between MPM Santa Ana and MERF (the "MSA-San Diego Lease");

WHEREAS, the Authority proposes to issue its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") in a maximum amount not to exceed $25,000,000 pursuant to an Indenture (the "Indenture") by and between the Authority and UMB Bank, National Association, as trustee thereunder (the "Trustee");

WHEREAS, D.A. Davidson & Co. (the "Underwriter") proposes to underwrite the Bonds pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), by and among the Underwriter, the Honorable John Chiang, Treasurer of the State of California, as agent for sale on behalf of the Authority, the Authority, the Borrower, and MERF;

WHEREAS, the Authority proposes to make a loan (the "Loan") of the proceeds of the Bonds to the Borrower pursuant to the terms of (i) the Master Indenture, as amended by a Supplemental Master Indenture for Obligation No. 2 (the "Second Supplemental Master Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) the Indenture, (iii) a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower, and (iv) an Obligation No. 2 ("Obligation No. 2") issued by the Obligated Group Representative to the Bond Trustee;

WHEREAS, MERF and the Borrower propose that the Borrower or the Members will use the proceeds of the Loan to (1) finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of charter school educational facilities located at the Sherman Way Property, the Santa Ana Property, and the San Diego Property (collectively, the "Project"), (2) pay certain expenses incurred in connection with the issuance of the Bonds, (3) pay capitalized interest on the Bonds and/or related working capital and (4) fund a debt service reserve fund with respect to the Bonds and a repair and replacement fund;

WHEREAS, MERF and the Borrower propose to secure or support the obligations of the Borrower and the Obligated Group Representative by (i) the Sherman Way Property and related personal property pursuant to the terms of a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust") executed by MPM Sherman Way, as grantor, to Fidelity National Title Insurance Company, as trustee, for the benefit of the Master Trustee, (ii) the Santa Ana Loan Agreement pursuant to the terms of a Security Agreement (the "Santa Ana Security Agreement") executed by MPM Santa Ana, as debtor, to the Master Trustee, as secured party, (iii) the MSA-San Diego Lease pursuant to the terms of a Security Agreement (the "San Diego Security Agreement") executed by MPM San Diego, as debtor, to the Master Trustee, as secured party, (iv) an intercept of portions of each School's general purpose apportionment by the State Controller or another state agency of the State of California pursuant to Section 17199.4(a)(1) of the Education Code of the State of California (collectively, the "Intercept"), and (v) the Borrower's membership interests in the Members pursuant to the terms of a Security Agreement (the "Membership Interest Security Agreement") executed by the Borrower, as debtor, to the Master Trustee, as secured party;

WHEREAS, MERF and the Borrower propose that the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease collectively will provide for the payment of rent and loan payments sufficient to satisfy the Borrower's obligations under the 2014 Loan Agreement, as amended, Obligation No. 1, the Loan Agreement, Obligation No. 2, and all other obligations of the Borrower arising from the foregoing transactions and agreements;

WHEREAS, MERF proposes to make such loans, charitable grants or capital contributions to the Borrower or the Members as may be necessary or desirable to capitalize the Borrower or the Members for purposes of entering into the transactions described above;

WHEREAS, the Board has reviewed proposed forms of the following documents and agreements (collectively, the "Primary Transaction Documents"):

(a) the Bond Purchase Agreement;

(b) the Master Indenture;

(c) the Supplemental Master Indenture;

(d) the Obligation No. 1;

(e) the First Amendment to Indenture;

(f) the First Amendment to Loan Agreement;

(g) the Second Supplemental Master Indenture;

(h) the Obligation No. 2;

(i) the Indenture;

(j) the Loan Agreement;

(k) the MSA-1 Lease;

(l) the Santa Ana Loan Agreement;

(m) the MSA-San Diego Lease;

(n) the Deed of Trust;

(o) the Santa Ana Security Agreement;

(p) the San Diego Security Agreement;

(q) the Membership Interest Security Agreement;

(r) a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") by and among MPM Sherman Way, MERF, and the Master Trustee;

(s) a Continuing Disclosure Agreement among the Borrower, MERF, and the Trustee, as dissemination agent; and

(t) a form of Limited Offering Memorandum that has been prepared to furnish information with respect to the sale and delivery of the Bonds;

WHEREAS, MERF and the Borrower propose that certain officers of MERF shall be authorized on behalf of the Borrower and the Members to approve construction contracts, construction plans and specifications, and other contracts, agreements, documents or matters relating to the financing and development of the Project and to approve and execute on behalf of the Borrower or any Member construction loan draws, certificates, and other documents relating to the financing and development of the Project;

WHEREAS, the Board of Directors (the "Board") finds that the terms of the foregoing transactions (collectively, the "Transactions"), including the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease, are fair and reasonable as to the Corporation under the circumstances, in the best interest of the Corporation, and in furtherance of the charitable purposes of the Corporation; and

WHEREAS, the Board desires the Corporation to take all actions necessary or advisable to facilitate the Transactions;

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the Transactions and authorizes the execution, delivery and performance of the Primary Transaction Documents to which the Corporation or any Member is a party and all such other documents, instruments and agreements as may be necessary or advisable to facilitate the Transactions (collectively with the Primary Transaction Documents, the "Transaction Documents");

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the election of the following individuals to the offices of the Corporation set forth after their names:

Caprice Young	President and Chief Executive Officer
Alfredo Rubalcava	Secretary
Nanie Montijo	Chief Financial Officer and Treasurer

RESOLVED FURTHER, that the officers of the Corporation (collectively, the "Authorized Signatories"), and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, for itself and as the member or manager of the Members, and for and in the name and on behalf of the Members, to execute, deliver, approve, and, as appropriate, declare final the Primary Transaction Documents, in the forms that have been presented to the Board for approval or with such amendments or modifications thereto as an Authorized Signatory may approve as necessary or advisable, and all such other purchase and sale agreements, escrow agreements, bond purchase agreements, indentures, loan agreements, promissory notes, leases, deeds of trust, security agreements, account control agreements, subordination, non-disturbance and attornment agreements, tax certificates, offering memoranda, disclosure agreements, assignments, indemnification agreements, guaranties, subordination agreements, letters of representation, notices, certificates, and other documents, agreements, or instruments or amendments to any of the foregoing, as an Authorized Signatory may approve as necessary or advisable to facilitate the Transactions, each with such additions, deletions or changes therein as the Authorized Signatory executing the same shall approve (the execution and delivery thereof by any such Authorized Signatory to be conclusive evidence of his or her approval of any such document, agreement, instrument, amendment, addition, deletion or change);

RESOLVED FURTHER, that each of the Chief Executive Officer of MERF and the Chief Financial Officer of MERF, each *ex officio*, are authorized on behalf of the Borrower and the Members to approve construction contracts, construction plans and specifications, and other contracts, agreements, documents or matters relating to the financing and development of the Project and to approve and execute on behalf of the Borrower or any Member construction loan draws, certificates, and other documents relating to the financing and development of the Project;

RESOLVED FURTHER, that the Board hereby ratifies and confirms the acts of the officers, agents or employees of the Corporation taken on behalf of the Corporation in connection with the Transactions;

RESOLVED FURTHER, that by the adoption of these resolutions, the Board hereby reconfirms, ratifies and adopts all prior actions of the Board which may have previously been taken in connection with the Transactions;

RESOLVED FURTHER, that all prior resolutions of the Board or any parts thereof in conflict with any or all of the foregoing resolutions are hereby repealed to the extent of such conflict;

RESOLVED FURTHER, that these resolutions shall take effect and be in full force immediately after their adoption by the Board; and

RESOLVED FURTHER, that the Authorized Signatories, and each of them individually, are hereby authorized and directed, for and in the name and on behalf of the Corporation, for itself and as the member or manager of the Members, and for and in the name and on behalf of the Members, to approve, execute and deliver any and all documents, instruments and agreements, and to perform or cause to be performed any and all acts as may, in their judgment, be necessary or desirable to accomplish the purposes of the foregoing resolutions and the transactions contemplated thereby and by the agreements therein approved, and any such documents, instrument or agreements so executed and delivered or actions taken by them or any of them shall be conclusive evidence of their authority in so doing.

Certificate of Secretary

The undersigned certifies that the undersigned is the duly appointed and acting Secretary of Magnolia Properties Management, Inc. (the "Corporation"), a California nonprofit public benefit corporation and that the foregoing Resolutions were duly adopted by the unanimous written consent of the members of the Board of Directors (the "Board") of the Corporation then in office effective as of __________ __, 2017, in compliance with the bylaws of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Corporation this ___ day of April 2017.

____
Alfredo Rubalcava, Secretary

LEASE AND EQUIPMENT AGREEMENT

by and between

MPM SAN DIEGO LLC,

LEASE AND EQUIPMENT AGREEMENT

by and between

MPM SAN DIEGO LLC,
a California limited liability company

and

MAGNOLIA EDUCATIONAL &
RESEARCH FOUNDATION,
a California nonprofit public benefit corporation

dated as of _______________, 2017

for the use and occupation of certain property by

MAGNOLIA SCIENCE ACADEMY SAN DIEGO

Table of Contents

LEASE AND EQUIPMENT AGREEMENT

1. **Basic Provisions.**

1.1 **Parties**. This Lease and Equipment Agreement ("**Lease**") dated, for reference purposes only, as of _______________, 2017, is made by and between MPM SAN DIEGO LLC, a California limited liability company ("**Lessor**"), and MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION, a California nonprofit public benefit corporation ("**Lessee**") (Lessor and Lessee being sometimes referred to herein collectively as the "**Parties**" and individually a "**Party**"). Lessee is entering into this Lease to provide for the use and occupation of the Property (as defined below) by MAGNOLIA SCIENCE ACADEMY SAN DIEGO (the "**School**"), a California public charter school operated by Lessee.

1.2 **Property.** Those certain facilities and structures (the "**Property**") owned by Lessor, located at 6365 Lake Atlin Avenue, San Diego, California (the "**Land**"), which Land is used by Lessee pursuant to a shared use agreement with the San Diego Unified School District. (*See also* Section 2 below.) The Parties agree that notwithstanding that the Property may be installed, located and/or affixed to the Land, ownership of the Property shall at all times be and remain vested in Lessor, which shall have the right to remove the Property from the Land at the expiration of this Lease.

1.3 **Term.** The term of this Lease shall commence on _______________, 2017 (the "**Commencement Date**") and shall end on July 1, 2037 (the "**Initial Term**") (or such other later date if Lessee exercises its extension option) (such date, as it may be extended, the "**Expiration Date**"). (*See also* Section 3 below.) Based upon the occurrence of any of the events described in Section 4.06(b) and (c) of the Loan Agreement, this Lease may be terminated by Lessee by depositing with the Bond Trustee (as defined in Section 1.5 below) sufficient cash or securities to defease the principal amount of the Bonds (as defined in Section 1.5 below). In addition, notwithstanding any terms herein to the contrary, this Lease shall terminate without liability upon the termination of Lessee's shared use agreement for the Land. Upon such termination, Lessor shall have the right to remove the Property from the Land.

1.4 **Extension Option.** Lessee shall have two (2) options to extend the Initial Term, each for five (5) years as of the funding of the Loan described in Section 1.5 below (such extension terms collectively, the "**Extension Term**" and, collectively with the Initial Term, the "**Term**") with the Rent during the Extension Term to be set at an amount no less than the Fair Market Rent of the Property at the date the option becomes exercisable. "**Fair Market Rent**" for purposes of this Section 1.4 shall be determined pursuant to Section 5 below.

1.5 **Base Rent.**

(a) Obligated Group. Lessor and Lessee acknowledge that Lessor is a member (a "**Member**") of an obligated group (the "**Obligated Group**") under a Master Trust Indenture dated as of _______________, 2017 (the "**Master Indenture**"), by and among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation, as the Obligated Group representative (the "**Obligated Group Representative**"), certain other Obligated Group Members as identified in the Master Indenture (together with the Member, the

"**Members**"), and UMB Bank, National Association, as master trustee (the "**Master Trustee**"), by and among the Obligated Group Representative, the Members, and the Master Trustee. The Obligated Group Representative, on behalf of the Members, obtained a loan (the "**Loan**") from the California School Finance Authority (the "**Issuer**") as evidenced by a Loan Agreement dated as of _______________, 2017, by and between the Issuer and the Obligated Group Representative (the "**Loan Agreement,**" under which the Obligated Group Representative is sometimes referred to as "**Borrower**"). The Loan will be funded by the proceeds of the Issuer's Charter School Revenue Bonds (Magnolia Public Schools - Obligated Group), Draw Down Series 2017A and Charter School Revenue Bonds (Magnolia Public Schools - Obligated Group), Series 2017B (collectively, the "**Bonds**") pursuant to an Indenture dated as of _______________, 2017 (the "**Indenture**") by and between the Issuer and UMB Bank, National Association, as bond trustee (the "**Bond Trustee**"). Hamlin Capital Management, LLC is currently acting as the Bond Holder Representative (the "**BHR**"). So long as the Loan is outstanding, the "**Base Rent**" shall be payable in accordance with the schedule set forth in Exhibit B attached hereto, subject to downward adjustment in the event of any prepayment of all or a portion of the Loan related to the Property and the redemption or defeasance of all or a portion of the Bonds related to the Property. In the event of the prepayment of the Loan in its entirety and the redemption or defeasance of all of the Bonds prior to the Expiration Date or termination of this Lease such that no Bonds remain outstanding under the Indenture, the Base Rent shall be payable based upon the average of the debt service payments during the five (5) years immediately preceding such defeasance or prepayment.

(b) Intercept Notice. Simultaneously with the execution and delivery of the Bonds, Lessee shall deliver or cause to be delivered the Intercept Notice, substantially in the form set forth in Exhibit E attached hereto (the "**Intercept Notice**"), to the State Controller (as defined in Exhibit E hereto) to indicate transfers to the Bond Trustee to pay the amounts due under this Lease as they come due. Amounts specified in the Intercept Notice for transfer to the Bond Trustee shall be limited to funding apportioned for purposes of the charter school block grant or the local control funding formula pursuant to Section 42238.02 of the Education Code of the State of California (the "**State Apportionments**"). Lessee shall, with Lessor's and BHR's prior written consent, amend, supplement or restate the Intercept Notice and deliver such to the State Controller from time to time as necessary or appropriate (including without limitation as a result of redemption prior to maturity) to indicate transfers to the Bond Trustee to pay the amounts due under this Lease as they come due and to cure any delinquency in payment of such amounts. Lessee will cooperate with the Bond Trustee in any manner the Bond Trustee may request in connection with amending, supplementing or restating the Intercept Notice. If at any time the Intercept Notice is amended, supplemented or restated for any reason, Lessee shall promptly provide the Issuer, the Department of Education of the State of California, the BHR and the Bond Trustee with a copy of such amended, supplemented or restated Intercept Notice. The Intercept Notice may provide additional amounts payable to the Bond Trustee for purposes set forth in the Master Indenture or to any other payee or payees for any other costs necessary or incidental to the Bonds; provided, that Lessee shall not grant preference or any prior right of funding access or security in respect of the State Apportionment to any other payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code of the State of California. All deposits of moneys derived from the Intercept Notice hereunder shall be made at the corporate trust office of the Bond Trustee or such other payee as set forth in the Intercept Notice. Lessee shall timely amend, supplement or restate the

Intercept Notice to require transfers to such other location as shall be designated in writing by the Bond Trustee or such other payee to Lessee.

1.6 **Refinancing of Loan.** For purposes of this Lease, "**Lender**" shall be deemed to refer to the Issuer under the Loan Agreement, its successors or assigns, including Master Trustee and Bond Trustee. Upon any refinancing of the Loan, the term "**Loan Agreement**" thereafter shall refer to the agreement for the refinancing of the Loan, the term "**Loan**" thereafter shall refer to the refinancing loan, and the term "**Lender**" thereafter shall refer to the lender making the refinancing loan, but otherwise all of the terms, covenants and conditions of this Lease shall remain unmodified and in full force and effect.

1.7 *(Reserved)*

1.8 **Real Estate Brokers**. None.

2. **Property.**

2.1 **Letting**. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Property, for the Term, at the Rent (as defined below) and upon and subject to all of the terms, covenants and conditions set forth in this Lease.

2.2 **Condition of Property**. Lessee hereby acknowledges and agrees that it has reviewed and approved the Loan Agreement and agrees to accept the Property in its as-is condition, following completion of the installation of the Property upon the Land. All references in this Lease to the "Property" shall be deemed to include the Property as installed, located and/or affixed upon the Land. Subject to the terms of section 6.2(e) of this Lease, Lessee accepts the Property in its current as-is condition. Lessee hereby acknowledges that the Property has not undergone an inspection by a certified access specialist.

2.3 **Compliance**. If the applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the "**Applicable Requirements**") require, during the Term, the installation of an addition to, or an alteration of, the Property, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Property, Lessee hereby agrees to undertake and complete such installation, alteration, remediation, reinforcement or other modification (each, a "**Capital Expenditure**"), and the costs therefor shall be incurred solely by Lessee, provided that notwithstanding such work, title to the Property shall be vested in Lessor.

2.4 **[Intentionally omitted]**

2.5 **Energy Use Disclosure Program.** Lessee hereby acknowledges that Lessor may be required to disclose certain information concerning the energy performance of the Property (the "**Energy Disclosure Information**") pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the "**Energy Disclosure Requirements**"). If and to the extent not prohibited by applicable laws, Lessee hereby waives any right Lessee may have to receive the Energy Disclosure Information, including, without limitation, any right Lessee may have to terminate this Lease as a result of Lessor's failure to disclose such information. Further, Lessee hereby releases Lessor from any and all losses, costs,

ORRICK HERRINGTON & SUTCLIFFE LLP
DRAFT – DISTRIBUTED: 02/28/2017

SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 2

MAGNOLIA PROPERTIES MANAGEMENT, INC.,
and
THE NONPROFIT CORPORATIONS AND LIMITED LIABILITY COMPANIES
LISTED ON APPENDIX A OF THE
HERINAFTER DEFINED MASTER INDENTURE,
as Initial Members of the Obligated Group

and

UMB BANK, NATIONAL ASSOCIATION,
as Master Trustee

Dated as of April 1, 2017

Supplementing the Master Indenture of Trust
Dated as of April 1, 2017

TABLE OF CONTENTS

Page

SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 2

THIS SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 2, dated as of April 1, 2017 ("Supplement No. 2"), between MAGNOLIA PROPERTIES MANAGEMENT, INC., a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Borrower"), as Obligated Group Representative pursuant to the Master Indenture of Trust, dated as of April 1, 2017 (the "Master Indenture"), between the Borrower and UMB BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as master trustee (the "Master Trustee"), and the Master Trustee;

WITNESSETH

WHEREAS, the Borrower, the Initial Members and the Master Trustee have entered into the Master Indenture, which provides for the issuance by the Obligated Group Representative of Obligations thereunder, pursuant to one or more indentures supplemental thereto;

WHEREAS, the Borrower has been appointed the Obligated Group Representative under the Master Indenture and has all requisite corporate power and is authorized under the terms of the Master Indenture to issue Obligations, which constitute the joint and several obligations of the Members;

WHEREAS, the Borrower, as Obligated Group Representative, is entering into this Supplement No. 2 for the purpose of issuing an Obligation hereunder to secure the obligations arising under and pursuant to a Loan Agreement, dated as of April 1, 2017, between the California School Finance Authority and the Borrower; and

WHEREAS, all acts and things necessary to constitute this Supplement No. 2 a valid supplemental indenture and agreement according to its terms have been done and performed, and the Borrower, as Obligated Group Representative, has duly authorized the execution and delivery hereof and of the Obligation issued hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Obligation issued hereunder by the Holder thereof, the Borrower, as Obligated Group Representative, covenants and agrees with the Master Trustee for the benefit of the Holder from time to time of the Obligation issued hereby, as follows:

Section 1. Definitions. Unless otherwise required by the context, all terms used herein which are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

"Authority" means the California School Finance Authority and its successors or assigns.

"Obligation No. 2" means the Obligation issued pursuant to this Supplement No 2.

"Series 2017 Bond Indenture" means that certain Indenture, dated as of April 1, 2017, between the Authority and the Series 2017 Bond Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Series 2017 Bond Trustee" means UMB Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, in its capacity as trustee under the Series 2017 Bond Indenture, and any successor to its duties or co-trustee under the Series 2017 Bond Indenture.

"Series 2017 Bonds" means, collectively, the California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Series 2017A and California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017B (Taxable), issued and outstanding pursuant to the Series 2017 Bond Indenture.

"Series 2017 Loan Agreement" means that certain Loan Agreement, dated as of April 1, 2017, between the Authority and the Borrower, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Series 2017 Bond Indenture.

"Series 2017 Loan Repayments" means all of the payments so designated and required to be made by the Borrower pursuant to Section [3.02] of the Series 2017 Loan Agreement.

"Supplement No. 2" means this Supplemental Master Indenture for Obligation No. 2.

Section 2. Issuance of Obligation No. 2. There is hereby created and authorized to be issued an Obligation in an aggregate principal amount of [Aggregate Principal Amount Written Out] dollars ($[Aggregate Principal Amount]). This Obligation shall be dated as of April 1, 2017, shall be designated "Magnolia Public Schools Obligation No. 2" and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 2 as provided in Section 11 hereof.

The aggregate principal amount of Obligation No. 2 is limited to [Aggregate Principal Amount Written Out] dollars ($[Aggregate Principal Amount]), except for any Obligation No. 2 authenticated and delivered in lieu of another Obligation No. 2 (as provided in Section 7 hereof), with respect to any Obligation No. 2 mutilated, destroyed, lost or stolen or, subject to the provisions of Section 6 of this Supplement No. 2, upon transfer of registration of Obligation No. 2.

Section 3. Purpose for Which Obligation No. 2 Is Being Issued. Obligation No. 2 is being issued to evidence the Members' obligation to ensure performance of the obligations of the Borrower arising under the Series 2017 Loan Agreement, including Additional Payments.

Section 4. Payments on Obligation No. 2; Credits.

(a) Principal of and interest and any applicable redemption premium on Obligation No. 2 are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. Except as provided in subsection (b) of this Section with respect to credits, and Section 5 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Obligation No. 2 shall be made at the times and in the amounts specified in Obligation No. 2 by the Members (i) depositing the same with or to the account of the Series 2017 Bond Trustee at or prior to the opening of business on the day such payments shall become due or payable (or the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal corporate trust office of the Series 2017 Bond Trustee is located) and (ii) giving notice to the Master Trustee and the Series 2017 Bond Trustee of each payment of principal, interest or premium on Obligation No. 2, specifying the amount paid and identifying such payment as a payment on Obligation No. 2.

(b) The Members shall receive credit for payment on Obligation No. 2, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 2 in an amount equal to moneys deposited in the Interest Account created under the Series 2017 Bond Indenture which amounts are available to pay interest on the Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2;

(ii) On installments of principal of Obligation No. 2 in an amount equal to moneys deposited in the Principal Account created under the Series 2017 Bond Indenture which amounts are available to pay principal of the Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2;

(iii) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Bonds for the redemption or payment of which sufficient amounts (as determined by Section [10.03] of the Series 2017 Bond Indenture) in cash or securities are on deposit as provided in Section [10.03] of the Series 2017 Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 2, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 2 which would have been used, but for such call for payment or redemption, to pay principal of and interest on such Bonds when due;

(iv) On installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Bonds acquired by any Member and surrendered to the Series 2017 Bond Trustee for cancellation or purchased by the Series 2017 Bond Trustee and canceled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 2 which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due; and

(v) On amounts deposited with the Series 2017 Bond Trustee to satisfy any other payment obligations under the Series 2017 Loan Agreement but not transferred by the Series 2017 Bond Trustee to the Borrower pursuant to Section [5.02] of the Series 2017 Bond Indenture.

Section 5. Prepayment of Obligation No. 2.

(a) So long as all amounts which have become due under Obligation No. 2 have been paid or credits for such payments have occurred, the Members shall have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 2. Prepayments may be made by payments of cash or surrender of the Bonds, as contemplated by subsections 4(b)(iii) and (iv) hereof. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of the Bonds) shall be deposited and applied in the manner and subject to the terms and conditions set forth in the Series 2017 Bond Indenture. Notwithstanding any such redemption or surrender of the Bonds, as long as any Bonds remain Outstanding (as defined in the Series 2017 Bond Indenture) or any additional payments required to be made hereunder remain unpaid, the Members shall not be relieved of their obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Obligation No. 2 as provided in Section 4 hereof.

(c) The Members may also prepay all of their indebtedness under Obligation No. 2 by providing for the payment of Bonds in accordance with [Article X] of the Series 2017 Bond Indenture.

Section 6. Registration, Number, Negotiability and Transfer of Obligation No. 2.

(a) Except as provided in subsection (b) of this Section, so long as any Bonds remain Outstanding, Obligation No. 2 shall consist of a single Obligation without coupons, registered as to principal and interest in the name of the Series 2017 Bond Trustee, and no transfer of Obligation No. 2 shall be permitted or shall be registered under the Master Indenture except for transfers to a successor Series 2017 Bond Trustee.

(b) Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 2 may be transferred, if and to the extent the Master Trustee requests that the restrictions of subsection (a) of this Section on transfers be terminated.

(c) Obligation No. 2 shall be registered on the register to be maintained by the Master Trustee as registrar for that purpose at the Corporate Trust Office of the Master Trustee and Obligation No. 2 shall be transferable only upon presentation of Obligation No. 2 at said Corporate Trust Office by the Holder or by the Holder's duly authorized attorney. Such transfer shall be without charge to the Holder thereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Obligated Group Representative shall execute and the Master Trustee shall authenticate and deliver in exchange for

Obligation No. 2 a new registered Obligation without coupons, registered in the name of the transferee.

(d) Prior to due presentment of Obligation No. 2 for registration of transfer, the Members, the Master Trustee, any paying agent and any registrar with respect to Obligation No. 2 may deem and treat the person in whose name Obligation No. 2 is registered as the absolute owner hereof for all purposes; and neither the Members, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, sufficient to satisfy and discharge the liability for moneys payable on Obligation No. 2.

Section 7. Mutilation, Destruction, Loss and Theft of Obligation No. 2. If (a) Obligation No. 2 is surrendered to the Master Trustee in a mutilated condition, or the Obligated Group Representative and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of Obligation No. 2 and (b) there is delivered to the Obligated Group Representative and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to the Obligated Group Representative and the Master Trustee that Obligation No. 2 has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Obligated Group Representative and the Master Trustee, the Obligated Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation No. 2 or in lieu of such destroyed, lost or stolen Obligation No. 2, a new Obligation No. 2 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Obligation No. 2 has become or is about to become due and payable, Obligation No. 2 may be paid when due instead of delivering a new Obligation No. 2.

Section 8. Execution and Authentication of Obligation No. 2. Obligation No. 2 shall be executed for and on behalf of the Obligated Group Representative by its Authorized Representative and attested by its secretary, an assistant secretary or another Authorized Representative. The signatures of either or both of such officers may be mechanically or photographically reproduced on Obligation No. 2. If any officer whose signature appears on Obligation No. 2 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 2 shall be manually authenticated by an authorized signatory of the Master Trustee, without which authentication Obligation No. 2 shall not be entitled to the benefits hereof.

Section 9. Partial Prepayment of Obligation No. 2. Upon the selection and call for prepayment and the surrender of Obligation No. 2 for prepayment in part only, the Obligated Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Members, a new Obligation No. 2 in principal amount equal to the unredeemed portion of Obligation No. 2, which new Obligation No. 2 shall be a fully registered Obligation without coupons.

The Obligated Group Representative may agree with the Holder of Obligation No. 2 that such Holder may, in lieu of surrendering the Obligation for a new fully registered Obligation without coupons, endorse on the Obligation a notice of such partial prepayment, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial prepayment shall be valid upon payment of the amount thereof to the registered owner of Obligation No. 2 and the Members and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Obligation No. 2 by the Holder thereof and irrespective of any error or omission in such endorsement.

Section 10. Effect of Prepayment. On the date cash or securities (as and to the extent permitted by the Series 2017 Bond Indenture), or both, are deposited with the Trustee (for a corresponding amount of Bonds with respect to the Bonds to be redeemed on the date fixed for redemption all as provided in the Series 2017 Bond Indenture), Obligation No. 2 shall be deemed paid (in an amount corresponding to the Bonds to be redeemed on the date fixed for redemption) and such corresponding amount of Obligation No. 2 shall be deemed not to be outstanding, as defined in the Master Indenture, and shall no longer be entitled to the benefits of the Master Indenture.

Section 11. Form of Obligation No. 2. Obligation No. 2 shall be in substantially the form attached hereto as Exhibit A, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Master Indenture and are approved by those officers executing such Obligation on behalf of the Borrower and execution thereof by such officers shall constitute conclusive evidence of such approval.

Section 12. Additional Obligations. Notwithstanding Section 3.05 of the Master Indenture, so long as Obligation No. 2 remains outstanding, the following shall be additional conditions precedent to the issuance of any Additional Indebtedness under the terms of the Master Indenture:

(a) Consent by the Holders of not less than a majority in aggregate principal amount of the 2017 Bonds then outstanding;

(b) Completion of a due diligence review to the satisfaction of the Bondholder Representative under the Series 2017 Bond Indenture;

(c) Subordinate Indebtedness shall be limited to $250,000 [per occurrence/ in the aggregate]; and

(d) Indebtedness with respect to capital leases or equipment shall be limited to $25,000 [per occurrence/ in the aggregate].

Section 13. Event of Default. The Borrower and the Master Trustee hereby covenant to exercise any and all remedies available under any Lease and shall foreclose on the related Mortgage upon an Event of Default provided that the Master Trustee shall only exercise remedies under the Mortgages described in clause (1) of the definition thereof, set forth in the Master Indenture for the benefit of Obligation No. 2.

Section 14. Ratification of Master Indenture. As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 15. Permitted Withdrawal from Obligated Group of MPM San Diego LLC and MPM Santa Ana LLC. [Notwithstanding any provision of Section 3.14 of the Master Indenture to the contrary, MPM San Diego LLC and MPM Santa Ana LLC shall automatically be deemed withdrawn from the Obligated Group and shall no longer be subject to the terms of the Master Indenture upon the payment in full of the Allocable Amount (as defined in the 2017 Bond Indenture) corresponding to each such Member's obligations in respect of the Related Bonds and Obligation No. 2.]

Section 16. Severability. If any provision of this Supplement No. 2 shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, sections or subsections contained in this Supplement No. 2 shall not affect the remaining portions of this Supplement No. 2 or any part thereof.

Section 17. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

Section 18. Miscellaneous.

(a) No covenant or agreement contained in Obligation No. 2 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member or of the Master Trustee in an individual capacity, and no incorporator, member, officer or member of the governing board of any Member shall be liable personally on Obligation No. 2 or be subject to any personal liability or accountability by reason of the issuance of Obligation No. 2.

(b) The Master Trustee hereby acknowledges and agrees that the Leases and School Loan Agreements provide for payment of rental or repayment obligations, as applicable, directly to the Master Trustee for deposit in the Gross Revenue Fund established in Section 3.15 of the Master Indenture, and that only upon transfer of such funds by the Master Trustee to the Series 2017 Bond Trustee for deposit in the Revenue Fund established in the Series 2017 Bond Indenture shall such deposits constitute credits for purposes of Section 4 hereof.

(c) The Master Trustee hereby further acknowledges that the Members may approve amendments to the Leases or School Loan Agreements subject to the limitations of Section 3.06 of the Master Indenture.

(d) The Borrower shall file with the Master Trustee, no later than July 1 of each year, commencing July 1, 2017, a Certificate stating that the Borrower has complied with Section 3.03 of the Master Indenture. The Master Trustee is entitled to rely on such Certificate as to the Borrower's compliance with said Section 3.03, and the Master Trustee shall have no further duty to confirm the accuracy thereof.

Section 19. Counterparts. This Supplement No. 2 may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 20. Governing Law. This Supplement No. 2 shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, the Borrower, as Obligated Group Representative, has caused these presents to be signed in its name and on its behalf by an Authorized Representative and, to evidence its acceptance of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name and on its behalf by a Responsible Officer, all as of the day and year first above written.

MAGNOLIA PROPERTIES MANAGEMENT, INC., as Obligated Group Representative

By: ______________________________
[Authorized Representative]

[Signature page of Supplemental Master Indenture]

UMB BANK, NATIONAL ASSOCIATION,
as Master Trustee

By: ______________________________
Responsible Officer

[Signature page of Supplemental Master Indenture]

EXHIBIT A

FORM OF OBLIGATION NO. 2

MAGNOLIA PROPERTIES MANAGEMENT, INC.,
as Initial Member of the Obligated Group

Obligation No. 2

$[PAR AMOUNT]

KNOW ALL BY THESE PRESENTS that MAGNOLIA PROPERTIES MANAGEMENT, INC. (the "Borrower"), a nonprofit public benefit corporation organized and existing under the laws of the State of California, as Obligated Group Representative under the Master Indenture (as defined below), for value received hereby acknowledges itself and each Member of the Obligated Group (as such terms are defined in the Master Indenture) obligated to, and promises to pay to UMB Bank, National Association, as trustee (the "Series 2017 Bond Trustee") under the Series 2017 Bond Indenture dated as of April 1, 2017 (the "Series 2017 Bond Indenture"), between the Series 2017 Bond Trustee and the California School Finance Authority (the "Authority"), and any successor trustee under the Series 2017 Bond Indenture, or registered assigns, the principal sum of [Aggregate Principal Amount Written Out] dollars ($[Aggregate Principal Amount]), and to pay interest on the unpaid balance of said sum from the date hereof on the dates and in the manner hereinafter described.

This Obligation No. 2 is a single Obligation limited to [Aggregate Principal Amount Written Out] dollars ($[Aggregate Principal Amount]), in principal amount (except as provided in the Master Indenture), designated as "Magnolia Public Schools Obligation No. 2" ("Obligation No. 2" and, together with all other obligations issued under the Master Indenture hereinafter identified, "Obligations"), issued under and pursuant to the Supplemental Master Indenture for Obligation No. 2, dated as of April 1, 2017 (the "Supplemental Indenture"), supplementing and amending the Master Indenture of Trust, dated as of April 1, 2017 and as may be further restated, supplemented or amended, between the Borrower, the Initial Members (as defined therein) and UMB Bank, National Association, as trustee (the "Master Trustee"). The Master Indenture of Trust, as supplemented and amended in accordance with its terms, is hereinafter called the "Master Indenture."

Principal hereof, interest hereon and any applicable redemption premium, are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts semiannually on [June 25th and December 25th] in an amount equal to the amount necessary for the Series 2017 Bond Trustee to make the transfers and deposits required pursuant to Section 5.02 of the Series 2017 Bond Indenture.

The Members shall receive credit for payment on Obligation No. 2, in addition to any credits resulting from payment or prepayment from other sources, as follows: (i) on installments of interest of Obligation No. 2 in an amount equal to moneys deposited in the Interest Account created under the Series 2017 Bond Indenture which amounts are available to pay interest on the Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2; (ii) on installments of principal of Obligation No. 2 in an amount equal to moneys deposited in the Principal Account created under the Series 2017 Bond Indenture which amounts are available to pay principal on the Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 2; (iii) on installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Bonds for the redemption or payment of which sufficient amounts (as determined by Section 10.03 of the Series 2017 Bond Indenture) in cash or securities are on deposit as provided in Section 10.03 of the Series 2017 Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 2, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal and interest on Obligation No. 2 which would have been used, but for such call for payment or redemption, to pay principal of and interest on such Bonds when due; (iv) on installments of principal and interest, respectively, on Obligation No. 2 in an amount equal to the principal amount of Bonds acquired by any Member and surrendered to the Series 2017 Bond Trustee for cancellation or purchased by the Series 2017 Bond Trustee and canceled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal of and interest on Obligation No. 2 which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due; and (v) on amounts deposited with the Series 2017 Bond Trustee to satisfy any other payment obligations under the Series 2017 Loan Agreement.

The Borrower, as Obligated Group Representative, further acknowledges itself and the other Members obligated to, and promises to pay to the Authority, all amounts required to be paid by the Borrower to the Series 2017 Bond Trustee for deposit in the Bond Reserve Account established under the Series 2017 Bond Indenture. The Members shall receive credit for payment pursuant to this paragraph in an amount equal to moneys deposited with the Series 2017 Bond Trustee pursuant to the Series 2017 Bond Indenture.

Upon payment by the Members of a sum, in cash or securities (as specified in Article X of the Series 2017 Bond Indenture), or both, sufficient, together with any other cash and securities permitted by the Series 2017 Bond Indenture to be held by the Trustee and available for such purpose, to cause all outstanding Bonds to be deemed to have been paid within the meaning of Article X of the Series 2017 Bond Indenture and to pay all other amounts referred to in Article X of the Series 2017 Bond Indenture, accrued and to be accrued to the date of discharge of the Series 2017 Bond Indenture, Obligation No. 2 shall be deemed to have been paid and to be no longer outstanding under the Master Indenture.

Copies of the Master Indenture and the Supplemental Indenture are on file at the corporate trust office of the Master Trustee, in [IDENTIFY APPLICABLE CITY, STATE FOR UMB CORPORATE TRUST OFFICE] and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holders of Obligations issued under the Master Indenture, the terms and conditions on which, and the purposes for which Obligations are to be issued and the rights, duties and obligations of the Members and the Master Trustee under the Master Indenture, to all of which the holder hereof, by acceptance of this Obligation No. 2, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the provisions of the Master Indenture, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligations issued under the Master Indenture over any other such Obligations except as expressly provided or permitted in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications or changes to the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Members and of the holders of Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes that would affect the rights of the holder of this Obligation No. 2 may be made only with the consent of the holders of not less than a majority in aggregate principal amount of Obligations then outstanding under the Master Indenture. No modification or change shall be made which will (i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest payable on any Obligation without the consent of the holder of such Obligation; (ii) modify, alter, amend, add to or rescind any of the terms or provisions contained in Article IV of the Master Indenture in any manner which would materially and adversely affect the interests of holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the holders of all Obligations then outstanding; or (iii) reduce the aggregate principal amount of Obligations then outstanding the consent of the holders of which is required to authorize such modifications or changes without the consent of the holders of all Obligations then outstanding. Any such consent by the holder of this Obligation No. 2 shall be conclusive and binding upon such holder and all future holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 2, unless such consent is revoked as provided in the Master Indenture.

Upon the occurrence of certain "Events of Default" (as defined in the Master Indenture), the principal of all Obligations then outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

The Holder of this Obligation No. 2 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 2 is issuable only as a registered Obligation without coupons.

Unless the principal of all Obligations then outstanding has been declared immediately due and payable, no transfer of this Obligation No. 2 shall be permitted except for transfers to a successor trustee under the Series 2017 Bond Indenture. This Obligation No. 2 shall be registered on the register to be maintained by the Master Trustee as registrar for the Members for that purpose at the principal corporate trust office of the Master Trustee and this Obligation No. 2 shall be transferable only upon presentation of this Obligation No. 2 at said office by the

Holder or by the Holder's duly authorized attorney and subject to the limitations, if any, set forth in the Supplemental Indenture. Such transfer shall be without charge to the Holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Borrower, as Obligated Group Representative, shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 2 a new registered Obligation without coupons, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Members, the Master Trustee, any paying agent and any registrar with respect to this Obligation No. 2 may deem and treat the Person in whose name this Obligation No. 2 is registered as the absolute owner hereof for all purposes; and neither the Members, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any noticc to thc contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 2.

No covenant or agreement contained in this Obligation No. 2 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of any Member or of the Master Trustee in his individual capacity, and no incorporator, member, officer or member of the Governing Body of any Member shall be liable personally on this Obligation No. 2 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 2.

This Obligation No. 2 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 2 shall have been manually authenticated by the execution by an authorized officer of the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Borrower, as Obligated Group Representative, has caused this Obligation No. 2 to be executed in its name and on its behalf by the signature of an Authorized Representative all as of April 1, 2017.

MAGNOLIA PROPERTIES MANAGEMENT, INC.,
as Obligated Group Representative

By ______________________________
Authorized Representative

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. 2 is one of the Obligations described in the within-mentioned Master Indenture.

Dated: ____________________

UMB BANK, NATIONAL ASSOCIATION,
as Master Trustee

By ________________________________
Responsible Officer

AMENDED AND RESTATED LEASE AGREEMENT

AMENDED AND RESTATED LEASE AGREEMENT

by and between

MPM SHERMAN WAY LLC,
a California limited liability company

and

MAGNOLIA EDUCATIONAL &
RESEARCH FOUNDATION,
a California nonprofit public benefit corporation

dated as of ________________, 2017

for the use and occupation of certain premises by

MAGNOLIA SCIENCE ACADEMY 1

Table of Contents

Page

AMENDED AND RESTATED LEASE AGREEMENT

1. **Basic Provisions.**

1.1 **Parties.** This Amended and Restated Lease Agreement ("**Lease**") dated, for reference purposes only, as of _______________, 2017, is made by and between MPM SHERMAN WAY LLC, a California limited liability company ("**Lessor**"), and MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION, a California nonprofit public benefit corporation ("**Lessee**") (Lessor and Lessee being sometimes referred to herein collectively as the "**Parties**" and individually a "**Party**"). Lessee is entering into this Lease to provide for the use and occupation of the Premises (as defined below) by MAGNOLIA SCIENCE ACADEMY 1, also known as MAGNOLIA SCIENCE ACADEMY (the "**School**"), a California public charter school operated by Lessee. This Lease amends and restates that certain Lease Agreement dated as of June 1, 2014 by and between the parties (the "**Existing Lease**").

1.2 **Premises.** The real property and improvements commonly referred to as 18228, 18214 and 18238 Sherman Way, Reseda, California, 91135, located in the County of Los Angeles, State of California and marked on the attached Exhibit A constitute the "**Premises.**" (*See also* Section 2 below.)

1.3 **Term.** The term of this Lease shall commence on ______________, 2017 (the "**Commencement Date**") and shall end on July 1, 2037 (the "**Initial Term**") (or such other later date if Lessee exercises its extension option) (such date, as it may be extended, the "**Expiration Date**"). (*See also* Section 3 below.) Until the Commencement Date of this Lease, the Existing Lease remains in full force and effect. Based upon the occurrence of any of the events described in Section 4.06(b) and (c) of the Loan Agreement, this Lease may be terminated by Lessee by depositing with the Bond Trustee (as defined in Section 1.5 below) sufficient cash or securities to defease the principal amount of the Bonds (as defined in Section 1.5 below).

1.4 **Extension Option.** Lessee shall have two (2) options to extend the Initial Term, each for five (5) years as of the funding of the Loan described in Section 1.5 below (such extension terms collectively, the "**Extension Term**" and, collectively with the Initial Term, the "**Term**") with the Rent during the Extension Term to be set at an amount no less than the Fair Market Rent of the Premises at the date the option becomes exercisable. "**Fair Market Rent**" for purposes of this Section 1.4 shall be determined pursuant to Section 5 below.

1.5 **Base Rent.**

(a) Obligated Group. Lessor and Lessee acknowledge that Lessor is a member (a "**Member**") of an obligated group (the "**Obligated Group**") under a Master Trust Indenture dated as of _______________, 2017 (the "**Master Indenture**"), by and among Magnolia Properties Management, Inc., a California nonprofit public benefit corporation, as the Obligated Group representative (the "**Obligated Group Representative**"), certain other Obligated Group Members as identified in the Master Indenture (together with the Member, the "**Members**"), and UMB Bank, National Association, as master trustee (the "**Master Trustee**"). The Obligated Group Representative, on behalf of the Members, obtained a loan (the "**Loan**") from the California School Finance Authority (the "**Issuer**") as evidenced by a Loan Agreement dated as of _______________, 2017, by and between the Issuer and the Obligated Group Representative (the "**Loan Agreement,**" under which the Obligated Group Representative is sometimes referred to as "**Borrower**"). The Loan will be funded by the proceeds of the Issuer's Charter School Revenue Bonds (Magnolia Public Schools - Obligated Group), Draw Down Series 2017A and Charter School Revenue Bonds (Magnolia Public Schools - Obligated Group), Series 2017B (collectively, the "**Bonds**") pursuant to an Indenture dated as of _______________, 2017 (the "**Indenture**") by and between the Issuer and UMB Bank, National Association, as bond trustee (the "**Bond Trustee**"). So long as the Loan is outstanding, the "**Base Rent**" shall be payable in accordance with the schedule set forth in Exhibit B attached hereto, subject to downward adjustment in the event of any prepayment of all or a portion of the Loan related to the Premises and the redemption or defeasance of all or a portion of the Bonds related to the Premises. Hamlin Capital Management, LLC is currently acting as the Bondholder Representation (the "**BHR**"). In the event of the prepayment of the Loan in its entirety and the redemption or defeasance of all of the Bonds prior to the Expiration Date or termination of this Lease such that no Bonds remain outstanding under the Indenture, the Base Rent shall be payable based upon the average of the debt service payments during the five (5) years immediately preceding such defeasance or prepayment.

(b) Intercept Notice. Simultaneously with the execution and delivery of the Bonds, Lessee shall deliver or cause to be delivered the Intercept Notice, substantially in the form set forth in Exhibit E attached hereto (the "**Intercept Notice**"), to the State Controller (as defined in Exhibit E hereto) to indicate transfers to the Master Trustee to pay the amounts due under this Lease as they come due. Amounts specified in the Intercept Notice for transfer to the Bond Trustee shall be limited to funding apportioned for purposes of the charter school block grant or the local control funding formula pursuant to Section 42238.02 of the Education Code of the State of California (the "**State Apportionments**"). Lessee shall, with Lessor's and BHR's prior written consent, amend, supplement or restate the Intercept Notice and deliver such to the State Controller from time to time as necessary or appropriate (including without limitation as a result of redemption prior to maturity) to indicate transfers to the Bond Trustee to pay the amounts due under this Lease as they come due and to cure any delinquency in payment of such amounts. Lessee will cooperate with the Bond Trustee in any manner the Bond Trustee may request in connection with amending, supplementing or restating the Intercept Notice. If at any time the Intercept Notice is amended, supplemented or restated for any reason, Lessee shall promptly provide the Issuer, the Department of Education of the State of California, the BHR, the Bond Trustee and the Master Trustee with a copy of such amended, supplemented or restated Intercept Notice. The Intercept Notice may provide additional amounts payable to the Bond Trustee for purposes set forth in the Master Indenture or to any other payee or payees for any other costs necessary or incidental to the Bonds; provided, that Lessee shall not grant preference or any prior right of funding access or security in respect of the State Apportionment to any other payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code of the State of California. All deposits of moneys derived from the Intercept Notice hereunder shall be made at the corporate trust office of the Bond Trustee or such other payee as set forth in the Intercept Notice. Lessee shall timely amend, supplement or restate the Intercept Notice to require transfers to such other location as shall be designated in writing by the Bond Trustee or such other payee to Lessee.

1.6 **Refinancing of Loan.** For purposes of this Lease, "**Lender**" shall be deemed to refer to the Issuer under the Loan Agreement, its successors and assigns, including Master Trustee and Bond Trustee. Upon any refinancing of the Loan, the term "**Loan Agreement**" thereafter shall refer to the agreement for the refinancing of the Loan, the term "**Loan**" thereafter shall refer to the refinancing loan, and the term "**Lender**" thereafter shall refer to the lender making the refinancing loan, but otherwise all of the terms, covenants and conditions of this Lease shall remain unmodified and in full force and effect.

1.7 *(Reserved)*

1.8 **Real Estate Brokers**. None.

2. **Premises.**

2.1 **Letting**. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the Term, at the Rent (as defined below) and upon and subject to all of the terms, covenants and conditions set forth in this Lease.

2.2 **Condition of Premises**. Lessee acknowledges that Lessor may construct improvements to the Premises (the "**Improvements**"), including the Buildings as described in Section 2.3 below, pursuant to the terms of the Loan Agreement described in Section 1.5. Lessee hereby acknowledges and agrees that it has reviewed and approved the Loan Agreement and agrees to accept the Improvements in their as-is condition, following completion of construction. All references in this Lease to the "Premises" shall be deemed to include the Improvements. Subject to the terms of Section 6.2(f) of this Lease, Lessee accepts the Premises in their current as-is condition. Lessee hereby acknowledges that the Premises have not undergone an inspection by a certified access specialist.

2.3 **Compliance**. Following completion of the Improvements, if the applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the "**Applicable Requirements**") require, during the Term, the construction of an addition to or an alteration of the Premises or any portion of the buildings on the Premises (the "**Buildings**"), the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises and/or the Buildings, Lessee hereby agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification (each, a "**Capital Expenditure**"), and the costs therefor shall be incurred solely by Lessee.

2.4 **Parking**. Lessee shall be provided with such number of parking spaces as Lessor and Lessee shall from time to time determine. For the avoidance of doubt, all parking spaces allocated to Lessee hereunder shall be deemed a part of the Premises leased hereunder and shall be subject to the terms hereof and any special rules and regulations promulgated by Lessor which relate specifically to parking.

2.5 **Energy Use Disclosure Program**. Lessee hereby acknowledges that Lessor may be required to disclose certain information concerning the energy performance of the Building (the "**Energy Disclosure Information**") pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the "**Energy Disclosure Requirements**"). If and to the extent not prohibited by applicable laws, Lessee hereby waives any right Lessee may have to receive the Energy Disclosure Information, including, without limitation, any right Lessee may have to terminate this Lease as a result of Lessor's failure to disclose such information. Further, Lessee hereby releases Lessor from any and all losses, costs, damages, expenses and/or liabilities relating to, arising out of and/or resulting from the Energy Disclosure Requirements, including, without limitation, any liabilities arising as a result of Lessor's failure to disclose the Energy Disclosure Information to Lessee prior to the execution of this Lease. Lessee's acknowledgment of the AS-IS condition of the Premises pursuant to the terms of this Lease shall be deemed to include the energy performance of the Building. Lessee further acknowledges that pursuant to the Energy Disclosure Requirements, Lessor may be required in the future to disclose information concerning Lessee's energy usage to certain third parties, including, without limitation, prospective purchasers, lenders and lessees of the Building (the "**Energy Use Disclosure**") and Lessee agrees to provide Lessor with all such information as Lessor may require in order to satisfy the Energy Disclosure Requirements. Lessee hereby (A) consents to all such Energy Use Disclosures, and (B) acknowledges that Lessor shall not be required to notify Lessee of any Energy Disclosure Information. Further, Lessee hereby releases Lessor from any and all losses, costs, damages, expenses and liabilities relating to, arising out of and/or resulting from any Energy Use Disclosure. The terms of this Section shall survive the expiration or earlier termination of this Lease.

2.6 **CASp Inspection for Accessibility**. Lessor hereby notifies Lessee that the Premises have not undergone an inspection by a Certified Access Specialist ("**CASp**"). A CASp can inspect the Premises and determine whether the Premises comply with all of the applicable construction related accessibility standards under California state law. Although California state law does not require a CASp inspection of the Premises, the Lessor may not prohibit Lessee from obtaining a CASp inspection of the Premises for the occupancy or potential occupancy of Lessee, if requested by Lessee. The Parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction related accessibility standards within the Premises.

3. **Term.**

3.1 **Term**. The Commencement Date, Expiration Date and Term of this Lease are as specified in Section 1.3, provided that the commencement of rent shall commence on the later of (the "**Rent Commencement Date**"): (a) the Commencement Date and (b) following Lessor's completion of any Improvements in accordance with the Loan Agreement, the issuance of a temporary Certificate of Occupancy for the Premises.

4. **Rent and Expenses.**

4.1 **Rent Defined**. Subject to the terms of this Lease, Base Rent, Expenses (as defined below), Additional Rent (as defined below) and all other monetary obligations of Lessee to Lessor or to third parties arising under the terms of this Lease are deemed to be rent ("**Rent**").

4.2 **Expenses**. Lessee shall be responsible for all Expenses (as defined below) which Lessee shall pay to Lessor within thirty (30) days after receiving a statement from Lessor itemizing (with reasonable description) all charges included thereon.

"**Expenses**" shall mean all costs and expenses of the ownership, operation, maintenance, repair or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises:

(i) Gross receipts taxes, whether assessed against Lessor or assessed against Lessee and collected by Lessor;

(ii) Water, sewage, and waste or refuse removal charges;

(iii) Gas, electricity, telephone and other utilities;

(iv) Reasonable costs incurred in the day-to-day management (if any), including the cost of management personnel;

(v) Air conditioning and heating;

(vi) Elevator maintenance (if any);

(vii) Supplies, materials, labor, equipment, and utilities used in or related to the operation and maintenance of the Premises;

(viii) All maintenance, replacement and repair costs including, without limitation, janitorial, cleaning and repair services relating to the Premises and all improvements thereon, including, without limitation, air conditioning systems, landscaping, service areas, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, janitorial (if any is supplied) and upgrades, and cost of compliance with applicable laws;

(ix) Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises;

(x) Real Property Taxes (as defined in Section 10.1 below) and personal property taxes (as described in Section 10.3 below), if any; and

(xi) Any other costs or expenses incurred by Lessor under this Lease and not otherwise reimbursed by Lessee or any other lessee of the Premises. Expenses shall not include depreciation on the Buildings of which the Premises are a part.

4.3 **Additional Rent**. In addition to Base Rent and Expenses, Lessee shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Lessor on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule from time to time delivered by Lessor.

"**Additional Rent**" shall include but not be limited to the following:

(i) All amounts required to reimburse Lessor, or satisfy Lessor's obligations, for any fees, expenses, taxes, indemnities, assessments or other payments that it pays under the terms of the Loan Agreement to or on behalf of the Lender;

(ii) Amounts necessary to reimburse Lessor, or satisfy Lessor's obligations, for any payments, other than debt service, that Lessor makes as may be required under the Loan Agreement or this Lease; and

(iii) Amounts necessary to reimburse Lessor for payments it makes with respect to Lessor's reasonable general operating expenses, including Lessor's payment of Lessor's share of the reasonable general operating expenses of Lessor's sole member.

4.4 **Extraordinary Monthly Rent**. In the event that Lessee receives a notice (each an "**Extraordinary Monthly Rent Notice**") from either Lessor or the Master Trustee, stating the Master Trustee has not received the payment of rent with respect to a Related Project (as defined in the Master Indenture) on or before the date that such required payment is due, then Lessee shall pay the Extraordinary Monthly Rent to the Master Trustee within three (3) business days after Lessee's receipt of the Extraordinary Monthly Rent Notice. Lessor covenants to immediately provide Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture. The "**Extraordinary Monthly Rent**" shall mean the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Lessee's Proportionate Share of the Extraordinary Monthly Rent. "**Proportionate Share**" shall mean the amount required to be paid by Lessee to ensure that all of the required rent with respect to all of the Related Projects have been timely made.

4.5 **Payment**. Lessee's obligation to pay Rent shall commence on the Rent Commencement Date. Lessee shall cause all Rent payable to Lessor under this Lease to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction. Rent for any period during the Term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent due to Lessor shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Subject to the terms of the Indenture, and so long as any of the Bonds or the Loan remains outstanding, Lessee shall: (a) through the Intercept Notice, cause the Los Angeles County Office of Education to transfer the portion of the State Apportionment attributable to the School to the Bond Trustee for deposit in the Revenue Fund (as defined in the Indenture); and (b) cause the Trustee to pay from the Revenue Fund the Rent due to Lessor under the terms of this Lease.

4.6 **Budgeting Rent**. Lessee covenants to take such action as may be necessary to include all such payments of Rent due hereunder in its annual budgets, to make, as necessary, annual appropriations for all such payments and to take such action annually as shall be required to provide funds in such year for such payments of Rent.

4.7 **Accounting**. If Lessor so requests in writing, Lessee agrees to provide Lessor with an annual, or more frequent, accounting of the Expenses paid for the just-completed calendar year.

4.8 **Limitation of Recourse.** Notwithstanding any other terms or provisions of this Lease to the contrary, Lessee's liability under this Lease will be limited to the Gross Revenues of the School and the Lessee Management Fees, and under no circumstances shall Lender have recourse to any revenues or assets (other than Lessee Management Fees) attributable to, or designated by any third party for, any other school operated by Lessee or pledged by Lessee to secure loans to or financings or leases for such other school. Such other school's moneys, assets and revenues would include income and revenues directly or indirectly derived by Lessee's operation of the other school, including without limitation per pupil revenues and other funding received from the State of California or by virtue of the charter granted to Lessee for the other school and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent specifically restricted by the donor or Lessee thereof to the other school and such moneys would also include net insurance or condemnation proceeds received or payable to Lessee on account of damage or destruction of the other school or its property or other loss incurred by Lessee with respect to its operation of the other school or its property. Nothing contained in this Section 4.8 shall be construed to release Lessor from the performance of any of the agreements on its part herein contained, and in the event Lessor shall fail to perform any such agreements on its part, Lessee may institute such action against Lessor as Lessee may deem necessary to compel performance so long as such action does not abrogate the obligations of Lessee contained in the first sentence of this Section 4.8. Lessee may, however, at Lessee's own cost and expense and in Lessee's own name or in the name of Lessor prosecute or defend any action or proceeding or take any other action involving third persons which Lessee deems reasonably necessary in order to secure or protect Lessee's right of possession, occupancy and use hereunder, and in such event Lessor hereby agrees to cooperate fully with Lessee and to take such action necessary to effect the substitution of Lessee for Lessor in such action or proceeding if Lessee shall so request.

As used herein, "**Gross Revenues of the School**" means all income and revenues directly or indirectly derived by Lessee's operation of the School described in Section 1.1 of this Lease, including without limitation, per-pupil revenues and other funding received from the State of California or by virtue of the charter granted to Lessee for the School and all gifts, grants, bequests and contributions (including income and profits therefrom) specifically restricted by the donor or maker thereof to the School or the Premises, to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for the payments required under this Lease. Gross Revenues of the School also includes net insurance or condemnation proceeds received or payable to Lessee on account of damage or destruction of the Premises or other loss incurred by Lessee with respect to its operation of the School or the Premises.

As used herein, "**Lessee Management Fees**" means the internal management fees charged by Lessee to the public charter schools operated by Lessee, including but not limited to the School, for the administrative services provided by the Lessee central office staff to such schools, calculated as if each such school and the Lessee central office operations were operated as separate legal entities.

5. **Option to Extend**. Lessor hereby grants to Lessee two (2) options to extend the Term of this Lease, each for a period of five (5) years (each, an "**Extension Option**"). Each respective Extension Option shall be deemed exercised unless Lessee provides Lessor with written notice, on or before one year prior to the then scheduled Expiration Date, of Lessee's election not to exercise the respective Extension Option, provided that so long as Lessor has any obligations under the Loan Agreement, Lessee will exercise each Extension Option. In the event the Term of this Lease shall be extended under this Section, then all of the terms, covenants and conditions of this Lease shall remain unmodified and in full force and effect, except that:

(i) Each Extension Term shall commence immediately upon the expiration of the Initial Term or prior Extension Term, as applicable.

(ii) The Base Rent for the Extension Term shall be determined as follows. Within thirty (30) days after the exercise or deemed exercise of the Extension Option, Lessor shall notify Lessee in writing as to Lessor's determination, in Lessor's good faith judgment, of the fair market rent of comparable space (including square footage, location and quality of the Premises) to the Premises (the "**Fair Market Rent**") together with reasonable back-up material supporting Lessor's determination. Lessee shall have twenty (20) days from receipt of Lessor's determination of the Fair Market Rent accept or reject Lessor's determination.

(iii) Notwithstanding any terms herein to the contrary, so long as the Loan is outstanding, in no event shall the Base Rent payable during any Extension Term be less than the debt service of the Loan, plus Issuer and Trustee Fees, or the Base Rent payable during the month preceding the commencement of the applicable Extension Term. Until the Fair Market Rent has been agreed upon, the initial Base Rent for the Extension Term shall be the Base Rent payable during the month preceding the commencement of the applicable Extension Term. In the event the Fair Market Rent is determined to be greater than such amount, then Lessee shall promptly pay Lessor any balance due.

(iv) If Lessee timely objects to Lessor's determination of Fair Market Rent, Lessor and Lessee shall diligently attempt in good faith to agree on the Fair Market Rent within ten (10) days of Lessee's notice of objection ("**Outside Agreement Date**"). If Lessor and Lessee fail to reach agreement by the Outside Agreement Date, each shall make a separate determination of the Fair Market Rent within five (5) days of the Outside Agreement Date. Such determination shall then be submitted to arbitration in accordance with (v) below.

(v) Within fifteen (15) days of the Outside Agreement Date, the Parties shall agree upon an arbitrator who shall decide whether the Parties will use Lessor's or Lessee's submitted Fair Market Rent and shall promptly notify Lessor and Lessee of its decision. If the Parties are unable to agree upon the arbitrator within fifteen(15) days of the Outside Agreement Date, within five (5) days thereafter, Lessor and Lessee shall each appoint an arbitrator and give notice to the other Party of such arbitrator's name and business address. The arbitrator must be a licensed real estate broker or appraiser who has been active in the leasing or appraising of commercial properties in the Central Los Angeles area for at least five years. If each Party appoints an arbitrator, the two appointed arbitrators shall, within ten (10) days after the appointment of the second arbitrator, agree on and appoint a third similarly qualified arbitrator and promptly provide notice to Lessor and Lessee of such arbitrator's name and business address. Within thirty (30) days after the appointment of the third arbitrator, the three (3) arbitrators shall decide whether the Parties will use Lessor's or Lessee's submitted Fair Market Rent and shall promptly notify Lessor and Lessee of their decision. The decision of the majority of the three (3) arbitrators shall be binding on Lessor and Lessee.

(vi) Such Base Rent as so determined shall be paid during the Extension Term in installments at the times and in the manner specified in this Lease.

6. **Use.**

6.1 **Use**. Lessee shall use and occupy the Premises only for "educational facilities" as defined in Section 17173(f) of the Education Code of the State of California in order to operate a charter school that is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the "**Code**") as an organization described in Code Section 501(c)(3) and that qualifies as an "educational organization" as described under Code Section 170(b)(1)(A)(ii) (the "**Agreed Use**"), and for no other purpose, provided that Lessee shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs other tenants on the Premises of or causes damage to neighboring premises or properties. Subject to the foregoing, Lessee may, without Lessor's prior written consent, operate the School with such grade levels as Lessee may from time to time determine in its reasonable judgment and, if so requested by Lessee, Lessor will cooperate with Lessee, and execute any applications or other documentation reasonably required, for the purpose of obtaining a change in any zoning or other use restriction, including any conditional use permit currently or thereafter applicable to the Premises, to permit Lessee to use or operate the Premises for additional or different grades, provided, that Lessee shall reimburse Lessor for any reasonable expenses incurred in connection therewith.

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent**. The term "**Hazardous Substance**" as used in this Lease shall mean (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Premises or to persons on or about the Premises or (ii) cause the Premises to be in material violation of any Environmental Regulation (as defined herein); (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and

Liability Act ("**CERCLA**"), 42 U.S.C. § 9601 *et seq.*; the Resource Conservation and Recovery Act ("**RCRA**"), 42 U.S.C. § 6901 *et seq.*; the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*; the California Hazardous Waste Control Law ("**HWCL**"), Cal. Health & Safety Code § 25100 *et seq.*; the Hazardous Substance Account Act ("**HSAA**"), Cal. Health & Safety Code § 25300 *et seq.*; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code § 25280 *et seq.*; the Porter-Cologne Water Quality Control Act (the "**Porter-Cologne Act**"), Cal. Water Code § 13000 *et seq.*; the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Premises or the owners and/or occupants of property adjacent to or surrounding the Premises, or any other person coming upon the Premises or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment. The term "**Environmental Regulations**" shall mean any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and BHR if Bonds are outstanding and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing or anything herein to the contrary, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor, Lender or Lessee to any liability therefor. In addition, Lessor and BHR may condition their consent to any Reportable Use upon receiving such additional assurances as Lessor and BHR reasonably deem necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements).

(b) **Duty to Inform Lessor**. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor and BHR, Lessee shall immediately give written notice of such fact to Lessor and BHR, and provide Lessor and BHR with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation**. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the Term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification**. Lessee shall indemnify, defend and hold Lessor and its sole member, Lender and BHR, and the agents, employees, officers, and directors of such parties, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor and BHR in writing at the time of such agreement. The provisions of this subdivision (d) of Section 6.2 shall survive the termination of this Lease.

(e) **Lessor Indemnification**. Lessor shall indemnify, defend and hold Lessee, Lender and BHR, and their agents, employees, officers, and directors, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises (by a party other than Lessee) prior to the Commencement Date (provided, however, that Lessor shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessor). No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessor from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessee and BHR in writing at the time of such agreement.

(f) **Hazardous Substance Condition Remediation**. If Lessee becomes aware of a Hazardous Substance Condition occurring during the Term of this Lease, then Lessee shall notify Lessor and BHR, and Lessor shall make the investigation and remediation thereof required by the Applicable Requirements, the costs relating thereto constituting an Expense for which Lessee is responsible and this Lease shall continue in full force and effect, but subject to Lessor's rights under Section 6.2(d); provided, however, that if a Hazardous Substance Condition occurs as a result of Hazardous Materials that are brought on the Premises (by a party other than Lessee) prior to the Commencement Date, then Lessor shall be solely responsible for making the investigation and remediation thereof at its sole cost and expense, and this Lease shall continue in full force and effect. "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Section 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

6.3 **Lessee's Compliance with Applicable Requirements**. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to such Applicable Requirements, without regard to whether such Applicable Requirements are now in effect or become effective after the Commencement Date. Lessee shall, within ten (10) days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor and BHR in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

7. **Maintenance; Repairs.**

7.1 **Lessee's Obligations**. Subject to the provisions of Sections 7.2 (Lessor's Obligations), 9 (Damage or Destruction) and 13 (Condemnation), Lessee shall, at Lessee's sole expense, keep the interior, exterior and structural elements of the Premises in good order, condition and repair; and keep the exterior, structural and major utility components of the Premises and other portions of the Premises in good order, condition and repair, including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Subject to the provisions of Sections 9 (Damage or Destruction) and 13 (Condemnation) and to the provisions of Section 5.09 of the Indenture (governing funds relating to, among other things, insurance and condemnation proceeds and charter revocation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of Lessee. It is the intention of the Parties that the terms of this Lease shall govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.2 **Lessor's Obligations**. Subject to the provisions of Section 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 13 (Condemnation), Lessor shall keep the other portions of the Premises not covered in Section 7.1 above in good order, condition and repair. All costs and expenses incurred by Lessor in connection with the aforesaid maintenance and repair shall be deemed "Expenses" hereunder. Lessor's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair, and the costs relating thereto shall be deemed an "Expense" hereunder.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions**. The term "**Utility Installations**" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Section 7.4(a).

(b) **Consent**. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's and BHR's prior written consent, except as provided herein. Lessee may make non-structural Alterations or Utility Installations and may make structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor and BHR, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and will not affect the electrical, plumbing, HVAC, and/or life safety systems. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor and BHR. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of Lessor and BHR shall be presented to Lessor and BHR in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor and BHR with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor and BHR with as-built plans and specifications.

(c) **Liens**. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor and BHR not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership**. All Alterations and Utility Installations made by Lessee shall be the property of Lessee. All Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, at the option of Lessor, (i) be removed by Lessee or (ii) become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Surrender and Restoration**. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "**Ordinary wear and tear**" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises), even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Section 7.4(b) without the express written consent of Lessor shall constitute a holdover under the provisions of Section 23 below.

8. **Insurance; Indemnity.**

8.1 **Liability.** Lessee shall keep in force such liability insurance policies in such amounts as set forth in Exhibit C attached hereto. The premium for such insurance shall be deemed an "Expense" hereunder.

8.2 **Premises**. Lessee shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Lessor, with loss payable to Lessor and to Lender insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in Exhibit C attached hereto. The premium for such insurance shall be deemed an "Expense" hereunder.

8.3 **Rental Interruption**. Lessee shall also obtain and keep in force, for the benefit of Lessor, rental interruption insurance insuring Lessor for the amounts of Base Rent arising from an interruption of the payment of the Base Rent, Expenses and Additional Rent otherwise payable by Lessee hereunder, as set forth in Exhibit B attached hereto. The premium for such insurance shall be deemed an "Expense" hereunder.

8.4 **Waiver of Subrogation**. Without affecting any other rights or remedies, Lessee and Lessor each hereby releases and relieves the other, and waives their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.5 **Indemnity**. Except for Lessor's negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor, Lender and their agents, partners, members, directors, and officers, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor and/or Lender by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and/or Lender, as applicable, and Lessor and/or Lender, as applicable, shall cooperate with Lessee in such defense. Lessor and/or Lender, as applicable, need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section 8.5 shall survive the termination of this Lease.

8.6 **Exemption of Lessor from Liability**. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

8.7 **Loan Agreement**. The foregoing notwithstanding, for so long as the Loan is outstanding, Lessee shall be deemed to meet its insurance obligations as set forth in this Section 8 if it carries, and it hereby agrees to carry, the insurance required under the terms of Section 4.03 of the Loan Agreement, as such requirements may change from time to time as provided in the Loan Agreement. For so long as the Loan is outstanding, Lessee shall cause the Master Trustee and Lessor to be named as additional insureds on Lessee's liability and property insurance policies.

9. **Damage or Destruction.**

9.1 **Definitions"Damage"** shall mean damage or destruction to the improvements on the Premises.

(b) "**Insured Loss**" shall mean Damage which was caused by an event required to be covered by the insurance described in Section 8.2, irrespective of any deductible amounts or coverage limits involved.

(c) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

9.2 **Damage—Insured Loss**. Subject to the terms of the Loan Agreement, Lessor shall be entitled to any and all insurance proceeds that are available as a result of the Damage. If Damage that is an Insured Loss occurs, then Lessee shall be entitled to use the insurance proceeds that are actually collected as a result of the Damage to repair the Damage as soon as reasonably possible and this Lease shall continue in full force and effect. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to affect such repair, Lessee shall promptly contribute the shortage in proceeds as and when required to complete said repairs.

9.3 **Damage—Uninsured Loss**. If Damage that is not an Insured Loss occurs, Lessee shall repair such damage as soon as reasonably possible at Lessee's expense, and this Lease shall continue in full force and effect.

9.4 **Waive Statutes**. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. **Real Property Taxes.**

10.1 **Definition**. As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises, Lessor's right to other income therefrom; and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes**. Lessee shall timely file for exemption against any Real Property Taxes and shall maintain such exemption during the Term. In any event, Lessee shall pay, before the same become past due, the Real Property Taxes applicable to the Premises during the Term to the extent any such Real Property Taxes are charged, levied, assessed or imposed.

10.3 **Personal Property Taxes**. Lessee shall timely file for exemption against any taxes on Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee and shall maintain such exemption during the Term. Lessee shall pay, prior to delinquency, all such taxes to the extent they are charged, levied, assessed or imposed after an exemption for such taxes is filed as required hereunder.

11. **Assignment and Subletting.**

11.1 **By Lessee**. Lessee shall not sublease, assign, mortgage, pledge, hypothecate or encumber this Lease or any of Lessee's interest hereunder without the prior written consent of Lessor (which shall not be unreasonably withheld). Lessee acknowledges that, pursuant to the Loan Agreement, Lessor is required to obtain Lender's approval to a sublease, assignment or other transfer of Lessee's interest in the Lease and that Lessor's disapproval shall be deemed reasonable if based on Lender's disapproval. Lessee acknowledges that the financing of the Premises through the tax-exempt Bonds may restrict the assignees which could be approved by Lessor.

11.2 **By Lessor**. Lessee acknowledges that the Premises are subject to a deed of trust and assignment of rents in favor of the Master Trustee and that the Lease is assigned to the Master Trustee as security for the Loan.

12. **Default; Breach; Remedies.**

12.1 **Default; Breach**. A "**Default**" is defined as a failure by Lessee to comply with or perform any of the terms, covenants or conditions under this Lease. A "**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises.

(b) The failure of Lessee to make any payment of Rent required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) Any representation or warranty made in this Lease, or in any report, certificate, financial statement, or instrument furnished in connection with this Lease, proves to have been false or misleading when made, in any material respect.

(d) Lessee violates or fails to observe or perform any covenant contained in Section 3 of Exhibit D attached hereto.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, other than those described in subparagraphs 12.1(a) through (d) above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion, not to exceed ninety (90) days.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "**debtor**" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (f) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee given to Lessor was materially false.

12.2 **Remedies**. If Lessee fails to perform any of its affirmative duties or obligations (other than compliance with covenants and financial reporting requirements pursuant to Section 28), within fifteen (15) days after written notice (or, in the case of those duties and obligations that cannot reasonably be performed within fifteen (15) days after notice, to commence and diligently prosecute such duties and obligations to completion), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, including Lessee's failure to comply with the covenants or financial reporting requirements set forth in Section 28, Lessor may, with or without further notice or demand, but with the consent of BHR, or shall, at BHR's direction, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees of Lessor and BHR, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the district within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Section 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Section 12.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Section 12.1. In such case, the applicable grace period required by Section 12.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Lessor's interests, shall not constitute a termination of Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under this Lease, including under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

12.3 **Interest**. Any monetary payment due Lessor hereunder not received by Lessor when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to any late charges and default rate interest under the Loan Agreement.

13. **Condemnation**. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs, and Expenses thereafter shall be limited to those applying to the remaining Premises subject to this Lease. Subject to the terms of the Loan Agreement, in the event that there is a Condemnation of less than all of the Premises, and such portion so taken is material to Lessee's use and quiet enjoyment of the Premises as a whole, then all available Condemnation awards and/or payments shall be used first, to restore the remaining portion of the Premises to a usable whole, and second, to reduce the balance of any loan made to Lessor and secured by the Premises in proportion to the portion taken or sold. Any portion of the award and/or payment that remains after the foregoing purposes have been satisfied shall be the property of Lessor. Subject to the terms of the Loan Agreement, if the entirety of the Premises is taken, then the Condemnation awards and/or payments shall be the property of Lessor.

14. **Estoppel Certificates**. Each Party (as "**Responding Party**") shall within ten (10) days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

15. **Definition of Lessor**. The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. Upon any transfer of fee title to the Premises, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by Lessor shall be binding only upon Lessor as hereinabove defined.

16. **Severability**. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

17. **Days**. Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

18. **Limitation on Liability**. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease.

19. **Time of Essence**. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

20. **No Prior or Other Agreements**. Subject to the terms of the Loan Agreement and other documents relating to the Bonds, this Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Each Party represents and warrants that the execution of this Lease will not, to the best of the Party's knowledge, constitute a violation under any material agreements to which such Party is a party.

21. **Notices.**

21.1 **Notice Requirements**. All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Section 21. The addresses for the Parties are set forth below and shall constitute the respective addressed for delivery or mailing of notices. Either Party may, by written notice to the others, specify a different address for notice. Upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice unless Lessee notifies Lessor otherwise. A copy of all notices to Lessor or Lessee shall be concurrently transmitted to such party or parties at such addresses as Lessor or Lessee, respectively, may from time to time hereafter designate in writing.

21.2 **Addresses.**

Lessor: MPM Sherman Way LLC
c/o Magnolia Properties Management, Inc.
13950 Milton Avenue, Suite 200B
Westminster, California 92683
Attention: Chief Financial Officer

Lessee: Magnolia Educational & Research Foundation
13950 Milton Avenue, Suite 200B
Westminster, California 92683
Attention: Chief Financial Officer

Lender (during the time the Loan is outstanding):
California School Finance Authority
State Treasurer's Office
304 S. Broadway, Suite 550
Los Angeles, California 90013
Attention: Executive Director
Telecopy: (213) 620-6309

BHR: Hamlin Capital Management, LLC
640 Fifth Avenue, 6th Floor
New York, New York 10019
Attention: Benjamin P. Kaufman
Telecopy: (212) 752-5698

21.3 **Date of Notice**. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown; the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

22. **Waivers**. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof.

23. **No Right To Hold Over**. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 110% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

24. **Cumulative Remedies**. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

25. **Covenants and Conditions; Construction of Agreement**. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26. **Binding Effect; Choice of Law**. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State of California. Any litigation between the Parties hereto concerning this Lease shall be initiated in the County of Los Angeles.

27. ***(Reserved)***

28. **Mandatory Covenants**. For so long as the Loan is outstanding and has not been defeased or for so long as Lessor shall have obligations under the Loan Agreement, the provisions of Exhibit D shall be applicable for the benefit of Lessor and the Lender.

29. **Lessor's Access; Showing Premises; Repairs.** Lessor and BHR shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times after twenty-four hours' prior notice for the purpose of inspecting the Premises, verifying compliance by Lessee with this Lease, showing the Premises to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises as long as there is no material adverse effect to Lessee's use of the Premises.

30. **Quiet Possession**. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the Term hereof.

31. **Counterparts**. This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

32. **Amendments**. Subject to the terms of the Indenture, this Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

33. **Limitation of Rights to Parties**. Except as otherwise provided herein, nothing in this Lease is intended or shall be construed to give to any person other than Lessor and Lessee any legal or equitable right, remedy or claim under or in respect of this Lease or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of Lessor and Lessee.

34. **Subordination of Management Agreements**. Lessee shall amend any management agreement for the School such that, so long as Bonds remain outstanding: (i) the obligation of Lessee to pay management fees relating to the School shall be subordinate to its payment of operating expenses of the School and rent payments to Lessor under this Lease; (ii) the obligation of Lessee to pay management fees relating to the School shall be suspended for any such time as the payment of management fees would cause Lessee to fail to meet any of the financial covenants contained in Sections 6 and 7 of Exhibit D to this Lease (concerning the days

cash on hand and the debt service coverage ratio); and (iii) during any period of time when management fees remain unpaid, such fees shall accrue without interest.

35. **Pledge and Security Interest**. To secure the payment and performance of its obligations hereunder, Lessee hereby pledges to Lessor and grants Lessor a security interest in the Gross Revenues of the School and in the Lessee Management Fees. From time to time, Lessee may own or hold funds or other assets subject to a statutory, regulatory, grantor-imposed or donor-imposed restriction on use that prohibits the use of such funds or assets to satisfy the obligations of Lessee under this Agreement and/or prohibits the encumbrance of such funds or assets to secure such obligations. The foregoing pledge and grant of security interest shall not encumber, attach to, or transfer, and the holder of any claims of Lessor under this Lease shall have no recourse under this Lease to, any funds or assets of Lessee to the extent that any transfer of such funds or assets to or for the benefit of such holder would violate any such restriction on the use of such funds or assets.

(Signatures on next page)

(Signature page of Lease Agreement)

The Parties hereto have executed this Lease as of the day and year first above written.

Lessor:

MPM SHERMAN WAY LLC,
a California limited liability company

By: Magnolia Properties Management, Inc.,
a California nonprofit public benefit
corporation,
its sole member

By: ______________________________
Name:
Title:

Lessee:

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION,
a California nonprofit public benefit corporation

By: ______________________________
Name:
Title: Chief Executive Officer

EXHIBIT A

Description of Premises

Real property in the City of Los Angeles (Reseda area), County of Los Angeles, State of California, described as follows:

PARCEL 1

LOT 1 AND ALL OF LOT 2, EXCEPT THE WESTERLY 62 FEET THEREOF AND ALL OF LOT 5, EXCEPT THE WESTERLY 62 FEET THEREOF, TRACT NO. 17598, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 530 PAGES 37 AND 38 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 2125-036-095 and 2125-036-100

PARCEL 2

LOT(S) 1 AND 10 OF TRACT NO. 21799, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 617 PAGES 42-44 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 2125-036-021, 2125-036-105, 2125-036-106

EXHIBIT B

Schedule of Base Rent Payments

(Remainder of page intentionally left blank)

EXHIBIT C

Insurance Coverage

Lessee shall obtain and maintain the following insurance coverages:

(a) Property insurance (including builder's all-risk insurance) against loss or damage to any structure constituting any part of the Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. All insurance provided pursuant to this paragraph shall be in an amount equal to the lesser of (i) 100% of the replacement cost (without depreciation) of all improvements constituting any part of the Premises or (ii) the principal amount of the Loan then outstanding, and shall be subject to a deductible not to exceed $5,000.

(b) Rental interruption insurance to cover loss, total or partial, of rental income to Lessor for any reason whatsoever, in an amount sufficient to pay the maximum Rent under the Lease for a period of at least 12 months.

(c) Liability insurance in amounts which are customarily carried and against such risks as are customarily insured against by other corporations in connection with the ownership and operation of facilities of similar character and size to the Premises.

(d) Workers' compensation insurance necessary to comply with California state law.

EXHIBIT D

Mandatory Covenants

[Note that these mandating covenants will be updated based on requirements of Master Trust Indenture]

For so long as the Loan is outstanding and has not been defeased or for so long as Lessor shall have obligations under the Loan Agreement, the following provisions of this Exhibit D shall be applicable for the benefit of Lessor, BHR and the Bond Trustee. Capitalized terms not otherwise defined in this Exhibit D shall have the meanings ascribed to such terms in the Lease and the Loan Agreement.

1. **General Covenants**. Lessee covenants and agrees:

(a) **School's Charter**. To take all reasonable actions to maintain its Charter with a sponsoring entity and to take or cause to be taken any and all actions required to renew or extend the term of its Charter with a sponsoring entity. As soon as practicable, Lessee covenants to provide Lessor and the Bondholder Representative with a copy of any notice received with regards to any sponsoring entity's intent to renew or extend the term of any such Charter or any notice of any issues which, if not corrected or resolved, could lead to termination or nonrenewal of any such Charter. If such Charter is terminated or not renewed, Lessee shall use its best efforts, and shall cooperate with Lessor, to assign this Lease to an entity that maintains a Charter with a sponsoring entity. Further, Lessee shall maintain accreditation status under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and related administrative rules and, to the extent required to maintain the approval of its Charter petition by the sponsoring entity, meet the student performance accountability standards stated in its Charter petition.

(b) **Limitation on Disposition of Property, Plant and Equipment**. Without the consent of the Bond Trustee and the Bondholder Representative, not to dispose or transfer any property, plant and equipment consisting of all or any part of the Premises, except for disposition or transfers:

(i) of property, plant and equipment no longer necessary for the operation of the Premises;

(ii) of property, plant and equipment replaced by property, plant and equipment of similar type and/or of substantially equivalent function with a substantially equivalent value; or

(iii) of property, plant and equipment sold or disposed of at a price equal to its fair market value.

2. **Financial Reporting**. Lessee agrees to provide Lessor and the Bondholder Representative, and upon written request, the Bond Trustee, the following information:

(a) quarterly unaudited financial information of the School not later than 45 days from the end of each quarter,

(b) annual budgets of the School within 30 days of their adoption,

(c) financial information of the School within 30 days of approval by the governing board of Lessee of the School's audited financial statements, which shall include calculations of the Days Cash on Hand and the Debt Service Coverage Ratio as described in Sections 6 and 7 below,

(d) the results of any federal or State of California testing within 45 days of receipt by the governing board of Lessee,

(e) within 7 days of receipt, any notification or report of any potential or alleged violation of the Charter for the School, and

(f) such other information as may be reasonably requested by Lessor, the Bondholder Representative or the Trustee.

3. **Lessee Representations and Warranties.** Lessee represents, warrants, and covenants that:

(i) it is an organization described in Section 501(c)(3) and Section 170(b)(1)(A)(ii) of the Code, and except for unrelated business income taxable under Section 511 of the Code, it is exempt from federal income tax under Section 501(a) of the Code;

(ii) it will not take any action or omit to take any action that, if taken or omitted, would cause: (x) it to lose its current federal income tax status as exempt from federal income taxation under Section 501(a) of the Code as an organization described in Code Section 501(c)(3) and as an organization described in Code Section 170(b)(1)(A)(ii), or (y) Lessor to be viewed, for federal income tax purposes, as other than disregarded as an entity separate from its sole member pursuant to Treasury Regulation Section 301.7701-3(b);

(iii) it has not and will not divert a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or operated and will use Bond proceeds solely for the charitable purposes of Lessee;

(iv) it has not operated, and will not operate, in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3) of the Treasury Regulations, including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

(v) it shall not use any of the proceeds of the Bonds to: (A) carry on propaganda, or otherwise attempt to influence legislation, within the meaning of Section 4945(d)(1) or Section 501(c)(3) of the Code, or the corresponding provisions of any subsequent federal tax laws; or (B) participate in, or intervene in (including publishing or distributing of any statements), any political campaign on behalf of any political candidate for public office or attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive, within the meaning of Section 4945(d)(2) or Section 501(c)(3) of the Code, or corresponding provisions of any subsequent federal tax laws, and not make any grant which does not comply with the requirements of Section 4945(d)(3) or Section 4945(d)(4) of the Code, or corresponding provisions of any subsequent federal tax laws, or which violates the provisions of Section 4945(d)(5) of the Code, or corresponding provisions of any subsequent federal tax laws;

(vi) none of its directors, officers, organizers or incorporators, or any Person controlled by Lessee, or any other Person having a private or professional interest in the activities of Lessee has acquired or received nor will such Persons be allowed to acquire or receive, directly or indirectly, without due compensation, goods, or services therefore, or any of the income or assets of Lessee, in any form;

(vii) it is not a "private foundation" within the meaning of Section 509(a) of the Code;

(viii) it has not received any indication or notice to the effect that its exemption from federal income taxation under Section 501(a) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

(ix) it will timely file with the Internal Revenue Service all requests for determination, reports, and returns required to be filed by it to maintain its status as organizations described in Section 501(c)(3) of the Code, and such requests for determination, reports, and returns have not omitted or misstated any material fact;

(x) it has not devoted nor will it devote more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code;

(xi) its Charter is in full force and effect; and

(xii) to the best of its knowledge, it is in material compliance with the terms, including financial covenants, of all leases and loan agreements to which it is a party.

4. **Assignment to Trustee; Deposit of Rental Payments**. Lessee hereby acknowledges and consents to the assignment by Lessor of Lessor's rights hereunder to the Master Trustee under the Indenture and covenants and agrees to deposit all Base Rent and Additional Rent hereunder with the Master Trustee under the Master Indenture. Lessee hereby covenants to pay to the Master Trustee the Base Rent and Additional Rent due hereunder on or before the twenty-fifth (25th) day of each month. In accordance with the terms of Section 1.5 of t++he Lease, Lessee also agrees to provide an Intercept Notice to the State Controller requesting that the amounts specified therein be transferred to the Bond Trustee.

5. **Limitation on Liens on Gross Revenues of the School.** Except as set forth above, Lessee covenants and agrees that it will not create, assume or suffer to exist any lien upon the Gross Revenues of the School and that, if a subordinate security interest is created or assumed upon the Gross Revenues of the School by Lessee, Lessee will make or cause to be made effective a provision whereby the obligations of Lessee under this Lease will be secured prior to any such indebtedness or other obligation secured by such security interest and that the revenues

required by the Intercept Notice to be deposited with the Bond Trustee under the Indenture will continue to be so deposited. A security interest in the Gross Revenues of the School on parity with the lien created by this Lease may only be created in connection with the issuance of Additional Bonds under the Indenture and with the consent of the Bondholder Representative.

6. **Liquidity Covenant.**

[TBD]

7. **Coverage Ratio Covenant.**

[TBD]

8. **Change in Financial Accounting Under GAAP**. If any pending or future change in financial accounting under GAAP, including but not limited to a change in the treatment of leases, shall lead to a materially different result in a calculation under any financial covenant in this Exhibit D, then such financial covenant shall calculated based on GAAP in effect as of the date of this Lease as if such change in financial accounting had never occurred.

9. **Other Covenants.**

[TBD]

EXHIBIT E

Form of Intercept Notice

This Notice shall be provided not later than the date of issuance of the Bonds.

Notice to the State Controller Pursuant to Education Code Section 17199.4

June __, 2017

Re: California School Finance Authority School Facility Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and Series 2017B (Taxable)

WHEREAS, MPM Sherman Way LLC (the "Borrower") has entered into a Loan Agreement, dated as of ____________, 2017, by and between the California School Finance Authority (the "Authority") and the Borrower, providing for a loan (the "Loan") for the acquisition and construction of charter school facilities to be owned by the Borrower and leased to Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation, which operates Magnolia Science Academy 1, also known as Magnolia Science Academy, a school established pursuant to the Charter Schools Act of 1992, as amended, constituting Part 26.8 (commencing with Section 47600) of Division 4 of Title 2 of the Education Code of the State of California (the "Lessee") (CDS# 19-64733-6119945); and

WHEREAS, the Authority has issued its above-referenced revenue bonds (the "Bonds") to fund the Loan;

NOW THEREFORE, NOTICE IS HEREBY GIVEN PURSUANT TO SECTION 17199.4(a)(1) AND (4) OF THE EDUCATION CODE OF THE STATE OF CALIFORNIA TO THE STATE CONTROLLER OF THE STATE OF CALIFORNIA (the "State Controller"), that:

1. The governing board of the Lessee has elected, pursuant to a resolution adopted on ______________, 2017 and Section 17199.4(A)(1) and (4) of the Education Code, to direct the State Controller to make transfers at the times and in the amounts (or such lesser amounts as are available to transfer) in the "State Intercept" column set forth on Schedule I attached hereto, directly to UMB Bank, National Association, as trustee (the "Trustee"), for the Bonds. If the amount transferred on any transfer date is less than the amount in the "State Intercept" column set forth on Schedule I attached hereto, then such deficiency shall be added to subsequent transfers until no deficiency remains.

2. Transfers pursuant to paragraph 1 above shall be paid by wire transfer of immediately available funds to:

UMB Bank, National Association

(Signature on next page)

(Signature page to intercept notice)

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION, as operator of Magnolia Science Academy 1, also known as Magnolia Science Academy

By: ______________________________

Name: ______________________________

Title: ______________________________

Schedule I

Intercept Payment Amounts and Dates

(Remainder of page intentionally left blank)

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION

RESOLUTIONS OF THE BOARD OF DIRECTORS

(Approval of 2017 Bond Financing Transaction)

WHEREAS, Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation ("MERF" or the "Corporation"), is organized for charitable purposes;

WHEREAS, Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), was formed and is operated exclusively to support MERF;

WHEREAS, the Borrower formed and is the sole member of (i) MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), (ii) MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana"), and (iii) MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and MPM Santa Ana, the "Members");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy 1 – Reseda ("MSA-1") on real property owned by MPM Sherman Way and located at 18214, 18228 and 18238 Sherman Way, Reseda, Los Angeles County, California 91335 (the "Sherman Way Property");

WHEREAS, MERF operates the public charter school known Magnolia Science Academy – Santa Ana ("MSA-SA") on real property owned by MERF and located at 2840 W 1st Street, Santa Ana, California 92703 (the "Santa Ana Property");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy – San Diego on real property owned by the San Diego Unified School District and located at 6365 Lake Atlin Avenue, San Diego, California 92119;

WHEREAS, MERF desires to operate MSA-SD on real property owned by the San Diego Unified School District and located at 6525 Estrella Avenue, San Diego, California 92120 (the "San Diego Property");

WHEREAS, the California School Finance Authority (the "Authority") issued its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014A in the aggregate principal amount of $5,675,000 (the "2014A Bonds") and its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014B (Taxable), in the aggregate principal amount of $345,000 (the "2014B Bonds" and, together with the 2014A Bonds, the "2014 Bonds") pursuant to an Indenture (the "2014 Indenture") dated as of June 1, 2014 by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the "2014 Trustee");

WHEREAS, the Authority made a loan (the "2014 Loan") of the proceeds of the 2014 Bonds to MPM Sherman Way pursuant to the terms of (i) the 2014 Indenture and (ii) a Loan

Agreement (the "2014 Loan Agreement") dated as of June 1, 2014, between the Authority and the MPM Sherman Way;

WHEREAS, the Authority, the 2014 Trustee, and MPM Sherman Way propose to amend the 2014 Indenture and the 2014 Loan Agreement and to secure the payment of the obligations of MPM Sherman Way under the amended 2014 Loan Agreement pursuant to the terms of (i) a Master Indenture of Trust (the "Master Indenture"), by and among the Borrower, as the initial obligated group representative (the "Obligated Group Representative") and the Members, as the initial members of the obligated group (the "Obligated Group"), and UMB Bank, National Association, as master trustee (the "Master Trustee"), as amended by a Supplemental Master Indenture for Obligation No. 1 (the "Supplemental Master Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) a First Amendment to Indenture (the "First Amendment to Indenture") by and between the Authority and the 2014 Trustee, (iii) an Amended and Restated Loan Agreement (the "Amended and Restated Loan Agreement") by and between the Authority and MPM Sherman Way, and (iv) an Obligation No. 1 ("Obligation No. 1") issued by the Obligated Group Representative to the 2014 Trustee;

WHEREAS, MPM Sherman Way proposes to construct certain improvements to the Sherman Way Property and to lease the Sherman Way Property to MERF for use and occupation by MSA-1 pursuant to an Amended and Restated Lease Agreement by and between MPM Sherman Way and MERF (the "MSA-1 Lease");

WHEREAS, MPM Santa Ana proposes to make a loan to MERF to fund the construction of certain improvements to the Santa Ana Property pursuant to a Loan Agreement by and between MPM Santa Ana and MERF (the "Santa Ana Loan Agreement");

WHEREAS, MPM San Diego proposes to acquire certain modular classroom and office facilities (the "San Diego Facilities") and to lease the San Diego Facilities to MERF for use by MSA-SD on the San Diego Property pursuant to an Lease and Equipment Agreement by and between MPM Santa Ana and MERF (the "MSA-San Diego Lease");

WHEREAS, the Authority proposes to issue its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") in a maximum amount not to exceed $25,000,000 pursuant to an Indenture (the "Indenture") by and between the Authority and UMB Bank, National Association, as trustee thereunder (the "Trustee");

WHEREAS, D.A. Davidson & Co. (the "Underwriter") proposes to underwrite the Bonds pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), by and among the Underwriter, the Honorable John Chiang, Treasurer of the State of California, as agent for sale on behalf of the Authority, the Authority, the Borrower, and MERF;

WHEREAS, the Authority proposes to make a loan (the "Loan") of the proceeds of the Bonds to the Borrower pursuant to the terms of (i) the Master Indenture, as amended by a Supplemental Master Indenture for Obligation No. 2 (the "Second Supplemental Master

Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) the Indenture, (iii) a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower, and (iv) an Obligation No. 2 ("Obligation No. 2") issued by the Obligated Group Representative to the Bond Trustee;

WHEREAS, MERF and the Borrower propose that the Borrower or the Members will use the proceeds of the Loan to (1) finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of charter school educational facilities located at the Sherman Way Property, the Santa Ana Property, and the San Diego Property (collectively, the "Project"), (2) pay certain expenses incurred in connection with the issuance of the Bonds, (3) pay capitalized interest on the Bonds and/or related working capital and (4) fund a debt service reserve fund with respect to the Bonds and a repair and replacement fund;

WHEREAS, MERF and the Borrower propose to secure or support the obligations of the Borrower and the Obligated Group Representative by (i) the Sherman Way Property and related personal property pursuant to the terms of a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust") executed by MPM Sherman Way, as grantor, to Fidelity National Title Insurance Company, as trustee, for the benefit of the Master Trustee, (ii) the Santa Ana Loan Agreement pursuant to the terms of a Security Agreement (the "Santa Ana Security Agreement") executed by MPM Santa Ana, as debtor, to the Master Trustee, as secured party, (iii) the MSA-San Diego Lease pursuant to the terms of a Security Agreement (the "San Diego Security Agreement") executed by MPM San Diego, as debtor, to the Master Trustee, as secured party, (iv) an intercept of portions of each School's general purpose apportionment by the State Controller or another state agency of the State of California pursuant to Section 17199.4(a)(1) of the Education Code of the State of California (collectively, the "Intercept"), and (v) the Borrower's membership interests in the Members pursuant to the terms of a Security Agreement (the "Membership Interest Security Agreement") executed by the Borrower, as debtor, to the Master Trustee, as secured party;

WHEREAS, MERF and the Borrower propose that the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease collectively will provide for the payment of rent and loan payments sufficient to satisfy the Borrower's obligations under the 2014 Loan Agreement, as amended, Obligation No. 1, the Loan Agreement, Obligation No. 2, and all other obligations of the Borrower arising from the foregoing transactions and agreements;

WHEREAS, MERF proposes to make such loans, charitable grants or capital contributions to the Borrower or the Members as may be necessary or desirable to capitalize the Borrower or the Members for purposes of entering into the transactions described above;

WHEREAS, the Board has reviewed proposed forms of the following documents and agreements (collectively, the "Primary Transaction Documents"):

(a) the Bond Purchase Agreement;

(b) the Master Indenture;

(c) the Second Supplemental Master Indenture;

(d) the Obligation No. 2;

(e) the Indenture;

(f) the Loan Agreement;

(g) the MSA-1 Lease;

(h) the Santa Ana Loan Agreement;

(i) the MSA-San Diego Lease;

(j) the Deed of Trust;

(k) the Santa Ana Security Agreement;

(l) the San Diego Security Agreement;

(m) the Membership Interest Security Agreement;

(n) a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") by and among MPM Sherman Way, MERF, and the Master Trustee;

(o) a Continuing Disclosure Agreement among the Borrower, MERF, and the Trustee, as dissemination agent; and

(p) a form of Limited Offering Memorandum that has been prepared to furnish information with respect to the sale and delivery of the Bonds;

WHEREAS, the Borrower is a nonprofit, tax-exempt corporation which, as one of its primary purposes, supports the Corporation and functions of the Board of Directors (the "Board") of the Corporation;

WHEREAS, certain of the directors, officers and employees of the Corporation, including without limitation the persons listed on Schedule 1 hereto, also serve as non-compensated officers or directors of the Borrower, and the interests of such persons in the Borrower and the indirect interests of such persons in the Members has been disclosed to the Corporation and is hereby noted in the official records of the Corporation;

WHEREAS, the Board finds that the terms of the foregoing transactions (collectively, the "Transactions"), including the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease, are fair and reasonable as to the Corporation under the circumstances, in the best interest of the Corporation, and in furtherance of the charitable purposes of the Corporation; and

WHEREAS, the Board desires the Corporation to take all actions necessary or advisable to facilitate the Transactions;

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the Transactions and authorizes the execution, delivery and performance of the Primary Transaction Documents to which the Corporation is a party and all such other documents, instruments and agreements as may be necessary or advisable to facilitate the Transactions (collectively with the Primary Transaction Documents, the "Transaction Documents");

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the election of the following individuals to the offices of the Corporation set forth after their names:

Noel Russell-Unterburger	Chairman of the Board
Caprice Young	President and Chief Executive Officer
Alfredo Rubalcava	Secretary
Nanie Montijo	Chief Financial Officer and Treasurer

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the designation of the following individuals as the directors of the Borrower, to serve for terms ending November 11, 2020, or until removed or replaced as provided in the bylaws of the Borrower:

Serdar Orazov
John Helgeson
Johnathan Williams;

RESOLVED FURTHER, that the officers of the Corporation (collectively, the "Authorized Signatories"), and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to execute, deliver, approve, and, as appropriate, declare final the Primary Transaction Documents, in the forms that have been presented to the Board for approval or with such amendments or modifications thereto as an Authorized Signatory may approve as necessary or advisable, and all such other purchase and sale agreements, escrow agreements, bond purchase agreements, indentures, loan agreements, promissory notes, leases, deeds of trust, security agreements, account control agreements, subordination, non-disturbance and attornment agreements, tax certificates, offering memoranda, disclosure agreements, assignments, indemnification agreements, guaranties, subordination agreements, letters of representation, notices, certificates, and other documents, agreements, or instruments or amendments to any of the foregoing, as an Authorized Signatory may approve as necessary or advisable to facilitate the Transactions, each with such additions, deletions or changes therein as the Authorized Signatory executing the same shall approve (the execution and delivery thereof by any such Authorized Signatory to be conclusive evidence of his or her approval of any such document, agreement, instrument, amendment, addition, deletion or change);

RESOLVED FURTHER, that, pursuant to Section 17199.4(a)(1) of the Education Code of the State of California, this Board hereby elects to participate in the Intercept to secure payment of the principal of and interest on the Bonds in amounts not exceeding the amounts due under the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease, as applicable, and the Authorized Signatories, and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to provide notice to the State

Controller of the State of California or other applicable state agency of the State of California of such election of the Board;

RESOLVED FURTHER, that the Corporation shall apply for grant funds under the Charter School Facility Grant Program to be applied to costs associated with facility rents under the MSA-1 Lease and the MSA-San Diego Lease;

RESOLVED FURTHER, that the Board hereby ratifies and confirms the acts of the officers, agents or employees of the Corporation taken on behalf of the Corporation in connection with the Transactions;

RESOLVED FURTHER, that by the adoption of these resolutions, the Board hereby reconfirms, ratifies and adopts all prior actions of the Board which may have previously been taken in connection with the Transactions;

RESOLVED FURTHER, that all prior resolutions of the Board or any parts thereof in conflict with any or all of the foregoing resolutions are hereby repealed to the extent of such conflict;

RESOLVED FURTHER, that these resolutions shall take effect and be in full force immediately after their adoption by the Board; and

RESOLVED FURTHER, that the Authorized Signatories, and each of them individually, are hereby authorized and directed, for and in the name and on behalf of the Corporation, to approve, execute and deliver any and all documents, instruments and agreements, and to perform or cause to be performed any and all acts as may, in their judgment, be necessary or desirable to accomplish the purposes of the foregoing resolutions and the transactions contemplated thereby and by the agreements therein approved, and any such documents, instrument or agreements so executed and delivered or actions taken by them or any of them shall be conclusive evidence of their authority in so doing.

Certificate of Secretary

The undersigned certifies that the undersigned is the duly appointed and acting Secretary of Magnolia Educational & Research Foundation (the "Corporation"), a California nonprofit public benefit corporation, and that the foregoing Resolutions were duly adopted by the majority vote of the directors of the Corporation then in office at a meeting of the board of directors of the Corporation duly held on April 6, 2017, in compliance with the bylaws of the Corporation, in compliance with the notice, agenda, and open meeting requirements of the Ralph M. Brown Act, and while a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Corporation this ___ day of April 2017.

____
Alfredo Rubalcava, Secretary

Schedule 1

Serdar Orazov
Caprice Young
Alfredo Rubalcava
Nanie Montijo

MAGNOLIA EDUCATIONAL & RESEARCH FOUNDATION

RESOLUTIONS OF THE BOARD OF DIRECTORS

(Approval of 2017 Bond Financing Transaction)

WHEREAS, Magnolia Educational & Research Foundation, a California nonprofit public benefit corporation ("MERF" or the "Corporation"), is organized for charitable purposes;

WHEREAS, Magnolia Properties Management, Inc., a California nonprofit public benefit corporation (the "Borrower"), was formed and is operated exclusively to support MERF;

WHEREAS, the Borrower formed and is the sole member of (i) MPM Sherman Way LLC, a California limited liability company ("MPM Sherman Way"), (ii) MPM Santa Ana LLC, a California limited liability company ("MPM Santa Ana"), and (iii) MPM San Diego LLC, a California limited liability company ("MPM San Diego" and, together with MPM Sherman Way and MPM Santa Ana, the "Members");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy 1 – Reseda ("MSA-1") on real property owned by MPM Sherman Way and located at 18214, 18228 and 18238 Sherman Way, Reseda, Los Angeles County, California 91335 (the "Sherman Way Property");

WHEREAS, MERF operates the public charter school known Magnolia Science Academy – Santa Ana ("MSA-SA") on real property owned by MERF and located at 2840 W 1st Street, Santa Ana, California 92703 (the "Santa Ana Property");

WHEREAS, MERF operates the public charter school known as Magnolia Science Academy – San Diego ("MSA-SD" and, collectively with MSA-1 and MSA-SA, the "Schools") on real property owned by the San Diego Unified School District and located at 6365 Lake Atlin Avenue, San Diego, California 92119;

WHEREAS, MERF desires to operate MSA-SD on real property owned by the San Diego Unified School District and located at 6525 Estrella Avenue, San Diego, California 92120 (the "San Diego Property");

WHEREAS, the California School Finance Authority (the "Authority") issued its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014A in the aggregate principal amount of $5,675,000 (the "2014A Bonds") and its California School Finance Authority School Facility Revenue Bonds (Magnolia Science Academy-1, Reseda Project) Series 2014B (Taxable), in the aggregate principal amount of $345,000 (the "2014B Bonds" and, together with the 2014A Bonds, the "2014 Bonds") pursuant to an Indenture (the "2014 Indenture") dated as of June 1, 2014 by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the "2014 Trustee");

WHEREAS, the Authority made a loan (the "2014 Loan") of the proceeds of the 2014 Bonds to MPM Sherman Way pursuant to the terms of (i) the 2014 Indenture and (ii) a Loan Agreement (the "2014 Loan Agreement") dated as of June 1, 2014, between the Authority and the MPM Sherman Way;

WHEREAS, the Authority, the 2014 Trustee, and MPM Sherman Way propose to amend the 2014 Indenture and the 2014 Loan Agreement and to secure the payment of the obligations of MPM Sherman Way under the amended 2014 Loan Agreement pursuant to the terms of (i) a Master Indenture of Trust (the "Master Indenture"), by and among the Borrower, as the initial obligated group representative (the "Obligated Group Representative") and the Members, as the initial members of the obligated group (the "Obligated Group"), and UMB Bank, National Association, as master trustee (the "Master Trustee"), as amended by a Supplemental Master Indenture for Obligation No. 1 (the "Supplemental Master Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) a First Amendment to Indenture (the "First Amendment to Indenture") by and between the Authority and the 2014 Trustee, (iii) a First Amendment to Loan Agreement (the "First Amendment to Loan Agreement") by and between the Authority and MPM Sherman Way, and (iv) an Obligation No. 1 ("Obligation No. 1") issued by the Obligated Group Representative to the 2014 Trustee;

WHEREAS, MPM Sherman Way proposes to construct certain improvements to the Sherman Way Property and to lease the Sherman Way Property to MERF for use and occupation by MSA-1 pursuant to an Amended and Restated Lease Agreement by and between MPM Sherman Way and MERF (the "MSA-1 Lease");

WHEREAS, MPM Santa Ana proposes to make a loan to MERF to fund the construction of certain improvements to the Santa Ana Property pursuant to a Loan Agreement by and between MPM Santa Ana and MERF (the "Santa Ana Loan Agreement");

WHEREAS, MPM San Diego proposes to acquire certain modular classroom and office facilities (the "San Diego Facilities") and to lease the San Diego Facilities to MERF for use by MSA-SD on the San Diego Property pursuant to an Lease and Equipment Agreement by and between MPM Santa Ana and MERF (the "MSA-San Diego Lease");

WHEREAS, the Authority proposes to issue its California School Finance Authority Charter School Revenue Bonds (Magnolia Public Schools – Obligated Group) Draw Down Series 2017A and California School Finance Authority Charter School Revenue (Magnolia Public Schools – Obligated Group) Series 2017B (Taxable) (collectively, the "Bonds") in a maximum amount not to exceed $25,000,000 pursuant to an Indenture (the "Indenture") by and between the Authority and UMB Bank, National Association, as trustee thereunder (the "Trustee");

WHEREAS, D.A. Davidson & Co. (the "Underwriter") proposes to underwrite the Bonds pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), by and among the Underwriter, the Honorable John Chiang, Treasurer of the State of California, as agent for sale on behalf of the Authority, the Authority, the Borrower, and MERF;

WHEREAS, the Authority proposes to make a loan (the "Loan") of the proceeds of the Bonds to the Borrower pursuant to the terms of (i) the Master Indenture, as amended by a Supplemental Master Indenture for Obligation No. 2 (the "Second Supplemental Master Indenture"), by and between the Obligated Group Representative and the Master Trustee, (ii) the Indenture, (iii) a Loan Agreement (the "Loan Agreement") between the Authority and the Borrower, and (iv) an Obligation No. 2 ("Obligation No. 2") issued by the Obligated Group Representative to the Bond Trustee;

WHEREAS, MERF and the Borrower propose that the Borrower or the Members will use the proceeds of the Loan to (1) finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of charter school educational facilities located at the Sherman Way Property, the Santa Ana Property, and the San Diego Property (collectively, the "Project"), (2) pay certain expenses incurred in connection with the issuance of the Bonds, (3) pay capitalized interest on the Bonds and/or related working capital and (4) fund a debt service reserve fund with respect to the Bonds and a repair and replacement fund;

WHEREAS, MERF and the Borrower propose to secure or support the obligations of the Borrower and the Obligated Group Representative by (i) the Sherman Way Property and related personal property pursuant to the terms of a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust") executed by MPM Sherman Way, as grantor, to Fidelity National Title Insurance Company, as trustee, for the benefit of the Master Trustee, (ii) the Santa Ana Loan Agreement pursuant to the terms of a Security Agreement (the "Santa Ana Security Agreement") executed by MPM Santa Ana, as debtor, to the Master Trustee, as secured party, (iii) the MSA-San Diego Lease pursuant to the terms of a Security Agreement (the "San Diego Security Agreement") executed by MPM San Diego, as debtor, to the Master Trustee, as secured party, (iv) an intercept of portions of each School's general purpose apportionment by the State Controller or another state agency of the State of California pursuant to Section 17199.4(a)(1) of the Education Code of the State of California (collectively, the "Intercept"), and (v) the Borrower's membership interests in the Members pursuant to the terms of a Security Agreement (the "Membership Interest Security Agreement") executed by the Borrower, as debtor, to the Master Trustee, as secured party;

WHEREAS, MERF and the Borrower propose that the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease collectively will provide for the payment of rent and loan payments sufficient to satisfy the Borrower's obligations under the 2014 Loan Agreement, as amended, Obligation No. 1, the Loan Agreement, Obligation No. 2, and all other obligations of the Borrower arising from the foregoing transactions and agreements;

WHEREAS, MERF proposes to make such loans, charitable grants or capital contributions to the Borrower or the Members as may be necessary or desirable to capitalize the Borrower or the Members for purposes of entering into the transactions described above;

WHEREAS, the Board has reviewed proposed forms of the following documents and agreements (collectively, the "Primary Transaction Documents"):

(a) the Bond Purchase Agreement;

(b) the Master Indenture;

(c) the Supplemental Master Indenture;

(d) the Obligation No. 1;

(e) the First Amendment to Indenture;

(f) the First Amendment to Loan Agreement;

(g) the Second Supplemental Master Indenture;

(h) the

(i)Obligation No. 2; the Indenture;

10)the Loan Agreement;

(j) the MSA-1 Lease;

(k) the Santa Ana Loan Agreement;

(l)13) the MSA-San Diego Lease;

(m)14) the Deed of Trust;

(n)15) the Santa Ana Security Agreement;

(o)16) the San Diego Security Agreement;

(p)17) the Membership Interest Security Agreement;

(q)18) a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") by and among MPM Sherman Way, MERF, and the Master Trustee;

(r)19) a Continuing Disclosure Agreement among the Borrower, MERF, and the Trustee, as dissemination agent; and

(s)20) a form of Limited Offering Memorandum that has been prepared to furnish information with respect to the sale and delivery of the Bonds;

WHEREAS, the Borrower is a nonprofit, tax-exempt corporation which, as one of its primary purposes, supports the Corporation and functions of the Board of Directors (the "Board") of the Corporation;

WHEREAS, certain of the directors, officers and employees of the Corporation, including without limitation the persons listed on Schedule 1 hereto, also serve as non-compensated officers or directors of the Borrower, and the interests of such persons in the

Borrower and the indirect interests of such persons in the Members has been disclosed to the Corporation and is hereby noted in the official records of the Corporation;

WHEREAS, the Board finds that the terms of the foregoing transactions (collectively, the "Transactions"), including the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease, are fair and reasonable as to the Corporation under the circumstances, in the best interest of the Corporation, and in furtherance of the charitable purposes of the Corporation; and

WHEREAS, the Board desires the Corporation to take all actions necessary or advisable to facilitate the Transactions;

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the Transactions and authorizes the execution, delivery and performance of the Primary Transaction Documents to which the Corporation is a party and all such other documents, instruments and agreements as may be necessary or advisable to facilitate the Transactions (collectively with the Primary Transaction Documents, the "Transaction Documents");

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the election of the following individuals to the offices of the Corporation set forth after their names:

Noel Russell-Unterburger	Chairman of the Board
Caprice Young	President and Chief Executive Officer
Alfredo Rubalcava	Secretary
Nanie Montijo	Chief Financial Officer and Treasurer

RESOLVED FURTHER, that the Board hereby approves, confirms, and ratifies the designation of the following individuals as the directors of the Borrower, to serve for terms ending November 11, 2020, or until removed or replaced as provided in the bylaws of the Borrower:

Serdar Orazov
John Helgeson
Johnathan Williams;

RESOLVED FURTHER, that the officers of the Corporation (collectively, the "Authorized Signatories"), and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to execute, deliver, approve, and, as appropriate, declare final the Primary Transaction Documents, in the forms that have been presented to the Board for approval or with such amendments or modifications thereto as an Authorized Signatory may approve as necessary or advisable, and all such other purchase and sale agreements, escrow agreements, bond purchase agreements, indentures, loan agreements, promissory notes, leases, deeds of trust, security agreements, account control agreements, subordination, non-disturbance and attornment agreements, tax certificates, offering memoranda, disclosure agreements, assignments, indemnification agreements, guaranties, subordination agreements, letters of representation, notices, certificates, and other documents, agreements, or instruments or amendments to any of the foregoing, as an Authorized Signatory may approve as necessary or advisable to facilitate the Transactions, each with such additions, deletions or changes therein as the Authorized Signatory executing the same shall approve (the execution and delivery thereof by any such Authorized Signatory to be conclusive evidence of his or her approval of any such document, agreement, instrument, amendment, addition, deletion or change);

RESOLVED FURTHER, that, pursuant to Section 17199.4(a)(1) of the Education Code of the State of California, this Board hereby elects to participate in the Intercept to secure payment of the principal of and interest on the Bonds in amounts not exceeding the amounts due under the MSA-1 Lease, the Santa Ana Loan Agreement, and the MSA-San Diego Lease, as applicable, and the Authorized Signatories, and each of them individually, are authorized and directed, for and in the name and on behalf of the Corporation, to provide notice to the State Controller of the State of California or other applicable state agency of the State of California of such election of the Board;

RESOLVED FURTHER, that the Corporation shall apply for grant funds under the Charter School Facility Grant Program to be applied to costs associated with facility rents under the MSA-1 Lease and the MSA-San Diego Lease;

RESOLVED FURTHER, that the Board hereby ratifies and confirms the acts of the officers, agents or employees of the Corporation taken on behalf of the Corporation in connection with the Transactions;

RESOLVED FURTHER, that by the adoption of these resolutions, the Board hereby reconfirms, ratifies and adopts all prior actions of the Board which may have previously been taken in connection with the Transactions;

RESOLVED FURTHER, that all prior resolutions of the Board or any parts thereof in conflict with any or all of the foregoing resolutions are hereby repealed to the extent of such conflict;

RESOLVED FURTHER, that these resolutions shall take effect and be in full force immediately after their adoption by the Board; and

RESOLVED FURTHER, that the Authorized Signatories, and each of them individually, are hereby authorized and directed, for and in the name and on behalf of the Corporation, to approve, execute and deliver any and all documents, instruments and agreements, and to perform or cause to be performed any and all acts as may, in their judgment, be necessary or desirable to accomplish the purposes of the foregoing resolutions and the transactions contemplated thereby and by the agreements therein approved, and any such documents, instrument or agreements so executed and delivered or actions taken by them or any of them shall be conclusive evidence of their authority in so doing.

Certificate of Secretary

The undersigned certifies that the undersigned is the duly appointed and acting Secretary of Magnolia Educational & Research Foundation (the "Corporation"), a California nonprofit public benefit corporation, and that the foregoing Resolutions were duly adopted by the majority vote of the directors of the Corporation then in office at a meeting of the board of directors of the Corporation duly held on April __, 2017, in compliance with the bylaws of the Corporation, in compliance with the notice, agenda, and open meeting requirements of the Ralph M. Brown Act, and while a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Corporation this ___ day of April 2017.

____

Alfredo Rubalcava, Secretary

Schedule 1

Serdar Orazov
Caprice Young
Alfredo Rubalcava
Nanie Montijo

Board Agenda Item #	Agenda #IV A
Date:	April, 6, 2017
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Alfredo Rubalcva, Chief External Officer
RE:	LCAP Stakeholder Engagement Update and Public Comment on MPS LCAP progress

Proposed Board Recommendation

N/A

Background

The Magnolia school leadership teams and the MPS Home Office have been working collaboratively with all school stakeholders in the development of their respective LCAP's. The LCAP's for all schools will be reviewed thoroughly at the May 2017 board meeting. In the meantime, we wanted to inform the board of the meetings that have been held at the different Magnolia sites. Furthermore, we wanted to give the public an opportunity to give feedback on the LCAP progress at their school sites.

Budget Implications

None

How Does This Action Relate/Affect/Benefit All MSAs?

It gives the public the opportunity to give additional feedback on the development of the LCAP across MPS.

Name of Staff Originator:

Alfredo Rubalcava, Chief External Officer

Attachments

MPS LCAP progress chart (Will be attached 3/3)

Business and Development Specialists
for Charter Schools

MEMORANDUM

TO: Caprice Young, CEO, Magnolia Public Schools
FROM: EdTec
SUBJECT: February 2017 Financial Presentation
DATE: 03/24/17

edtec
Business and Development Specialists for Charter Schools

SUMMARY OF RESULTS – CURRENT FORECAST VS. PREVIOUS FORECAST

MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED

Board Approved Budget vs. Current Forecast

	Budget				
	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
SUMMARY					
Revenue					
LCFF Entitlement	34,523,569	34,542,159	34,548,951	6,792	25,382
Federal Revenue	4,434,404	4,354,839	4,245,550	(109,289)	(188,854)
Other State Revenues	5,466,121	5,394,334	5,418,165	23,831	(47,956)
Local Revenues	7,080,455	7,136,223	7,129,856	(6,367)	49,401
Fundraising and Grants	386,755	390,846	398,786	7,939	12,031
Total Revenue	**51,891,304**	**51,818,402**	**51,741,308**	**(77,094)**	**(149,996)**
Expenses					
Compensation and Benefits (excl adjustment	26,871,597	26,818,223	26,856,697	(38,475)	14,900
Books and Supplies	3,780,627	3,931,159	4,000,675	(69,516)	(220,048)
Services and Other Operating Expenditures	18,434,384	18,593,534	18,588,395	5,139	(154,011)
Depreciation	804,525	804,525	804,525	-	-
Total Expenses	**49,891,132**	**50,147,440**	**50,250,292**	**(102,852)**	**(359,160)**
Operating Income Before One-Time Adjustment	**2,000,172**	**1,670,962**	**1,491,016**	**(179,946)**	**(509,156)**
One-Time Compensation Adjustment	(1,101,603)	(1,101,603)	(1,101,603)		
Operating Income (including adjustment)	**898,569**	**569,359**	**389,413**		
Fund Balance					
Beginning Balance (Unaudited)	20,749,323	20,749,323	20,749,323		
Audit Adjustment	(127,921)	(127,921)	(127,921)		
Beginning Balance (Audited)	20,621,401	20,621,401	20,621,401		
Operating Income (including Depreciation)	2,000,172	569,359	389,413		
Ending Fund Balance	**23,050,989**	**21,190,760**	**21,010,814**		
Capital Outlay	**1,050,224**	**841,899**	**841,899**		

edtec
Business and Development Specialists for Charter Schools

	Current Forecast MSA-1	Current Forecast MSA-2	Current Forecast MSA-3	Current Forecast MSA-4	Current Forecast MSA-5	Current Forecast MSA-6	Current Forecast MSA-7	Current Forecast MSA-8	Current Forecast MSA-SA	Current Forecast MSA-SD	Current Forecast MSA-SC	Current Forecast MERF	Current Forecast - Total
SUMMARY													
Revenue													
LCFF Entitlement	5,280,549	4,191,167	4,335,185	1,826,729	1,663,687	1,544,231	2,609,584	4,527,716	5,535,628	3,034,475	-	-	34,548,951
Federal Revenue	1,215,445	436,287	495,466	250,316	174,448	166,606	289,293	308,387	765,987	143,315	-	-	4,245,550
Other State Revenues	1,159,875	534,158	691,766	273,092	198,965	257,801	630,540	633,188	564,147	474,635	-	-	5,418,165
Local Revenues	96,272	93,650	45,833	27,978	177,193	17,313	77,070	70,007	21,442	88,597	-	6,414,502	7,129,856
Fundraising and Grants	69,360	27,722	19,018	12,374	500	11,100	25,000	20,000	38,601	25,112	-	150,000	398,786
Total Revenue	**7,821,500**	**5,282,984**	**5,587,268**	**2,390,488**	**2,214,792**	**1,997,051**	**3,631,487**	**5,559,298**	**6,925,805**	**3,766,133**	**-**	**6,564,502**	**51,741,308**
Expenses													
Compensation and Benefits (excl adjustment)	3,564,049	2,981,010	3,176,588	1,181,983	1,152,507	1,038,366	1,613,205	2,701,941	3,729,571	2,160,322	-	3,557,156	26,856,697
Books and Supplies	647,387	461,104	410,339	120,875	231,607	160,576	306,250	419,657	974,105	183,955	-	84,820	4,000,675
Services and Other Operating Expenditures	2,886,987	1,828,511	2,014,245	741,948	658,774	544,560	1,620,414	2,127,652	2,207,634	1,322,372	-	2,635,299	18,588,395
Depreciation	146,166	53,602	19,096	15,656	4,774	28,726	36,918	84,873	373,813	39,460	-	1,440	804,525
Total Expenses	**7,244,590**	**5,324,228**	**5,620,269**	**2,060,462**	**2,047,661**	**1,772,228**	**3,576,787**	**5,334,123**	**7,285,122**	**3,706,109**	**-**	**6,278,715**	**50,250,292**
Operating Income Before One-Time Adjustment	**576,910**	**(41,244)**	**(33,001)**	**330,027**	**167,131**	**224,823**	**54,700**	**225,175**	**(359,318)**	**60,024**	**-**	**285,787**	**1,491,016**
One-Time Compensation Adjustment	(198,362)	(164,349)	(186,030)	(82,695)	(66,305)	(47,852)	(89,982)	(120,965)	(45,129)	(99,934)	-	-	(1,101,603)
Operating Income (including adjustment)	**378,548**	**(205,593)**	**(219,031)**	**247,332**	**100,826**	**176,971**	**(35,282)**	**104,210**	**(404,447)**	**(39,910)**	**-**	**285,787**	389,413
Fund Balance													
Beginning Balance (Unaudited)	3,197,834	1,210,746	976,777	763,641	1,144,335	1,006,776	939,109	3,061,348	8,291,101	1,173,620	(730,789)	(285,175)	20,749,323
Audit Adjustment	(37,421)	(69,796)	(1,355)	(101,149)	(66,819)	(61,339)	8,244	(90,501)	7,820	960	(791)	284,225	(127,921)
Beginning Balance (Audited)	3,160,413	1,140,950	975,422	662,491	1,077,516	945,437	947,353	2,970,847	8,298,921	1,174,581	(731,580)	(950)	20,621,401
Operating Income (including Depreciation)	378,548	(205,593)	(219,031)	247,332	100,826	176,971	(35,282)	104,210	(404,447)	(39,910)	-	285,787	389,413
Ending Fund Balance	**3,538,961**	**935,357**	**756,391**	**909,823**	**1,178,342**	**1,122,408**	**912,071**	**3,075,057**	**7,894,474**	**1,134,671**	**(731,580)**	**284,837**	**21,010,814**
Ending Fund Balance as a % of Expenses	***49%***	***18%***	***13%***	***44%***	***58%***	***63%***	***25%***	***58%***	***108%***	***31%***		***5%***	***42%***
Captial Outlay	540,000	14,982	-	-	27,793	-	60,000	84,000	115,124	-	-	-	***841,899***
Total ADA	**518.61**	**430.36**	**441.87**	**186.72**	**177.66**	**170.52**	**285.36**	**486.22**	**612.65**	**408.29**	**0.00**	**0.00**	**3,718**

Consolidated Net Income before one-time compensation adjustments* is forecasted for the year at **$1,491,016**. Net income, adjusted for one-time compensation expense correction is **$389,413**. This is a $509,156 decrease from the board approved budget and a $179,946 decrease from the previous forecast

*During this current year, Magnolia is recognizing an additional month of payroll and related benefits due to an accounting change based on the reporting method recommended by the auditors. This results in additional one-time expenses being recognized in the current year.

The main drivers of the changes from approved budget to the February forecast are:

- Special education rate increase for El Dorado SELPA and LAUSD revenues updated based on CY ADA, increase of $18K
- Removed MSA-2 California State Facility Incentive Grant (CSFIG), reduction of $86K
- Increased MSA-5 food expense $60K based on LAUSD Food Services contract

ACCOMPLISHMENTS

- No uncategorized revenue or expenses for February
- Preliminary budget meetings completed with all 10 schools
- 2nd Interim reports submitted to authorizers
- Winter CARS reporting completed

OPPORTUNITIES AND RISKS

Prop 39 Clean Energy Grant

All MPS sites received Prop 39 planning funds for clean energy projects. The deadline to apply for the last round of funding is August 2017. If MPS does not use these funds, then they will have to be returned and have a negative impact on the budgets. Facilities team is developing plans for the use of these funds.

Hourly Employees & Benefits

Hourly employees at school sites are exceeding the 20-hour limit, which will make them eligible for PERS. Others are exceeding the 29-hour limit, which will make them eligible for PERS and health benefits. This will have a negative budget impact. HR is reconciling which employees will need to receive benefits and EdTec will analyze the fiscal impact on FY16-17 once received.

Paycom Voids and Corrections

Employees enrolled in STRS had social security tax incorrectly deducted from paychecks. Paycom voided these entries and corrected payment to employee, but no manual check was entered to offset the void. Consequently, while employees were paid the correct amount, their earnings are understated in Paycom (and consequently, their 2016 W2s). HR and Paycom working to reconcile and adjust earnings of the four employees affected.

MSA-1 Charter School Facility Incentive Grant (CSFIG)

MSA-1 received the 3-year grant and will receive $500,000 each year starting in 16-17. MSA-1 needs to expend $500,000 by June 30, 2017 on construction to receive the full award. If not, then the revenue will be lower and have a negative impact on the operating income. Finance and facilities have worked to identify eligible expenses that can be reimbursed. As of March 23rd, MSA-1 has processed $28,572 in eligible reimbursable expenses under this grant.

Expense Risks – MERF Approved Budget

The current MERF budget does not include expansion of the internal control review contract (formerly planned with FCMAT) yet, as amount and timing of expense are not yet known. Legal expenses are currently tracking higher than originally expected due to OIG related concerns, and there is risk of exceeding budget in this line item.

STRS/PERS Corrections

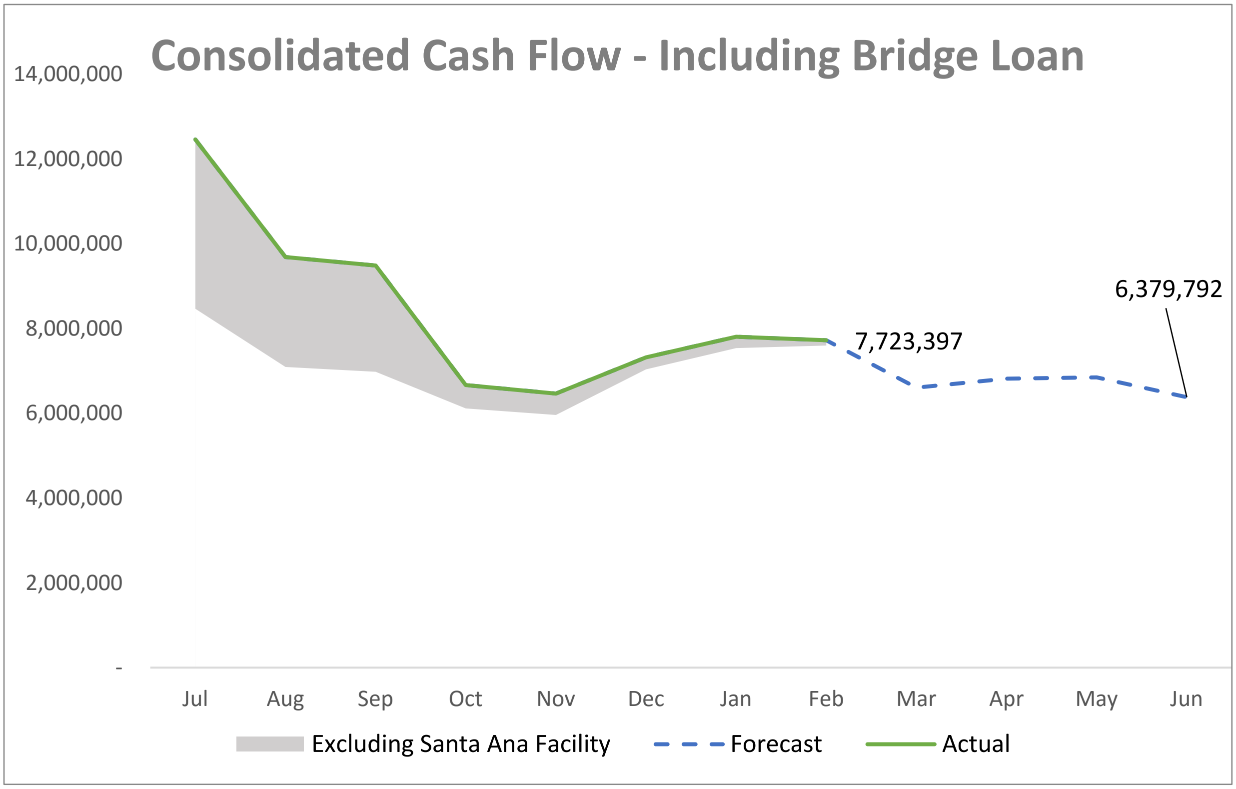
MPS management believes there may be prior year STRS and PERS eligibility inaccuracies which, when corrected, would result in additional expense for the organization. Further analysis is needed to determine the order of magnitude of this potential liability. Limited staffing resources at MERF have delayed this research. Any known errors related to current year eligibility or rate variances have been corrected.

EMERGENCY CHECK REQUEST TRACKING

Site	July	August	September	October	November	December	January	February	Trend
MERF	10	10	7	2	1	3	3	4	
MSA-1	8	2	8	1	1	1	2	9	
MSA-2	17	8	12	2	1	0	1	1	
MSA-3	2	3	9	5	3	12	4	6	
MSA-4	0	1	16	0	0	0	1	2	
MSA-5	0	1	5	0	0	0	0	2	
MSA-6	0	1	0	0	0	0	0	0	
MSA-7	6	2	2	1	0	1	0	0	
MSA-8	2	2	21	1	0	0	1	4	
MSA-SA	13	9	10	5	2	1	1	4	
MSA-SD	11	13	1	1	3	3	3	5	
Total	**69**	**52**	**91**	**18**	**11**	**21**	**16**	**37**	

Emergency check requests have increased 131% since January. ECRs were more than 20 (37 total), and a charge of $50 per additional invoice was incurred for a total of $850.

CASH FLOW SUMMARY – WITH BRIDGE LOAN

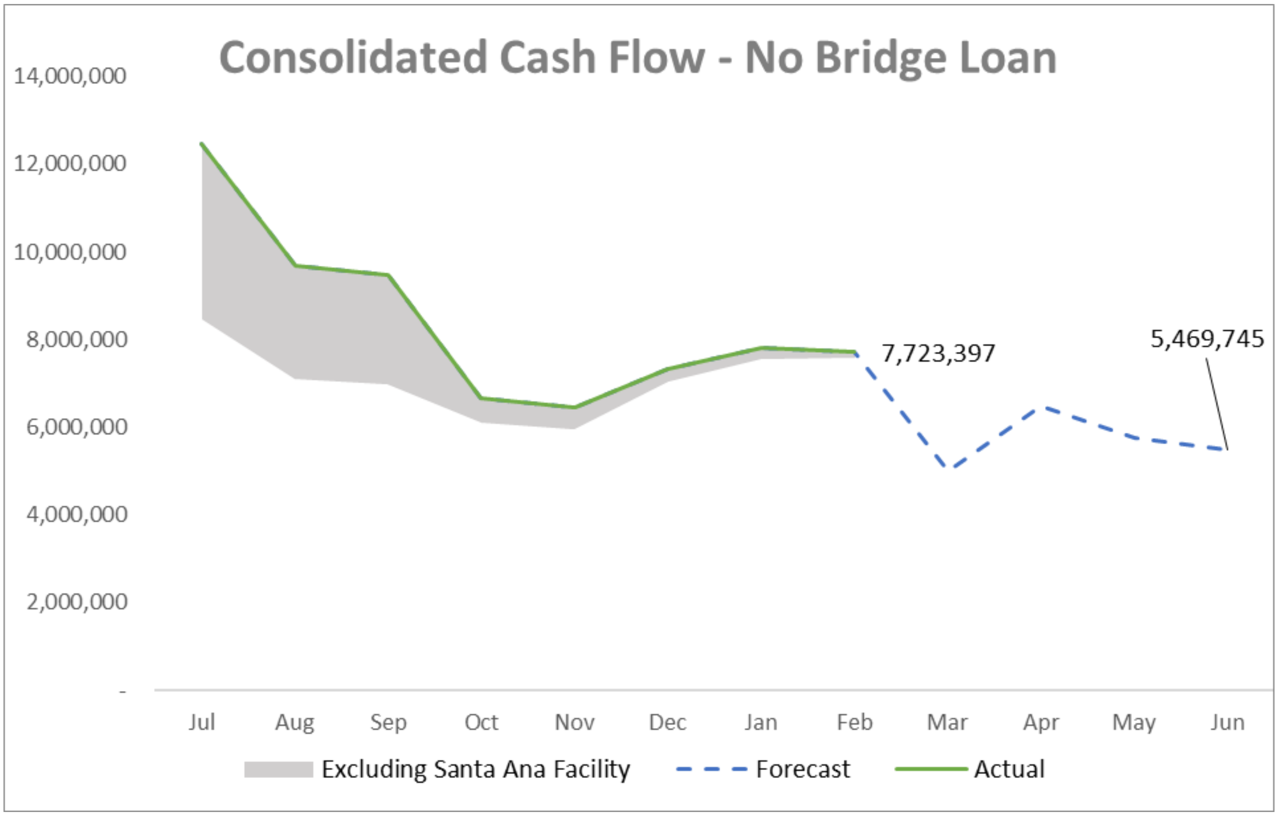


The ending cash balance at 02/28 was $7,723,397, where $126,277 was restricted Prop 1D money for MSA-Santa Ana. Projected ending cash balance at 6/30 is $6,379,792.

Cash Flow Notes

- Assumes a bridge loan to finance construction through June.
- MERF has received CMO fees through June (excluding MSA-3 and MSA-SA) to maintain a positive cash balance.
- MERF will need an intercompany loan (which was approved by the board in February) to pay off the state aid overpayment for MSA-SC.

CASH FLOW SUMMARY – EXCLUDING BRIDGE LOAN



Projected ending cash balance at 6/30 is $5,469,745 with no bridge loan finance construction expenses.

MAGNOLIA SCIENCE ACADEMY - 1

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	3,048,592	5,305,480	5,277,903	5,280,549	2,646	(24,931)	2,231,957
Federal Revenue	270,983	1,202,884	1,218,991	1,215,445	(3,546)	12,561	944,462
Other State Revenues	682,806	1,158,352	1,159,958	1,159,875	(84)	1,523	477,068
Local Revenues	90,543	84,550	96,272	96,272	-	11,721	5,728
Fundraising and Grants	30,070	69,360	69,360	69,360	-	-	39,289
Total Revenue	**4,122,996**	**7,820,626**	**7,822,484**	**7,821,500**	**(984)**	**875**	**3,698,504**
Expenses							
Compensation and Benefits (excl adjustmer	2,372,909	3,562,432	3,562,844	3,564,049	(1,206)	(1,618)	1,389,502
Books and Supplies	338,778	647,387	647,387	647,387	-	-	308,609
Services and Other Operating Expenditures	1,726,984	2,929,102	2,887,687	2,886,987	699	42,115	1,160,003
Depreciation	121,176	146,166	146,166	146,166	-	-	24,990
Total Expenses	**4,559,847**	**7,285,087**	**7,244,083**	**7,244,590**	**(506)**	**40,497**	**2,883,104**
Operating Income Before One-Time Adjustment	**(436,851)**	**535,539**	**578,401**	**576,910**	**(1,490)**	**41,372**	**815,400**
One-Time Compensation Adjustment		(198,362)	(198,362)	(198,362)			
Operating Income (including adjustment)		**337,177**	**380,039**	**378,548**			
Fund Balance							
Beginning Balance (Unaudited)	3,197,834	3,197,834	3,197,834	3,197,834			
Audit Adjustment	(37,421)	-	(37,421)	(37,421)			
Beginning Balance (Audited)	3,160,413	3,197,834	3,160,413	3,160,413			
Operating Income (including Depreciation)	(436,851)	535,539	380,039	378,548			
Ending Fund Balance	**2,723,561**	**3,733,373**	**3,540,451**	**3,538,961**			
Capital Outlay	**38,781**	**540,000**	**540,000**	**540,000**			
Total ADA		**522.1**	**518.6**	**518.6**		-3.5	

SUMMARY OF RESULTS

Forecasting a net income of **$576,910** before one-time adjustments and net income of $378,548 including adjustments; this is a decrease of $1,490 from the previous forecast.

VARIANCE ANALYSIS

LCFF Entitlement $2,646
Prior year adjustment for FY14-15.

Federal Revenue (-$3,546)
Special education revenue updated based on forecasted current year ADA.

State Revenue (-$84)
Special education revenue updated based on forecasted current year ADA.

Compensation and Benefits (-$1,206)
One janitor not hired at MSA-1, offset by a part time campus aide added at 7.5 hours per day starting April 1st and increased forecasted hours for a special education teacher aide based on increased need at the school. Corresponding benefits decrease of $800.

Services and Operating $699

District oversight fees slightly increased with the prior year adjustment. Special education encroachment decreased with reduced revenues.

MSA-1 FORECAST – EXCLUDING BRIDGE LOAN

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	3,048,592	5,305,480	5,277,903	5,280,549	2,646	(24,931)	2,231,957
Federal Revenue	270,983	1,202,884	1,218,991	1,215,445	(3,546)	12,561	944,462
Other State Revenues	682,806	1,158,352	1,159,958	1,159,875	(84)	1,523	477,068
Local Revenues	90,543	84,550	96,272	96,272	-	11,721	5,728
Fundraising and Grants	30,070	69,360	69,360	69,360	-	-	39,289
Total Revenue	**4,122,996**	**7,820,626**	**7,822,484**	**7,821,500**	**(984)**	**875**	**3,698,504**
Expenses							
Compensation and Benefits (excl adjustmer	2,372,909	3,562,432	3,562,844	3,564,049	(1,206)	(1,618)	1,389,502
Books and Supplies	338,778	647,387	647,387	647,387	-	-	308,609
Services and Other Operating Expenditures	1,726,984	2,929,102	2,887,687	2,876,769	10,918	52,334	1,149,784
Depreciation	121,176	146,166	146,166	146,166	-	-	24,990
Total Expenses	**4,559,847**	**7,285,087**	**7,244,083**	**7,234,371**	**9,712**	**50,716**	**2,872,886**
Operating Income Before One-Time Adjustment	**(436,851)**	**535,539**	**578,401**	**587,129**	**8,728**	**51,590**	**825,619**
One-Time Compensation Adjustment		(198,362)	(198,362)	(198,362)			
Operating Income (including adjustment)		**337,177**	**380,039**	**388,767**			
Fund Balance							
Beginning Balance (Unaudited)	3,197,834	3,197,834	3,197,834	3,197,834			
Audit Adjustment	(37,421)	-	(37,421)	(37,421)			
Beginning Balance (Audited)	3,160,413	3,197,834	3,160,413	3,160,413			
Operating Income (including Depreciation)	(436,851)	535,539	380,039	388,767			
Ending Fund Balance	**2,723,561**	**3,733,373**	**3,540,451**	**3,549,180**			
Capital Outlay	**38,781**	**540,000**	**540,000**	**540,000**			
Total ADA		**522.1**	**518.6**	**518.6**		-3.5	

If Magnolia uses cash on hand rather than a bridge to loan to fund construction until June, then MSA-1 will have a $10K reduction in expenses for loan fees. However, there will be a cash impact (see exhibits). Excluding the bridge loan, MSA-1 is forecasting an operating income of **$587,129** before one-time adjustments and $388,767 including adjustments; this is an increase of $8,728 from the previous forecast.

MAGNOLIA SCIENCE ACADEMY - 2

SUMMARY	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
Revenue							
LCFF Entitlement	2,542,587	4,295,058	4,188,988	4,191,167	2,179	(103,891)	1,648,580
Federal Revenue	182,603	522,541	533,058	436,287	(96,771)	(86,255)	253,684
Other State Revenues	346,308	544,067	550,186	534,158	(16,028)	(9,909)	187,850
Local Revenues	53,097	77,280	93,650	93,650	-	16,370	40,553
Fundraising and Grants	15,224	27,722	27,722	27,722	-	-	12,499
Total Revenue	**3,139,818**	**5,466,669**	**5,393,604**	**5,282,984**	**(110,620)**	**(183,685)**	**2,143,166**
Expenses							
Compensation and Benefits (excl adjustment	2,027,114	2,938,373	2,938,371	2,981,010	(42,639)	(42,637)	1,118,245
Books and Supplies	333,736	451,104	461,104	461,104	-	(10,000)	127,369
Services and Other Operating Expenditures	1,082,871	1,848,804	1,837,800	1,828,511	9,289	20,293	745,640
Depreciation	22,664	53,602	53,602	53,602	-	-	30,938
Total Expenses	**3,466,385**	**5,291,884**	**5,290,878**	**5,324,228**	**(33,350)**	**(32,344)**	**2,022,192**
Operating Income Before One-Time Adjustment	**(326,566)**	**174,785**	**102,726**	**(41,244)**	**(143,970)**	**(216,029)**	**120,973**
One-Time Compensation Adjustment		(164,349)	(164,349)	(164,349)			
Operating Income (including adjustment)		**10,436**	**(61,623)**	**(205,593)**			
Fund Balance							
Beginning Balance (Unaudited)	1,210,746	1,210,746	1,210,746	1,210,746			
Audit Adjustment	(69,796)	-	(69,796)	(69,796)			
Beginning Balance (Audited)	1,140,950	1,210,746	1,140,950	1,140,950			
Operating Income (including Depreciation)	(326,566)	174,785	(61,623)	(205,593)			
Ending Fund Balance	**814,384**	**1,385,531**	**1,079,327**	**935,357**			
Capital Outlay	**14,982**	**14,982**	**14,982**	**14,982**			
Total ADA		**442.0**	**430.4**	**430.4**		-11.6	

SUMMARY OF RESULTS

Forecasting a net loss of **($41,244)** before one-time adjustments and ($205,593) including adjustments; this is a decrease of $143,970 from the previous forecast.

VARIANCE ANALYSIS

LCFF/State Aid $2,179
Prior year adjustment for FY14-15.

Federal Revenue (-$96,771)
No longer eligible to receive California State Incentive Facility Grant (CSFIG). MSA-2 was awarded CSFIG in 2015 for rental expenses. However, a use agreement was not provided by LAUSD, and CSFA required a use agreement in order to finalize the grant award. Since MSA-2 did not provide a use agreement, the grant award was revoked. Special education revenue updated based on forecasted current year ADA, resulting in a reduction of $11K.

State Revenue (-$16,028)
Special education revenue updated based on forecasted current year ADA.

Compensation and Benefits (-$42,639)

Hired an addition special education teacher to be paid with special education funds. Corresponding increase in benefits.

Services and Operating $9,289

Equipment leases increased $3K based on current actual monthly expenses. Accounting fees decreased $7K per allocation of audit fees from VTD. Special education encroachment increased $5K with increased revenues.

MAGNOLIA SCIENCE ACADEMY -3

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	2,505,995	4,352,807	4,338,614	4,335,185	(3,429)	(17,622)	1,829,190
Federal Revenue	219,367	493,745	497,033	495,466	(1,567)	1,721	276,099
Other State Revenues	437,649	879,335	689,995	691,766	1,771	(187,569)	254,117
Local Revenues	37,107	40,114	45,595	45,833	237	5,718	8,726
Fundraising and Grants	11,409	19,018	19,018	19,018	-	-	7,609
Total Revenue	**3,211,527**	**5,785,019**	**5,590,256**	**5,587,268**	**(2,988)**	**(197,752)**	**2,375,741**
Expenses							
Compensation and Benefits (excl adjustmer	2,170,069	3,184,511	3,183,115	3,176,588	6,527	7,923	1,192,549
Books and Supplies	272,030	401,887	407,587	410,339	(2,752)	(8,452)	138,308
Services and Other Operating Expenditures	1,123,601	2,087,914	2,013,462	2,014,245	(783)	73,669	890,644
Depreciation	8,000	19,096	19,096	19,096	-	-	11,096
Total Expenses	**3,573,701**	**5,693,409**	**5,623,261**	**5,620,269**	**2,992**	**73,140**	**2,232,597**
Operating Income Before One-Time Adjustment	**(362,174)**	**91,611**	**(33,005)**	**(33,001)**	**4**	**(124,612)**	**143,143**
One-Time Compensation Adjustment		(186,030)	(186,030)	(186,030)			
Operating Income (including adjustment)		**(94,419)**	**(219,035)**	**(219,031)**			
Fund Balance							
Beginning Balance (Unaudited)	976,777	976,777	976,777	976,777			
Audit Adjustment	(1,355)	-	(1,355)	(1,355)			
Beginning Balance (Audited)	975,422	976,777	975,422	975,422			
Operating Income (including Depreciation)	(362,174)	91,611	(219,035)	(219,031)			
Ending Fund Balance	**613,248**	**1,068,388**	**756,387**	**756,391**			
Capital Outlay	-	**70,000**	-	-			
Total ADA		**443.9**	**441.9**	**441.9**		-2.0	

SUMMARY OF RESULTS

Forecasting an operating loss of (**$33,001)** before one-time adjustments and operating loss of ($219,031) including adjustments; this is an increase of $4 from the previous forecast.

VARIANCE ANALYSIS

LCFF Entitlement (-$3,429)
Prior year adjustment for FY14-15.

Federal Revenue (-$1,567)
Special education revenue updated based on forecasted current year ADA.

State Revenue $1,771
Special education revenue updated based on forecasted current year ADA.

Other Local Revenue $237
Food service sales increased to match actual revenues.

Compensation and Benefits $6,527
Added two discipline coordinators and a dean of students to start April 1st. An admin assistant filled the position of a discipline coordinator, and salary was adjusted accordingly.

Books and Supplies (-$2,752)

Instructional materials exceeded budget and increased to match actuals.

Services and Operating (-$783)

School programs increased $330 to match actual spending. District oversight fees decreased $34 due to PY adjustment. Prior year expenses (not accrued) increased $447. Special education encroachment increased $41 due to increased state revenue.

MAGNOLIA SCIENCE ACADEMY - 4

SUMMARY	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
Revenue							
LCFF Entitlement	1,017,703	1,818,445	1,825,158	1,826,729	1,571	8,284	809,026
Federal Revenue	110,484	247,687	250,371	250,316	(55)	2,629	139,832
Other State Revenues	163,727	267,852	267,941	273,092	5,150	5,239	109,365
Local Revenues	22,315	22,430	27,958	27,978	20	5,548	5,663
Fundraising and Grants	11,162	12,374	12,374	12,374	-	-	1,211
Total Revenue	**1,325,391**	**2,368,788**	**2,383,802**	**2,390,488**	**6,687**	**21,700**	**1,065,098**
Expenses							
Compensation and Benefits (excl adjustment	780,408	1,212,821	1,181,983	1,181,983	(0)	30,838	484,270
Books and Supplies	75,664	132,807	120,875	120,875	-	11,932	45,210
Services and Other Operating Expenditures	404,160	701,330	741,909	741,948	(39)	(40,617)	337,788
Depreciation	6,144	15,656	15,656	15,656	-	-	9,512
Total Expenses	**1,266,376**	**2,062,614**	**2,060,423**	**2,060,462**	**(39)**	**2,152**	**876,781**
Operating Income Before One-Time Adjustment	**59,015**	**306,175**	**323,379**	**330,027**	**6,648**	**23,852**	**188,317**
One-Time Compensation Adjustment		(82,695)	(82,695)	(82,695)			
Operating Income (including adjustment)		**223,480**	**240,684**	**247,332**			
Fund Balance							
Beginning Balance (Unaudited)	763,641	567,722	763,641	763,641			
Audit Adjustment	(101,149)	-	(101,149)	(101,149)			
Beginning Balance (Audited)	662,491	567,722	662,491	662,491			
Operating Income (including Depreciation)	59,015	306,175	240,684	247,332			
Ending Fund Balance	**721,506**	**873,897**	**903,175**	**909,823**			
Capital Outlay	-	-	-	-			
Total ADA		**186.2**	**186.7**	**186.7**		0.5	

SUMMARY OF RESULTS

Forecasting a net income of **$330,027** before one-time adjustments and a net income of $247,332 including adjustments; this is an increase of $6,648 from the previous forecast.

VARIANCE ANALYSIS

LCFF Entitlement $1,571
Prior year adjustment for FY14-15.

Federal Revenue (-$55)
Special education revenue updated based on forecasted current year ADA.

State Revenue $5,150
Special education revenue updated based on forecasted current year ADA.

Other Local Revenue $20
Exceeded budget, increased based on actuals

Services and Operating (-$39)
Increased special education encroachment due to increased revenues.

MAGNOLIA SCIENCE ACADEMY -5

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	875,162	1,660,532	1,662,956	1,663,687	731	3,155	788,525
Federal Revenue	67,975	164,096	168,728	174,448	5,720	10,352	106,473
Other State Revenues	122,890	177,416	179,531	198,965	19,433	21,548	76,075
Local Revenues	22,784	178,813	177,193	177,193	-	(1,621)	154,409
Fundraising and Grants	407	500	500	500	-	-	93
Total Revenue	**1,089,218**	**2,181,357**	**2,188,908**	**2,214,792**	**25,884**	**33,435**	**1,125,575**
Expenses							
Compensation and Benefits (excl adjustment	730,989	1,152,508	1,152,507	1,152,507	(0)	1	487,823
Books and Supplies	86,940	171,607	171,607	231,607	(60,000)	(60,000)	144,666
Services and Other Operating Expenditures	266,469	655,357	679,863	658,774	21,090	(3,416)	392,305
Depreciation	11,464	4,774	4,774	4,774	-	-	(6,690)
Total Expenses	**1,095,862**	**1,984,245**	**2,008,751**	**2,047,661**	**(38,910)**	**(63,416)**	**1,018,104**
Operating Income Before One-Time Adjustment	**(6,645)**	**197,112**	**180,157**	**167,131**	**(13,026)**	**(29,981)**	**107,471**
One-Time Compensation Adjustment		(66,305)	-66305	(66,305)			
Operating Income (including adjustment)		**130,807**	**113,852**	**100,826**			
Fund Balance							
Beginning Balance (Unaudited)	1,144,335	951,134	1,144,335	1,144,335			
Audit Adjustment	(66,819)	-	(66,819)	(66,819)			
Beginning Balance (Audited)	1,077,516	951,134	1,077,516	1,077,516			
Operating Income (including Depreciation)	(6,645)	197,112	113,852	100,826			
Ending Fund Balance	**1,070,871**	**1,148,246**	**1,191,368**	**1,178,342**			
Capital Outlay	**17,301**	**27,793**	**27,793**	**27,793**			
Total ADA		**177.7**	**177.7**	**177.7**		0.0	

SUMMARY OF RESULTS

Forecasting a net income of **$167,131** before one-time adjustments and a net income of $100,826 including adjustments; this is a decrease of $13,026 from the previous forecast.

VARIANCE ANALYSIS

LCFF Entitlement $731
Prior year adjustment for FY14-15.

Federal Revenue $5,720
Special education revenue updated based on forecasted current year ADA.

State Revenue $19,433
Special education revenue updated based on forecasted current year ADA.

Books and Supplies (-$60,000)
Increased student food based on actual anticipated spending with LAUSD food services.

Services and Operating $21,090
Rent decreased $28K based on use agreement. Other professional services exceeded budget and increased $5K to match actuals. Special education increased $1K due to increased revenues.

MAGNOLIA SCIENCE ACADEMY – 6

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	887,884	1,518,270	1,543,949	1,544,231	282	25,961	656,347
Federal Revenue	92,365	161,359	166,052	166,606	553	5,246	74,240
Other State Revenues	155,666	253,252	256,185	257,801	1,616	4,548	102,135
Local Revenues	6,392	10,512	17,313	17,313	-	6,801	10,921
Fundraising and Grants	7,626	11,100	11,100	11,100	-	-	3,474
Total Revenue	**1,149,933**	**1,954,494**	**1,994,599**	**1,997,051**	**2,452**	**42,557**	**847,118**
Expenses							
Compensation and Benefits (excl adjustmer	689,624	1,035,074	1,035,074	1,038,366	(3,291)	(3,291)	396,594
Books and Supplies	89,818	154,776	155,776	160,576	(4,800)	(5,800)	70,758
Services and Other Operating Expenditures	314,970	555,450	554,706	544,560	10,146	10,889	229,590
Depreciation	4,246	28,726	28,726	28,726	-	-	24,480
Total Expenses	**1,098,657**	**1,774,026**	**1,774,282**	**1,772,228**	**2,055**	**1,798**	**721,423**
Operating Income Before One-Time Adjustment	**51,276**	**180,468**	**220,317**	**224,823**	**4,506**	**44,355**	**125,695**
One-Time Compensation Adjustment		(47,852)	(47,852)	(47,852)			
Operating Income (including adjustment)		**132,616**	**172,465**	**176,971**			
Fund Balance							
Beginning Balance (Unaudited)	1,006,776	938,327	1,006,776	1,006,776			
Audit Adjustment	(61,339)	-	(61,339)	(61,339)			
Beginning Balance (Audited)	945,437	938,327	945,437	945,437			
Operating Income (including Depreciation)	51,276	180,468	172,465	176,971			
Ending Fund Balance	**996,713**	**1,118,795**	**1,117,902**	**1,122,408**			
Capital Outlay	-	-	-	-			
Total ADA		**167.9**	**170.5**	**170.5**		2.6	

SUMMARY OF RESULTS

Forecasting a net income of **$224,823** before one-time adjustments and a net income of $176,971 including adjustments; this is an increase of $4,506 from the previous forecast.

VARIANCE ANALYSIS

LCFF Entitlement $282
Prior year adjustment for FY14-15.

Federal Revenue $553
Special education revenue updated based on forecasted current year ADA.

State Revenue $1,616
Special education revenue updated based on forecasted current year ADA.

Compensation and Benefits (-$3,291)
Classified employee now eligible for PERS.

Books and Supplies (-$4,800)
Office supplies increased $3.8K and PE supplies increased $1K based on actual spending

Services and Operating $10,146

Reduced consultants, legal fees, and technology services based on actual spending and discussions with the principal during the budget meeting.

MAGNOLIA SCIENCE ACADEMY - 7

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	1,498,673	2,599,553	2,609,088	2,609,584	496	10,031	1,110,911
Federal Revenue	124,457	421,493	287,953	289,293	1,340	(132,199)	164,836
Other State Revenues	380,953	622,567	626,626	630,540	3,914	7,973	249,587
Local Revenues	51,964	71,193	77,070	77,070	-	5,876	25,106
Fundraising and Grants	6,611	25,000	25,000	25,000	-	-	18,389
Total Revenue	**2,062,657**	**3,739,806**	**3,625,736**	**3,631,487**	**5,751**	**(108,320)**	**1,568,830**
Expenses							
Compensation and Benefits (excl adjustment	1,067,848	1,633,722	1,608,185	1,613,205	(5,021)	20,517	635,339
Books and Supplies	192,790	306,250	306,250	306,250	-	-	113,461
Services and Other Operating Expenditures	999,595	1,626,862	1,619,358	1,620,414	(1,056)	6,449	620,819
Depreciation	30,018	36,918	36,918	36,918	-	-	6,900
Total Expenses	**2,290,250**	**3,603,752**	**3,570,710**	**3,576,787**	**(6,077)**	**26,965**	**1,376,518**
Operating Income Before One-Time Adjustment	**(227,593)**	**136,054**	**55,026**	**54,700**	**(326)**	**(81,354)**	**192,311**
One-Time Compensation Adjustment		(89,982)	(89,982)	(89,982)			
Operating Income (including adjustment)		**46,072**	**(34,956)**	**(35,282)**			
Fund Balance							
Beginning Balance (Unaudited)	939,109	922,760	939,109	939,109			
Audit Adjustment	8,244	-	8,244	8,244			
Beginning Balance (Audited)	947,353	922,760	947,353	947,353			
Operating Income (including Depreciation)	(227,593)	136,054	(34,956)	(35,282)			
Ending Fund Balance	**719,760**	**1,058,814**	**912,397**	**912,071**			
Capital Outlay	-	**198,325**	**60,000**	**60,000**			
Total ADA		**284.7**	**285.4**	**285.4**		0.7	

SUMMARY OF RESULTS

Forecasting a net income of **$54,700** before one-time adjustments and operating loss of ($35,282) including adjustments; this is a decrease of $326 from the previous forecast.

VARIANCE ANALYSIS

LCFF Revenue $496
Prior year adjustment for FY14-15.

Federal Revenue $1,340
Special education revenue updated based on forecasted current year ADA.

State Revenue $3,914
Special education revenue updated based on forecasted current year ADA.

Compensation and Benefits (-$5,021)
Two classified hourly employees are working more overtime hours and the forecast was adjusted to match average actual hours over the past eight months, resulting in a $4K increase in salary expense. Corresponding increase in benefits of $1K.

Services and Operating (-$1,056)

District oversight fees slightly increased with the prior year adjustment. Special education encroachment increased $1K with increased revenues.

MAGNOLIA SCIENCE ACADEMY - 8

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	2,600,845	4,440,491	4,525,400	4,527,716	2,316	87,225	1,926,871
Federal Revenue	239,564	297,469	307,027	308,387	1,361	10,918	68,824
Other State Revenues	417,387	620,258	629,214	633,188	3,974	12,931	215,801
Local Revenues	43,143	70,411	80,207	70,007	(10,200)	(405)	26,864
Fundraising and Grants	8,605	20,000	20,000	20,000	-	-	11,395
Total Revenue	**3,309,544**	**5,448,629**	**5,561,847**	**5,559,298**	**(2,549)**	**110,670**	**2,249,755**
Expenses							
Compensation and Benefits (excl adjustmer	1,792,397	2,701,941	2,701,941	2,701,941	(0)	0	1,030,508
Books and Supplies	119,947	420,157	420,157	419,657	500	500	299,711
Services and Other Operating Expenditures	1,163,374	2,142,840	2,123,061	2,127,652	(4,590)	15,189	964,278
Depreciation	45,437	84,873	84,873	84,873	-	-	39,436
Total Expenses	**3,121,155**	**5,349,811**	**5,330,033**	**5,334,123**	**(4,090)**	**15,689**	**2,333,933**
Operating Income Before One-Time Adjustment	**188,389**	**98,817**	**231,815**	**225,175**	**(6,639)**	**126,358**	**(84,178)**
One-Time Compensation Adjustment		(120,965)	(120,965)	(120,965)			
Operating Income (including adjustment)		**(22,148)**	**110,850**	**104,210**			
Fund Balance							
Beginning Balance (Unaudited)	3,061,348	3,019,921	3,061,348	3,061,348			
Audit Adjustment	(90,501)	-	(90,501)	(90,501)			
Beginning Balance (Audited)	2,970,847	3,019,921	2,970,847	2,970,847			
Operating Income (including Depreciation)	188,389	98,817	110,850	104,210			
Ending Fund Balance	**3,159,236**	**3,118,738**	**3,081,697**	**3,075,057**			
Capital Outlay	**77,808**	**84,000**	**84,000**	**84,000**			
Total ADA		**477.7**	**486.2**	**486.2**		8.5	

SUMMARY OF RESULTS

Forecasting a net income of **$225,175** before one-time adjustments and a net income of $104,210 including adjustments; this is a decrease of $6,639 from the previous forecast.

VARIANCE ANALYSIS

LCFF Revenue $2,316
Prior year adjustment for FY14-15.

Federal Revenue $1,361
Special education revenue updated based on forecasted current year ADA.

State Revenue $3,974
Special education revenue updated based on forecasted current year ADA.

Other Local Revenue (-$10,200)
Field trip revenue was removed from the forecast as MSA-8 does not plan to collect field trip fees from students.

Books and Supplies $500
Reallocated $500 from student supplies to school programs.

Services and Operating (-$4,590)

School programs-other increased $500, which was reallocated from student supplies. Legal fees exceeded budget, and forecast was increased an additional $3K. District oversight fees increased $23 due to prior year adjustment. Special education encroachment increased $1K with the increased revenues.

MAGNOLIA SCIENCE ACADEMY – SANTA ANA

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	1,564,604	5,465,892	5,535,628	5,535,628	-	69,736	3,971,024
Federal Revenue	295,777	783,158	783,158	765,987	(17,171)	(17,171)	470,210
Other State Revenues	122,975	556,982	561,696	564,147	2,451	7,165	441,172
Local Revenues	19,530	26,185	20,751	21,442	691	(4,743)	1,912
Fundraising and Grants	38,601	27,854	31,946	38,601	6,655	10,747	-
Total Revenue	**2,041,486**	**6,860,071**	**6,933,179**	**6,925,805**	**(7,374)**	**65,734**	**4,884,318**
Expenses							
Compensation and Benefits (excl adjustment)	2,334,352	3,723,254	3,727,154	3,729,571	(2,417)	(6,316)	1,440,347
Books and Supplies	792,684	829,376	971,640	974,105	(2,465)	(144,729)	181,420
Services and Other Operating Expenditures	1,249,720	2,087,914	2,190,892	2,207,634	(16,742)	(119,720)	957,914
Depreciation	264,823	373,813	373,813	373,813	-	-	108,991
Total Expenses	**4,641,579**	**7,014,357**	**7,263,499**	**7,285,122**	**(21,623)**	**(270,765)**	**2,688,672**
Operating Income Before One-Time Adjustment	**(2,600,093)**	**(154,287)**	**(330,320)**	**(359,318)**	**(28,998)**	**(205,031)**	**2,195,646**
One-Time Compensation Adjustment		(45,129)	(45,129)	(45,129)			
Operating Income (including adjustment)		**(199,416)**	**(375,449)**	**(404,447)**			
Fund Balance							
Beginning Balance (Unaudited)	8,291,101	8,212,887	8,291,101	8,291,101			
Audit Adjustment	7,820	-	7,820	7,820			
Beginning Balance (Audited)	8,298,921	8,212,887	8,298,921	8,298,921			
Operating Income (including Depreciation)	(2,600,093)	(154,287)	(375,449)	(404,447)			
Ending Fund Balance	**5,698,828**	**8,058,600**	**7,923,472**	**7,894,474**			
Capital Outlay	**37,249**	**115,124**	**115,124**	**115,124**			
Total ADA		**606.0**	**612.7**	**612.7**		6.6	

SUMMARY OF RESULTS

Forecasting a net loss of **($359,318)** before one-time adjustments and ($404,447) including adjustments; this is a decrease of $28,998 from the previous forecast.

VARIANCE ANALYSIS

Federal Revenue (-$17,171)

Special education increased $288 as the rate increased from $125 per prior year enrollment to $127. Other federal revenue was reduced $17K based on items eligible for e-rate reimbursement.

Other State Revenue $2,451

Special education rate increase of $503 per ADA to $507 per ADA.

Other Local Revenue $691

Other local revenue increased to match actuals

Donations/Fundraising $6,655

Donations and fundraising has exceeded the budget and increased to match actuals.

Compensation and Benefits (-$2,417)

Certificated salaries increased $4K due to employees receiving stipends for edge coaching. There was a corresponding reduction in professional development, as this is where these stipends were originally budgeted. Classified payroll reduced $4K due to employees being replaced at lower rates as well as actual hours worked trending lower than the forecast.

Books and Supplies (-$2,465)

Increased $2K as Fuel Education was original budgeted in cosultants. Reallocated $2K from services and other operating.

Services and Operating (-$16,742)

Repairs and maintenance increased $5K for fencing repairs, floor waxing, wall reinforcement and plastic covers for outlets. Audit fees increased $6K based on updated allocation for VTD expenses. Bad debt expense increased $2K as prior year unrestricted lottery was over accrued and written off. Communications increased $10K based on current actual expenditures. Reduction of $6K due to $4K being reallocated to salaries from professional development and $2K was reallocated to books and supplies for Fuel Education.

MSA-SA FORECAST – EXCLUDING BRIDGE LOAN

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	1,564,604	5,465,892	5,535,628	5,535,628	-	69,736	3,971,024
Federal Revenue	295,777	783,158	783,158	765,987	(17,171)	(17,171)	470,210
Other State Revenues	122,975	556,982	561,696	564,147	2,451	7,165	441,172
Local Revenues	19,530	26,185	20,751	21,442	691	(4,743)	1,912
Fundraising and Grants	38,601	27,854	31,946	38,601	6,655	10,747	-
Total Revenue	**2,041,486**	**6,860,071**	**6,933,179**	**6,925,805**	**(7,374)**	**65,734**	**4,884,318**
Expenses							
Compensation and Benefits (excl adjustment)	2,334,352	3,723,254	3,727,154	3,729,571	(2,417)	(6,316)	1,440,347
Books and Supplies	792,684	829,376	971,640	974,105	(2,465)	(144,729)	181,420
Services and Other Operating Expenditures	1,249,720	2,087,914	2,190,892	2,174,928	15,965	(87,014)	925,208
Depreciation	264,823	373,813	373,813	373,813	-	-	108,991
Total Expenses	**4,641,579**	**7,014,357**	**7,263,499**	**7,252,416**	**11,083**	**(238,059)**	**2,655,966**
Operating Income Before One-Time Adjustment	**(2,600,093)**	**(154,287)**	**(330,320)**	**(326,612)**	**3,709**	**(172,325)**	**2,228,352**
One-Time Compensation Adjustment		(45,129)	(45,129)	(45,129)			
Operating Income (including adjustment)		**(199,416)**	**(375,449)**	**(371,741)**			
Fund Balance							
Beginning Balance (Unaudited)	8,291,101	8,212,887	8,291,101	8,291,101			
Audit Adjustment	7,820	-	7,820	7,820			
Beginning Balance (Audited)	8,298,921	8,212,887	8,298,921	8,298,921			
Operating Income (including Depreciation)	(2,600,093)	(154,287)	(375,449)	(371,741)			
Ending Fund Balance	**5,698,828**	**8,058,600**	**7,923,472**	**7,927,180**			
Capital Outlay	**37,249**	**115,124**	**115,124**	**115,124**			
Total ADA		**606.0**	**612.7**	**612.7**		6.6	

If Magnolia uses cash on hand rather than a bridge to loan to fund construction until June, then MSA-SA will have a $32K reduction in expenses for loan fees. However, there will be a cash impact (see exhibits). Excluding the bridge loan, MSA-SA is forecasting a net loss of **($326,612)** before one-time adjustments and ($371,741) including adjustments; this is an increase of $3,709 from the previous forecast.

MAGNOLIA SCIENCE ACADEMY – SAN DIEGO

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	1,770,581	3,067,041	3,034,475	3,034,475	-	(32,566)	1,263,894
Federal Revenue	17,308	139,972	142,469	143,315	846	3,343	126,007
Other State Revenues	278,604	386,040	473,002	474,635	1,633	88,594	196,031
Local Revenues	73,333	88,597	88,597	88,597	-	-	15,264
Fundraising and Grants	25,112	23,827	23,827	25,112	1,284	1,284	-
Total Revenue	**2,164,937**	**3,705,478**	**3,762,370**	**3,766,133**	**3,763**	**60,656**	**1,601,196**
Expenses							
Compensation and Benefits (excl adjustme	1,469,886	2,158,964	2,158,964	2,160,322	(1,358)	(1,358)	790,369
Books and Supplies	100,816	180,455	183,955	183,955	-	(3,500)	83,140
Services and Other Operating Expenditures	689,004	1,181,986	1,322,273	1,322,372	(99)	(140,385)	633,368
Depreciation	29,746	39,460	39,460	39,460	-	-	9,714
Total Expenses	**2,289,451**	**3,560,866**	**3,704,652**	**3,706,109**	**(1,457)**	**(145,243)**	**1,516,592**
Operating Income Before One-Time Adjustment	**(124,514)**	**144,612**	**57,718**	**60,024**	**2,307**	**(84,588)**	**84,604**
One-Time Compensation Adjustment		(99,934)	(99,934)	(99,934)			
Operating Income (including adjustment)		**44,678**	**(42,216)**	**(39,910)**			
Fund Balance							
Beginning Balance (Unaudited)	1,173,620	1,053,661	1,173,620	1,173,620			
Audit Adjustment	960	-	960	960			
Beginning Balance (Audited)	1,174,581	1,053,661	1,174,581	1,174,581			
Operating Income (including Depreciation)	(124,514)	144,612	(42,216)	(39,910)			
Ending Fund Balance	**1,050,067**	**1,198,273**	**1,132,364**	**1,134,671**			
Capital Outlay	-	-	-	-			
Total ADA		**413.0**	**408.3**	**408.3**		-4.7	

SUMMARY OF RESULTS

Forecasting a net income of **$60,024** before one-time adjustments and an operating loss of ($39,910) including adjustments; this is an increase of $2,307 from the previous forecast.

VARIANCE ANALYSIS

Federal Revenue $846
Special education rate increase from $125 to $127 per prior year enrollment.

Other State Revenue $1,633
Special education rate increase of $503 per ADA to $507 per ADA.

Donations/Fundraising $1,284
Donations and fundraising has exceeded the budget and increased to match actuals.

Compensation and Benefits (-$1,358)
Hourly employees are currently working more hours than previously budgeted. Increased to match actual average hours worked.

Services and Operating (-$99)
Special education administrative fee increased with the increased revenue.

MSA-SD FORECAST – EXCLUDING BRIDGE LOAN

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
LCFF Entitlement	1,770,581	3,067,041	3,034,475	3,034,475	-	(32,566)	1,263,894
Federal Revenue	17,308	139,972	142,469	143,315	846	3,343	126,007
Other State Revenues	278,604	386,040	473,002	474,635	1,633	88,594	196,031
Local Revenues	73,333	88,597	88,597	88,597	-	-	15,264
Fundraising and Grants	25,112	23,827	23,827	25,112	1,284	1,284	-
Total Revenue	**2,164,937**	**3,705,478**	**3,762,370**	**3,766,133**	**3,763**	**60,656**	**1,601,196**
Expenses							
Compensation and Benefits (excl adjustme	1,469,886	2,158,964	2,158,964	2,160,322	(1,358)	(1,358)	790,369
Books and Supplies	100,816	180,455	183,955	183,955	-	(3,500)	83,140
Services and Other Operating Expenditures	689,004	1,181,986	1,322,273	1,257,634	64,639	(75,647)	568,630
Depreciation	29,746	39,460	39,460	39,460	-	-	9,714
Total Expenses	**2,289,451**	**3,560,866**	**3,704,652**	**3,641,371**	**63,281**	**(80,505)**	**1,451,853**
Operating Income Before One-Time Adjustment	**(124,514)**	**144,612**	**57,718**	**124,763**	**67,045**	**(19,849)**	**149,343**
One-Time Compensation Adjustment		(99,934)	(99,934)	(99,934)			
Operating Income (including adjustment)		**44,678**	**(42,216)**	**24,829**			
Fund Balance							
Beginning Balance (Unaudited)	1,173,620	1,053,661	1,173,620	1,173,620			
Audit Adjustment	960	-	960	960			
Beginning Balance (Audited)	1,174,581	1,053,661	1,174,581	1,174,581			
Operating Income (including Depreciation)	(124,514)	144,612	(42,216)	24,829			
Ending Fund Balance	**1,050,067**	**1,198,273**	**1,132,364**	**1,199,409**			
Capital Outlay	-	-	-	-			
Total ADA		**413.0**	**408.3**	**408.3**		-4.7	

If Magnolia uses cash on hand rather than a bridge to loan to fund construction until June, then MSA-SD will have a $65K reduction in expenses for loan fees. However, there will be a cash impact (see exhibits). Excluding the bridge loan, MSA-SD is forecasting an operating income of **$124,763** before one-time adjustments and $24,829 including adjustments; this is an increase of $67,045 from the previous forecast.

MERF

	Actual YTD	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining
SUMMARY							
Revenue							
Local Revenues	4,234,301	6,410,367	6,411,617	6,414,502	2,885	4,135	2,180,201
Fundraising and Grants	86,850	150,000	150,000	150,000	-	-	63,150
Total Revenue	**4,321,150**	**6,560,367**	**6,561,617**	**6,564,502**	**2,885**	**4,135**	**2,243,352**
Expenses							
Compensation and Benefits (excl adjustmen	2,555,345	3,567,998	3,568,086	3,557,156	10,930	10,842	1,001,810
Books and Supplies	46,066	84,820	84,820	84,820	-	-	38,755
Services and Other Operating Expenditures	1,836,932	2,616,824	2,622,522	2,635,299	(12,777)	(18,475)	798,367
Depreciation	5,112	1,440	1,440	1,440	-	-	(3,672
Total Expenses	**4,443,455**	**6,271,082**	**6,276,868**	**6,278,715**	**(1,847)**	**(7,633)**	**1,835,259**
Operating Income Before One-Time Adjustment	**(122,305)**	**289,286**	**284,749**	**285,787**	**1,038**	**(3,498)**	**408,092**
One-Time Compensation Adjustment		-	-	-			
Operating Income (including adjustment)		**289,286**	**284,749**	**285,787**			
Fund Balance							
Beginning Balance (Unaudited)	(285,175)	(285,175)	(285,175)	(285,175)			
Audit Adjustment	284,225	284,225	284,225	284,225			
Beginning Balance (Audited)	(950)	(950)	(950)	(950)			
Operating Income	(122,305)	289,286	284,749	285,787			
Ending Fund Balance	**(123,255)**	**288,335**	**283,799**	**284,837**			

Summary of Results

Forecasting a net income of $285,787, an increase of $1,038 from the previous forecast

Variance Analysis

Other Local Revenue $2,885

Other Local revenue increased $2,885 as MERF was reimbursed for a late fee

Compensation and Benefits $10,930

Certificated employees reduced $2K as raises occurred in February, but were budgeted to occur in January. Classified salaries reduced $8K due to accrued vacation and payouts over-budgeted for an employee that left. Corresponding benefits savings of $1K.

Services and Operating (-$12,777)

Prior year expenses (not accrued) for Accord Education for MSA-SC.

ADA ANALYSIS

ADA drives revenue and decreases in enrollment or attendance can negatively affect the forecast. Below is a summary of sites and how their current ADA compares to the forecast. Since ADA is variable, with decreases usually seen during the second half of the year, the forecast is only updated with material changes.

Summary

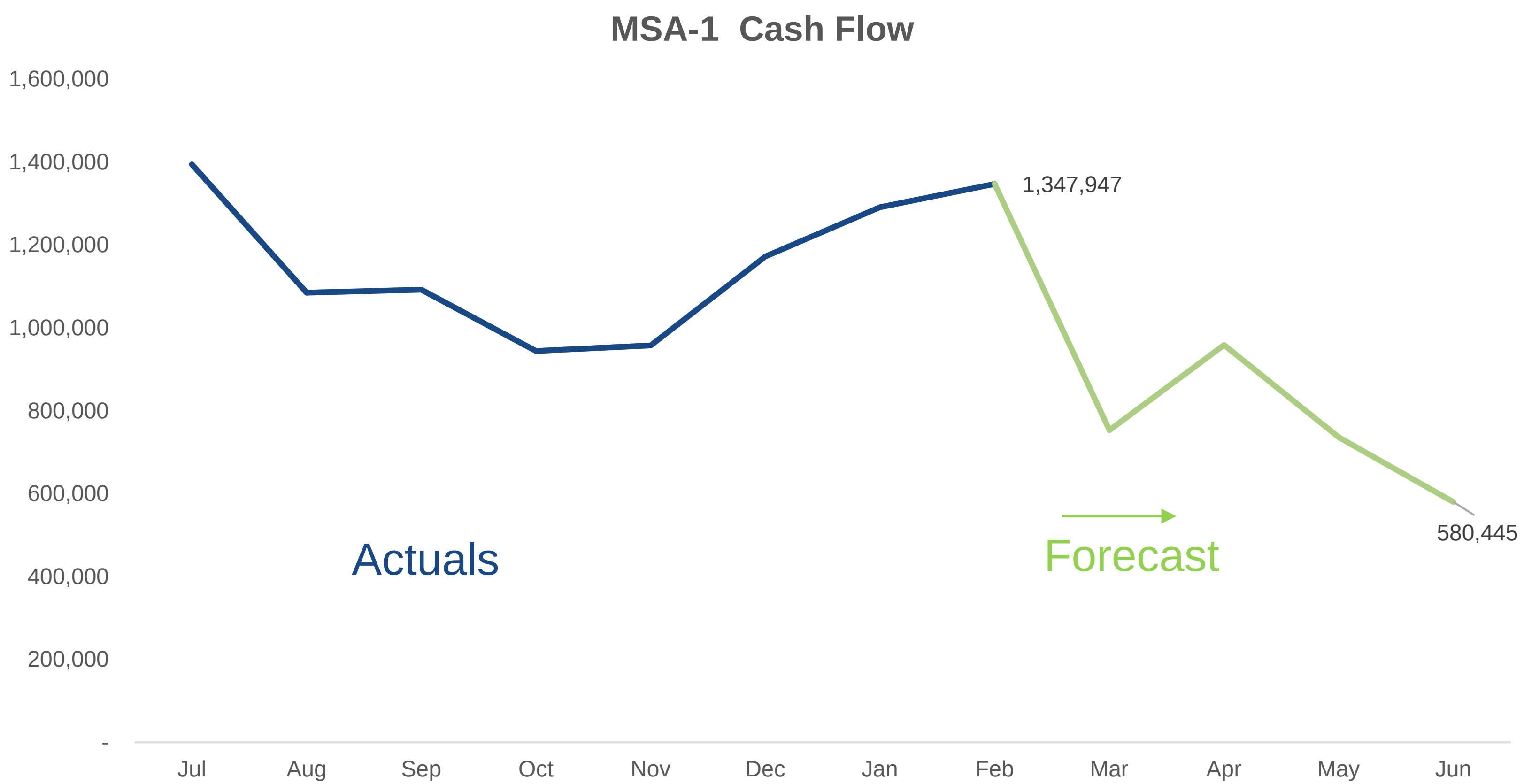
There will likely be a revenue increase as actual cumulative ADA is trending higher than the forecast.

Site	Forecasted ADA	Cumulative ADA	Variance
MSA-1	518.61	525.43	6.81
MSA-2	430.36	435.28	4.93
MSA-3	441.87	441.72	(0.16)
MSA-4	186.72	185.75	(0.96)
MSA-5	177.66	176.40	(1.26)
MSA-6	170.52	171.72	1.20
MSA-7	285.36	284.41	(0.95)
MSA-8	486.22	485.96	(0.25)
MSA-SA	612.65	612.12	(0.53)
MSA-SD	408.29	411.88	3.58
Total	**3,718.26**	**3,730.67**	**12.41**

Exhibits

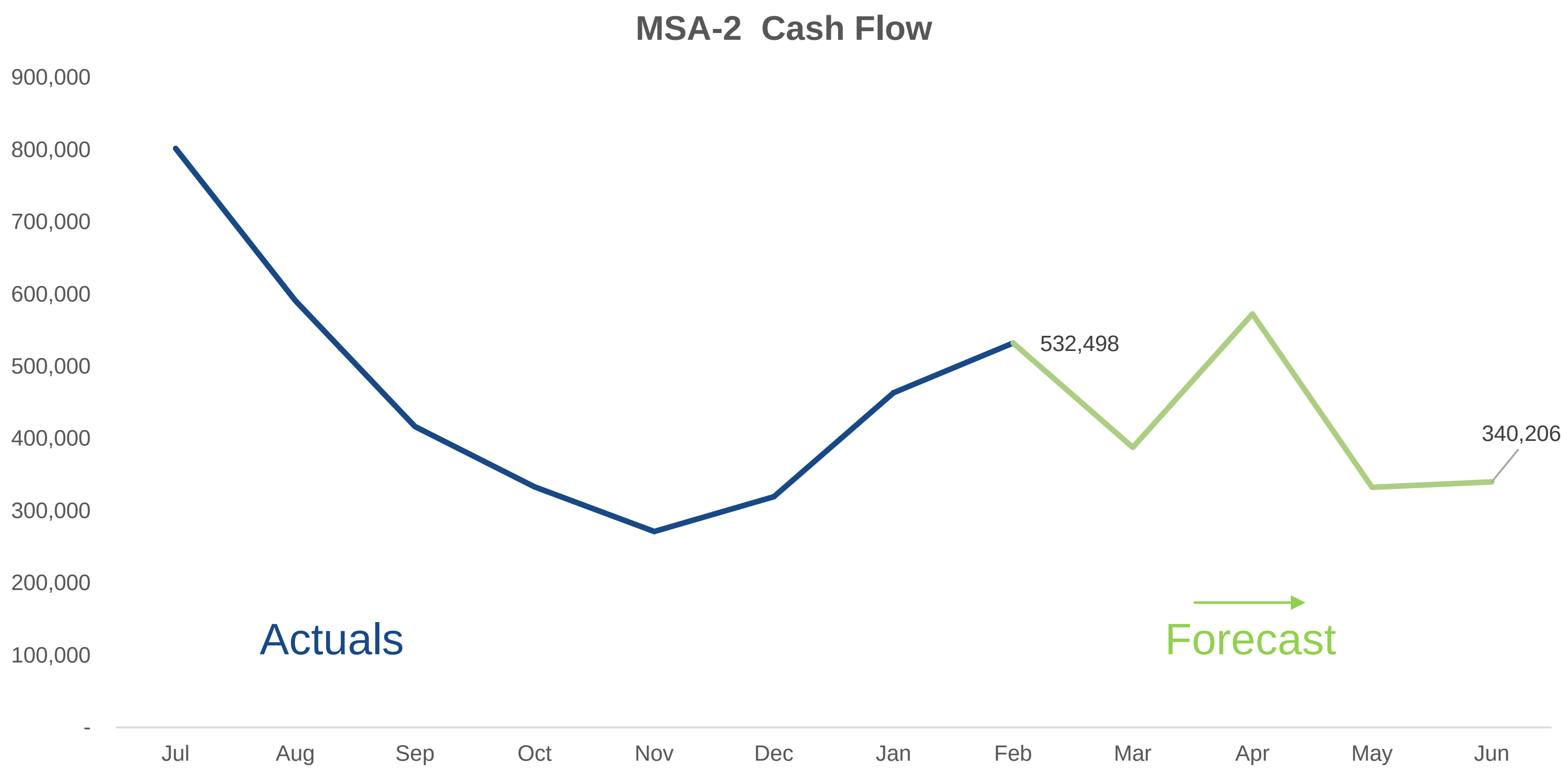
MSA-1 Cash Flow Forecast

Ending cash balance as of 02/28 was 1,347,947 and forecasted ending cash balance at 6/30 is $580,445



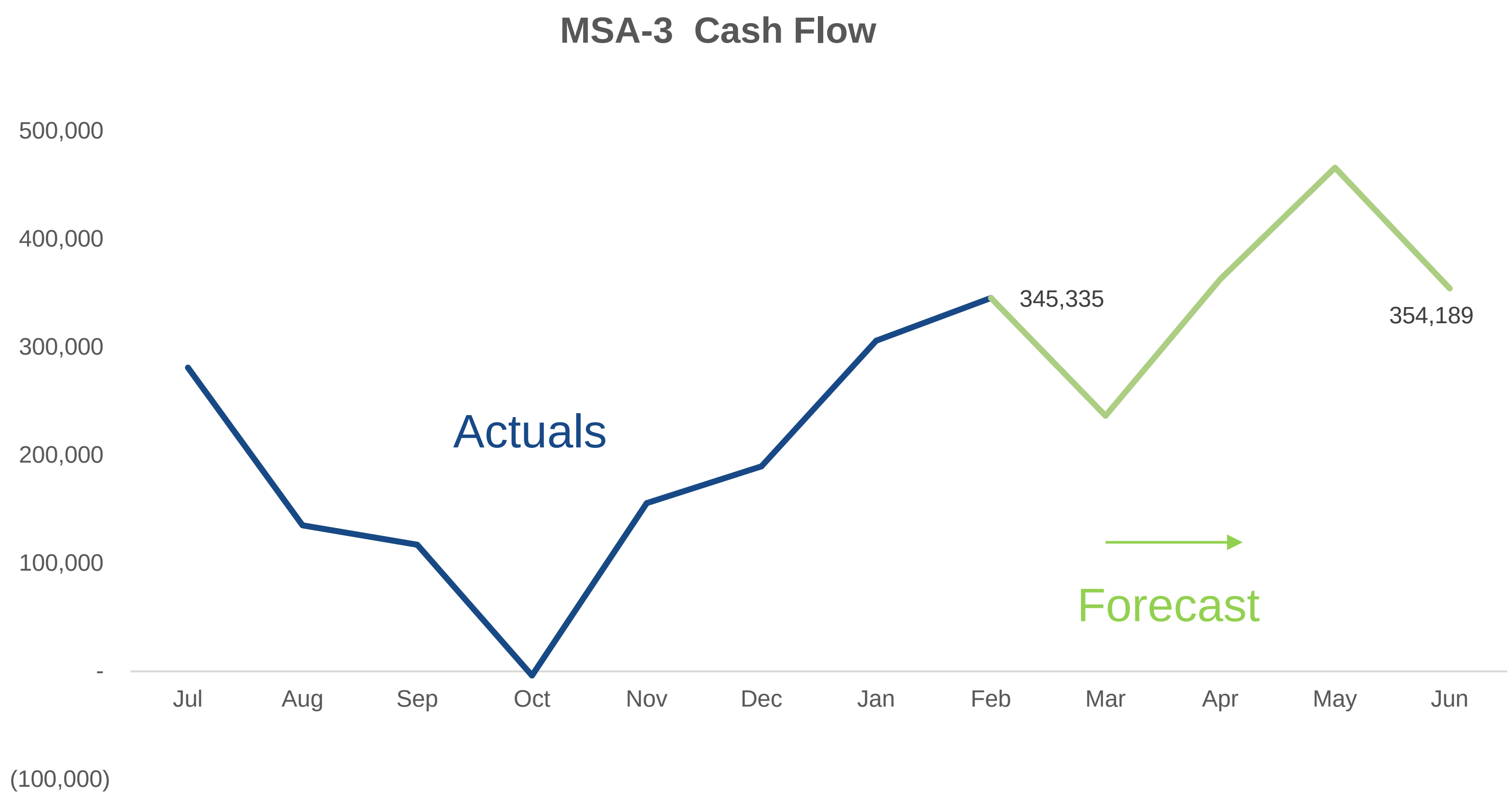
MSA-2 Cash Flow Forecast

Ending cash balance as of 02/28 was $532,498, and forecasted ending cash balance at 6/30 is $340,206



MSA-3 Cash Flow Forecast

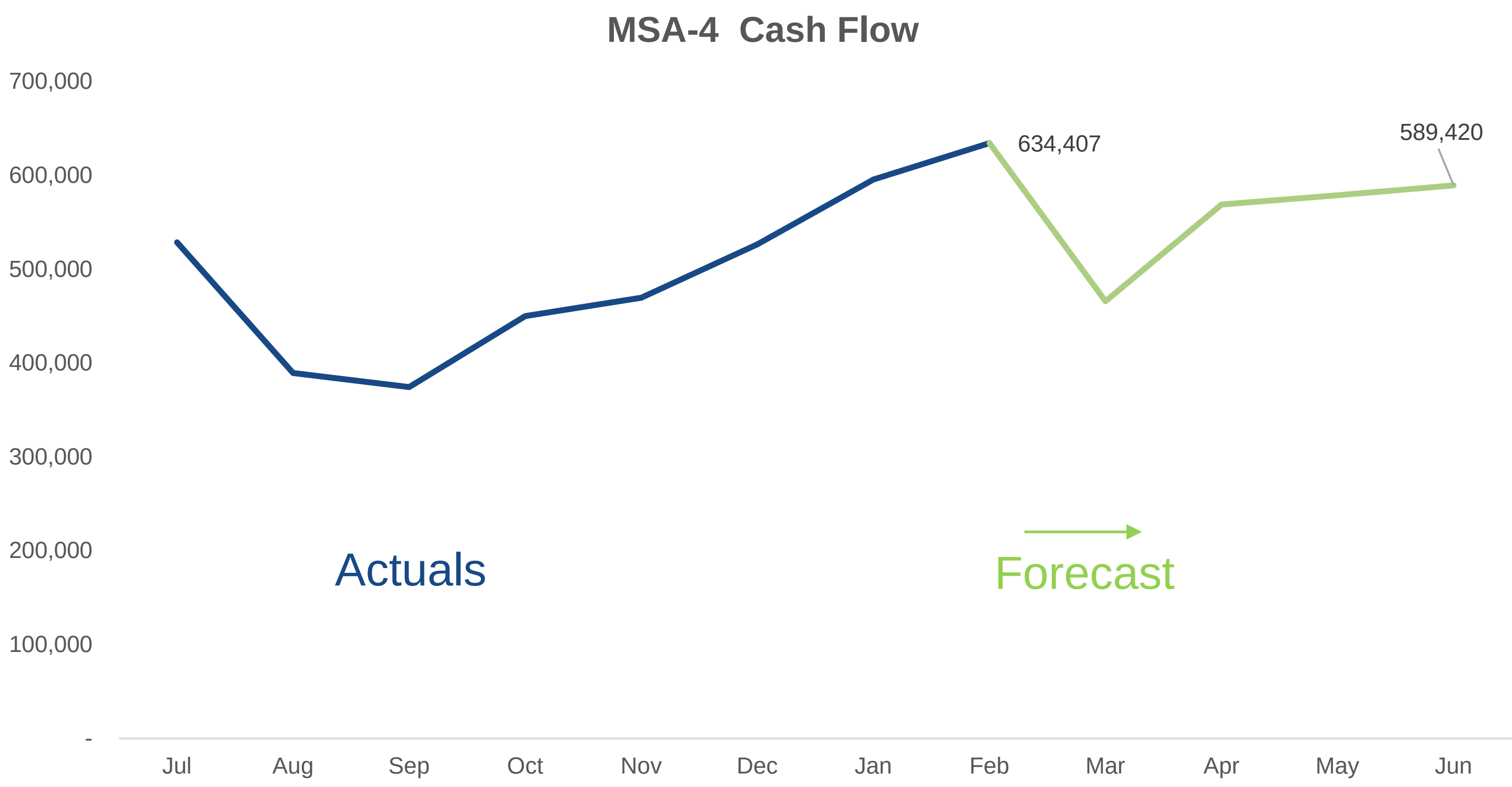
Ending cash balance as of 02/28 was $345,335 and forecasted ending cash balance at 6/30 is $354,189



edtec

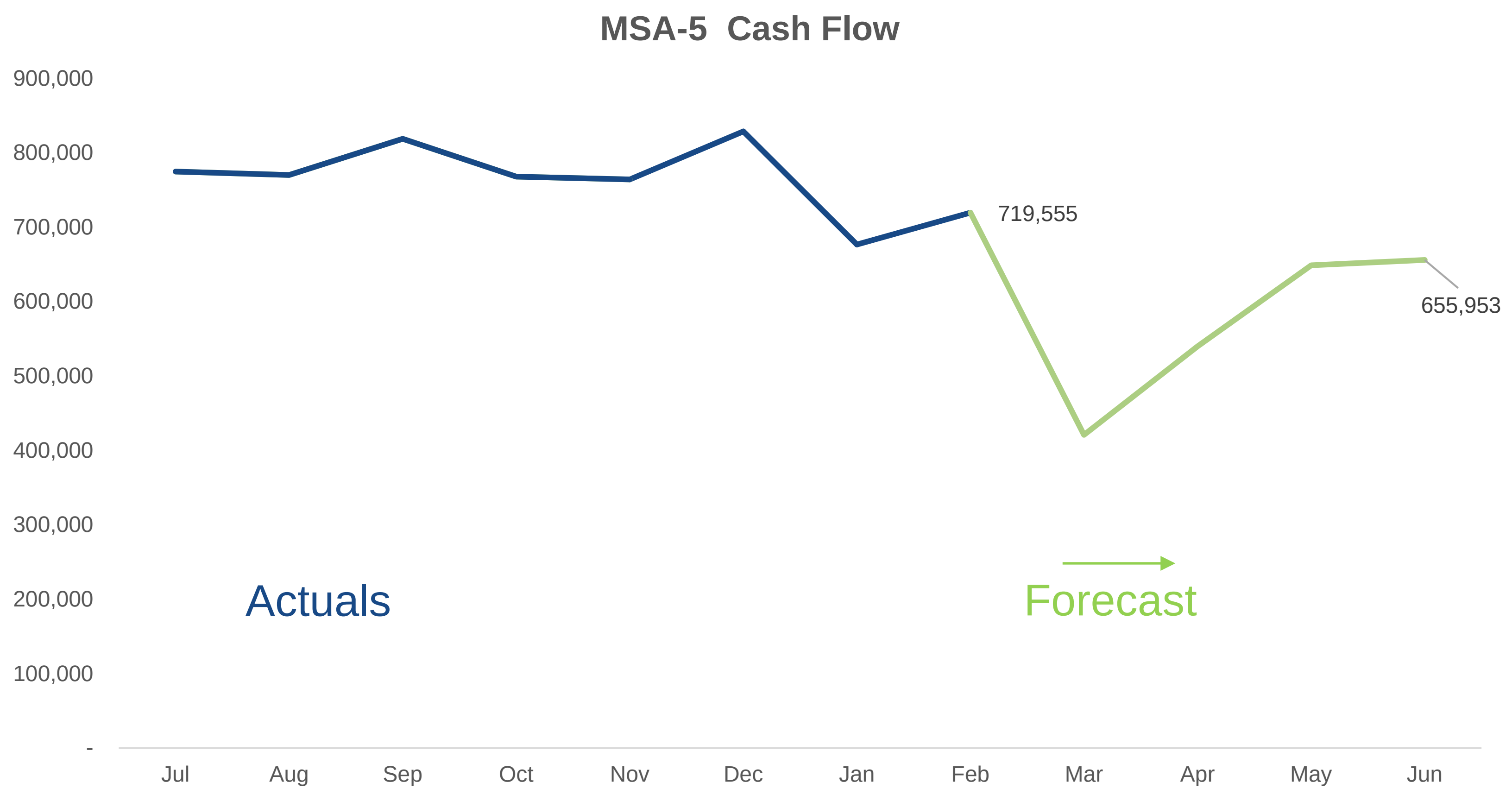
MSA-4 Cash Flow Forecast

Ending cash balance as of 02/28 was $634,407, and forecasted ending cash balance as of 6/30 is $589,420



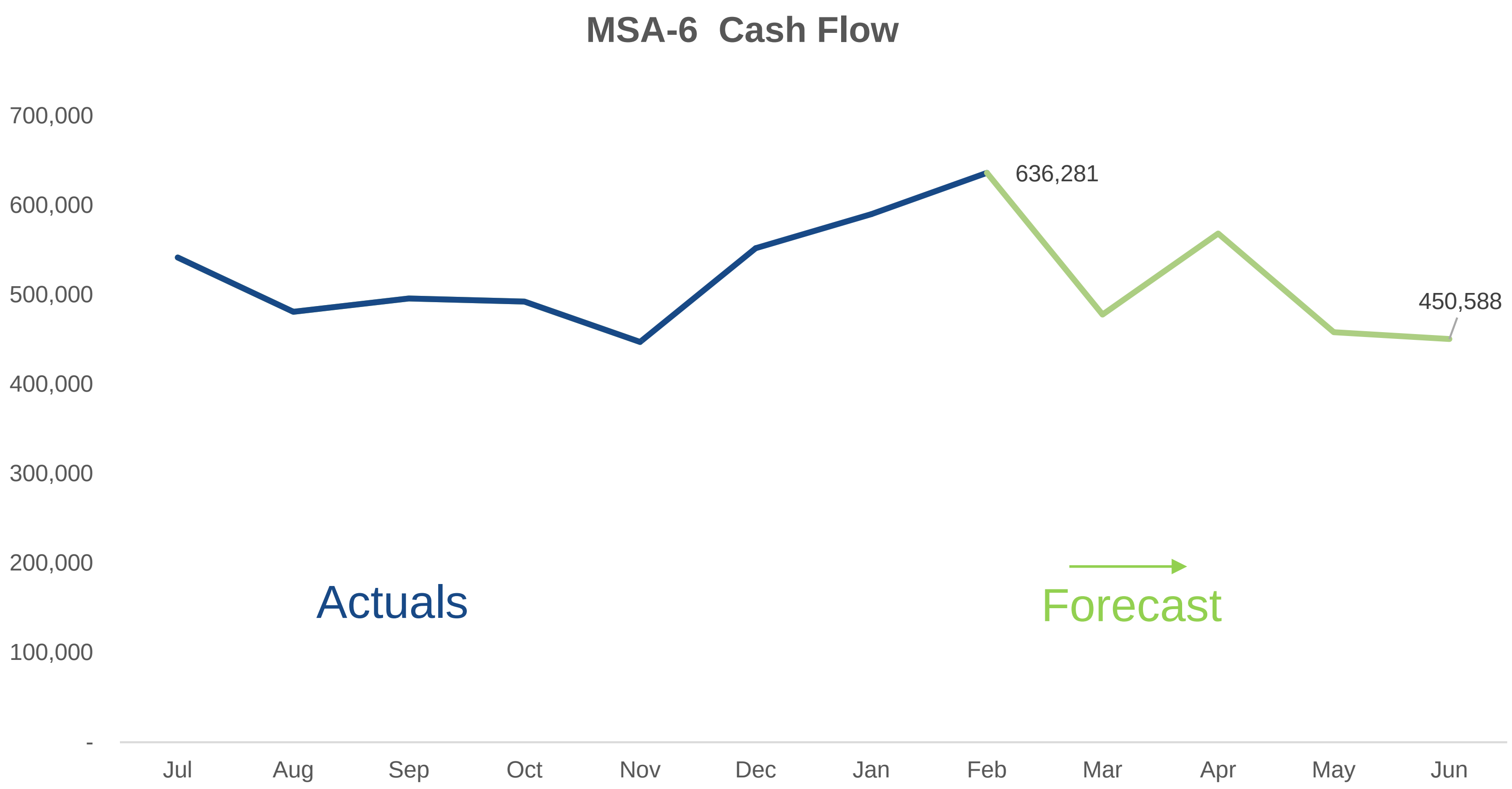
MSA-5 Cash Flow Forecast

Ending cash balance as of 02/28 was $719,555 and forecasted ending cash balance as of 6/30 is $655,953



MSA-6 Cash Flow Forecast

Ending cash balance as of 02/28 was $636,281 and forecasted ending cash balance as of 6/30 is $450,588



edtec

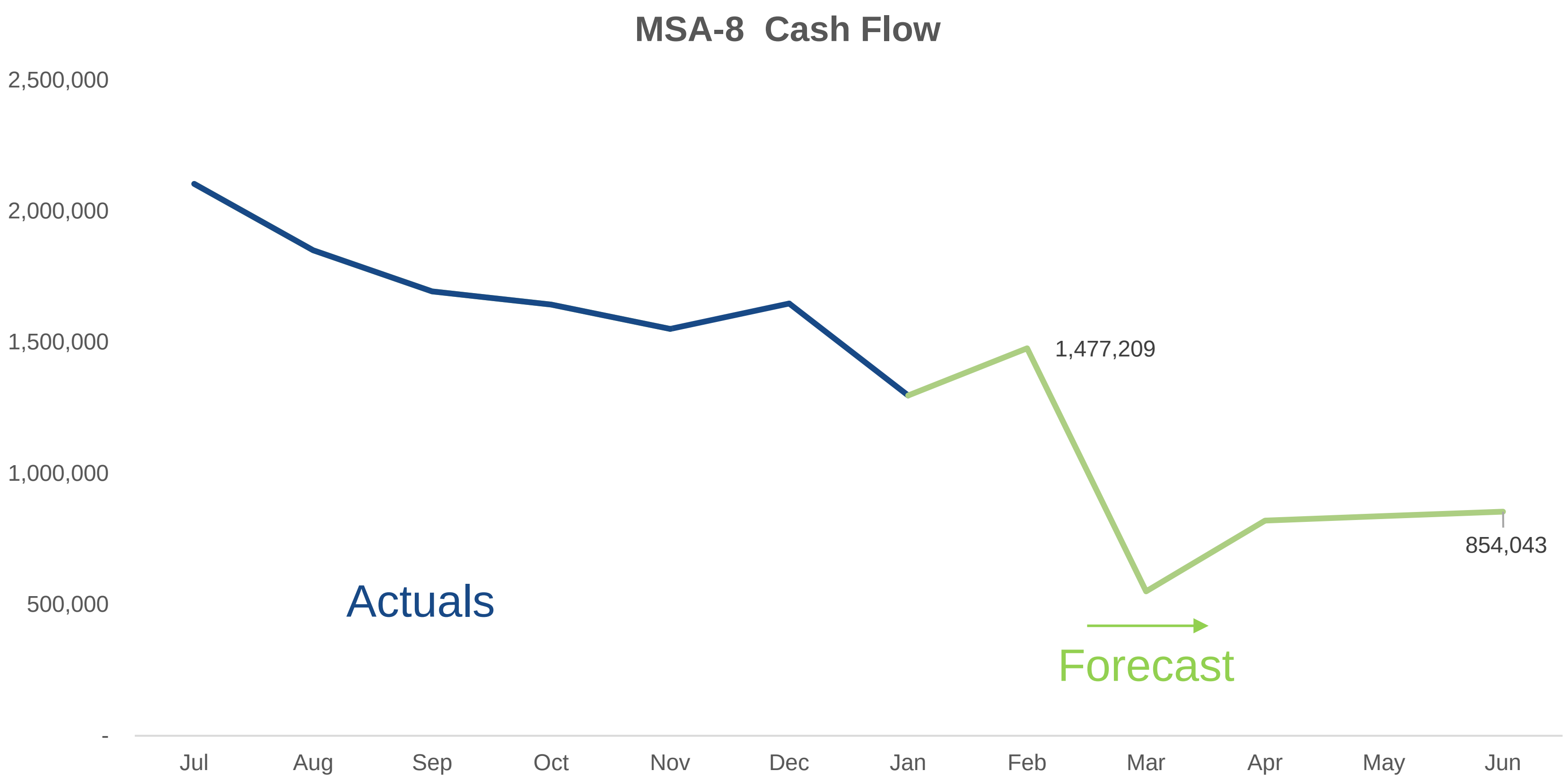
MSA-7 Cash Flow Forecast

Ending cash balance as of 02/28 was $540,052 and forecasted ending cash balance as of 6/30 is $444,885

edtec

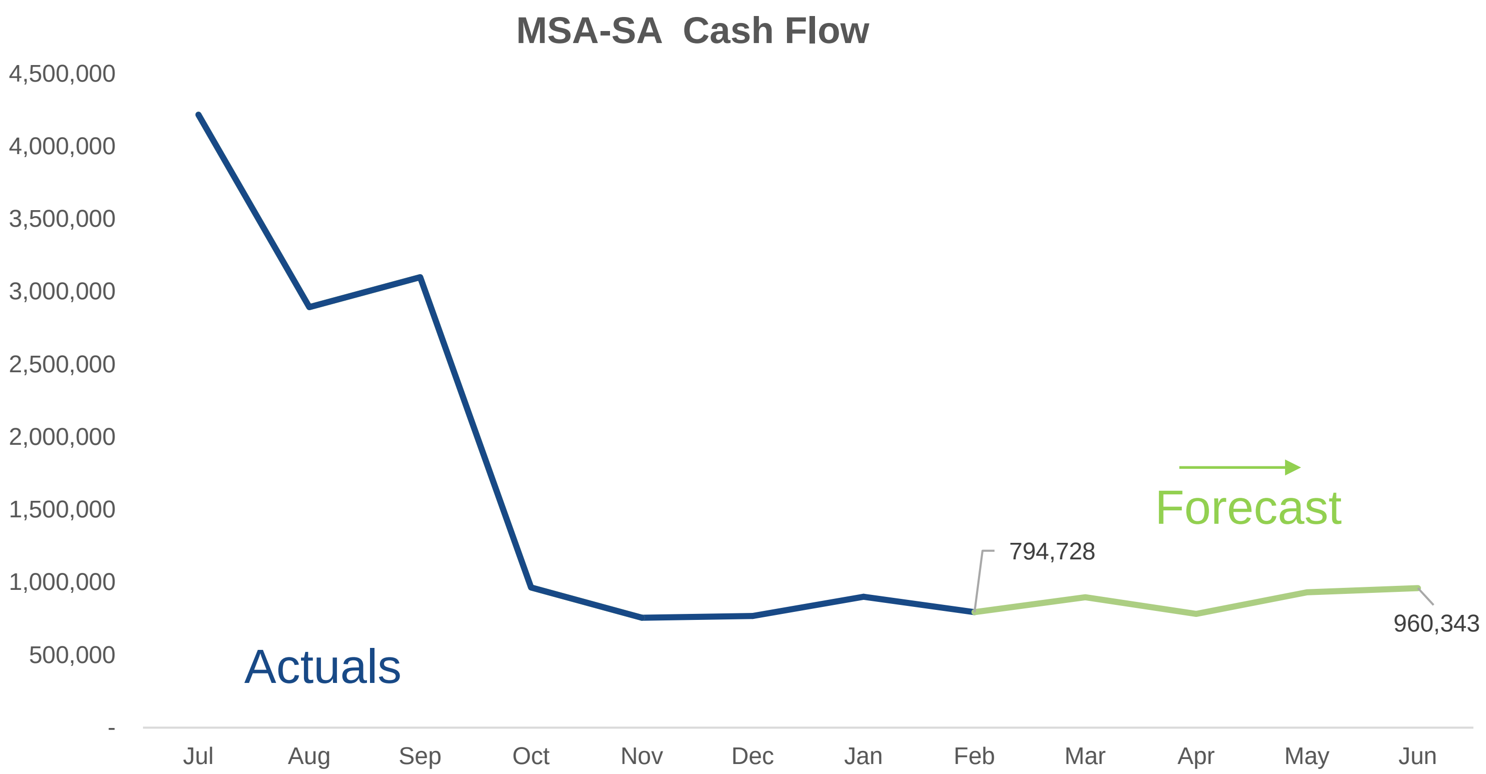
MSA-8 Cash Flow Forecast

Ending cash balance as of 02/28 was $1,477,209 and forecasted ending cash balance as of 6/30 is $854,043



MSA-SA Cash Flow Forecast

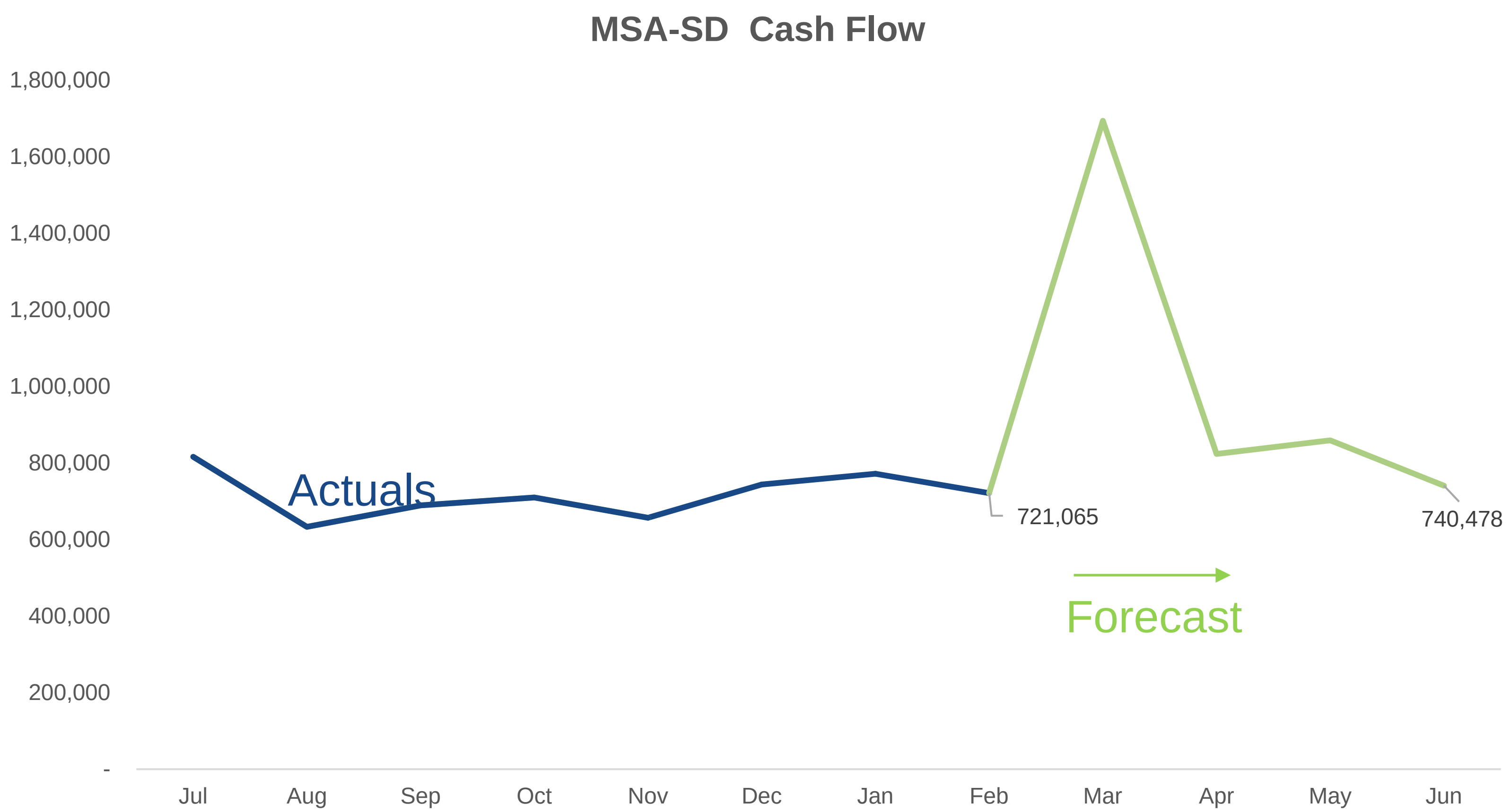
Ending cash balance as of 02/28 was $794,728, and forecasted ending cash balance as of 6/30 is $960,343



Operating cash balance at 02/28 is $668,451 and Prop 1D cash balance is $126,277

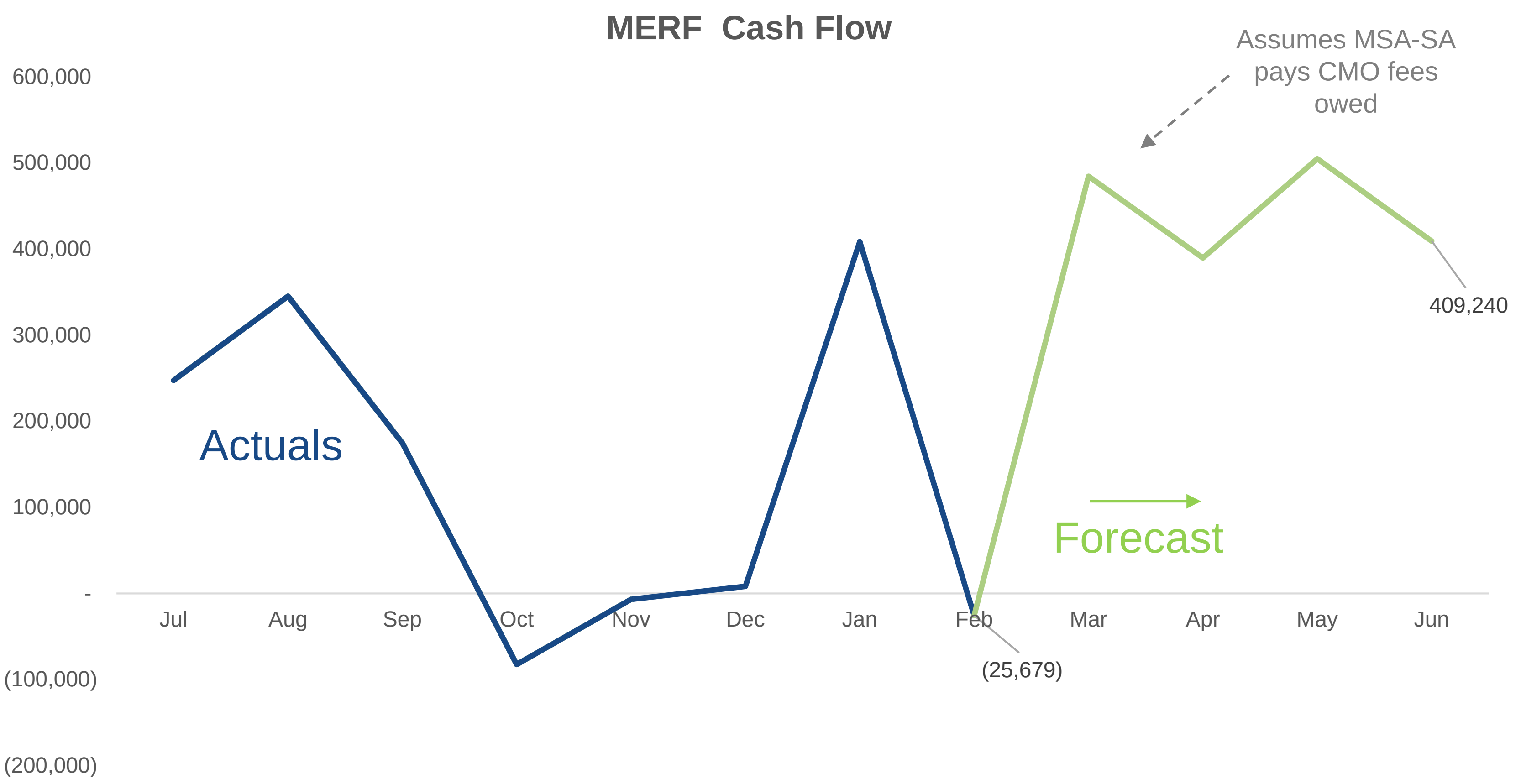
MSA-SD Cash Flow Forecast

Ending cash balance as of 02/28 was $721,065 and forecasted ending cash balance as of 6/30 is $740,478



MERF Cash Flow Forecast

Ending cash balance as of 02/28 was ($25,679) and forecasted ending cash balance as of 6/30 is $409,240



Balance Sheet

Assets as of 02/28 totaled $38.6 Million

	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SC	MSA-SD	MERF	Total
							2/28/2017						
Assets													
Cash Balances	$ 1,347,947	$ 532,498	$ 345,335	$ 634,407	$ 719,555	$ 636,281	$ 540,052	$ 1,477,209	$ 794,728	$ -	$ 721,065	$ (25,679)	**$ 7,723,397**
Accounts Receivable	45,938	40,511	39,158	15,747	19,148	14,830	24,565	42,023	41,407	201,615	34,261	99,216	**$ 618,419**
Prepaids Deposits	39,035	-	-	-	-	-	4,000	-	19,690	56,590	25,000	16,000	**$ 160,315**
Fixed Assets, Net	3,591,644	161,350	73,544	58,000	(4,554)	62,155	16,584	95,258	17,023,924	132,247	332,421	14,051	**$ 21,556,624**
Itercompany Receivable	661,718	248,834	404,985	203,595	431,481	450,000	423,611	1,598,820	14,523	36,886	156,325	3,918,496	**$ 8,549,274**
Total Assets	**$ 5,686,282**	**$ 983,194**	**$ 863,021**	**$ 911,749**	**$ 1,165,631**	**$ 1,163,265**	**$ 1,008,811**	**$ 3,213,310**	**$ 17,894,272**	**$ 427,337**	**$ 1,269,073**	**$ 4,022,084**	**$ 38,608,029**
Liabilities & Equity													
AP & Accrued Expenses	$ 196,692	$ 173,526	$ 145,861	$ 43,942	$ 86,996	$ 72,760	$ 149,970	$ 129,189	$ 196,422	$ 400,926	$ 65,503	$ 92,371	**$ 1,754,158**
Deferred Revenue	-	-	-	-	-	-	-	-	61,355	-	-	-	**$ 61,355**
Intercompany Balances Payable	4,810	6,090	103,912	146,301	25,064	93,791	139,082	2,694	3,238,761	747,883	1,698	4,039,189	**$ 8,549,274**
Loans and other payables	2,800,000	4,176	-	-	-	-	-	-	8,736,156	35,646	151,806	13,778	**$ 11,741,562**
Temporarily Restricted	120,195	93,549	102,835	72,231	53,216	64,308	73,273	99,897	5,842,987	85,451	187,098	-	**$ 6,795,041**
Beginning Net Assets - Audited	3,040,218	1,047,401	872,587	590,260	1,024,300	881,130	874,080	2,870,950	2,455,934	(817,028)	987,482	(950)	**$ 13,826,363**
Net Income (Loss) to Date	(475,633)	(341,548)	(362,174)	59,015	(23,946)	51,276	(227,593)	110,581	(2,637,342)	(25,540)	(124,514)	(122,305)	**$ (4,119,724)**
Total Liabilities & Equity	**$ 5,686,282**	**$ 983,194**	**$ 863,021**	**$ 911,749**	**$ 1,165,631**	**$ 1,163,265**	**$ 1,008,811**	**$ 3,213,310**	**$ 17,894,272**	**$ 427,337**	**$ 1,269,073**	**$ 4,022,084**	**$ 38,608,029**

Intercompany borrowing at $8.5M as of 02/28

edtec

Intercompany Balances

Total <u>Cumulative</u> Intercompany Receivable/Payable is $8.55M at 02/28

Intercompany Borrowing (excluding CMO Fees)

Due From	Due To											
	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SC	MSA-SD	MERF
MSA-1		-	-	1,837.66	-	-	-	-	2,254.67	-	-	717.31
MSA-2	-		-	1,490.34	2,179.78	-	-	-	-	-	2,419.98	-
MSA-3	-	-		-	-	-	-	-	2,387.13	-	2,411.47	99,113.52
MSA-4	-	-	15,343.10		-	-	-	-	2,061.37	-	-	-
MSA-5	-	-	15,343.10	-		-	-	-	-	2,857.26	5,233.30	1,630.42
MSA-6	-	-	15,343.10	-	-		-	-	-	669.38	-	817.80
MSA-7	-	-	15,343.10	-	-	-		-	-	790.99	-	122,947.42
MSA-8	-	-	-	-	-	-	-		-	2,002.49	-	691.70
MSA-SA	-	-	-	-	200,000.00	50,000.00	100,000.00	137,500.00		14,120.98	-	2,076,628.35
MSA-SC	-	-	-	-	-	-	-	-	-		-	747,883.01
MSA-SD	-	-	-	-	-	-	-	-	-	-		1,697.54
MERF	439,339.59	131,205.04	-	200,266.75	100,000.00	400,000.00	-	1,175,258.59	7,819.75	16,444.42	959.83	

Prepaid CMO Fee and (Payables)

MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SD
222,378	117,629	343,613	(128,896)	129,302	(76,961)	323,611	286,062	(660,511)	145,301

edtec

Intercompany Balances

Total current year FY16-17 intercompany borrowing totals $4.9M

Intercompany Borrowing (excluding CMO Fees)

	Due To											
Due From	MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SC	MSA-SD	MERF
MSA-1		-	-	-	-	-	-	-	-	-	-	717
MSA-2	-		-	-	-	-	-	-	-	-	-	-
MSA-3	-	-		-	-	-	-	-	1,883	-	-	1,355
MSA-4	-	-	15,343		-	-	-	-	2,061	-	-	-
MSA-5	-	-	15,343	15,343		-	-	-	-	-	-	1,630
MSA-6	-	-	15,343	15,343	-		-	-	-	-	-	818
MSA-7	-	-	15,343	15,343	-	-		-	-	-	-	2,947
MSA-8	-	-	-	-	-	-	-		-	-	-	692
MSA-SA	-	-	-	-	200,000	50,000	100,000	137,500		-	-	1,380,000
MSA-SC	-	-	-	-	-	-	-	-	-		-	18,915
MSA-SD	-	-	-	-	-	-	-	-	-	-		-
MERF	106,431	4,793	-	-	-	100,000	-	562,500	7,820	16,444	960	

Prepaid CMO Fee and (Payables)

MSA-1	MSA-2	MSA-3	MSA-4	MSA-5	MSA-6	MSA-7	MSA-8	MSA-SA	MSA-SD
337,756	360,010	44,391	25,332	25,332	25,332	211,097	337,756	(600,511)	145,301

Balance Sheet - Cumulative

YTD Change from 6/30/16

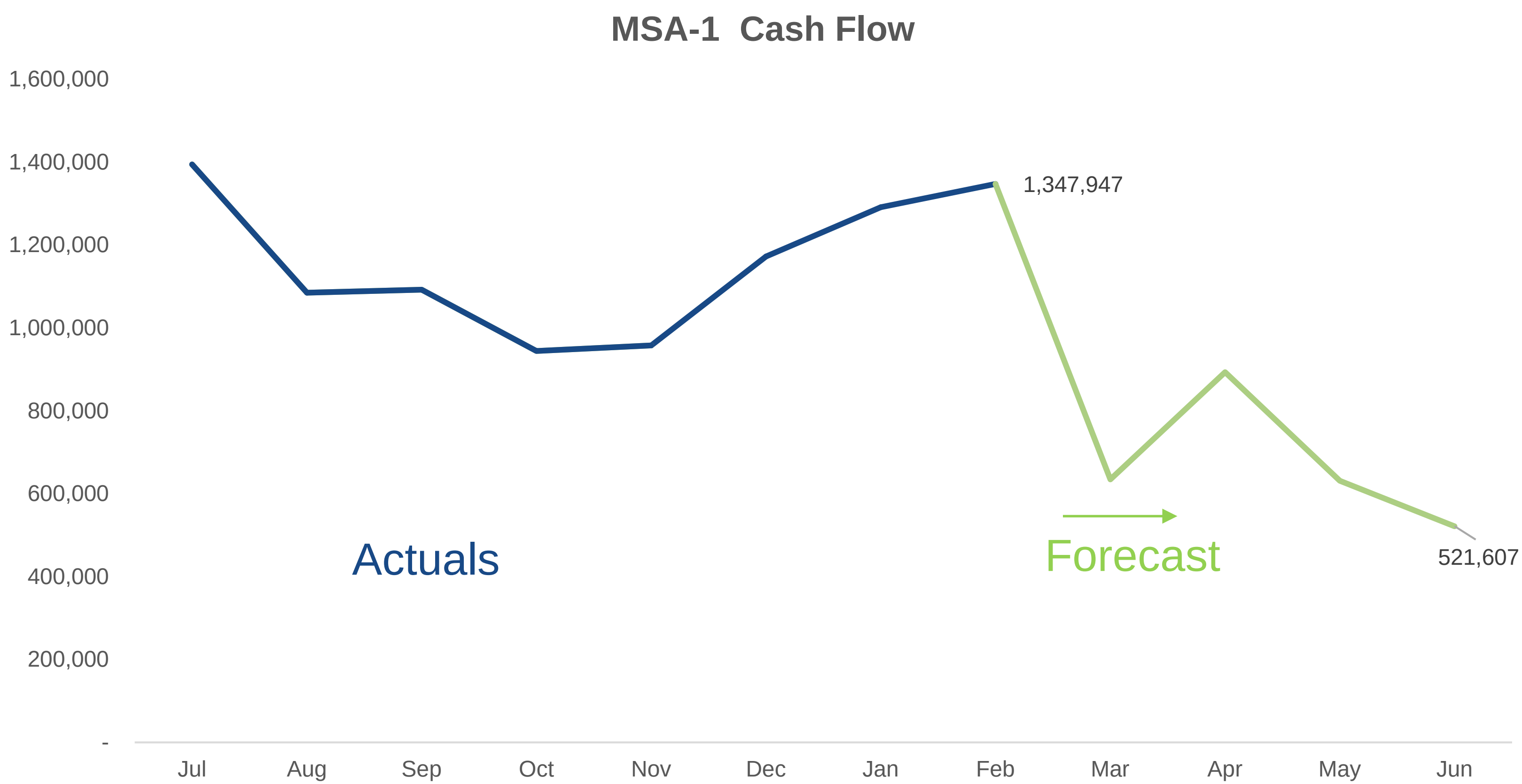
	2/28/2017	6/30/2016	YTD Change
Assets			
Cash Balances	$ 7,723,397	$14,371,421	$(6,648,024)
Accounts Receivable	618,419	4,447,242	(3,828,823)
Prepaids Deposits	160,315	144,150	16,165
Fixed Assets, Net	21,556,624	16,692,757	4,863,867
Intercompany Receivable	8,549,274	4,831,068	3,718,206
Total Assets	**$38,608,029**	**$40,486,638**	**$(1,878,610)**
Liabilities & Equity			
AP & Accrued Expenses	$ 1,754,158	$ 3,178,148	$(1,423,991)
Deferred Revenue	61,355	61,355	-
Intercompany Balances Payable	8,549,274	4,831,068	3,718,206
Loans and other payables	11,741,562	11,794,663	(53,101)
Temporarily Restricted	6,795,041	6,795,758	(717)
Beginning Net Assets - Audited	13,826,363	5,845,609	7,980,755
Net Income (Loss) to Date	(4,119,724)	7,980,037	(12,099,761)
Total Liabilities & Equity	**$38,608,029**	**$40,486,638**	**$(1,878,610)**

edtec

Cash Flow Excluding Bridge

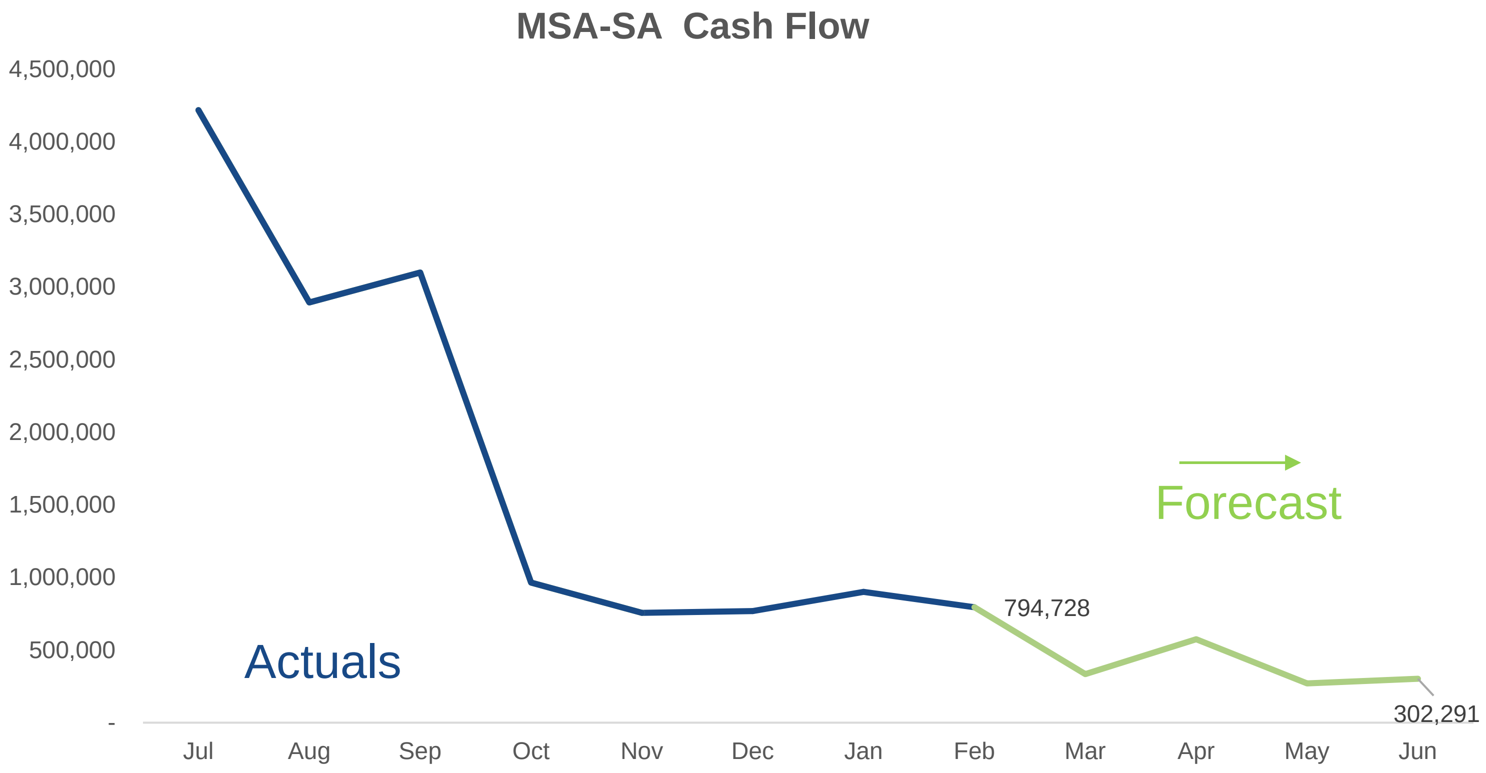
MSA-1 Cash Flow Forecast

Ending cash balance as of 02/28 was 1,347,947 and forecasted ending cash balance at 6/30 is $521,607



MSA-SA Cash Flow Forecast

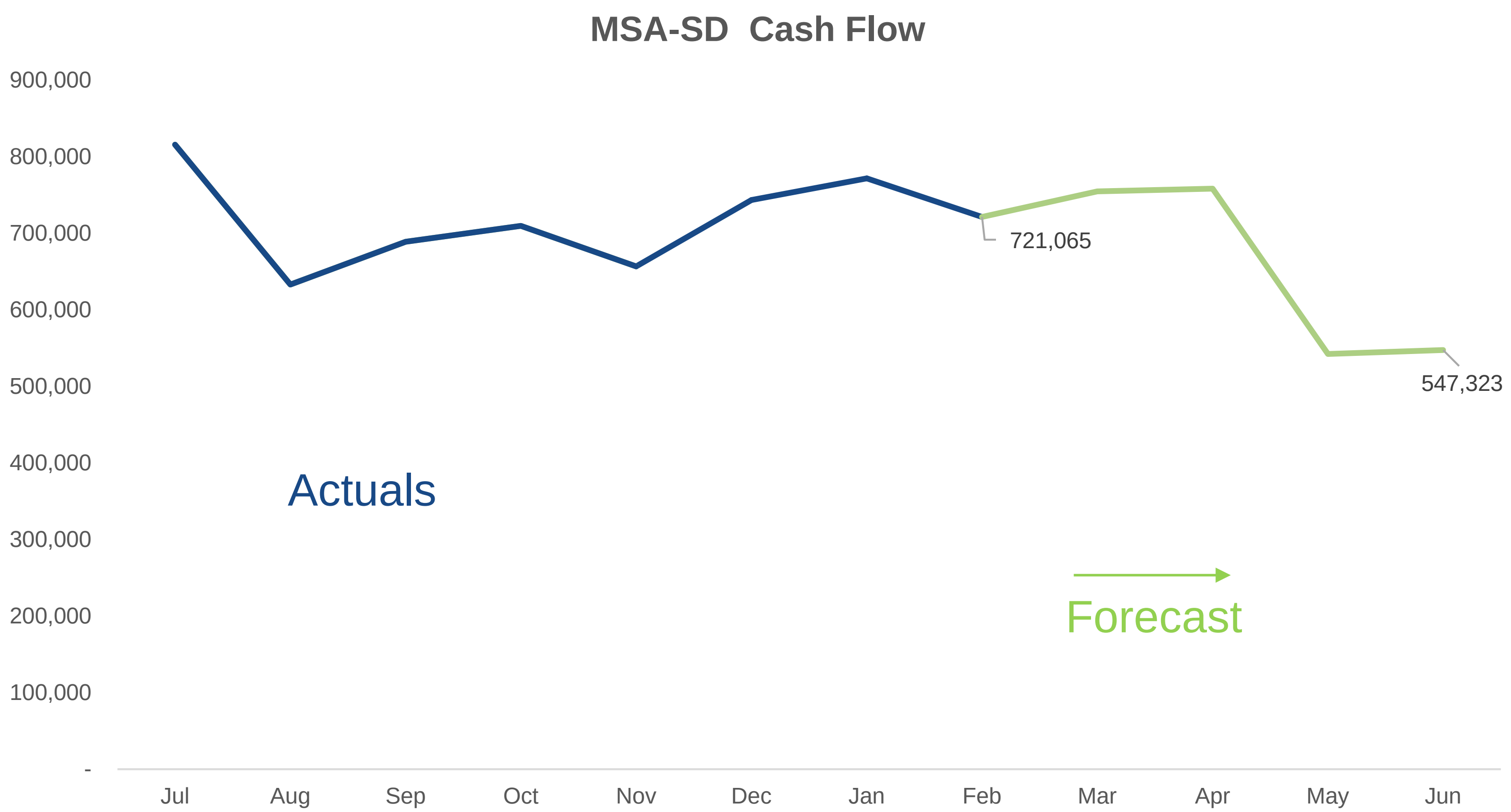
Ending cash balance as of 02/28 was $794,728, and forecasted ending cash balance as of 6/30 is $302,291



Operating cash balance at 02/28 is $668,451 and Prop 1D cash balance is $126,277

MSA-SD Cash Flow Forecast

Ending cash balance as of 02/28 was $721,065 and forecasted ending cash balance as of 6/30 is $547,323



MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED
Board Approved Budget vs. Current Forecast

	Approved Budget July/Sept 2016	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
				Budget		
SUMMARY						
Revenue						
LCFF Entitlement	33,973,830	34,523,569	34,542,159	34,548,951	6,792	25,382
Federal Revenue	3,351,379	4,434,404	4,354,839	4,245,550	(109,289)	(188,854)
Other State Revenues	4,188,588	5,466,121	5,394,334	5,418,165	23,831	(47,956)
Local Revenues	6,682,886	7,080,455	7,136,223	7,129,856	(6,367)	49,401
Fundraising and Grants	382,518	386,755	390,846	398,786	7,939	12,031
Total Revenue	**48,579,200**	**51,891,304**	**51,818,402**	**51,741,308**	**(77,094)**	**(149,996)**
Expenses						
Compensation and Benefits (excl adjustment)	25,599,982	26,871,597	26,818,223	26,856,697	(38,475)	14,900
Books and Supplies	3,270,502	3,780,627	3,931,159	4,000,675	(69,516)	(220,048)
Services and Other Operating Expenditures	17,681,744	18,434,384	18,593,534	18,588,395	5,139	(154,011)
Depreciation	823,259	804,525	804,525	804,525	-	-
Total Expenses	**47,375,486**	**49,891,132**	**50,147,440**	**50,250,292**	**(102,852)**	**(359,160)**
Operating Income Before One-Time Adjustment	**1,203,714**	**2,000,172**	**1,670,962**	**1,491,016**	**(179,946)**	**(509,156)**
One-Time Compensation Adjustment		(1,101,603)	(1,101,603)	(1,101,603)		
Operating Income (including adjustment)		**898,569**	**569,359**	**389,413**		
Fund Balance						
Beginning Balance (Unaudited)	20,766,592	20,749,323	20,749,323	20,749,323		
Audit Adjustment	284,225	(127,921)	(127,921)	(127,921)		
Beginning Balance (Audited)	21,050,817	20,621,401	20,621,401	20,621,401		
Operating Income (including Depreciation)	1,203,714	2,000,172	569,359	389,413		
Ending Fund Balance	**22,254,531**	**23,050,989**	**21,190,760**	**21,010,814**		
Capital Outlay	**13,743,061**	**1,050,224**	**841,899**	**841,899**		
Total ADA	**3679.5**	**3721.1**	**3718.3**	**3718.3**		

MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED

Board Approved Budget vs. Current Forecast

		Budget					
		Approved Budget July/Sept 2016	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
		-	-	-	-		
REVENUE							
		-	-	-	-		
LCFF Entitlement		-	-	-	-	-	-
8011	Charter Schools LCFF - State Aid	21,594,621	21,778,533	21,826,506	20,976,150	(850,356)	(802,383)
8012	Education Protection Account Entitlement	4,523,140	4,372,560	4,362,787	4,362,787	-	(9,774)
8019	State Aid - Prior Years	-	2,189	2,189	6,797	4,608	4,608
8096	Charter Schools in Lieu of Property Taxes	7,856,068	8,370,287	8,350,677	9,203,217	852,540	832,930
		-	-	-	-		
		-	-	-	-		
	SUBTOTAL - LCFF Entitlement	33,973,830	34,523,569	34,542,159	34,548,951	6,792	25,382
8100	**Federal Revenue**	-	-	-	-		
8181	Special Education - Entitlement	609,428	598,169	598,169	592,187	(5,983)	(5,983)
8220	Child Nutrition Programs	997,755	1,075,039	1,075,039	1,075,039	-	-
8291	Title I	1,086,273	1,252,125	1,270,788	1,270,788	-	18,663
8292	Title II	30,111	28,220	16,862	16,862	-	(11,358)
8293	Title III	52,733	39,962	50,886	50,886	-	10,924
8296	Other Federal Revenue	575,079	1,213,404	1,113,983	1,010,677	(103,306)	(202,727)
		-	-	-	-		
	SUBTOTAL - Federal Income	3,351,379	4,434,404	4,354,839	4,245,550	(109,289)	(188,854)
8300	**Other State Revenues**	-	-	-	-		
8381	Special Education - Entitlement (State)	2,017,772	2,011,743	2,012,700	2,036,531	23,831	24,787
8520	Child Nutrition - State	78,970	87,157	87,157	87,157	-	-
8545	School Facilities Apportionments	798,803	853,901	663,585	663,585	-	(190,316)
8550	Mandated Cost Reimbursements	71,577	773,734	773,860	773,860	-	126
8560	State Lottery Revenue	595,378	703,294	702,751	702,751	-	(543)
8596	ASES	626,088	626,088	705,468	705,468	-	79,380
		-	-	-	-		
	SUBTOTAL - Other State Income	4,188,588	5,466,121	5,394,334	5,418,165	23,831	(47,956)
8600	**Other Local Revenue**	-	-	-	-		
8634	Food Service Sales	36,016	41,402	35,567	35,824	257	(5,578)
8682	Summer Program	85,000	188,744	188,744	188,744	-	-
8690	Other Local Revenue	55,111	118,897	120,247	123,823	3,576	4,926
8714	COP Option 3 Grants	98,446	236,047	295,834	295,834	-	59,787
		-	-	-	-		
	SUBTOTAL - Local Revenues	6,682,886	7,080,455	7,136,223	7,129,856	(6,367)	49,401

MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED
Board Approved Budget vs. Current Forecast

		Budget					
		Approved Budget July/Sept 2016	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
8800	**Donations/Fundraising**	-	-	-	-		
8801	Donations - Parents	17,818	5,200	5,200	5,200	-	-
8802	Donations - Private	242,200	249,698	250,790	249,544	(1,246)	(154)
		-	-	-	-		
	SUBTOTAL - Fundraising and Grants	382,518	386,755	390,846	398,786	7,939	12,031
TOTAL REVENUE		**48,579,200**	**51,891,304**	**51,818,402**	**51,741,308**	**(77,094)**	**(149,996)**

MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED

Board Approved Budget vs. Current Forecast

		Budget					
		Approved Budget July/Sept 2016	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
		-	-	-	-		
EXPENSES		-	-	-	-		
		-	-	-	-		
Compensation & Benefits		-	-	-	-		
		-	-	-	-		
Certificated Employees Summary		-	-	-	-		
1100	**Teachers Salaries**	12,048,705	12,766,612	12,743,789	12,751,305	(7,516)	15,307
1300	**Certificated Supervisor & Administrator Salaries**	3,441,125	3,957,465	3,948,461	3,988,866	(40,404)	(31,401)
		-	-	-	-		
	SUBTOTAL - Certificated Employees	**15,489,830**	**16,724,077**	**16,692,250**	**16,740,171**	**(47,920)**	**(16,094)**
Classified Employees Summary		-	-	-	-		
2400	**Classified Clerical & Office Salaries**	3,108,304	3,427,474	3,427,474	3,423,281	4,193	4,193
2900	**Classified Other Salaries**	1,492,408	1,755,721	1,742,845	1,730,661	12,184	25,059
		-	-	-	-		
	SUBTOTAL - Classified Employees	**4,600,712**	**5,183,195**	**5,170,319**	**5,153,943**	**16,376**	**29,252**
Employee Benefits Summary		-	-	-	-		
3100	**STRS**	1,853,927	2,070,689	2,063,341	2,067,978	(4,637)	2,711
3200	**PERS**	187,112	329,786	329,786	338,463	(8,678)	(8,678)
3300	**OASDI-Medicare-Alternative**	629,533	654,795	653,710	653,887	(177)	908
3400	**Health & Welfare Benefits**	2,501,888	2,590,166	2,590,365	2,583,425	6,941	6,741
3500	**Unemployment Insurance**	21,697	80,555	80,620	80,644	(25)	(90)
3600	**Workers Comp Insurance**	225,995	246,676	246,173	246,528	(355)	148
		-	-	-	-		
	SUBTOTAL - Employee Benefits	**5,509,440**	**6,065,928**	**6,057,256**	**6,064,187**	**(6,930)**	**1,741**

MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED
Board Approved Budget vs. Current Forecast

		Approved Budget July/Sept 2016	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
		Budget					
4000	**Books & Supplies**	-	-	-	-		
4100	Approved Textbooks & Core Curricula Materials	461,390	642,125	633,125	637,852	(4,727)	4,273
4200	Books & Other Reference Materials	112,000	63,543	63,543	61,639	1,903	1,903
4315	Custodial Supplies	54,077	71,077	70,077	70,077	-	1,000
4320	Educational Software	170,000	155,988	156,688	159,153	(2,465)	(3,165)
4325	Instructional Materials & Supplies	254,860	225,936	230,236	230,623	(387)	(4,687)
4326	Art & Music Supplies	24,200	33,700	33,700	33,530	170	170
4330	Office Supplies	149,599	191,600	201,600	199,280	2,320	(7,680)
4345	Non Instructional Student Materials & Supplies	111,743	82,685	82,585	82,085	500	600
4346	Teacher Supplies	13,650	24,137	24,137	26,238	(2,101)	(2,101)
4350	Uniforms	15,200	22,216	22,216	22,716	(500)	(500)
4400	Noncapitalized Equipment	77,025	95,707	98,812	99,590	(778)	(3,882)
4420	Computers (individual items less than $5k)	294,325	268,922	277,622	277,879	(257)	(8,957)
4430	Non Classroom Related Furniture, Equipment & Sup	50,300	58,779	56,188	56,188	-	2,591
4700	Food	1,350,673	1,649,802	1,643,676	1,703,948	(60,273)	(54,146)
4720	Other Food	67,700	112,400	115,900	116,900	(1,000)	(4,500)
		-	-	-	-		
	SUBTOTAL - Books and Supplies	**3,270,502**	**3,780,627**	**3,931,159**	**4,000,675**	**(69,516)**	**(220,048)**
5000	**Services & Other Operating Expenses**	-	-	-	-		
5101	Shared Management Fee - CMO	5,966,395	6,074,999	6,074,999	6,074,999	-	-
5102	Direct CMO Fee (Shared Staff)	276,455	310,263	310,263	310,263	-	-
5210	Conference Fees	126,605	96,605	90,659	91,305	(646)	5,300
5215	Travel - Mileage, Parking, Tolls	83,320	92,320	87,320	86,320	1,000	6,000
5220	Travel and Lodging	136,847	65,847	66,093	66,093	-	(246)
5300	Dues & Memberships	71,354	72,180	72,180	73,085	(905)	(905)
5450	Insurance - Other	218,420	202,208	202,208	202,208	-	-
5500	Operations & Housekeeping	112,493	298,077	296,077	311,077	(15,000)	(13,000)
5510	Utilities - Gas and Electric	208,880	297,452	297,452	282,452	15,000	15,000
5605	Equipment Leases	187,984	192,984	192,984	196,592	(3,608)	(3,608)
5610	Rent	2,268,574	2,022,203	2,002,717	1,975,198	27,519	47,005
5615	Repairs and Maintenance - Building	119,584	151,500	154,500	159,465	(4,964)	(7,964)
5617	Repairs and Maintenance - Other Equipment	18,500	16,500	16,500	16,500	-	-
5803	Accounting Fees	59,844	112,500	112,500	111,235	1,265	1,265
5809	Banking Fees	30,058	34,445	34,345	34,345	-	100
5813	School Programs - After School Program	639,693	644,693	726,073	726,073	-	(81,380)
5814	School Programs - Academic Competitions	19,108	20,214	22,454	22,454	-	(2,240)
5819	School Programs - Other	39,600	59,000	70,345	71,213	(867)	(12,213)

MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED
Board Approved Budget vs. Current Forecast

		Budget					
		Approved Budget July/Sept 2016	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
5820	Consultants - Non Instructional	167,077	125,100	120,100	124,100	(4,000)	1,000
5822	Other Professional Services	1,386,796	1,403,626	1,393,023	1,385,972	7,051	17,654
5824	District Oversight Fees	342,359	345,236	345,422	345,490	(68)	(254)
5830	Field Trips Expenses	208,765	216,765	210,765	211,500	(735)	5,265
5843	Interest - Loans Less than 1 Year	192,338	192,310	173,092	173,092	-	19,218
5845	Legal Fees	365,000	530,000	505,000	503,000	2,000	27,000
5851	Marketing and Student Recruiting	231,149	245,649	238,649	238,649	-	7,000
5852	Receivable Sale Fees	-	-	107,663	107,663	-	(107,663)
5857	Payroll Fees	185,461	196,311	186,827	186,827	-	9,484
5861	Prior Yr Exp (not accrued)	-	118,058	163,173	176,477	(13,304)	(58,419)
5863	Professional Development	637,275	744,175	718,175	714,167	4,008	30,008
5869	Special Education Contract Instructors	798,336	843,336	880,336	880,336	-	(37,000)
5872	Special Education Encroachment	419,086	433,480	433,518	431,403	2,115	2,076
5884	Substitutes	382,038	383,950	396,450	396,450	-	(12,500)
5887	Technology Services	531,336	588,116	588,116	586,116	2,000	2,000
5900	Communications	304,140	310,000	310,000	320,500	(10,500)	(10,500)
5915	Postage and Delivery	69,181	74,301	74,301	74,301	-	-
		-	-	-	-		
	SUBTOTAL - Services & Other Operating Exp.	**17,681,744**	**18,434,384**	**18,593,534**	**18,588,395**	**5,139**	**(154,011)**

MAGNOLIA PUBLIC SCHOOLS - CONSOLIDATED
Board Approved Budget vs. Current Forecast

		Budget					
		Approved Budget July/Sept 2016	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)
6000	**Capital Outlay**	-	-	-	-		
6100	Sites & Improvement of Sites	120,000	20,000	-	-	-	20,000
6400	Equipment	100,000	120,024	120,024	120,024	-	-
		-	-	-	-		
	SUBTOTAL - Capital Outlay	**13,743,061**	**1,050,224**	**841,899**	**841,899**	**-**	**208,325**
TOTAL EXPENSES		**60,295,289**	**51,238,435**	**51,286,418**	**51,389,270**	**(102,852)**	**(150,835)**
		-	-	-	-		
6900	**Total Depreciation (includes Prior Years)**	**823,259**	**804,525**	**804,525**	**804,525**	**-**	**-**
		-	-	-	-		
TOTAL EXPENSES including Depreciation		**47,375,486**	**50,992,735**	**51,249,043**	**51,351,895**	**(102,852)**	**(359,160)**

MAGNOLIA PUBLIC SCHOOLS - MSA-1
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	3,048,592	5,251,881	5,305,480	5,277,903	5,280,549	2,646	(24,931)	2,231,957	58%
Federal Revenue	270,983	695,788	1,202,884	1,218,991	1,215,445	(3,546)	12,561	944,462	22%
Other State Revenues	682,806	898,245	1,158,352	1,159,958	1,159,875	(84)	1,523	477,068	59%
Local Revenues	90,543	60,107	84,550	96,272	96,272	-	11,721	5,728	94%
Fundraising and Grants	30,070	56,000	69,360	69,360	69,360	-	-	39,289	43%
Total Revenue	**4,122,996**	**6,962,021**	**7,820,626**	**7,822,484**	**7,821,500**	**(984)**	**875**	**3,698,504**	**53%**
Expenses									
Compensation and Benefits (excl adjustment)	2,372,909	3,362,064	3,562,432	3,562,844	3,564,049	(1,206)	(1,618)	1,389,502	67%
Books and Supplies	338,778	539,025	647,387	647,387	647,387	-	-	308,609	52%
Services and Other Operating Expenditures	1,726,984	2,727,983	2,929,102	2,887,687	2,886,987	699	42,115	1,160,003	60%
Depreciation	121,176	181,768	146,166	146,166	146,166	-	-	24,990	83%
Total Expenses	**4,559,847**	**6,810,840**	**7,285,087**	**7,244,083**	**7,244,590**	**(506)**	**40,497**	**2,883,104**	**63%**
Operating Income Before One-Time Adjustment	**(436,851)**	**151,181**	**535,539**	**578,401**	**576,910**	**(1,490)**	**41,372**	**815,400**	**-76%**
One-Time Compensation Adjustment			(198,362)	(198,362)	(198,362)				
Operating Income (including adjustment)			**337,177**	**380,039**	**378,548**				
Fund Balance									
Beginning Balance (Unaudited)	3,197,834	3,197,834	3,197,834	3,197,834	3,197,834				
Audit Adjustment	(37,421)	-	-	(37,421)	(37,421)				
Beginning Balance (Audited)	3,160,413	3,197,834	3,197,834	3,160,413	3,160,413				
Operating Income (including Depreciation)	(436,851)	151,181	535,539	380,039	378,548				
Ending Fund Balance	**2,723,561**	**3,349,015**	**3,733,373**	**3,540,451**	**3,538,961**				**77%**
Capital Outlay	**38,781**	**100,000**	**540,000**	**540,000**	**540,000**				**7%**
Total ADA		**518.2**	**522.1**	**518.6**	**518.6**		-3.5		

MAGNOLIA PUBLIC SCHOOLS - MSA-1
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	1,933,300	3,526,381	3,549,577	3,533,611	3,466,709	(66,903)	(82,868)	1,533,409	56%
8012	Education Protection Account Entitlement	365,659	741,455	746,978	742,037	742,037	-	(4,941)	376,378	49%
8019	State Aid - Prior Years	1,404	-	504	504	1,404	900	900	-	100%
8096	Charter Schools in Lieu of Property Taxes	748,229	984,045	1,008,421	1,001,750	1,070,399	68,649	61,978	322,170	70%
	SUBTOTAL - LCFF Entitlement	3,048,592	5,251,881	5,305,480	5,277,903	5,280,549	2,646	(24,931)	2,231,957	58%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	72,393	104,677	103,560	103,560	100,014	(3,546)	(3,546)	27,621	72%
8220	Child Nutrition Programs	76,334	264,295	270,521	270,521	270,521	-	-	194,187	28%
8291	Title I	106,522	207,826	208,420	211,678	211,678	-	3,258	105,156	50%
8292	Title II	611	8,236	8,236	2,434	2,434	-	(5,802)	1,823	25%
8293	Title III	4,807	46,254	39,962	50,886	50,886	-	10,924	46,079	9%
8296	Other Federal Revenue	2,632	64,500	564,500	572,227	572,227	-	7,727	569,595	0%
8297	PY Federal - Not Accrued	2,554	-	2,554	2,554	2,554	-	-	-	100%
8299	All Other Federal Revenue	5,130	-	5,130	5,130	5,130	-	-	-	100%
	SUBTOTAL - Federal Income	270,983	695,788	1,202,884	1,218,991	1,215,445	(3,546)	12,561	944,462	22%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	2,555	-	295	2,555	2,555	-	2,259	-	100%
8381	Special Education - Entitlement (State)	211,386	294,859	292,124	292,124	292,041	(84)	(84)	80,654	72%
8520	Child Nutrition - State	6,563	22,591	23,543	23,543	23,543	-	-	16,980	28%
8545	School Facilities Apportionments	194,535	332,166	389,070	389,070	389,070	-	-	194,535	50%
8550	Mandated Cost Reimbursements	107,051	14,680	129,649	129,649	129,649	-	-	22,598	83%
8560	State Lottery Revenue	25,716	83,949	98,670	98,018	98,018	-	(653)	72,301	26%
8590	All Other State Revenue	37,500	-	75,000	75,000	75,000	-	-	37,500	50%
8596	ASES	97,500	150,000	150,000	150,000	150,000	-	-	52,500	65%
	SUBTOTAL - Other State Income	682,806	898,245	1,158,352	1,159,958	1,159,875	(84)	1,523	477,068	59%

MAGNOLIA PUBLIC SCHOOLS - MSA-1
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8634	Food Service Sales	5,166	7,000	7,000	7,000	7,000	-	-	1,835	74%
8682	Summer Program	34,822	13,600	34,822	34,822	34,822	-	-	-	100%
8690	Other Local Revenue	29,749	19,000	29,649	29,749	29,749	-	100	-	100%
8714	COP Option 3 Grants	20,807	20,507	13,080	24,701	24,701	-	11,621	3,894	84%
	SUBTOTAL - Local Revenues	90,543	60,107	84,550	96,272	96,272	-	11,721	5,728	94%
8800	**Donations/Fundraising**									
8801	Donations - Parents	19	2,750	2,750	2,750	2,750	-	-	2,731	1%
8802	Donations - Private	4,948	53,250	47,903	44,903	41,506	(3,397)	(6,397)	36,558	12%
8803	Fundraising	25,103	-	18,706	21,706	25,103	3,397	6,397	-	100%
	SUBTOTAL - Fundraising and Grants	30,070	56,000	69,360	69,360	69,360	-	-	39,289	43%
TOTAL REVENUE		**4,122,996**	**6,962,021**	**7,820,626**	**7,822,484**	**7,821,500**	**(984)**	**875**	**3,698,504**	**53%**
									-	
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	1,329,102	1,889,346	2,073,041	2,073,042	2,073,042	-	(1)	743,940	64%
1300	**Certificated Supervisor & Administrator Salarie**	268,702	387,835	413,814	413,814	413,814	-	-	145,112	65%
	SUBTOTAL - Certificated Employees	**1,597,804**	**2,277,182**	**2,486,855**	**2,486,856**	**2,486,856**	**-**	**(1)**	**889,051**	**64%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	93,294	173,174	200,822	200,822	200,822	-	-	107,528	46%
2900	**Classified Other Salaries**	142,920	187,025	218,892	219,397	219,772	(375)	(880)	76,852	65%
	SUBTOTAL - Classified Employees	**236,214**	**360,199**	**419,713**	**420,218**	**420,593**	**(375)**	**(880)**	**184,379**	**56%**

MAGNOLIA PUBLIC SCHOOLS - MSA-1
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
Employee Benefits Summary										
3100	**STRS**	201,869	275,673	310,425	310,330	310,330	-	94	108,462	65%
3200	**PERS**	26,261	21,860	45,968	45,968	42,712	3,256	3,256	16,451	61%
3300	**OASDI-Medicare-Alternative**	43,905	67,519	69,147	69,136	69,165	(29)	(18)	25,260	63%
3400	**Health & Welfare Benefits**	231,584	324,000	364,858	364,858	368,908	(4,050)	(4,050)	137,324	63%
3500	**Unemployment Insurance**	14,803	1,345	31,100	31,106	31,110	(4)	(9)	16,306	48%
3600	**Workers Comp Insurance**	20,469	34,286	32,728	32,734	32,738	(4)	(10)	12,269	63%
	SUBTOTAL - Employee Benefits	**538,891**	**724,683**	**854,225**	**854,131**	**854,962**	**(831)**	**(737)**	**316,071**	**63%**
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	92,080	40,000	91,854	91,854	92,080	(226)	(226)	-	100%
4200	Books & Other Reference Materials	5,547	10,000	10,000	10,000	9,774	226	226	4,227	57%
4315	Custodial Supplies	8,334	20,000	20,000	20,000	20,000	-	-	11,666	42%
4320	Educational Software	16,023	20,000	20,000	20,000	20,000	-	-	3,977	80%
4325	Instructional Materials & Supplies	25,948	25,000	49,415	49,415	49,415	-	-	23,467	53%
4326	Art & Music Supplies	1,702	5,000	5,000	5,000	5,000	-	-	3,298	34%
4330	Office Supplies	11,247	9,200	17,000	17,000	17,000	-	-	5,753	66%
4345	Non Instructional Student Materials & Supplies	2,417	20,000	20,000	20,000	20,000	-	-	17,583	12%
4346	Teacher Supplies	3,311	5,000	5,000	5,000	5,000	-	-	1,689	66%
4350	Uniforms	-	1,500	1,500	1,500	1,500	-	-	1,500	0%
4400	Noncapitalized Equipment	71	30,000	30,000	30,000	30,000	-	-	29,929	0%
4420	Computers (individual items less than $5k)	31,974	33,500	33,500	33,500	33,500	-	-	1,526	95%
4430	Non Classroom Related Furniture, Equipment & S	2,476	20,000	20,000	20,000	20,000	-	-	17,524	12%
4700	Food	129,982	296,825	316,118	316,118	316,118	-	-	186,136	41%
4720	Other Food	7,665	3,000	8,000	8,000	8,000	-	-	335	96%
	SUBTOTAL - Books and Supplies	**338,778**	**539,025**	**647,387**	**647,387**	**647,387**	**-**	**-**	**308,609**	**52%**

MAGNOLIA PUBLIC SCHOOLS - MSA-1
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5000	**Services & Other Operating Expenses**									
5101	Shared Management Fee - CMO	675,511	972,192	1,013,267	1,013,267	1,013,267	-	-	337,756	67%
5102	Direct CMO Fee (Shared Staff)	22,442	38,472	41,388	41,388	41,388	-	-	18,946	54%
5210	Conference Fees	573	20,000	20,000	19,754	19,754	-	246	19,181	3%
5215	Travel - Mileage, Parking, Tolls	1,635	2,000	2,000	2,000	2,000	-	-	365	82%
5220	Travel and Lodging	2,246	2,000	2,000	2,246	2,246	-	(246)	-	100%
5300	Dues & Memberships	3,766	7,854	7,854	7,854	7,854	-	-	4,088	48%
5450	Insurance - Other	27,923	27,941	32,069	32,069	32,069	-	-	4,146	87%
5500	Operations & Housekeeping	26,135	29,400	50,000	50,000	50,000	-	-	23,865	52%
5510	Utilities - Gas and Electric	34,947	54,000	60,000	60,000	60,000	-	-	25,053	58%
5605	Equipment Leases	12,895	15,000	20,000	20,000	20,000	-	-	7,105	64%
5610	Rent	297,990	442,888	478,664	446,911	446,911	-	31,753	148,920	67%
5615	Repairs and Maintenance - Building	22,622	40,000	50,000	50,000	50,000	-	-	27,378	45%
5617	Repairs and Maintenance - Other Equipment	819	2,000	2,000	2,000	2,000	-	-	1,181	41%

MAGNOLIA PUBLIC SCHOOLS - MSA-1
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5803	Accounting Fees	-	5,000	10,000	10,000	10,000	-	-	10,000	0%
5809	Banking Fees	372	1,500	1,500	1,400	1,400	-	100	1,028	27%
5813	School Programs - After School Program	106,831	150,000	150,000	150,000	150,000	-	-	43,169	71%
5814	School Programs - Academic Competitions	3,585	5,000	5,000	5,000	5,000	-	-	1,415	72%
5819	School Programs - Other	11,255	13,000	28,000	28,000	28,000	-	-	16,745	40%
5820	Consultants - Non Instructional	5,325	15,000	15,000	15,000	15,000	-	-	9,675	36%
5822	Other Professional Services	45,703	77,565	94,000	94,000	94,000	-	-	48,297	49%
5824	District Oversight Fees	36,599	52,519	53,055	52,779	52,805	(26)	249	16,206	69%
5830	Field Trips Expenses	9,807	21,765	33,765	33,765	33,765	-	-	23,959	29%
5833	Fines and Penalties	1	-	-	100	100	-	(100)	99	1%
5843	Interest - Loans Less than 1 Year	127,703	192,000	192,000	172,394	172,394	-	19,606	44,691	74%
5845	Legal Fees	2,325	20,000	40,000	40,000	40,000	-	-	37,675	6%
5851	Marketing and Student Recruiting	7,487	15,000	20,000	20,000	20,000	-	-	12,513	37%
5852	Receivable Sale Fees	-	-	-	10,219	10,219	-	(10,219)	10,219	0%
5857	Payroll Fees	14,844	26,400	26,400	26,400	26,400	-	-	11,556	56%
5861	Prior Yr Exp (not accrued)	18,219	-	18,219	18,219	18,219	-	-	-	100%
5863	Professional Development	57,197	119,100	150,100	150,100	150,100	-	-	92,903	38%
5869	Special Education Contract Instructors	27,392	100,000	75,000	75,000	75,000	-	-	47,608	37%
5872	Special Education Encroachment	56,756	79,907	79,137	79,137	78,411	726	726	21,655	72%
5884	Substitutes	15,810	54,280	30,000	30,000	30,000	-	-	14,190	53%
5887	Technology Services	26,496	46,200	46,200	46,200	46,200	-	-	19,704	57%
5898	Bad Debt Expense	2,484	-	2,484	2,484	2,484	-	(0)	-	100%
5899	Miscellaneous Operating Expenses	0	-	-	0	0	-	(0)	-	100%
5900	Communications	17,461	70,000	70,000	70,000	70,000	-	-	52,539	25%
5915	Postage and Delivery	3,827	10,000	10,000	10,000	10,000	-	-	6,173	38%
	SUBTOTAL - Services & Other Operating Exp.	**1,726,984**	**2,727,983**	**2,929,102**	**2,887,687**	**2,886,987**	**699**	**42,115**	**1,160,003**	**60%**

MAGNOLIA PUBLIC SCHOOLS - MSA-1
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
6000	**Capital Outlay**									
6100	Sites & Improvement of Sites	-	60,000	-	-	-	-	-	-	
6200	Buildings & Improvement of Buildings	11,450	-	500,000	500,000	500,000	-	-	488,550	2%
6400	Equipment	27,331	40,000	40,000	40,000	40,000	-	-	12,669	68%
	SUBTOTAL - Capital Outlay	**38,781**	**100,000**	**540,000**	**540,000**	**540,000**	**-**	**-**	**501,219**	**7%**
TOTAL EXPENSES		**4,477,453**	**6,729,072**	**7,877,283**	**7,836,279**	**7,836,786**	**(506)**	**40,497**	**3,359,333**	**57%**
6900	**Total Depreciation (includes Prior Years)**	**121,176**	**181,768**	**146,166**	**146,166**	**146,166**	**-**	**-**	**24,990**	**83%**
TOTAL EXPENSES including Depreciation		**4,559,847**	**6,810,840**	**7,483,449**	**7,442,445**	**7,442,952**	**(506)**	**40,497**	**2,883,104**	**61%**

MAGNOLIA PUBLIC SCHOOLS - MSA-2
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	2,542,587	4,518,778	4,295,058	4,188,988	4,191,167	2,179	(103,891)	1,648,580	61%
Federal Revenue	182,603	344,735	522,541	533,058	436,287	(96,771)	(86,255)	253,684	42%
Other State Revenues	346,308	355,213	544,067	550,186	534,158	(16,028)	(9,909)	187,850	65%
Local Revenues	53,097	93,069	77,280	93,650	93,650	-	16,370	40,553	57%
Fundraising and Grants	15,224	25,000	27,722	27,722	27,722	-	-	12,499	55%
Total Revenue	**3,139,818**	**5,336,795**	**5,466,669**	**5,393,604**	**5,282,984**	**(110,620)**	**(183,685)**	**2,143,166**	**59%**
Expenses									
Compensation and Benefits (excl adjustment)	2,027,114	2,987,228	2,938,373	2,938,371	2,981,010	(42,639)	(42,637)	1,118,245	68%
Books and Supplies	333,736	259,858	451,104	461,104	461,104	-	(10,000)	127,369	72%
Services and Other Operating Expenditures	1,082,871	1,903,069	1,848,804	1,837,800	1,828,511	9,289	20,293	745,640	59%
Depreciation	22,664	34,000	53,602	53,602	53,602	-	-	30,938	42%
Total Expenses	**3,466,385**	**5,184,155**	**5,291,884**	**5,290,878**	**5,324,228**	**(33,350)**	**(32,344)**	**2,022,192**	**65%**
Operating Income Before One-Time Adjustment	**(326,566)**	**152,640**	**174,785**	**102,726**	**(41,244)**	**(143,970)**	**(216,029)**	**120,973**	**792%**
One-Time Compensation Adjustment			(164,349)	(164,349)	(164,349)				
Operating Income (including adjustment)			**10,436**	**(61,623)**	**(205,593)**				
Fund Balance									
Beginning Balance (Unaudited)	1,210,746	1,210,746	1,210,746	1,210,746	1,210,746				
Audit Adjustment	(69,796)	-	-	(69,796)	(69,796)				
Beginning Balance (Audited)	1,140,950	1,210,746	1,210,746	1,140,950	1,140,950				
Operating Income (including Depreciation)	(326,566)	152,640	174,785	(61,623)	(205,593)				
Ending Fund Balance	**814,384**	**1,363,386**	**1,385,531**	**1,079,327**	**935,357**				**87%**
Capital Outlay	**14,982**	**20,000**	**14,982**	**14,982**	**14,982**				**100%**
Total ADA		**470.0**	**442.0**	**430.4**	**430.4**		-11.6		

MAGNOLIA PUBLIC SCHOOLS - MSA-2
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	1,581,458	2,968,874	2,822,615	2,755,224	2,699,665	(55,558)	(122,950)	1,118,207	59%
8012	Education Protection Account Entitlement	316,226	657,483	618,331	602,085	602,085	-	(16,247)	285,859	53%
8019	State Aid - Prior Years	1,173	-	402	402	1,173	771	771	-	100%
8096	Charter Schools in Lieu of Property Taxes	643,730	892,421	853,709	831,278	888,244	56,966	34,535	244,514	72%
	SUBTOTAL - LCFF Entitlement	2,542,587	4,518,778	4,295,058	4,188,988	4,191,167	2,179	(103,891)	1,648,580	61%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	62,342	94,931	93,918	93,918	82,994	(10,924)	(10,924)	20,652	75%
8220	Child Nutrition Programs	28,811	-	165,224	165,224	165,224	-	-	136,413	17%
8291	Title I	80,001	143,672	155,425	157,858	157,858	-	2,433	77,857	51%
8292	Title II	201	2,088	2,088	1,963	1,963	-	(125)	1,762	10%
8293	Title III	-	1,197	-	-	-	-	-	-	
8296	Other Federal Revenue	8,208	102,847	102,847	111,055	25,208	(85,847)	(77,639)	17,000	33%
8299	All Other Federal Revenue	3,040	-	3,040	3,040	3,040	-	-	-	100%
	SUBTOTAL - Federal Income	182,603	344,735	522,541	533,058	436,287	(96,771)	(86,255)	253,684	42%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	8,314	-	-	8,314	8,314	-	8,314	-	100%
8381	Special Education - Entitlement (State)	182,038	267,404	258,371	258,371	242,343	(16,028)	(16,028)	60,305	75%
8520	Child Nutrition - State	2,840	-	15,114	15,114	15,114	-	-	12,274	19%
8550	Mandated Cost Reimbursements	92,948	11,676	112,050	112,050	112,050	-	-	19,102	83%
8560	State Lottery Revenue	22,668	76,133	83,532	81,337	81,337	-	(2,195)	58,669	28%
8590	All Other State Revenue	37,500	-	75,000	75,000	75,000	-	-	37,500	50%
	SUBTOTAL - Other State Income	346,308	355,213	544,067	550,186	534,158	(16,028)	(9,909)	187,850	65%

MAGNOLIA PUBLIC SCHOOLS - MSA-2
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8634	Food Service Sales	345	-	5,000	5,000	5,000	-	-	4,655	7%
8682	Summer Program	30,210	13,600	30,210	30,210	30,210	-	-	-	100%
8690	Other Local Revenue	1,352	20,881	20,881	20,881	20,881	-	-	19,529	6%
8714	COP Option 3 Grants	21,189	12,238	21,189	37,559	37,559	-	16,370	16,370	56%
8999	Uncategorized Revenue	-	-	-	-	-	-	-	-	
	SUBTOTAL - Local Revenues	53,097	93,069	77,280	93,650	93,650	-	16,370	40,553	57%
8800	**Donations/Fundraising**									
8801	Donations - Parents	85	550	550	550	550	-	-	465	15%
8802	Donations - Private	192	24,450	15,440	15,440	12,225	(3,215)	(3,215)	12,034	2%
8803	Fundraising	14,947	-	11,732	11,732	14,947	3,215	3,215	-	100%
	SUBTOTAL - Fundraising and Grants	15,224	25,000	27,722	27,722	27,722	-	-	12,499	55%
TOTAL REVENUE		**3,139,818**	**5,336,795**	**5,466,669**	**5,393,604**	**5,282,984**	**(110,620)**	**(183,685)**	**2,143,166**	**59%**

MAGNOLIA PUBLIC SCHOOLS - MSA-2
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
									-	
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	1,076,867	1,636,384	1,633,872	1,633,872	1,677,509	(43,636)	(43,636)	600,641	64%
1300	**Certificated Supervisor & Administrator Salarie**	214,949	311,892	358,258	358,258	358,258	-	-	143,309	60%
	SUBTOTAL - Certificated Employees	**1,291,816**	**1,948,276**	**1,992,130**	**1,992,130**	**2,035,767**	**(43,636)**	**(43,636)**	**743,950**	**63%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	128,928	187,500	200,732	200,732	200,732	-	-	71,803	64%
2900	**Classified Other Salaries**	142,388	191,105	216,515	216,515	203,615	12,900	12,900	61,227	70%
	SUBTOTAL - Classified Employees	**271,316**	**378,605**	**417,246**	**417,246**	**404,346**	**12,900**	**12,900**	**133,030**	**67%**
Employee Benefits Summary										
3100	**STRS**	162,125	242,200	246,398	246,398	251,888	(5,489)	(5,489)	89,763	64%
3200	**PERS**	30,607	28,074	44,465	44,465	51,073	(6,608)	(6,608)	20,466	60%
3300	**OASDI-Medicare-Alternative**	41,680	58,961	62,480	62,480	62,133	347	347	20,453	67%
3400	**Health & Welfare Benefits**	211,037	299,700	308,674	308,674	308,465	209	209	97,429	68%
3500	**Unemployment Insurance**	866	1,163	4,199	4,197	4,212	(15)	(13)	3,346	21%
3600	**Workers Comp Insurance**	17,668	30,249	27,130	27,130	27,476	(346)	(346)	9,808	64%
	SUBTOTAL - Employee Benefits	**463,982**	**660,347**	**693,346**	**693,343**	**705,246**	**(11,903)**	**(11,901)**	**241,264**	**66%**

MAGNOLIA PUBLIC SCHOOLS - MSA-2
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	73,634	25,000	69,000	70,000	73,634	(3,634)	(4,634)	-	100%
4200	Books & Other Reference Materials	6,138	10,000	6,000	6,000	6,138	(138)	(138)	-	100%
4315	Custodial Supplies	127	6,000	6,000	5,000	5,000	-	1,000	4,873	3%
4320	Educational Software	14,075	30,000	17,900	17,900	17,900	-	-	3,825	79%
4325	Instructional Materials & Supplies	17,907	25,558	11,000	21,000	21,000	-	(10,000)	3,093	85%
4326	Art & Music Supplies	-	1,500	-	-	-	-	-	-	
4330	Office Supplies	14,547	27,200	29,000	29,000	22,880	6,120	6,120	8,332	64%
4340	Professional Development Supplies	440	2,300	2,300	2,300	2,300	-	-	1,860	19%
4345	Non Instructional Student Materials & Supplies	8,144	9,058	9,500	9,400	9,400	-	100	1,256	87%
4346	Teacher Supplies	288	250	737	737	737	-	-	449	39%
4350	Uniforms	-	500	-	-	-	-	-	-	
4400	Noncapitalized Equipment	16,626	30,000	15,848	15,848	16,626	(778)	(778)	-	100%
4410	Classroom Furniture, Equipment & Supplies	10,593	15,000	10,079	10,179	10,593	(413)	(513)	-	100%
4420	Computers (individual items less than $5k)	2,257	-	2,100	2,100	2,257	(157)	(157)	-	100%
4430	Non Classroom Related Furniture, Equipment & S	5,657	10,000	5,918	5,918	5,918	-	-	261	96%
4700	Food	154,770	64,492	257,723	257,723	257,723	-	-	102,952	60%
4720	Other Food	8,532	3,000	8,000	8,000	9,000	(1,000)	(1,000)	468	95%
	SUBTOTAL - Books and Supplies	**333,736**	**259,858**	**451,104**	**461,104**	**461,104**	**(0)**	**(10,000)**	**127,369**	**72%**

MAGNOLIA PUBLIC SCHOOLS - MSA-2
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5000	**Services & Other Operating Expenses**									
5101	Shared Management Fee - CMO	612,182	972,192	918,273	918,273	918,273	-	-	306,091	67%
5102	Direct CMO Fee (Shared Staff)	20,353	34,890	34,536	34,536	34,536	-	-	14,183	59%
5210	Conference Fees	310	20,000	5,000	5,000	5,000	-	-	4,690	6%
5215	Travel - Mileage, Parking, Tolls	1,353	5,000	2,500	2,500	2,500	-	-	1,147	54%
5220	Travel and Lodging	-	5,000	3,000	3,000	3,000	-	-	3,000	0%
5225	Travel - Meals & Entertainment	-	6,000	-	-	-	-	-	-	
5300	Dues & Memberships	3,461	6,000	6,000	6,000	6,000	-	-	2,539	58%
5450	Insurance - Other	20,620	24,209	22,975	22,975	22,975	-	-	2,355	90%
5500	Operations & Housekeeping	12,634	-	130,000	127,000	127,000	-	3,000	114,366	10%
5605	Equipment Leases	8,768	12,000	10,000	10,000	13,000	(3,000)	(3,000)	4,232	67%
5610	Rent	-	179,794	-	-	-	-	-	-	
5615	Repairs and Maintenance - Building	7,098	5,000	5,000	8,000	8,000	-	(3,000)	902	89%
5617	Repairs and Maintenance - Other Equipment	-	2,000	-	-	-	-	-	-	
5803	Accounting Fees	-	8,345	15,000	15,000	8,000	7,000	7,000	8,000	0%
5809	Banking Fees	372	1,000	1,000	1,000	1,000	-	-	628	37%
5813	School Programs - After School Program	685	3,605	3,605	3,605	3,605	-	-	2,920	19%
5814	School Programs - Academic Competitions	788	1,000	1,000	1,000	1,000	-	-	213	79%
5815	Consultants - Instructional	-	5,000	-	-	-	-	-	-	
5819	School Programs - Other	3,966	13,000	13,000	13,000	13,000	-	-	9,034	31%
5820	Consultants - Non Instructional	17,837	23,000	23,000	23,000	23,000	-	-	5,163	78%
5822	Other Professional Services	23,936	67,234	89,000	79,000	79,000	-	10,000	55,064	30%
5824	District Oversight Fees	29,939	45,188	42,951	41,890	41,912	(22)	1,039	11,972	71%

MAGNOLIA PUBLIC SCHOOLS - MSA-2
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5830	Field Trips Expenses	9,855	25,000	20,000	20,000	20,000	-	-	10,145	49%
5843	Interest - Loans Less than 1 Year	56	-	58	58	58	-	-	2	97%
5845	Legal Fees	16,985	30,000	40,000	40,000	40,000	-	-	23,015	42%
5851	Marketing and Student Recruiting	20,792	24,000	24,000	24,000	24,000	-	-	3,208	87%
5857	Payroll Fees	12,481	21,327	21,327	21,327	21,327	-	-	8,846	59%
5861	Prior Yr Exp (not accrued)	27,540	-	27,403	27,460	27,540	(80)	(136)	-	100%
5863	Professional Development	27,885	77,100	101,000	101,000	101,000	-	-	73,115	28%
5869	Special Education Contract Instructors	76,483	80,000	105,000	105,000	105,000	-	-	28,517	73%
5872	Special Education Encroachment	48,876	72,467	70,458	70,458	65,067	5,390	5,390	16,191	75%
5884	Substitutes	18,853	45,000	35,000	35,000	35,000	-	-	16,147	54%
5887	Technology Services	49,337	53,316	53,316	53,316	53,316	-	-	3,979	93%
5899	Miscellaneous Operating Expenses	(0)	-	-	-	-	-	-	0	
5900	Communications	4,826	30,000	20,000	20,000	20,000	-	-	15,174	24%
5915	Postage and Delivery	4,601	5,402	5,402	5,402	5,402	-	-	801	85%
	SUBTOTAL - Services & Other Operating Exp.	**1,082,871**	**1,903,069**	**1,848,804**	**1,837,800**	**1,828,511**	**9,289**	**20,293**	**745,640**	**59%**
6000	**Capital Outlay**									
6100	Sites & Improvement of Sites	-	20,000	-	-	-	-	-	-	
6400	Equipment	14,982	-	14,982	14,982	14,982	-	-	-	100%
	SUBTOTAL - Capital Outlay	**14,982**	**20,000**	**14,982**	**14,982**	**14,982**	**-**	**-**	**-**	**100%**
TOTAL EXPENSES		**3,458,703**	**5,170,155**	**5,417,612**	**5,416,606**	**5,449,956**	**(33,350)**	**(32,344)**	**1,991,254**	**63%**
6900	**Total Depreciation (includes Prior Years)**	**22,664**	**34,000**	**53,602**	**53,602**	**53,602**	**-**	**-**	**30,938**	**42%**
TOTAL EXPENSES including Depreciation		**3,466,385**	**5,184,155**	**5,456,233**	**5,455,227**	**5,488,577**	**(33,350)**	**(32,344)**	**2,022,192**	**63%**

MAGNOLIA PUBLIC SCHOOLS - MSA-3
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	2,505,995	4,245,387	4,352,807	4,338,614	4,335,185	(3,429)	(17,622)	1,829,190	58%
Federal Revenue	219,367	574,033	493,745	497,033	495,466	(1,567)	1,721	276,099	44%
Other State Revenues	437,649	694,406	879,335	689,995	691,766	1,771	(187,569)	254,117	63%
Local Revenues	37,107	24,785	40,114	45,595	45,833	237	5,718	8,726	81%
Fundraising and Grants	11,409	19,018	19,018	19,018	19,018	-	-	7,609	60%
Total Revenue	**3,211,527**	**5,557,629**	**5,785,019**	**5,590,256**	**5,587,268**	**(2,988)**	**(197,752)**	**2,375,741**	**57%**
Expenses									
Compensation and Benefits (excl adjustment	2,170,069	2,812,109	3,184,511	3,183,115	3,176,588	6,527	7,923	1,192,549	68%
Books and Supplies	272,030	454,542	401,887	407,587	410,339	(2,752)	(8,452)	138,308	66%
Services and Other Operating Expenditures	1,123,601	1,935,913	2,087,914	2,013,462	2,014,245	(783)	73,669	890,644	56%
Depreciation	8,000	12,000	19,096	19,096	19,096	-	-	11,096	42%
Total Expenses	**3,573,701**	**5,214,564**	**5,693,409**	**5,623,261**	**5,620,269**	**2,992**	**73,140**	**2,232,597**	**64%**
Operating Income Before One-Time Adjustment	**(362,174)**	**343,065**	**91,611**	**(33,005)**	**(33,001)**	**4**	**(124,612)**	**143,143**	**1097%**
One-Time Compensation Adjustment			(186,030)	(186,030)	(186,030)				
Operating Income (including adjustment)			**(94,419)**	**(219,035)**	**(219,031)**				
Fund Balance									
Beginning Balance (Unaudited)	976,777	976,777	976,777	976,777	976,777				
Audit Adjustment	(1,355)	-	-	(1,355)	(1,355)				
Beginning Balance (Audited)	975,422	976,777	976,777	975,422	975,422				
Operating Income (including Depreciation)	(362,174)	343,065	91,611	(219,035)	(219,031)				
Ending Fund Balance	**613,248**	**1,319,842**	**1,068,388**	**756,387**	**756,391**				**81%**
Capital Outlay	**-**	**70,000**	**70,000**	**-**	**-**				
Total ADA		**434.3**	**443.9**	**441.9**	**441.9**		-2.0		

MAGNOLIA PUBLIC SCHOOLS - MSA-3
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	1,569,389	2,817,402	2,891,605	2,881,325	2,818,642	(62,683)	(72,963)	1,249,253	56%
8012	Education Protection Account Entitlement	300,307	603,366	603,366	603,366	603,366	-	-	303,059	50%
8019	State Aid - Prior Years	1,162	-	399	399	1,162	763	763	-	100%
8096	Charter Schools in Lieu of Property Taxes	635,137	824,619	857,437	853,524	912,015	58,491	54,578	276,878	70%
	SUBTOTAL - LCFF Entitlement	2,505,995	4,245,387	4,352,807	4,338,614	4,335,185	(3,429)	(17,622)	1,829,190	58%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	61,443	87,719	86,783	86,783	85,215	(1,567)	(1,567)	23,772	72%
8220	Child Nutrition Programs	60,913	299,549	210,236	210,236	210,236	-	-	149,323	29%
8291	Title I	86,350	149,718	155,755	159,360	159,360	-	3,605	73,010	54%
8292	Title II	195	6,110	6,110	1,845	1,845	-	(4,265)	1,650	11%
8293	Title III	-	437	-	-	-	-	-	-	
8296	Other Federal Revenue	6,104	30,500	30,500	34,448	34,448	-	3,948	28,344	18%
8297	PY Federal - Not Accrued	258	-	258	258	258	-	-	-	100%
8299	All Other Federal Revenue	4,104	-	4,104	4,104	4,104	-	-	-	100%
	SUBTOTAL - Federal Income	219,367	574,033	493,745	497,033	495,466	(1,567)	1,721	276,099	44%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	8,124	-	6,765	8,124	8,124	-	1,359	-	100%
8381	Special Education - Entitlement (State)	179,413	247,088	247,058	247,058	248,828	1,771	1,771	69,415	72%
8520	Child Nutrition - State	4,411	25,955	18,925	18,925	18,925	-	-	14,514	23%
8545	School Facilities Apportionments	-	190,316	190,316	-	-	-	(190,316)	-	
8550	Mandated Cost Reimbursements	89,032	10,698	107,374	107,374	107,374	-	-	18,342	83%
8560	State Lottery Revenue	21,668	70,349	83,897	83,514	83,514	-	(383)	61,846	26%
8590	All Other State Revenue	37,500	-	75,000	75,000	75,000	-	-	37,500	50%
8596	ASES	97,500	150,000	150,000	150,000	150,000	-	-	52,500	65%
	SUBTOTAL - Other State Income	437,649	694,406	879,335	689,995	691,766	1,771	(187,569)	254,117	63%

MAGNOLIA PUBLIC SCHOOLS - MSA-3
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8634	Food Service Sales	737	500	500	500	737	237	237	-	100%
8682	Summer Program	27,931	10,200	27,931	27,931	27,931	-	-	-	100%
8690	Other Local Revenue	1,755	5,000	5,000	5,000	5,000	-	-	3,245	35%
8714	COP Option 3 Grants	6,683	9,085	6,683	12,164	12,164	-	5,481	5,481	55%
8999	Uncategorized Revenue	0	-	-	-	-	-	-	(0)	
	SUBTOTAL - Local Revenues	37,107	24,785	40,114	45,595	45,833	237	5,718	8,726	81%
8800	**Donations/Fundraising**									
8801	Donations - Parents	-	14,518	1,900	1,900	1,900	-	-	1,900	0%
8802	Donations - Private	-	4,500	4,500	4,500	4,500	-	-	4,500	0%
8803	Fundraising	11,409	-	12,618	12,618	12,618	-	-	1,209	90%
	SUBTOTAL - Fundraising and Grants	11,409	19,018	19,018	19,018	19,018	-	-	7,609	60%
TOTAL REVENUE		**3,211,527**	**5,557,629**	**5,785,019**	**5,590,256**	**5,587,268**	**(2,988)**	**(197,752)**	**2,375,741**	**57%**

MAGNOLIA PUBLIC SCHOOLS - MSA-3
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
									-	
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	1,077,826	1,539,857	1,695,620	1,705,620	1,659,942	45,678	35,678	582,116	65%
1300	**Certificated Supervisor & Administrator Salari**	307,433	250,512	454,829	445,825	487,595	(41,770)	(32,767)	180,162	63%
	SUBTOTAL - Certificated Employees	**1,385,260**	**1,790,369**	**2,150,449**	**2,151,445**	**2,147,538**	**3,907**	**2,911**	**762,278**	**65%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	133,019	107,832	214,146	214,146	214,146	-	-	81,127	62%
2900	**Classified Other Salaries**	149,125	262,278	229,912	229,911	232,053	(2,141)	(2,141)	82,928	64%
	SUBTOTAL - Classified Employees	**282,144**	**370,110**	**444,058**	**444,058**	**446,199**	**(2,141)**	**(2,141)**	**164,055**	**63%**
Employee Benefits Summary										
3100	**STRS**	164,242	221,454	267,028	263,998	262,619	1,379	4,409	98,377	63%
3200	**PERS**	27,381	36,897	60,105	60,105	61,571	(1,466)	(1,466)	34,190	44%
3300	**OASDI-Medicare-Alternative**	43,978	60,337	67,727	68,157	68,729	(573)	(1,002)	24,752	64%
3400	**Health & Welfare Benefits**	247,653	303,750	347,668	347,868	342,468	5,400	5,201	94,815	72%
3500	**Unemployment Insurance**	948	1,106	4,291	4,290	4,289	1	3	3,341	22%
3600	**Workers Comp Insurance**	18,464	28,085	29,214	29,225	29,205	20	9	10,741	63%
	SUBTOTAL - Employee Benefits	**502,666**	**651,630**	**776,034**	**773,642**	**768,881**	**4,761**	**7,153**	**266,215**	**65%**

MAGNOLIA PUBLIC SCHOOLS - MSA-3
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	20,867	10,000	20,000	20,000	20,867	(867)	(867)	-	100%
4200	Books & Other Reference Materials	654	15,000	5,000	5,000	3,185	1,815	1,815	2,531	21%
4315	Custodial Supplies	-	77	77	77	77	-	-	77	0%
4320	Educational Software	10,686	16,000	16,000	16,000	16,000	-	-	5,314	67%
4325	Instructional Materials & Supplies	27,819	25,000	25,000	25,000	27,819	(2,819)	(2,819)	-	100%
4330	Office Supplies	9,636	20,200	20,200	20,200	20,200	-	-	10,564	48%
4345	Non Instructional Student Materials & Supplies	9,318	10,000	10,000	10,000	10,000	-	-	682	93%
4350	Uniforms	1,212	5,000	5,000	5,000	5,000	-	-	3,788	24%
4410	Classroom Furniture, Equipment & Supplies	5,608	-	5,000	5,000	5,608	(608)	(608)	-	100%
4420	Computers (individual items less than $5k)	16,509	11,500	11,500	17,200	17,200	-	(5,700)	691	96%
4430	Non Classroom Related Furniture, Equipment & S	8,977	10,000	10,000	10,000	10,000	-	-	1,023	90%
4700	Food	153,511	329,264	264,110	264,110	264,383	(273)	(273)	110,871	58%
4720	Other Food	7,233	2,500	10,000	10,000	10,000	-	-	2,767	72%
	SUBTOTAL - Books and Supplies	**272,030**	**454,542**	**401,887**	**407,587**	**410,339**	**(2,752)**	**(8,452)**	**138,308**	**66%**
5000	**Services & Other Operating Expenses**									
5100	Subagreements for Services	-	-	-	-	-	-	-	-	
5101	Shared Management Fee - CMO	605,978	881,049	918,273	918,273	918,273	-	-	312,295	66%
5102	Direct CMO Fee (Shared Staff)	19,352	33,176	35,271	35,271	35,271	-	-	15,919	55%
5200	Travel & Conferences	-	-	-	-	-	-	-	-	
5210	Conference Fees	5,209	10,000	10,000	4,300	5,300	(1,000)	4,700	91	98%
5215	Travel - Mileage, Parking, Tolls	20	10,000	10,000	5,000	4,000	1,000	6,000	3,980	1%
5220	Travel and Lodging	-	505	505	505	505	-	-	505	0%
5300	Dues & Memberships	3,880	10,000	10,000	10,000	10,000	-	-	6,120	39%
5450	Insurance - Other	18,996	22,516	22,813	22,813	22,813	-	-	3,817	83%
5500	Operations & Housekeeping	633	5,000	5,000	5,000	5,000	-	-	4,367	13%
5605	Equipment Leases	14,736	15,600	15,600	15,600	15,600	-	-	864	94%
5610	Rent	-	253,755	210,000	222,267	222,267	-	(12,267)	222,267	0%
5615	Repairs and Maintenance - Building	7,296	10,500	10,500	10,500	10,500	-	-	3,204	69%
5617	Repairs and Maintenance - Other Equipment	-	1,500	1,500	1,500	1,500	-	-	1,500	0%
5803	Accounting Fees	-	5,000	10,000	10,000	10,000	-	-	10,000	0%
5809	Banking Fees	404	500	500	500	500	-	-	96	81%
5813	School Programs - After School Program	105,000	150,000	150,000	150,000	150,000	-	-	45,000	70%
5814	School Programs - Academic Competitions	740	500	500	740	740	-	(240)	-	100%
5819	School Programs - Other	4,213	-	-	3,883	4,213	(330)	(4,213)	-	100%
5820	Consultants - Non Instructional	5,319	12,000	12,000	7,000	7,000	-	5,000	1,681	76%
5822	Other Professional Services	50,335	75,944	114,944	89,944	89,944	-	25,000	39,608	56%
5824	District Oversight Fees	30,051	42,454	43,528	43,386	43,352	34	176	13,301	69%
5830	Field Trips Expenses	7,885	20,000	25,000	25,000	25,000	-	-	17,115	32%
5833	Fines and Penalties	72	100	100	100	100	-	-	28	72%
5845	Legal Fees	2,325	20,000	50,000	25,000	25,000	-	25,000	22,675	9%
5851	Marketing and Student Recruiting	5,343	30,000	15,000	15,000	15,000	-	-	9,657	36%
5857	Payroll Fees	13,645	24,000	24,000	24,000	24,000	-	-	10,355	57%
5861	Prior Yr Exp (not accrued)	13,705	-	13,258	13,258	13,705	(447)	(447)	-	100%
5863	Professional Development	20,882	42,100	93,100	68,100	68,100	-	25,000	47,218	31%
5869	Special Education Contract Instructors	28,105	51,500	58,500	58,500	58,500	-	-	30,395	48%
5872	Special Education Encroachment	48,171	66,961	66,768	66,768	66,809	(41)	(41)	18,638	72%
5875	Staff Recruiting	18	54	54	54	54	-	-	36	34%
5884	Substitutes	56,795	55,000	75,000	75,000	75,000	-	-	18,205	76%

MAGNOLIA PUBLIC SCHOOLS - MSA-3
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5887	Technology Services	39,408	49,700	49,700	49,700	49,700	-	-	10,292	79%
5899	Miscellaneous Operating Expenses	0	-	-	0	0	-	(0)	-	100%
5900	Communications	12,558	30,000	30,000	30,000	30,000	-	-	17,442	42%
5915	Postage and Delivery	2,526	6,500	6,500	6,500	6,500	-	-	3,975	39%
	SUBTOTAL - Services & Other Operating Exp.	**1,123,601**	**1,935,913**	**2,087,914**	**2,013,462**	**2,014,245**	**(783)**	**73,669**	**890,644**	**56%**
6000	**Capital Outlay**									
6100	Sites & Improvement of Sites	-	20,000	20,000	-	-	-	20,000	-	
6410	Computers (capitalizable items)	-	50,000	50,000	-	-	-	50,000	-	
	SUBTOTAL - Capital Outlay	**-**	**70,000**	**70,000**	**-**	**-**	**-**	**70,000**	**-**	
TOTAL EXPENSES		**3,565,701**	**5,272,564**	**5,930,342**	**5,790,195**	**5,787,202**	**2,992**	**143,140**	**2,221,501**	**62%**
6900	**Total Depreciation (includes Prior Years)**	**8,000**	**12,000**	**19,096**	**19,096**	**19,096**	**-**	**-**	**11,096**	**42%**
TOTAL EXPENSES including Depreciation		**3,573,701**	**5,214,564**	**5,879,439**	**5,809,291**	**5,806,299**	**2,992**	**73,140**	**2,232,597**	**62%**

MAGNOLIA PUBLIC SCHOOLS - MSA-4
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	1,017,703	1,772,032	1,818,445	1,825,158	1,826,729	1,571	8,284	809,026	56%
Federal Revenue	110,484	252,308	247,687	250,371	250,316	(55)	2,629	139,832	44%
Other State Revenues	163,727	141,453	267,852	267,941	273,092	5,150	5,239	109,365	60%
Local Revenues	22,315	20,867	22,430	27,958	27,978	20	5,548	5,663	80%
Fundraising and Grants	11,162	10,000	12,374	12,374	12,374	-	-	1,211	90%
Total Revenue	**1,325,391**	**2,196,660**	**2,368,788**	**2,383,802**	**2,390,488**	**6,687**	**21,700**	**1,065,098**	**55%**
Expenses									
Compensation and Benefits (excl adjustment)	780,408	1,172,519	1,212,821	1,181,983	1,181,983	(0)	30,838	484,270	66%
Books and Supplies	75,664	158,736	132,807	120,875	120,875	-	11,932	45,210	63%
Services and Other Operating Expenditures	404,160	667,206	701,330	741,909	741,948	(39)	(40,617)	337,788	54%
Depreciation	6,144	9,221	15,656	15,656	15,656	-	-	9,512	39%
Total Expenses	**1,266,376**	**2,007,682**	**2,062,614**	**2,060,423**	**2,060,462**	**(39)**	**2,152**	**876,781**	**61%**
Operating Income Before One-Time Adjustment	**59,015**	**188,978**	**306,175**	**323,379**	**330,027**	**6,648**	**23,852**	**188,317**	**18%**
One-Time Compensation Adjustment			(82,695)	(82,695)	(82,695)				
Operating Income (including adjustment)			**223,480**	**240,684**	**247,332**				
Fund Balance									
Beginning Balance (Unaudited)	763,641	567,722	567,722	763,641	763,641				
Audit Adjustment	(101,149)	-	-	(101,149)	(101,149)				
Beginning Balance (Audited)	662,491	567,722	567,722	662,491	662,491				
Operating Income (including Depreciation)	59,015	188,978	306,175	240,684	247,332				
Ending Fund Balance	**721,506**	**756,700**	**873,897**	**903,175**	**909,823**				**79%**
Capital Outlay	-	-	-	-	-				
Total ADA		**180.5**	**186.2**	**186.7**	**186.7**		0.5		

MAGNOLIA PUBLIC SCHOOLS - MSA-4
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	629,066	1,168,273	1,189,233	1,194,354	1,170,833	(23,521)	(18,400)	541,767	54%
8012	Education Protection Account Entitlement	126,563	261,084	269,461	270,143	270,143	-	682	143,580	47%
8019	State Aid - Prior Years	376	-	-	-	376	376	376	-	100%
8096	Charter Schools in Lieu of Property Taxes	261,698	342,675	359,751	360,661	385,377	24,716	25,626	123,678	68%
	SUBTOTAL - LCFF Entitlement	1,017,703	1,772,032	1,818,445	1,825,158	1,826,729	1,571	8,284	809,026	56%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	25,301	36,925	36,063	36,063	36,008	(55)	(55)	10,707	70%
8220	Child Nutrition Programs	9,986	25,038	21,841	21,841	21,841	-	-	11,855	46%
8291	Title I	45,122	59,536	58,233	59,695	59,695	-	1,462	14,573	76%
8292	Title II	181	2,380	2,380	722	722	-	(1,658)	541	25%
8296	Other Federal Revenue	28,835	128,106	128,106	130,986	130,986	-	2,879	102,150	22%
8297	PY Federal - Not Accrued	(6)	-	-	-	-	-	-	6	
8299	All Other Federal Revenue	1,064	-	1,064	1,064	1,064	-	-	-	100%
	SUBTOTAL - Federal Income	110,484	252,308	247,687	250,371	250,316	(55)	2,629	139,832	44%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	5,626	-	10,440	10,440	10,440	-	-	4,814	54%
8381	Special Education - Entitlement (State)	73,880	104,034	99,993	99,993	105,144	5,150	5,150	31,264	70%
8520	Child Nutrition - State	685	2,522	2,031	2,031	2,031	-	-	1,346	34%
8550	Mandated Cost Reimbursements	37,178	5,663	45,188	45,188	45,188	-	-	8,010	82%
8560	State Lottery Revenue	8,858	29,234	35,200	35,289	35,289	-	89	26,432	25%
8590	All Other State Revenue	37,500	-	75,000	75,000	75,000	-	-	37,500	50%
	SUBTOTAL - Other State Income	163,727	141,453	267,852	267,941	273,092	5,150	5,239	109,365	60%

MAGNOLIA PUBLIC SCHOOLS - MSA-4
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8634	Food Service Sales	639	167	554	619	639	20	85	-	100%
8682	Summer Program	16,360	10,200	16,360	16,360	16,360	-	-	-	100%
8699	All Other Local Revenue	299	500	500	500	500	-	-	201	60%
8714	COP Option 3 Grants	5,017	10,000	5,017	10,480	10,480	-	5,463	5,463	48%
	SUBTOTAL - Local Revenues	22,315	20,867	22,430	27,958	27,978	20	5,548	5,663	80%
8800	**Donations/Fundraising**									
8803	Fundraising	11,162	-	12,374	12,374	12,374	-	-	1,211	90%
	SUBTOTAL - Fundraising and Grants	11,162	10,000	12,374	12,374	12,374	-	-	1,211	90%
TOTAL REVENUE		**1,325,391**	**2,196,660**	**2,368,788**	**2,383,802**	**2,390,488**	**6,687**	**21,700**	**1,065,098**	**55%**

MAGNOLIA PUBLIC SCHOOLS - MSA-4
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
									-	
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	400,401	566,257	675,264	662,764	662,764	-	12,500	262,363	60%
1300	**Certificated Supervisor & Administrator Salarie**	160,506	290,961	255,957	255,957	255,957	-	-	95,450	63%
	SUBTOTAL - Certificated Employees	**560,908**	**857,218**	**931,221**	**918,721**	**918,721**	**-**	**12,500**	**357,813**	**61%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	41,153	47,609	58,307	58,307	58,307	-	-	17,154	71%
2900	**Classified Other Salaries**	12,083	12,000	35,053	20,053	20,053	-	15,000	7,971	60%
	SUBTOTAL - Classified Employees	**53,236**	**59,609**	**93,360**	**78,360**	**78,360**	**-**	**15,000**	**25,125**	**68%**
Employee Benefits Summary										
3100	**STRS**	67,307	107,838	115,984	114,317	114,317	-	1,667	47,010	59%
3200	**PERS**	4,634	5,328	5,200	5,200	5,200	-	-	565	89%
3300	**OASDI-Medicare-Alternative**	15,900	17,111	20,679	19,332	19,332	-	1,347	3,432	82%
3400	**Health & Welfare Benefits**	69,350	114,413	114,026	114,026	114,026	-	-	44,676	61%
3500	**Unemployment Insurance**	406	458	3,510	3,495	3,495	(0)	15	3,089	12%
3600	**Workers Comp Insurance**	8,667	10,544	11,537	11,227	11,227	-	310	2,560	77%
	SUBTOTAL - Employee Benefits	**166,264**	**255,692**	**270,935**	**267,597**	**267,597**	**(0)**	**3,338**	**101,333**	**62%**

MAGNOLIA PUBLIC SCHOOLS - MSA-4
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	12,686	23,220	23,220	13,220	13,220	-	10,000	534	96%
4320	Educational Software	2,791	5,000	5,000	5,000	5,000	-	-	2,209	56%
4325	Instructional Materials & Supplies	6,591	15,000	15,000	10,000	10,000	-	5,000	3,409	66%
4330	Office Supplies	12,587	8,200	12,000	17,000	17,000	-	(5,000)	4,413	74%
4345	Non Instructional Student Materials & Supplies	814	35,000	9,000	9,000	9,000	-	-	8,186	9%
4400	Noncapitalized Equipment	869	1,000	1,000	1,000	1,000	-	-	131	87%
4410	Classroom Furniture, Equipment & Supplies	578	8,000	5,000	5,000	4,900	100	100	4,322	12%
4420	Computers (individual items less than $5k)	10,086	29,500	10,000	10,000	10,100	(100)	(100)	14	100%
4700	Food	26,052	30,316	45,587	45,655	45,655	-	(68)	19,603	57%
4720	Other Food	2,611	3,500	7,000	5,000	5,000	-	2,000	2,389	52%
	SUBTOTAL - Books and Supplies	**75,664**	**158,736**	**132,807**	**120,875**	**120,875**	**-**	**11,932**	**45,210**	**63%**
5000	**Services & Other Operating Expenses**									
5101	Shared Management Fee - CMO	50,663	72,914	75,995	75,995	75,995	-	-	25,332	67%
5102	Direct CMO Fee (Shared Staff)	7,735	13,260	14,807	14,807	14,807	-	-	7,072	52%
5200	Travel & Conferences	821	4,000	4,000	4,000	4,000	-	-	3,179	21%
5210	Conference Fees	100	5,000	5,000	5,000	5,000	-	-	4,900	2%
5300	Dues & Memberships	4,305	3,400	3,400	3,400	4,305	(905)	(905)	-	100%
5450	Insurance - Other	8,813	14,446	11,056	11,056	11,056	-	-	2,243	80%
5500	Operations & Housekeeping	484	-	484	484	484	-	-	-	100%
5605	Equipment Leases	8,608	6,000	8,000	8,000	8,608	(608)	(608)	-	100%
5610	Rent	69,220	150,215	103,831	103,831	103,831	-	-	34,610	67%
5615	Repairs and Maintenance - Building	427	1,000	1,000	1,000	1,000	-	-	573	43%
5803	Accounting Fees	-	4,406	8,000	8,000	8,000	-	-	8,000	0%
5809	Banking Fees	389	515	515	515	515	-	-	126	75%
5813	School Programs - After School Program	1,667	-	-	2,000	2,000	-	(2,000)	333	83%
5814	School Programs - Academic Competitions	1,960	-	1,000	2,500	2,500	-	(1,500)	541	78%
5820	Consultants - Non Instructional	5,106	2,493	9,516	9,516	9,516	-	-	4,410	54%
5822	Other Professional Services	17,486	54,844	64,000	63,915	62,386	1,529	1,614	44,901	28%

MAGNOLIA PUBLIC SCHOOLS - MSA-4
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5824	District Oversight Fees	12,391	17,720	18,184	18,252	18,267	(16)	(83)	5,876	68%
5830	Field Trips Expenses	665	20,000	20,000	15,000	15,000	-	5,000	14,335	4%
5833	Fines and Penalties	29	-	29	29	29	-	-	-	100%
5845	Legal Fees	6,675	5,000	15,000	15,000	15,000	-	-	8,325	45%
5851	Marketing and Student Recruiting	10,742	7,000	20,000	13,000	13,000	-	7,000	2,258	83%
5857	Payroll Fees	8,008	3,000	9,600	9,600	9,600	-	-	1,592	83%
5861	Prior Yr Exp (not accrued)	(2,278)	-	488	-	-	-	488	2,278	
5863	Professional Development	2,384	29,000	54,000	54,000	54,000	-	-	51,616	4%
5869	Special Education Contract Instructors	47,581	50,000	50,000	87,000	87,000	-	(37,000)	39,419	55%
5872	Special Education Encroachment	19,836	28,192	28,192	28,192	28,230	(39)	(39)	8,394	70%
5884	Substitutes	23,670	25,200	25,200	37,700	37,700	-	(12,500)	14,030	63%
5887	Technology Services	36,318	57,000	57,000	57,000	57,000	-	-	20,682	64%
5893	Transportation - Student	43,696	65,000	67,000	67,000	67,000	-	-	23,304	65%
5898	Bad Debt Expense	32	-	32	32	32	-	-	-	100%
5899	Miscellaneous Operating Expenses	85	-	-	85	85	-	(85)	-	100%
5900	Communications	14,762	24,000	24,000	24,000	24,000	-	-	9,238	62%
5915	Postage and Delivery	1,781	3,600	2,000	2,000	2,000	-	-	219	89%
	SUBTOTAL - Services & Other Operating Exp.	**404,160**	**667,206**	**701,330**	**741,909**	**741,948**	**(39)**	**(40,617)**	**337,788**	**54%**
6000	**Capital Outlay**									
	SUBTOTAL - Capital Outlay	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
TOTAL EXPENSES		**1,260,232**	**1,998,462**	**2,129,653**	**2,127,462**	**2,127,501**	**(39)**	**2,152**	**867,269**	**59%**
6900	**Total Depreciation (includes Prior Years)**	**6,144**	**9,221**	**15,656**	**15,656**	**15,656**	**-**	**-**	**9,512**	**39%**
TOTAL EXPENSES including Depreciation		**1,266,376**	**2,007,682**	**2,145,309**	**2,143,118**	**2,143,157**	**(39)**	**2,152**	**876,781**	**59%**

MAGNOLIA PUBLIC SCHOOLS - MSA-5
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	875,162	1,539,136	1,660,532	1,662,956	1,663,687	731	3,155	788,525	53%
Federal Revenue	67,975	176,079	164,096	168,728	174,448	5,720	10,352	106,473	39%
Other State Revenues	122,890	150,386	177,416	179,531	198,965	19,433	21,548	76,075	62%
Local Revenues	22,784	11,120	178,813	177,193	177,193	-	(1,621)	154,409	13%
Fundraising and Grants	407	500	500	500	500	-	-	93	81%
Total Revenue	**1,089,218**	**1,877,220**	**2,181,357**	**2,188,908**	**2,214,792**	**25,884**	**33,435**	**1,125,575**	**49%**
Expenses									
Compensation and Benefits (excl adjustment)	730,989	1,064,348	1,152,508	1,152,507	1,152,507	(0)	1	487,823	63%
Books and Supplies	86,940	185,900	171,607	171,607	231,607	(60,000)	(60,000)	144,666	38%
Services and Other Operating Expenditures	266,469	594,065	655,357	679,863	658,774	21,090	(3,416)	392,305	40%
Depreciation	11,464	17,201	4,774	4,774	4,774	-	-	(6,690)	240%
Total Expenses	**1,095,862**	**1,861,515**	**1,984,245**	**2,008,751**	**2,047,661**	**(38,910)**	**(63,416)**	**1,018,104**	**54%**
Operating Income Before One-Time Adjustment	**(6,645)**	**15,706**	**197,112**	**180,157**	**167,131**	**(13,026)**	**(29,981)**	**107,471**	**-4%**
One-Time Compensation Adjustment			(66,305)	-66305	(66,305)				
Operating Income (including adjustment)			**130,807**	**113,852**	**100,826**				
Fund Balance									
Beginning Balance (Unaudited)	1,144,335	951,134	951,134	1,144,335	1,144,335				
Audit Adjustment	(66,819)	-	-	(66,819)	(66,819)				
Beginning Balance (Audited)	1,077,516	951,134	951,134	1,077,516	1,077,516				
Operating Income (including Depreciation)	(6,645)	15,706	197,112	113,852	100,826				
Ending Fund Balance	**1,070,871**	**966,840**	**1,148,246**	**1,191,368**	**1,178,342**				**91%**
Capital Outlay	**17,301**	**-**	**27,793**	**27,793**	**27,793**				**62%**
Total ADA		**168.9**	**177.7**	**177.7**	**177.7**		0.0		

MAGNOLIA PUBLIC SCHOOLS - MSA-5
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	536,857	988,758	1,071,078	1,073,469	1,050,501	(22,968)	(20,577)	513,644	51%
8012	Education Protection Account Entitlement	97,775	238,000	246,306	246,319	246,319	-	14	148,544	40%
8019	State Aid - Prior Years	182	-	-	-	182	182	182	-	100%
8096	Charter Schools in Lieu of Property Taxes	240,348	312,377	343,149	343,168	366,685	23,517	23,536	126,337	66%
	SUBTOTAL - LCFF Entitlement	875,162	1,539,136	1,660,532	1,662,956	1,663,687	731	3,155	788,525	53%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	23,214	33,660	28,542	28,542	34,262	5,720	5,720	11,048	68%
8291	Title I	9,612	37,421	81,991	84,051	84,051	-	2,060	74,439	11%
8292	Title II	87	2,193	2,193	658	658	-	(1,535)	571	13%
8296	Other Federal Revenue	33,435	102,026	102,026	104,506	104,506	-	2,480	71,071	32%
8297	PY Federal - Not Accrued	1,627	-	(50,656)	(49,029)	(49,029)	-	1,627	(50,656)	-3%
	SUBTOTAL - Federal Income	67,975	176,079	164,096	168,728	174,448	5,720	10,352	106,473	39%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	2,877	-	4,395	6,508	6,508	-	2,113	3,631	44%
8381	Special Education - Entitlement (State)	67,783	94,836	80,611	80,611	100,044	19,433	19,433	32,260	68%
8520	Child Nutrition - State	-	-	-	-	-	-	-	-	
8550	Mandated Cost Reimbursements	27,536	2,813	32,747	32,747	32,747	-	-	5,211	84%
8560	State Lottery Revenue	7,143	26,649	33,576	33,578	33,578	-	2	26,434	21%
8596	ASES	17,550	26,088	26,088	26,088	26,088	-	-	8,538	67%
	SUBTOTAL - Other State Income	122,890	150,386	177,416	179,531	198,965	19,433	21,548	76,075	62%

MAGNOLIA PUBLIC SCHOOLS - MSA-5
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8636	Uniforms	-	1,030	1,030	1,030	1,030	-	-	1,030	0%
8690	Other Local Revenue	11,027	3,090	11,027	11,027	11,027	-	-	-	100%
8714	COP Option 3 Grants	11,757	7,000	166,756	165,135	165,135	-	(1,621)	153,379	7%
8999	Uncategorized Revenue	-	-	-	-	-	-	-	-	
	SUBTOTAL - Local Revenues	22,784	11,120	178,813	177,193	177,193	-	(1,621)	154,409	13%
8800	**Donations/Fundraising**									
8803	Fundraising	407	500	500	500	500	-	-	93	81%
	SUBTOTAL - Fundraising and Grants	407	500	500	500	500	-	-	93	81%
TOTAL REVENUE		**1,089,218**	**1,877,220**	**2,181,357**	**2,188,908**	**2,214,792**	**25,884**	**33,435**	**1,125,575**	**49%**

MAGNOLIA PUBLIC SCHOOLS - MSA-5
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	402,741	545,921	660,552	660,552	660,552	-	-	257,811	61%
1300	**Certificated Supervisor & Administrator Salarie**	112,009	159,738	180,746	180,746	180,746	-	-	68,738	62%
	SUBTOTAL - Certificated Employees	**514,750**	**705,659**	**841,298**	**841,298**	**841,298**	**-**	**-**	**326,549**	**61%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	40,235	49,725	51,242	51,242	51,242	-	-	11,006	79%
2900	**Classified Other Salaries**	12,651	53,750	54,450	54,450	54,450	-	-	41,799	23%
	SUBTOTAL - Classified Employees	**52,887**	**103,475**	**105,692**	**105,692**	**105,692**	**-**	**-**	**52,805**	**50%**
Employee Benefits Summary										
3100	**STRS**	62,833	88,017	102,879	102,879	102,879	-	-	40,046	61%
3200	**PERS**	7,008	8,226	8,534	8,534	8,534	-	-	1,526	82%
3300	**OASDI-Medicare-Alternative**	11,943	18,648	20,062	20,062	20,062	-	-	8,119	60%
3400	**Health & Welfare Benefits**	75,109	130,613	126,213	126,213	126,213	-	-	51,104	60%
3500	**Unemployment Insurance**	308	405	3,471	3,470	3,470	(0)	1	3,163	9%
3600	**Workers Comp Insurance**	6,153	9,305	10,663	10,663	10,663	-	-	4,511	58%
	SUBTOTAL - Employee Benefits	**163,353**	**255,214**	**271,823**	**271,822**	**271,822**	**(0)**	**1**	**108,469**	**60%**

MAGNOLIA PUBLIC SCHOOLS - MSA-5
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	21,233	45,000	22,000	22,000	22,000	-	-	767	97%
4200	Books & Other Reference Materials	619	7,500	5,500	5,500	5,500	-	-	4,881	11%
4315	Custodial Supplies	-	1,000	1,000	1,000	1,000	-	-	1,000	0%
4320	Educational Software	13,918	10,000	15,000	15,000	15,000	-	-	1,082	93%
4325	Instructional Materials & Supplies	7,281	23,000	8,646	8,646	8,646	-	-	1,365	84%
4330	Office Supplies	3,402	9,700	8,800	8,800	8,800	-	-	5,398	39%
4345	Non Instructional Student Materials & Supplies	1,839	7,500	5,000	5,000	5,000	-	-	3,161	37%
4350	Uniforms	709	200	2,000	2,000	2,000	-	-	1,291	35%
4400	Noncapitalized Equipment	20,455	10,000	20,455	20,455	20,455	-	-	-	100%
4420	Computers (individual items less than $5k)	32,445	51,000	32,207	35,207	35,207	-	(3,000)	2,762	92%
4430	Non Classroom Related Furniture, Equipment & S	312	-	7,000	4,000	4,000	-	3,000	3,688	8%
4700	Food	(17,014)	20,000	40,000	40,000	100,000	(60,000)	(60,000)	117,014	-17%
4720	Other Food	1,741	1,000	4,000	4,000	4,000	-	-	2,259	44%
	SUBTOTAL - Books and Supplies	**86,940**	**185,900**	**171,607**	**171,607**	**231,607**	**(60,000)**	**(60,000)**	**144,666**	**38%**
5000	**Services & Other Operating Expenses**									
5101	Shared Management Fee - CMO	50,663	72,914	75,995	75,995	75,995	-	-	25,332	67%
5102	Direct CMO Fee (Shared Staff)	6,815	11,683	14,022	14,022	14,022	-	-	7,207	49%
5200	Travel & Conferences	537	5,000	5,000	5,000	5,000	-	-	4,463	11%
5210	Conference Fees	-	5,000	5,000	5,000	5,000	-	-	5,000	0%
5300	Dues & Memberships	3,431	5,000	5,000	5,000	5,000	-	-	1,569	69%
5450	Insurance - Other	3,592	14,300	6,237	6,237	6,237	-	-	2,645	58%
5605	Equipment Leases	3,051	6,600	6,600	6,600	6,600	-	-	3,549	46%
5610	Rent	-	135,000	110,971	110,971	83,452	27,519	27,519	83,452	0%
5615	Repairs and Maintenance - Building	8,005	-	15,000	15,000	15,000	-	-	6,995	53%
5617	Repairs and Maintenance - Other Equipment	-	3,000	3,000	3,000	3,000	-	-	3,000	0%
5803	Accounting Fees	-	1,952	5,000	5,000	5,000	-	-	5,000	0%
5809	Banking Fees	372	412	412	412	412	-	-	40	90%
5813	School Programs - After School Program	18,262	26,088	26,088	26,088	26,088	-	-	7,826	70%
5814	School Programs - Academic Competitions	65	-	-	1,000	1,000	-	(1,000)	935	7%
5820	Consultants - Non Instructional	3,585	25,000	25,000	25,000	25,000	-	-	21,415	14%
5822	Other Professional Services	39,007	53,275	10,000	34,482	39,007	(4,525)	(29,007)	-	100%
5824	District Oversight Fees	10,921	15,391	16,605	16,630	16,637	(7)	(32)	5,716	66%
5830	Field Trips Expenses	3,735	8,000	4,000	3,000	3,735	(735)	265	-	100%
5845	Legal Fees	-	5,000	15,000	15,000	15,000	-	-	15,000	0%
5851	Marketing and Student Recruiting	417	10,000	60,000	60,000	60,000	-	-	59,583	1%
5857	Payroll Fees	6,761	3,750	8,000	8,000	8,000	-	-	1,239	85%
5861	Prior Yr Exp (not accrued)	30,928	-	31,727	31,727	31,727	-	-	799	97%
5863	Professional Development	12,249	37,100	37,100	37,100	37,100	-	-	24,851	33%
5869	Special Education Contract Instructors	28,605	40,000	65,000	65,000	65,000	-	-	36,395	44%
5872	Special Education Encroachment	18,199	25,699	25,699	25,699	26,861	(1,162)	(1,162)	8,662	68%
5875	Staff Recruiting	-	1,901	1,901	1,901	1,901	-	-	1,901	0%
5884	Substitutes	4,952	15,000	20,000	20,000	20,000	-	-	15,048	25%
5887	Technology Services	8,661	35,000	35,000	35,000	35,000	-	-	26,339	25%
5898	Bad Debt Expense	0	-	0	0	0	-	(0)	-	100%
5899	Miscellaneous Operating Expenses	0	-	-	0	0	-	(0)	-	100%
5900	Communications	2,528	30,000	20,000	20,000	20,000	-	-	17,472	13%
5915	Postage and Delivery	1,128	2,000	2,000	2,000	2,000	-	-	872	56%
	SUBTOTAL - Services & Other Operating Exp.	**266,469**	**594,065**	**655,357**	**679,863**	**658,774**	**21,090**	**(3,416)**	**392,305**	**40%**

MAGNOLIA PUBLIC SCHOOLS - MSA-5
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
6000	**Capital Outlay**									
6400	Equipment	17,301	-	27,793	27,793	27,793	-	-	10,492	62%
	SUBTOTAL - Capital Outlay	**17,301**	**-**	**27,793**	**27,793**	**27,793**	**-**	**-**	**10,492**	**62%**
TOTAL EXPENSES		**1,101,699**	**1,844,314**	**2,073,570**	**2,098,075**	**2,136,985**	**(38,910)**	**(63,416)**	**1,035,286**	**52%**
6900	**Total Depreciation (includes Prior Years)**	**11,464**	**17,201**	**4,774**	**4,774**	**4,774**	**-**	**-**	**(6,690)**	**240%**
TOTAL EXPENSES including Depreciation		**1,095,862**	**1,861,515**	**2,050,550**	**2,075,056**	**2,113,966**	**(38,910)**	**(63,416)**	**1,018,104**	**52%**

Magnolia Public Schools - MSA-6
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	887,884	1,575,467	1,518,270	1,543,949	1,544,231	282	25,961	656,347	57%
Federal Revenue	92,365	137,828	161,359	166,052	166,606	553	5,246	74,240	55%
Other State Revenues	155,666	214,078	253,252	256,185	257,801	1,616	4,548	102,135	60%
Local Revenues	6,392	14,120	10,512	17,313	17,313	-	6,801	10,921	37%
Fundraising and Grants	7,626	10,000	11,100	11,100	11,100	-	-	3,474	69%
Total Revenue	**1,149,933**	**1,951,493**	**1,954,494**	**1,994,599**	**1,997,051**	**2,452**	**42,557**	**847,118**	**58%**
Expenses									
Compensation and Benefits (excl adjustment)	689,624	965,253	1,035,074	1,035,074	1,038,366	(3,291)	(3,291)	396,594	66%
Books and Supplies	89,818	110,183	154,776	155,776	160,576	(4,800)	(5,800)	70,758	56%
Services and Other Operating Expenditures	314,970	575,774	555,450	554,706	544,560	10,146	10,889	229,590	58%
Depreciation	4,246	6,368	28,726	28,726	28,726	-	-	24,480	15%
Total Expenses	**1,098,657**	**1,657,578**	**1,774,026**	**1,774,282**	**1,772,228**	**2,055**	**1,798**	**721,423**	**62%**
Operating Income Before One-Time Adjustment	**51,276**	**293,915**	**180,468**	**220,317**	**224,823**	**4,506**	**44,355**	**125,695**	**23%**
One-Time Compensation Adjustment			(47,852)	(47,852)	(47,852)				
Operating Income (including adjustment)			**132,616**	**172,465**	**176,971**				
Fund Balance									
Beginning Balance (Unaudited)	1,006,776	938,327	938,327	1,006,776	1,006,776				
Audit Adjustment	(61,339)	-	-	(61,339)	(61,339)				
Beginning Balance (Audited)	945,437	938,327	938,327	945,437	945,437				
Operating Income (including Depreciation)	51,276	293,915	180,468	172,465	176,971				
Ending Fund Balance	**996,713**	**1,232,242**	**1,118,795**	**1,117,902**	**1,122,408**				**89%**
Capital Outlay	**-**	**20,000**	**-**	**-**	**-**				
Total ADA		**173.7**	**167.9**	**170.5**	**170.5**		2.6		0%

Magnolia Public Schools - MSA-6
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	534,325	994,308	971,806	988,993	966,421	(22,572)	(5,385)	432,096	55%
8012	Education Protection Account Entitlement	109,194	251,311	221,995	225,446	225,446	-	3,451	116,252	48%
8019	State Aid - Prior Years	416	-	134	134	416	282	282	-	100%
8096	Charter Schools in Lieu of Property Taxes	243,949	329,848	324,335	329,376	351,948	22,572	27,613	108,000	69%
	SUBTOTAL - LCFF Entitlement	887,884	1,575,467	1,518,270	1,543,949	1,544,231	282	25,961	656,347	57%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	23,595	35,542	32,331	32,331	32,885	553	553	9,289	72%
8220	Child Nutrition Programs	16,396	31,452	49,812	49,812	49,812	-	-	33,416	33%
8291	Title I	48,411	47,977	58,499	59,413	59,413	-	914	11,002	81%
8292	Title II	178	2,363	717	711	711	-	(6)	533	25%
8293	Title III	-	494	-	-	-	-	-	-	
8296	Other Federal Revenue	3,785	20,000	20,000	23,785	23,785	-	3,785	20,000	16%
	SUBTOTAL - Federal Income	92,365	137,828	161,359	166,052	166,606	553	5,246	74,240	55%

Magnolia Public Schools - MSA-6
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	2,439	-	-	2,439	2,439	-	2,439	-	100%
8381	Special Education - Entitlement (State)	68,899	100,140	94,407	94,407	96,023	1,616	1,616	27,125	72%
8520	Child Nutrition - State	1,143	3,379	3,593	3,593	3,593	-	-	2,450	32%
8545	School Facilities Apportionments	42,562	80,000	85,125	85,125	85,125	-	-	42,563	50%
8550	Mandated Cost Reimbursements	32,249	2,419	38,352	38,352	38,352	-	-	6,103	84%
8560	State Lottery Revenue	8,334	28,139	31,735	32,228	32,228	-	493	23,894	26%
8590	All Other State Revenue	40	-	40	40	40	-	-	-	100%
	SUBTOTAL - Other State Income	155,666	214,078	253,252	256,185	257,801	1,616	4,548	102,135	60%
8600	**Other Local Revenue**									
8699	All Other Local Revenue	-	4,120	4,120	4,120	4,120	-	-	4,120	0%
8714	SpEd Option 3	6,392	10,000	6,392	13,193	13,193	-	6,801	6,801	48%
	SUBTOTAL - Local Revenues	6,392	14,120	10,512	17,313	17,313	-	6,801	10,921	37%
8800	**Donations/Fundraising**									
8802	Donations - Private	4,511	-	4,511	4,511	4,511	-	-	-	100%
8803	Fundraising	3,115	10,000	6,589	6,589	6,589	-	-	3,474	47%
	SUBTOTAL - Fundraising and Grants	7,626	10,000	11,100	11,100	11,100	-	-	3,474	69%
TOTAL REVENUE		**1,149,933**	**1,951,493**	**1,954,494**	**1,994,599**	**1,997,051**	**2,452**	**42,557**	**847,118**	**58%**

Magnolia Public Schools - MSA-6
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
EXPENSES									-	
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	303,548	500,008	473,509	473,509	473,509	-	-	169,961	64%
1300	**Certificated Supervisor & Administrator Salarie**	149,426	165,373	250,789	250,789	250,789	-	-	101,363	60%
	SUBTOTAL - Certificated Employees	**452,974**	**665,381**	**724,298**	**724,298**	**724,298**	**-**	**-**	**271,324**	**63%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	54,739	68,504	87,117	87,117	87,117	-	-	32,378	63%
2900	**Classified Other Salaries**	22,356	18,750	34,500	34,500	34,500	-	-	12,145	65%
	SUBTOTAL - Classified Employees	**77,095**	**87,254**	**121,617**	**121,617**	**121,617**	**-**	**-**	**44,522**	**63%**
Employee Benefits Summary										
3100	**STRS**	56,440	82,447	92,228	92,228	92,228	-	-	35,788	61%
3200	**PERS**	7,601	5,869	9,490	9,490	12,782	(3,291)	(3,291)	5,181	59%
3300	**OASDI-Medicare-Alternative**	16,772	17,058	19,409	19,409	19,409	-	-	2,637	86%
3400	**Health & Welfare Benefits**	71,355	98,213	102,936	102,936	102,936	-	-	31,581	69%
3500	**Unemployment Insurance**	141	376	3,423	3,423	3,423	(0)	0	3,282	4%
3600	**Workers Comp Insurance**	7,246	8,655	9,525	9,525	9,525	-	-	2,279	76%
	SUBTOTAL - Employee Benefits	**159,555**	**212,618**	**237,011**	**237,011**	**240,302**	**(3,291)**	**(3,291)**	**80,747**	**66%**

Magnolia Public Schools - MSA-6
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	43,195	5,000	45,000	45,000	45,000	-	-	1,805	96%
4200	Books & Other Reference Materials	-	3,000	1,000	1,000	1,000	-	-	1,000	0%
4315	Custodial Supplies	-	-	-	-	-	-	-	-	
4320	Educational Software	11,870	20,000	14,000	14,000	14,000	-	-	2,130	85%
4325	Instructional Materials & Supplies	2,194	7,000	3,000	3,000	3,000	-	-	806	73%
4330	Office Supplies	5,074	4,200	4,200	4,200	8,000	(3,800)	(3,800)	2,926	63%
4335	PE Supplies	1,635	1,000	1,000	1,000	2,000	(1,000)	(1,000)	365	82%
4345	Non Instructional Student Materials & Supplies	1,474	3,000	2,500	2,500	2,500	-	-	1,026	59%
4346	Teacher Supplies	946	1,000	1,000	1,000	1,000	-	-	54	95%
4400	Noncapitalized Equipment	-	5,000	5,000	5,000	5,000	-	-	5,000	0%
4410	Classroom Furniture, Equipment & Supplies	280	2,000	2,000	2,000	2,000	-	-	1,720	14%
4420	Computers (individual items less than $5k)	-	19,500	19,500	19,500	19,500	-	-	19,500	0%
4700	Food	22,118	39,483	56,076	56,076	56,076	-	-	33,958	39%
4720	Other Food	1,033	-	500	1,500	1,500	-	(1,000)	467	69%
	SUBTOTAL - Books and Supplies	**89,818**	**110,183**	**154,776**	**155,776**	**160,576**	**(4,800)**	**(5,800)**	**70,758**	**56%**
5000	**Services & Other Operating Expenses**									
5101	CMO Fees	50,663	72,914	75,995	75,995	75,995	-	-	25,332	67%
5102	Direct CMO Fee (Shared Staff)	7,283	12,485	13,621	13,621	13,621	-	-	6,338	53%
5215	Travel - Mileage, Parking, Tolls	574	1,000	1,000	1,000	1,000	-	-	426	57%
5220	Travel and Lodging	-	-	3,000	3,000	3,000	-	-	3,000	0%
5300	Dues & Memberships	1,826	1,000	1,826	1,826	1,826	-	-	-	100%
5450	Insurance - Other	7,381	9,000	9,838	9,838	9,838	-	-	2,457	75%
5500	Operations & Housekeeping	1,080	4,000	4,000	4,000	4,000	-	-	2,920	27%
5510	Utilities - Gas and Electric	4,055	7,000	7,000	7,000	7,000	-	-	2,945	58%
5605	Equipment Leases	2,896	4,800	4,800	4,800	4,800	-	-	1,904	60%
5610	Rent	85,000	114,000	113,500	113,500	113,500	-	-	28,500	75%
5615	Repairs and Maintenance - Building	(79)	2,000	2,000	2,000	2,000	-	-	2,079	-4%
5803	Accounting Fees	-	4,500	4,500	4,500	4,500	-	-	4,500	0%
5809	Banking Fees	372	500	500	500	500	-	-	128	74%
5819	School Programs - Other	1,027	5,000	5,000	5,000	5,000	-	-	3,973	21%
5820	Consultants - Non Instructional - Custom 1	3,783	2,000	8,000	8,000	8,000	-	-	4,217	47%

Magnolia Public Schools - MSA-6
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5822	Consultants - Non Instructional - Custom 3	7,737	23,583	23,583	23,583	20,000	3,583	3,583	12,263	39%
5824	District Oversight Fees	10,639	15,755	15,183	15,439	15,442	(3)	(260)	4,803	69%
5830	Field Trips Expenses	3,146	10,000	10,000	10,000	10,000	-	-	6,854	31%
5845	Legal Fees	2,000	10,000	10,000	10,000	5,000	5,000	5,000	3,000	40%
5851	Marketing and Student Recruiting	13,380	10,000	18,000	18,000	18,000	-	-	4,620	74%
5857	Payroll Fees	6,577	7,000	7,000	7,000	7,000	-	-	423	94%
5861	Prior Yr Exp (not accrued)	3,745	-	3,756	3,756	3,756	-	-	12	100%
5863	Professional Development	16,482	32,100	36,000	35,000	35,000	-	1,000	18,518	47%
5869	Special Education Contract Instructors	18,500	32,000	32,000	32,000	32,000	-	-	13,500	58%
5872	Special Education Encroachment	18,890	27,137	25,348	25,348	25,782	(434)	(434)	6,892	73%
5884	Substitutes	4,625	25,000	20,000	20,000	20,000	-	-	15,375	23%
5887	Technology Services	29,660	72,000	72,000	72,000	70,000	2,000	2,000	40,340	42%
5898	Bad Debt Expense	0	-	0	0	0	-	-	-	100%
5899	Miscellaneous Operating Expenses	0	40,000	-	-	-	-	-	(0)	
5900	Communications	10,837	24,000	24,000	24,000	24,000	-	-	13,163	45%
5915	Postage and Delivery	2,890	4,000	4,000	4,000	4,000	-	-	1,110	72%
	SUBTOTAL - Services & Other Operating Exp.	**314,970**	**575,774**	**555,450**	**554,706**	**544,560**	**10,146**	**10,889**	**229,590**	**58%**
6000	**Capital Outlay**									
	SUBTOTAL - Capital Outlay	**-**	**20,000**	**-**	**-**	**-**	**-**	**-**	**-**	
TOTAL EXPENSES		**1,094,412**	**1,671,210**	**1,793,152**	**1,793,409**	**1,791,354**	**2,055**	**1,798**	**696,942**	**61%**
6900	**Total Depreciation (includes Prior Years)**	**4,246**	**6,368**	**28,726**	**28,726**	**28,726**	**-**	**-**	**24,480**	**15%**
TOTAL EXPENSES including Depreciation		**1,098,657**	**1,657,578**	**1,821,878**	**1,822,134**	**1,820,080**	**2,055**	**1,798**	**721,423**	**60%**

Magnolia Public Schools - MSA-7

Budget vs. Actuals

As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	1,498,673	2,671,595	2,599,553	2,609,088	2,609,584	496	10,031	1,110,911	57%
Federal Revenue	124,457	346,072	421,493	287,953	289,293	1,340	(132,199)	164,836	43%
Other State Revenues	380,953	578,580	622,567	626,626	630,540	3,914	7,973	249,587	60%
Local Revenues	51,964	54,198	71,193	77,070	77,070	-	5,876	25,106	67%
Fundraising and Grants	6,611	50,000	25,000	25,000	25,000	-	-	18,389	26%
Total Revenue	**2,062,657**	**3,700,444**	**3,739,806**	**3,625,736**	**3,631,487**	**5,751**	**(108,320)**	**1,568,830**	**57%**
Expenses									
Compensation and Benefits (excl adjustment)	1,067,848	1,710,715	1,633,722	1,608,185	1,613,205	(5,021)	20,517	635,339	66%
Books and Supplies	192,790	333,447	306,250	306,250	306,250	-	-	113,461	63%
Services and Other Operating Expenditures	999,595	1,557,568	1,626,862	1,619,358	1,620,414	(1,056)	6,449	620,819	62%
Depreciation	30,018	45,027	36,918	36,918	36,918	-	-	6,900	81%
Total Expenses	**2,290,250**	**3,646,756**	**3,603,752**	**3,570,710**	**3,576,787**	**(6,077)**	**26,965**	**1,376,518**	**64%**
Operating Income Before One-Time Adjustment	**(227,593)**	**53,688**	**136,054**	**55,026**	**54,700**	**(326)**	**(81,354)**	**192,311**	**-416%**
One-Time Compensation Adjustment			(89,982)	(89,982)	(89,982)				
Operating Income (including adjustment)			**46,072**	**(34,956)**	**(35,282)**				
Fund Balance									
Beginning Balance (Unaudited)	939,109	922,760	922,760	939,109	939,109				
Audit Adjustment	8,244	-	-	8,244	8,244				
Beginning Balance (Audited)	947,353	922,760	922,760	947,353	947,353				
Operating Income (including Depreciation)	(227,593)	53,688	136,054	(34,956)	(35,282)				
Ending Fund Balance	**719,760**	**976,448**	**1,058,814**	**912,397**	**912,071**				**79%**
Capital Outlay	**-**	**60,000**	**198,325**	**60,000**	**60,000**				**0%**
Total ADA		**291.4**	**284.7**	**285.4**	**285.4**		0.7		

Magnolia Public Schools - MSA-7
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	915,712	1,804,821	1,684,753	1,692,084	1,654,311	(37,773)	(30,442)	738,599	55%
8012	Education Protection Account Entitlement	175,682	387,438	364,640	365,519	365,519	-	879	189,837	48%
8019	State Aid - Prior Years	778	-	282	282	778	496	496	-	100%
8096	Charter Schools in Lieu of Property Taxes	406,501	479,335	549,878	551,203	588,976	37,773	39,098	182,475	69%
	SUBTOTAL - LCFF Entitlement	1,498,673	2,671,595	2,599,553	2,609,088	2,609,584	496	10,031	1,110,911	57%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	39,313	56,829	53,691	53,691	55,032	1,340	1,340	15,718	71%
8220	Child Nutrition Programs	22,406	169,792	105,994	105,994	105,994	-	-	83,589	21%
8291	Title I	55,637	80,679	84,709	86,036	86,036	-	1,327	30,399	65%
8292	Title II	98	1,258	1,127	1,118	1,118	-	(9)	1,020	9%
8293	Title III	-	313	-	-	-	-	-	-	
8296	Other Federal Revenue	6,557	37,200	175,525	40,667	40,667	-	(134,858)	34,110	16%
8297	PY Federal - Not Accrued	446	-	446	446	446	-	-	-	100%
	SUBTOTAL - Federal Income	124,457	346,072	421,493	287,953	289,293	1,340	(132,199)	164,836	43%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	4,825	-	896	4,825	4,825	-	3,929	-	100%
8381	Special Education - Entitlement (State)	114,795	167,864	156,778	156,778	160,692	3,914	3,914	45,897	71%
8520	Child Nutrition - State	1,753	13,246	7,940	7,940	7,940	-	-	6,187	22%
8545	School Facilities Apportionments	94,694	196,321	189,390	189,390	189,390	-	-	94,696	50%
8550	Mandated Cost Reimbursements	53,552	3,937	63,689	63,689	63,689	-	-	10,137	84%
8560	State Lottery Revenue	13,763	47,212	53,804	53,933	53,933	-	130	40,170	26%
8590	All Other State Revenue	71	-	71	71	71	-	-	-	100%
8596	ASES	97,500	150,000	150,000	150,000	150,000	-	-	52,500	65%
	SUBTOTAL - Other State Income	380,953	578,580	622,567	626,626	630,540	3,914	7,973	249,587	60%

Magnolia Public Schools - MSA-7
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8634	Food Service Sales	8,295	12,449	12,449	12,449	12,449	-	-	4,153	67%
8636	Uniforms	374	8,468	8,468	8,468	8,468	-	-	8,094	4%
8682	Summer Program	28,554	13,600	28,554	28,554	28,554	-	-	-	100%
8690	Other Local Revenue	8,777	7,140	15,759	15,759	15,759	-	-	6,982	56%
8699	All Other Local Revenue	90	-	90	90	90	-	-	-	100%
8714	SpEd Option 3	5,873	12,541	5,873	11,749	11,749	-	5,876	5,876	50%
	SUBTOTAL - Local Revenues	51,964	54,198	71,193	77,070	77,070	-	5,876	25,106	67%
8800	**Donations/Fundraising**									
8802	Donations - Private	500	-	500	500	500	-	-	-	100%
8803	Fundraising	6,111	50,000	24,500	24,500	24,500	-	-	18,389	25%
	SUBTOTAL - Fundraising and Grants	6,611	50,000	25,000	25,000	25,000	-	-	18,389	26%
TOTAL REVENUE		**2,062,657**	**3,700,444**	**3,739,806**	**3,625,736**	**3,631,487**	**5,751**	**(108,320)**	**1,568,830**	**57%**
									-	

Magnolia Public Schools - MSA-7
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	562,752	863,926	920,976	898,809	898,809	-	22,167	336,057	63%
1300	**Certificated Supervisor & Administrator Salaries**	113,349	159,199	181,516	181,516	181,516	-	-	68,167	62%
	SUBTOTAL - Certificated Employees	**676,102**	**1,023,125**	**1,102,492**	**1,080,325**	**1,080,325**	**-**	**22,167**	**404,224**	**63%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	64,932	58,170	90,628	90,628	94,719	(4,091)	(4,091)	29,787	69%
2900	**Classified Other Salaries**	97,398	251,809	158,634	158,634	158,634	-	-	61,237	61%
	SUBTOTAL - Classified Employees	**162,330**	**309,979**	**249,262**	**249,262**	**253,354**	**(4,091)**	**(4,091)**	**91,024**	**64%**
Employee Benefits Summary										
3100	**STRS**	81,051	119,347	131,525	128,736	128,736	-	2,789	47,685	63%
3200	**PERS**	18,772	22,847	27,262	27,262	27,830	(568)	(568)	9,057	67%
3300	**OASDI-Medicare-Alternative**	24,161	43,218	38,843	38,522	38,835	(313)	8	14,674	62%
3400	**Health & Welfare Benefits**	93,251	178,200	155,423	155,423	155,423	-	-	62,173	60%
3500	**Unemployment Insurance**	1,394	667	3,676	3,665	3,667	(2)	9	2,273	38%
3600	**Workers Comp Insurance**	10,788	13,331	15,221	14,971	15,017	(46)	204	4,229	72%
	SUBTOTAL - Employee Benefits	**229,417**	**377,610**	**371,950**	**368,579**	**369,508**	**(929)**	**2,441**	**140,091**	**62%**

Magnolia Public Schools - MSA-7

Budget vs. Actuals

As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	83,652	45,000	90,000	90,000	90,000	-	-	6,348	93%
4200	Books & Other Reference Materials	498	21,500	5,000	5,000	5,000	-	-	4,502	10%
4315	Custodial Supplies	2,974	8,000	8,000	8,000	8,000	-	-	5,026	37%
4320	Educational Software	11,588	10,000	10,888	11,588	11,588	-	(700)	-	100%
4325	Instructional Materials & Supplies	8,627	15,000	14,500	13,800	13,470	330	1,030	4,842	64%
4326	Art & Music Supplies	1,830	500	1,500	1,500	1,830	(330)	(330)	-	100%
4330	Office Supplies	9,093	13,200	13,200	13,200	13,200	-	-	4,107	69%
4335	PE Supplies	665	2,000	2,000	2,000	2,000	-	-	1,335	33%
4345	Non Instructional Student Materials & Supplies	1,224	1,000	1,500	1,500	1,500	-	-	276	82%
4346	Teacher Supplies	213	2,400	2,400	2,400	2,400	-	-	2,187	9%
4351	Yearbook	685	760	760	760	760	-	-	75	90%
4410	Classroom Furniture, Equipment & Supplies	3,514	4,700	4,400	3,991	3,991	-	409	477	88%
4420	Computers (individual items less than $5k)	642	11,500	11,500	11,500	11,500	-	-	10,858	6%
4430	Non Classroom Related Furniture, Equipment & Su	3,009	2,300	2,600	3,009	3,009	-	(409)	-	100%
4700	Food	62,929	195,487	132,702	132,702	132,702	-	-	69,773	47%
4720	Other Food	1,646	100	5,300	5,300	5,300	-	-	3,654	31%
	SUBTOTAL - Books and Supplies	**192,790**	**333,447**	**306,250**	**306,250**	**306,250**	**(0)**	**(0)**	**113,461**	**63%**

Magnolia Public Schools - MSA-7
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5000	**Services & Other Operating Expenses**									
5101	CMO Fees	422,195	607,620	633,292	633,292	633,292	-	-	211,097	67%
5102	Direct CMO Fee (Shared Staff)	12,402	21,260	22,779	22,779	22,779	-	-	10,377	54%
5210	Conference Fees	150	4,000	4,000	4,000	4,000	-	-	3,850	4%
5215	Travel - Mileage, Parking, Tolls	1,487	1,500	1,500	1,500	1,500	-	-	13	99%
5220	Travel and Lodging	-	2,772	2,772	2,772	2,772	-	-	2,772	0%
5300	Dues & Memberships	2,156	9,000	9,000	9,000	9,000	-	-	6,844	24%
5450	Insurance - Other	13,924	14,905	16,642	16,642	16,642	-	-	2,718	84%
5500	Operations & Housekeeping	2,137	10,000	10,000	10,000	10,000	-	-	7,863	21%
5510	Utilities - Gas and Electric	27,897	55,680	55,680	55,680	55,680	-	-	27,783	50%
5605	Equipment Leases	4,647	8,400	8,400	8,400	8,400	-	-	3,753	55%
5610	Rent	195,323	261,761	260,628	260,628	260,628	-	-	65,305	75%
5615	Repairs and Maintenance - Building	11,410	23,000	23,000	23,000	23,000	-	-	11,590	50%
5617	Repairs and Maintenance - Other Equipment	-	2,000	2,000	2,000	2,000	-	-	2,000	0%
5803	Accounting Fees	-	5,500	10,000	10,000	10,000	-	-	10,000	0%
5809	Banking Fees	401	3,000	3,000	3,000	3,000	-	-	2,599	13%
5813	School Programs - After School Program	105,190	150,000	150,000	150,000	150,000	-	-	44,810	70%
5814	School Programs - Academic Competitions	214	108	214	214	214	-	-	-	100%
5819	School Programs - Other	54	8,000	8,000	8,000	8,000	-	-	7,946	1%
5820	Consultants - Non Instructional - Custom 1	5,666	8,584	8,584	8,584	8,584	-	-	2,918	66%
5822	Consultants - Non Instructional - Custom 3	5,951	6,000	10,000	10,000	10,000	-	-	4,049	60%

Magnolia Public Schools - MSA-7
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5824	District Oversight Fees	17,933	27,250	25,996	26,091	26,096	(5)	(100)	8,163	69%
5830	Field Trips Expenses	3,788	10,000	10,000	10,000	10,000	-	-	6,212	38%
5845	Legal Fees	-	10,000	10,000	10,000	10,000	-	-	10,000	0%
5851	Marketing and Student Recruiting	(1,514)	3,000	3,000	3,000	3,000	-	-	4,514	-50%
5857	Payroll Fees	9,011	21,600	21,600	14,000	14,000	-	7,600	4,989	64%
5861	Prior Yr Exp (not accrued)	(8,942)	-	(8,942)	(8,942)	(8,942)	-	-	-	100%
5863	Professional Development	11,523	43,100	43,100	43,100	43,100	-	-	31,577	27%
5869	Special Education Contract Instructors	62,487	86,324	114,324	114,324	114,324	-	-	51,837	55%
5872	Special Education Encroachment	30,822	44,939	42,094	42,094	43,145	(1,051)	(1,051)	12,323	71%
5884	Substitutes	18,283	21,658	40,000	40,000	40,000	-	-	21,717	46%
5887	Technology Services	33,047	50,600	50,600	50,600	50,600	-	-	17,553	65%
5898	Bad Debt Expense	(1)	-	-	-	-	-	-	1	
5899	Miscellaneous Operating Expenses	0	-	0	0	0	-	-	-	100%
5900	Communications	10,290	32,000	32,000	32,000	32,000	-	-	21,710	32%
5915	Postage and Delivery	1,668	3,600	3,600	3,600	3,600	-	-	1,932	46%
	SUBTOTAL - Services & Other Operating Exp.	**999,595**	**1,557,568**	**1,626,862**	**1,619,358**	**1,620,414**	**(1,056)**	**6,449**	**620,819**	**62%**
6000	**Capital Outlay**									
6200	Buildings & Improvement of Buildings	-	-	138,325	-	-	-	138,325	-	
6400	Equipment	-	60,000	-	-	-	-	-	-	
6410	Computers (capitalizable items)	-	-	60,000	60,000	60,000	-	-	60,000	0%
	SUBTOTAL - Capital Outlay	**-**	**60,000**	**198,325**	**60,000**	**60,000**	**-**	**138,325**	**60,000**	**0%**
TOTAL EXPENSES		**2,260,233**	**3,661,730**	**3,855,142**	**3,683,775**	**3,689,851**	**(6,077)**	**165,290**	**1,429,618**	**61%**
6900	**Total Depreciation (includes Prior Years)**	**30,018**	**45,027**	**36,918**	**36,918**	**36,918**	**-**	**-**	**6,900**	**81%**
TOTAL EXPENSES including Depreciation		**2,290,250**	**3,646,756**	**3,693,734**	**3,660,692**	**3,666,769**	**(6,077)**	**26,965**	**1,376,518**	**62%**

Magnolia Public Schools - MSA-8

Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	2,600,845	4,438,632	4,440,491	4,525,400	4,527,716	2,316	87,225	1,926,871	57%
Federal Revenue	239,564	296,081	297,469	307,027	308,387	1,361	10,918	68,824	78%
Other State Revenues	417,387	508,978	620,258	629,214	633,188	3,974	12,931	215,801	66%
Local Revenues	43,143	90,229	70,411	80,207	70,007	(10,200)	(405)	26,864	62%
Fundraising and Grants	8,605	20,000	20,000	20,000	20,000	-	-	11,395	43%
Total Revenue	**3,309,544**	**5,353,920**	**5,448,629**	**5,561,847**	**5,559,298**	**(2,549)**	**110,670**	**2,249,755**	**60%**
Expenses									
Compensation and Benefits (excl adjustment)	1,792,397	2,842,777	2,701,941	2,701,941	2,701,941	(0)	0	1,030,508	66%
Books and Supplies	119,947	297,700	420,157	420,157	419,657	500	500	299,711	29%
Services and Other Operating Expenditures	1,163,374	2,081,816	2,142,840	2,123,061	2,127,652	(4,590)	15,189	964,278	55%
Depreciation	45,437	68,156	84,873	84,873	84,873	-	-	39,436	54%
Total Expenses	**3,121,155**	**5,290,449**	**5,349,811**	**5,330,033**	**5,334,123**	**(4,090)**	**15,689**	**2,333,933**	**59%**
Operating Income Before One-Time Adjustment	**188,389**	**63,471**	**98,817**	**231,815**	**225,175**	**(6,639)**	**126,358**	**(84,178)**	**84%**
One-Time Compensation Adjustment			(120,965)	(120,965)	(120,965)				
Operating Income (including adjustment)			**(22,148)**	**110,850**	**104,210**				
Fund Balance									
Beginning Balance (Unaudited)	3,061,348	3,019,921	3,019,921	3,061,348	3,061,348				
Audit Adjustment	(90,501)	-	-	(90,501)	(90,501)				
Beginning Balance (Audited)	2,970,847	3,019,921	3,019,921	2,970,847	2,970,847				
Operating Income (including Depreciation)	188,389	63,471	98,817	110,850	104,210				
Ending Fund Balance	**3,159,236**	**3,083,391**	**3,118,738**	**3,081,697**	**3,075,057**				**103%**
Capital Outlay	**77,808**	**84,000**	**84,000**	**84,000**	**84,000**				**93%**
Total ADA		**477.7**	**477.7**	**486.2**	**486.2**		8.5		

Magnolia Public Schools - MSA-8
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	1,592,623	2,995,658	2,884,036	2,941,120	2,878,238	(62,883)	(5,798)	1,285,615	55%
8012	Education Protection Account Entitlement	312,962	657,309	633,310	644,635	644,635	-	11,325	331,673	49%
8019	State Aid - Prior Years	1,306	-	468	468	1,306	838	838	-	100%
8096	Charter Schools in Lieu of Property Taxes	693,954	785,666	922,677	939,177	1,003,537	64,361	80,860	309,583	69%
	SUBTOTAL - LCFF Entitlement	2,600,845	4,438,632	4,440,491	4,525,400	4,527,716	2,316	87,225	1,926,871	57%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	67,132	93,147	92,406	92,406	93,767	1,361	1,361	26,635	72%
8291	Title I	165,782	200,332	202,691	205,859	205,859	-	3,168	40,077	81%
8292	Title II	214	2,451	2,345	2,326	2,326	-	(19)	2,112	9%
8296	Other Federal Revenue	6,409	-	-	6,409	6,409	-	6,409	-	100%
8297	PY Federal - Not Accrued	27	-	27	27	27	-	-	-	100%
	SUBTOTAL - Federal Income	239,564	296,081	297,469	307,027	308,387	1,361	10,918	68,824	78%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	7,762	-	420	7,762	7,762	-	7,342	-	100%
8381	Special Education - Entitlement (State)	196,025	275,141	269,825	269,825	273,799	3,974	3,974	77,774	72%
8550	Mandated Cost Reimbursements	92,169	6,453	109,613	109,613	109,613	-	-	17,444	84%
8560	State Lottery Revenue	23,811	77,383	90,281	91,895	91,895	-	1,614	68,084	26%
8590	All Other State Revenue	120	-	120	120	120	-	-	-	100%
8596	ASES	97,500	150,000	150,000	150,000	150,000	-	-	52,500	65%
	SUBTOTAL - Other State Income	417,387	508,978	620,258	629,214	633,188	3,974	12,931	215,801	66%

Magnolia Public Schools - MSA-8
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8636	Uniforms	-	30,662	-	-	-	-	-	-	
8682	Summer Program	30,463	13,600	30,463	30,463	30,463	-	-	-	100%
8693	Field Trips	-	10,200	10,200	10,200	-	(10,200)	(10,200)	-	
8699	All Other Local Revenue	1,624	18,692	18,692	18,692	18,692	-	-	17,068	9%
8714	SpEd Option 3	11,056	17,075	11,056	20,852	20,852	-	9,796	9,796	53%
	SUBTOTAL - Local Revenues	43,143	90,229	70,411	80,207	70,007	(10,200)	(405)	26,864	62%
8800	**Donations/Fundraising**									
8803	Fundraising	8,605	20,000	20,000	20,000	20,000	-	-	11,395	43%
	SUBTOTAL - Fundraising and Grants	8,605	20,000	20,000	20,000	20,000	-	-	11,395	43%
TOTAL REVENUE		**3,309,544**	**5,353,920**	**5,448,629**	**5,561,847**	**5,559,298**	**(2,549)**	**110,670**	**2,249,755**	**60%**

Magnolia Public Schools - MSA-8

Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
EXPENSES									-	
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	924,628	1,455,168	1,454,903	1,454,903	1,454,903	-	-	530,275	64%
1300	**Certificated Supervisor & Administrator Salarie**	218,843	425,165	347,203	347,203	347,203	-	-	128,360	63%
	SUBTOTAL - Certificated Employees	**1,143,471**	**1,880,332**	**1,802,106**	**1,802,106**	**1,802,106**	**-**	**-**	**658,635**	**63%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	85,909	185,996	129,851	129,851	129,851	-	-	43,943	66%
2900	**Classified Other Salaries**	174,497	137,069	275,892	275,892	275,892	-	-	101,395	63%
	SUBTOTAL - Classified Employees	**260,406**	**323,065**	**405,744**	**405,744**	**405,744**	**-**	**-**	**145,338**	**64%**
Employee Benefits Summary										
3100	**STRS**	141,391	234,030	224,189	224,189	224,189	-	-	82,798	63%
3200	**PERS**	30,002	37,396	46,345	46,345	46,345	-	-	16,344	65%
3300	**OASDI-Medicare-Alternative**	35,555	53,218	58,718	58,718	58,718	-	-	23,163	61%
3400	**Health & Welfare Benefits**	162,654	291,600	256,840	256,840	256,840	-	-	94,186	63%
3500	**Unemployment Insurance**	130	1,102	4,104	4,104	4,104	(0)	0	3,974	3%
3600	**Workers Comp Insurance**	18,789	22,034	24,860	24,860	24,860	-	-	6,071	76%
	SUBTOTAL - Employee Benefits	**388,521**	**639,379**	**615,056**	**615,056**	**615,056**	**(0)**	**0**	**226,535**	**63%**

Magnolia Public Schools - MSA-8
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	14,174	22,000	22,000	22,000	22,000	-	-	7,826	64%
4200	Books & Other Reference Materials	640	-	1,000	1,000	1,000	-	-	360	64%
4320	Educational Software	18,675	15,000	20,000	20,000	20,000	-	-	1,326	93%
4325	Instructional Materials & Supplies	15,024	35,000	33,669	33,669	33,669	-	-	18,645	45%
4326	Art & Music Supplies	763	15,000	15,000	15,000	14,500	500	500	13,737	5%
4330	Office Supplies	12,527	14,200	25,000	25,000	25,000	-	-	12,473	50%
4335	PE Supplies	331	-	331	331	331	-	-	-	100%
4345	Non Instructional Student Materials & Supplies	6,709	9,000	9,000	9,000	8,500	500	500	1,791	79%
4346	Teacher Supplies	1,681	5,000	5,000	5,000	5,000	-	-	3,319	34%
4350	Uniforms	500	8,000	-	-	500	(500)	(500)	-	100%
4351	Yearbook	-	5,000	5,000	5,000	5,000	-	-	5,000	0%
4400	Noncapitalized Equipment	2,829	-	14,641	14,641	14,641	-	-	11,812	19%
4410	Classroom Furniture, Equipment & Supplies	517	-	517	517	517	-	-	-	100%
4420	Computers (individual items less than $5k)	5,355	11,500	11,500	11,500	11,500	-	-	6,145	47%
4430	Non Classroom Related Furniture, Equipment & Su	3,420	8,000	7,500	7,500	7,500	-	-	4,080	46%
4700	Food	35,410	140,000	240,000	240,000	240,000	-	-	204,590	15%
4720	Other Food	1,394	10,000	10,000	10,000	10,000	-	-	8,606	14%
	SUBTOTAL - Books and Supplies	**119,947**	**297,700**	**420,157**	**420,157**	**419,657**	**500**	**500**	**299,711**	**29%**
5000	**Services & Other Operating Expenses**									
5101	CMO Fees	675,511	972,192	1,013,267	1,013,267	1,013,267	-	-	337,756	67%
5102	Direct CMO Fee (Shared Staff)	20,567	35,258	38,555	38,555	38,555	-	-	17,988	53%
5210	Conference Fees	5,112	10,000	10,000	10,000	10,000	-	-	4,889	51%
5215	Travel - Mileage, Parking, Tolls	1,139	5,000	5,000	5,000	5,000	-	-	3,861	23%
5220	Travel and Lodging	4,266	10,000	10,000	10,000	10,000	-	-	5,734	43%
5300	Dues & Memberships	3,451	7,500	7,500	7,500	7,500	-	-	4,049	46%
5450	Insurance - Other	21,544	25,000	25,854	25,854	25,854	-	-	4,310	83%
5500	Operations & Housekeeping	200	35,000	35,000	35,000	35,000	-	-	34,800	1%
5605	Equipment Leases	35,940	50,000	50,000	50,000	50,000	-	-	14,060	72%
5610	Rent	51,982	228,961	228,961	228,961	228,961	-	-	176,979	23%
5617	Repairs and Maintenance - Other Equipment	1,104	3,000	3,000	3,000	3,000	-	-	1,896	37%
5803	Accounting Fees	-	9,021	15,000	15,000	15,000	-	-	15,000	0%

Magnolia Public Schools - MSA-8
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5809	Banking Fees	395	500	500	500	500	-	-	105	79%
5813	School Programs - After School Program	105,000	150,000	150,000	150,000	150,000	-	-	45,000	70%
5819	School Programs - Other	175	-	-	-	500	(500)	(500)	325	35%
5820	Consultants - Non Instructional - Custom 1	10,089	9,000	9,000	9,000	13,000	(4,000)	(4,000)	2,911	78%
5822	Consultants - Non Instructional - Custom 3	13,141	59,000	59,000	59,000	55,000	4,000	4,000	41,860	24%
5824	District Oversight Fees	31,223	45,554	44,405	45,254	45,277	(23)	(872)	14,055	69%
5830	Field Trips Expenses	10,699	30,000	30,000	30,000	30,000	-	-	19,301	36%
5845	Legal Fees	11,960	10,000	10,000	10,000	13,000	(3,000)	(3,000)	1,040	92%
5851	Marketing and Student Recruiting	4,588	8,000	8,000	8,000	8,000	-	-	3,412	57%
5857	Payroll Fees	11,832	20,784	20,784	16,500	16,500	-	4,284	4,668	72%
5860	Printing and Reproduction	-	-	-	-	-	-	-	-	
5861	Prior Yr Exp (not accrued)	(10,038)	-	6,306	(10,038)	(10,038)	-	16,344	-	100%
5863	Professional Development	22,441	105,000	111,000	111,000	111,000	-	-	88,559	20%
5869	Special Education Contract Instructors	24,428	64,512	64,512	64,512	64,512	-	-	40,084	38%
5872	Special Education Encroachment	52,631	73,785	72,446	72,446	73,513	(1,067)	(1,067)	20,882	72%
5884	Substitutes	25,620	64,750	64,750	64,750	64,750	-	-	39,130	40%
5887	Technology Services	22,950	38,000	38,000	38,000	38,000	-	-	15,050	60%
5898	Bad Debt Expense	(0)	-	-	-	-	-	-	0	
5899	Miscellaneous Operating Expenses	0	-	-	-	0	(0)	(0)	-	100%
5915	Postage and Delivery	5,422	12,000	12,000	12,000	12,000	-	-	6,578	45%
	SUBTOTAL - Services & Other Operating Exp.	**1,163,374**	**2,081,816**	**2,142,840**	**2,123,061**	**2,127,652**	**(4,590)**	**15,189**	**964,278**	**55%**
6000	**Capital Outlay**									
6410	Computers (capitalizable items)	77,808	84,000	84,000	84,000	84,000	-	-	6,192	93%
	SUBTOTAL - Capital Outlay	**77,808**	**84,000**	**84,000**	**84,000**	**84,000**	**-**	**-**	**6,192**	**93%**
TOTAL EXPENSES		**3,153,526**	**5,306,293**	**5,469,903**	**5,450,125**	**5,454,215**	**(4,090)**	**15,689**	**2,300,689**	**58%**
6900	**Total Depreciation (includes Prior Years)**	**45,437**	**68,156**	**84,873**	**84,873**	**84,873**	**-**	**-**	**39,436**	**54%**
TOTAL EXPENSES including Depreciation		**3,121,155**	**5,290,449**	**5,470,776**	**5,450,998**	**5,455,088**	**(4,090)**	**15,689**	**2,333,933**	**57%**

Magnolia Public Schools - MSA-SA

Budget vs. Actuals

As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	1,564,604	4,595,312	5,465,892	5,535,628	5,535,628	-	69,736	3,971,024	28%
Federal Revenue	295,777	394,527	783,158	783,158	765,987	(17,171)	(17,171)	470,210	39%
Other State Revenues	122,975	345,918	556,982	561,696	564,147	2,451	7,165	441,172	22%
Local Revenues	19,530	16,505	26,185	20,751	21,442	691	(4,743)	1,912	91%
Fundraising and Grants	38,601	22,000	27,854	31,946	38,601	6,655	10,747	-	100%
Total Revenue	**2,041,486**	**5,374,262**	**6,860,071**	**6,933,179**	**6,925,805**	**(7,374)**	**65,734**	**4,884,318**	**29%**
Expenses									
Compensation and Benefits (excl adjustment)	2,334,352	3,059,757	3,723,254	3,727,154	3,729,571	(2,417)	(6,316)	1,440,347	63%
Books and Supplies	792,684	691,730	829,376	971,640	974,105	(2,465)	(144,729)	181,420	81%
Services and Other Operating Expenditures	1,249,720	1,775,769	2,087,914	2,190,892	2,207,634	(16,742)	(119,720)	957,914	57%
Depreciation	264,823	397,234	373,813	373,813	373,813	-	-	108,991	71%
Total Expenses	**4,641,579**	**5,924,489**	**7,014,357**	**7,263,499**	**7,285,122**	**(21,623)**	**(270,765)**	**2,688,672**	**64%**
Operating Income Before One-Time Adjustment	**(2,600,093)**	**(550,228)**	**(154,287)**	**(330,320)**	**(359,318)**	**(28,998)**	**(205,031)**	**2,195,646**	**724%**
One-Time Compensation Adjustment			(45,129)	(45,129)	(45,129)				
Operating Income (including adjustment)			**(199,416)**	**(375,449)**	**(404,447)**				
Fund Balance									
Beginning Balance (Unaudited)	8,291,101	8,212,887	8,212,887	8,291,101	8,291,101				
Audit Adjustment	7,820	-	-	7,820	7,820				
Beginning Balance (Audited)	8,298,921	8,212,887	8,212,887	8,298,921	8,298,921				
Operating Income (including Depreciation)	(2,600,093)	(550,228)	(154,287)	(375,449)	(404,447)				
Ending Fund Balance	**5,698,828**	**7,662,659**	**8,058,600**	**7,923,472**	**7,894,474**				**72%**
Capital Outlay	**37,249**	**13,389,061**	**115,124**	**115,124**	**115,124**				**32%**
Total ADA		**511.5**	**606.0**	**612.7**	**612.7**		6.6		

Magnolia Public Schools - MSA-SA
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	1,394,210	3,517,160	4,197,607	4,253,468	3,931,741	(321,727)	(265,866)	2,537,531	35%
8012	Education Protection Account Entitlement	14,333	102,290	121,204	122,530	122,530	-	1,326	108,197	12%
8096	Charter Schools in Lieu of Property Taxes	156,061	975,862	1,147,081	1,159,630	1,481,357	321,727	334,276	1,325,296	11%
	SUBTOTAL - LCFF Entitlement	1,564,604	4,595,312	5,465,892	5,535,628	5,535,628	-	69,736	3,971,024	28%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	-	17,061	18,000	18,000	18,288	288	288	18,288	0%
8220	Child Nutrition Programs	64,312	183,550	227,287	227,287	227,287	-	-	162,975	28%
8291	Title I	83,954	134,489	219,592	219,592	219,592	-	-	135,638	38%
8292	Title II	613	2,362	2,362	2,362	2,362	-	-	1,749	26%
8296	Other Federal Revenue	4,236	54,400	54,400	54,400	36,941	(17,459)	(17,459)	32,705	11%
8297	PY Federal - Not Accrued	162	-	162	162	162	-	-	-	100%
8298	Implementation Grant	142,500	-	261,355	261,355	261,355	-	-	118,855	55%
	SUBTOTAL - Federal Income	295,777	394,527	783,158	783,158	765,987	(17,171)	(17,171)	470,210	39%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	6,193	-	6,193	6,193	6,193	-	-	-	100%
8381	Special Education - Entitlement (State)	38,418	245,368	304,828	308,163	310,614	2,451	5,785	272,196	12%
8520	Child Nutrition - State	4,517	7,396	14,137	14,137	14,137	-	-	9,620	32%
8550	Mandated Cost Reimbursements	29,203	10,299	42,286	42,412	42,412	-	126	13,209	69%
8560	State Lottery Revenue	7,143	82,855	114,538	115,791	115,791	-	1,253	108,647	6%
8590	All Other State Revenue	37,500	-	75,000	75,000	75,000	-	-	37,500	50%
	SUBTOTAL - Other State Income	122,975	345,918	556,982	561,696	564,147	2,451	7,165	441,172	22%

Magnolia Public Schools - MSA-SA
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8634	Food Service Sales	8,263	15,900	15,900	10,000	10,000	-	(5,900)	1,737	83%
8636	Uniforms	397	-	397	397	397	-	-	-	100%
8660	Interest	826	533	533	1,000	1,000	-	467	174	83%
8690	Other Local Revenue	10,045	-	9,354	9,354	10,045	691	691	-	100%
	SUBTOTAL - Local Revenues	19,530	16,505	26,185	20,751	21,442	691	(4,743)	1,912	91%
8800	**Donations/Fundraising**									
8802	Donations - Private	37,301	-	27,844	31,936	37,301	5,366	9,458	-	100%
8803	Fundraising	1,300	22,000	10	10	1,300	1,290	1,290	-	100%
	SUBTOTAL - Fundraising and Grants	38,601	22,000	27,854	31,946	38,601	6,655	10,747	-	100%
TOTAL REVENUE		**2,041,486**	**5,374,262**	**6,860,071**	**6,933,179**	**6,925,805**	**(7,374)**	**65,734**	**4,884,318**	**29%**

Magnolia Public Schools - MSA-SA
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
EXPENSES									-	
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	1,266,383	1,787,100	2,038,608	2,040,450	2,044,158	(3,707)	(5,550)	777,774	62%
1300	**Certificated Supervisor & Administrator Salaries**	301,084	360,450	495,669	495,669	495,970	(301)	(301)	194,886	61%
	SUBTOTAL - Certificated Employees	**1,567,467**	**2,147,550**	**2,534,277**	**2,536,119**	**2,540,127**	**(4,008)**	**(5,851)**	**972,660**	**62%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	108,983	70,000	160,266	160,266	160,266	-	-	51,283	68%
2900	**Classified Other Salaries**	179,091	165,580	288,693	290,312	288,512	1,800	180	109,421	62%
	SUBTOTAL - Classified Employees	**288,074**	**235,580**	**448,959**	**450,578**	**448,778**	**1,800**	**180**	**160,704**	**64%**
Employee Benefits Summary										
3100	**STRS**	187,380	249,908	300,333	300,565	300,565	-	(232)	113,185	62%
3200	**PERS**	16,586	8,428	30,386	30,386	30,386	-	-	13,800	55%
3300	**OASDI-Medicare-Alternative**	49,031	59,026	80,795	80,959	81,142	(183)	(348)	32,111	60%
3400	**Health & Welfare Benefits**	218,007	332,100	335,551	335,551	335,551	-	-	117,544	65%
3500	**Unemployment Insurance**	667	1,192	4,492	4,493	4,494	(1)	(3)	3,827	15%
3600	**Workers Comp Insurance**	7,139	23,831	33,591	33,630	33,655	(25)	(64)	26,516	21%
3900	**Other Employee Benefits**	-	2,142	-	-	-	-	-	-	
	SUBTOTAL - Employee Benefits	**478,811**	**676,627**	**785,148**	**785,585**	**785,794**	**(209)**	**(646)**	**306,983**	**61%**

Magnolia Public Schools - MSA-SA
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	220,044	235,150	240,000	240,000	240,000	-	-	19,956	92%
4200	Books & Other Reference Materials	8,577	35,000	20,000	20,000	20,000	-	-	11,423	43%
4315	Custodial Supplies	24,295	10,000	30,000	30,000	30,000	-	-	5,705	81%
4320	Educational Software	12,465	10,000	10,000	10,000	12,465	(2,465)	(2,465)	-	100%
4325	Instructional Materials & Supplies	31,870	65,500	47,007	47,007	44,906	2,101	2,101	13,035	71%
4326	Art & Music Supplies	6,508	-	10,000	10,000	10,000	-	-	3,492	65%
4330	Office Supplies	17,778	2,200	15,000	20,000	20,000	-	(5,000)	2,222	89%
4335	PE Supplies	5,107	5,000	5,500	5,500	5,500	-	-	393	93%
4345	Non Instructional Student Materials & Supplies	5,824	11,185	10,185	10,185	10,185	-	-	4,362	57%
4346	Teacher Supplies	11,101	-	9,000	9,000	11,101	(2,101)	(2,101)	-	100%
4400	Noncapitalized Equipment	11,868	25	8,764	11,868	11,868	-	(3,104)	-	100%
4410	Classroom Furniture, Equipment & Supplies	160,052	3,000	24,121	163,476	163,476	-	(139,355)	3,424	98%
4420	Computers (individual items less than $5k)	86,110	105,825	122,115	122,115	122,115	-	-	36,005	71%
4430	Non Classroom Related Furniture, Equipment & Suppl	2,493	-	2,493	2,493	2,493	-	-	-	100%
4700	Food	184,128	206,845	270,191	263,996	263,996	-	6,195	79,868	70%
4720	Other Food	4,464	2,000	5,000	6,000	6,000	-	(1,000)	1,536	74%
	SUBTOTAL - Books and Supplies	**792,684**	**691,730**	**829,376**	**971,640**	**974,105**	**(2,465)**	**(144,729)**	**181,420**	**81%**

Magnolia Public Schools - MSA-SA
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5000	**Services & Other Operating Expenses**									
5101	CMO Fees	675,511	972,192	1,013,267	1,013,267	1,013,267	-	-	337,756	67%
5102	Direct CMO Fee (Shared Staff)	19,386	33,233	72,367	72,367	72,367	-	-	52,982	27%
5210	Conference Fees	1,354	8,809	8,809	8,809	8,809	-	-	7,455	15%
5215	Travel - Mileage, Parking, Tolls	2,090	20,000	10,000	10,000	10,000	-	-	7,910	21%
5300	Dues & Memberships	5,345	6,000	6,000	6,000	6,000	-	-	655	89%
5450	Insurance - Other	16,522	32,415	21,456	21,456	21,456	-	-	4,934	77%
5500	Operations & Housekeeping	25,012	8,500	25,000	25,000	30,000	(5,000)	(5,000)	4,988	83%
5510	Utilities - Gas and Electric	45,123	55,000	144,772	144,772	139,772	5,000	5,000	94,650	32%
5605	Equipment Leases	29,163	47,344	47,344	47,344	47,344	-	-	18,181	62%
5610	Rent	37,129	-	37,129	37,129	37,129	-	-	-	100%
5615	Repairs and Maintenance - Building	34,964	3,000	30,000	30,000	34,964	(4,964)	(4,964)	-	100%
5803	Accounting Fees	-	5,000	5,000	5,000	10,735	(5,735)	(5,735)	10,735	0%
5809	Banking Fees	4,193	2,856	7,243	7,243	7,243	-	-	3,050	58%
5813	School Programs - After School Program	1,816	10,000	15,000	15,000	15,000	-	-	13,184	12%
5814	School Programs - Academic Competitions	4,846	7,500	7,500	7,500	7,500	-	-	2,654	65%
5819	School Programs - Other	6,995	-	-	6,962	7,000	(38)	(7,000)	6	100%
5820	Consultants - Non Instructional - Custom 1	1,350	30,000	15,000	15,000	15,000	-	-	13,650	9%
5822	Consultants - Non Instructional - Custom 3	20,345	57,898	40,000	40,000	37,535	2,465	2,465	17,190	54%
5824	District Oversight Fees	-	46,872	54,659	55,356	55,356	-	(697)	55,356	0%
5830	Field Trips Expenses	13,034	19,000	19,000	19,000	19,000	-	-	5,966	69%
5833	Fines and Penalties	11,818	-	29,000	29,000	29,000	-	-	17,182	41%

Magnolia Public Schools - MSA-SA
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5843	Interest - Loans Less than 1 Year	106	227	141	529	529	-	(388)	423	20%
5845	Legal Fees	1,244	15,000	15,000	15,000	15,000	-	-	13,756	8%
5851	Marketing and Student Recruiting	7,204	30,000	20,000	20,000	20,000	-	-	12,796	36%
5852	Receivable Sale Fees	-	-	-	32,706	32,706	-	(32,706)	32,706	0%
5857	Payroll Fees	20,160	21,600	21,600	27,500	27,500	-	(5,900)	7,340	73%
5861	Prior Yr Exp (not accrued)	55,690	-	340	56,532	56,532	-	(56,192)	842	99%
5863	Professional Development	33,513	35,575	41,575	41,575	37,567	4,008	4,008	4,054	89%
5869	Special Education Contract Instructors	62,291	224,000	224,000	224,000	224,000	-	-	161,709	28%
5872	Special Education Encroachment	-	-	12,913	13,047	13,156	(110)	(243)	13,156	0%
5884	Substitutes	53,325	51,150	55,000	55,000	55,000	-	-	1,675	97%
5887	Technology Services	36,408	20,000	64,000	64,000	64,000	-	-	27,592	57%
5898	Bad Debt Expense	1,867	-	-	-	1,867	(1,867)	(1,867)	-	100%
5900	Communications	19,574	4,800	17,000	17,000	27,500	(10,500)	(10,500)	7,926	71%
5915	Postage and Delivery	2,342	7,799	7,799	7,799	7,799	-	-	5,456	30%
	SUBTOTAL - Services & Other Operating Exp.	**1,249,720**	**1,775,769**	**2,087,914**	**2,190,892**	**2,207,634**	**(16,742)**	**(119,720)**	**957,914**	**57%**
6000	**Capital Outlay**									
6400	Equipment	37,249	-	37,249	37,249	37,249	-	-	-	100%
6410	Computers (capitalizable items)	-	56,500	77,875	77,875	77,875	-	-	77,875	0%
	SUBTOTAL - Capital Outlay	**37,249**	**13,389,061**	**115,124**	**115,124**	**115,124**	**-**	**-**	**77,875**	**32%**
TOTAL EXPENSES		**4,414,006**	**18,916,317**	**6,800,797**	**7,049,939**	**7,071,562**	**(21,623)**	**(270,765)**	**2,657,556**	**62%**
6900	**Total Depreciation (includes Prior Years)**	**264,823**	**397,234**	**373,813**	**373,813**	**373,813**	**-**	**-**	**108,991**	**71%**
TOTAL EXPENSES including Depreciation		**4,641,579**	**5,924,489**	**7,059,486**	**7,308,628**	**7,330,251**	**(21,623)**	**(270,765)**	**2,688,672**	**63%**

Magnolia Public Schools - MSA-SD
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
LCFF Entitlement	1,770,581	3,365,610	3,067,041	3,034,475	3,034,475	-	(32,566)	1,263,894	58%
Federal Revenue	17,308	133,928	139,972	142,469	143,315	846	3,343	126,007	12%
Other State Revenues	278,604	301,331	386,040	473,002	474,635	1,633	88,594	196,031	59%
Local Revenues	73,333	55,036	88,597	88,597	88,597	-	-	15,264	83%
Fundraising and Grants	25,112	20,000	23,827	23,827	25,112	1,284	1,284	-	100%
Total Revenue	**2,164,937**	**3,875,905**	**3,705,478**	**3,762,370**	**3,766,133**	**3,763**	**60,656**	**1,601,196**	**57%**
Expenses									
Compensation and Benefits (excl adjustment	1,469,886	2,155,725	2,158,964	2,158,964	2,160,322	(1,358)	(1,358)	790,369	68%
Books and Supplies	100,816	163,559	180,455	183,955	183,955	-	(3,500)	83,140	55%
Services and Other Operating Expenditures	689,004	1,325,125	1,181,986	1,322,273	1,322,372	(99)	(140,385)	633,368	52%
Depreciation	29,746	44,619	39,460	39,460	39,460	-	-	9,714	75%
Total Expenses	**2,289,451**	**3,689,029**	**3,560,866**	**3,704,652**	**3,706,109**	**(1,457)**	**(145,243)**	**1,516,592**	**62%**
Operating Income Before One-Time Adjustment	**(124,514)**	**186,876**	**144,612**	**57,718**	**60,024**	**2,307**	**(84,588)**	**84,604**	**-207%**
One-Time Compensation Adjustment			(99,934)	(99,934)	(99,934)				
Operating Income (including adjustment)			**44,678**	**(42,216)**	**(39,910)**				
Fund Balance									
Beginning Balance (Unaudited)	1,173,620	1,053,661	1,053,661	1,173,620	1,173,620				
Audit Adjustment	960	-	-	960	960				
Beginning Balance (Audited)	1,174,581	1,053,661	1,053,661	1,174,581	1,174,581				
Operating Income (including Depreciation)	(124,514)	186,876	144,612	(42,216)	(39,910)				
Ending Fund Balance	**1,050,067**	**1,240,537**	**1,198,273**	**1,132,364**	**1,134,671**				**93%**
Capital Outlay	-	-	-	-	-				
Total ADA		**453.6**	**413.0**	**408.3**	**408.3**		-4.7		

Magnolia Public Schools - MSA-SD
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
REVENUE										
LCFF Entitlement							-	-	-	
8011	Charter Schools LCFF - State Aid	538,837	812,986	516,223	512,859	339,090	(173,769)	(177,134)	(199,747)	159%
8012	Education Protection Account Entitlement	90,362	623,404	546,969	540,707	540,707	-	(6,262)	450,345	17%
8096	Charter Schools in Lieu of Property Taxes	1,141,382	1,929,220	2,003,849	1,980,909	2,154,678	173,769	150,829	1,013,296	53%
	SUBTOTAL - LCFF Entitlement	1,770,581	3,365,610	3,067,041	3,034,475	3,034,475	-	(32,566)	1,263,894	58%
8100	**Federal Revenue**									
8181	Special Education - Entitlement	-	48,937	52,875	52,875	53,721	846	846	53,721	0%
8220	Child Nutrition Programs	3,719	24,079	24,125	24,125	24,125	-	-	20,406	15%
8291	Title I	13,515	24,624	26,810	27,246	27,246	-	436	13,731	50%
8292	Title II	74	669	662	2,723	2,723	-	2,061	2,649	3%
8293	Title III	-	120	-	-	-	-	-	-	
8296	Other Federal Revenue	-	35,500	35,500	35,500	35,500	-	-	35,500	0%
	SUBTOTAL - Federal Income	17,308	133,928	139,972	142,469	143,315	846	3,343	126,007	12%
8300	**Other State Revenues**									
8319	Other State Apportionments - Prior Years	16,424	-	5,571	16,424	16,424	-	10,853	-	100%
8381	Special Education - Entitlement (State)	108,578	221,038	207,749	205,371	207,004	1,633	(745)	98,426	52%
8520	Child Nutrition - State	456	3,881	1,872	1,872	1,872	-	-	1,416	24%
8550	Mandated Cost Reimbursements	81,404	2,938	92,787	92,787	92,787	-	-	11,383	88%
8560	State Lottery Revenue	20,144	73,475	78,061	77,167	77,167	-	(894)	57,023	26%
8596	ASES	51,597	-	-	79,380	79,380	-	79,380	27,783	65%
	SUBTOTAL - Other State Income	278,604	301,331	386,040	473,002	474,635	1,633	88,594	196,031	59%

Magnolia Public Schools - MSA-SD
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8636	Uniforms	-	-	-	-	-	-	-	-	
8660	Interest	933	1,836	1,836	1,836	1,836	-	-	903	51%
8682	Summer Program	20,404	10,200	20,404	20,404	20,404	-	-	-	100%
8690	Other Local Revenue	16,348	-	23,337	23,337	23,337	-	-	6,989	70%
8693	Field Trips	35,628	43,000	43,000	43,000	43,000	-	-	7,372	83%
8699	All Other Local Revenue	20	-	20	20	20	-	-	-	100%
8999	Uncategorized Revenue	-	-	-	-	-	-	-	-	
	SUBTOTAL - Local Revenues	73,333	55,036	88,597	88,597	88,597	-	-	15,264	83%
8800	**Donations/Fundraising**									
8803	Fundraising	25,112	20,000	23,827	23,827	25,112	1,284	1,284	-	100%
	SUBTOTAL - Fundraising and Grants	25,112	20,000	23,827	23,827	25,112	1,284	1,284	-	100%
TOTAL REVENUE		**2,164,937**	**3,875,905**	**3,705,478**	**3,762,370**	**3,766,133**	**3,763**	**60,656**	**1,601,196**	**57%**
									-	

Magnolia Public Schools - MSA-SD
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1100	**Teachers Salaries**	743,970	1,264,738	1,140,266	1,140,266	1,146,116	(5,850)	(5,850)	402,146	65%
1300	**Certificated Supervisor & Administrator Salari**	239,012	338,000	393,114	393,114	393,114	-	-	154,102	61%
	SUBTOTAL - Certificated Employees	**982,982**	**1,602,738**	**1,533,380**	**1,533,380**	**1,539,230**	**(5,850)**	**(5,850)**	**556,249**	**64%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	96,984	62,033	152,183	152,183	152,183	-	-	55,199	64%
2900	**Classified Other Salaries**	47,418	32,842	71,352	71,352	71,352	-	-	23,934	66%
	SUBTOTAL - Classified Employees	**144,402**	**94,875**	**223,535**	**223,535**	**223,535**	**-**	**-**	**79,133**	**65%**
Employee Benefits Summary										
3100	**STRS**	116,421	188,731	188,824	188,824	189,560	(736)	(736)	73,138	61%
3200	**PERS**	19,649	12,185	28,669	28,669	28,669	-	-	9,020	69%
3300	**OASDI-Medicare-Alternative**	29,419	36,871	41,658	41,658	41,743	(85)	(85)	12,324	70%
3400	**Health & Welfare Benefits**	162,821	202,500	220,171	220,171	214,789	5,382	5,382	51,968	76%
3500	**Unemployment Insurance**	1,283	849	2,878	2,878	2,881	(3)	(3)	1,599	45%
3600	**Workers Comp Insurance**	12,910	16,976	19,783	19,783	19,849	(66)	(66)	6,939	65%
	SUBTOTAL - Employee Benefits	**342,503**	**458,112**	**501,983**	**501,983**	**497,491**	**4,492**	**4,492**	**154,988**	**69%**

Magnolia Public Schools - MSA-SD
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	18,074	10,000	18,074	18,074	18,074	-	-	-	100%
4200	Books & Other Reference Materials	4,718	10,000	10,000	10,000	10,000	-	-	5,282	47%
4315	Custodial Supplies	3,029	9,000	6,000	6,000	6,000	-	-	2,971	50%
4320	Educational Software	4,350	15,000	15,000	15,000	15,000	-	-	10,650	29%
4325	Instructional Materials & Supplies	8,394	18,700	18,700	18,700	18,700	-	-	10,306	45%
4326	Art & Music Supplies	747	2,200	2,200	2,200	2,200	-	-	1,453	34%
4330	Office Supplies	11,960	32,200	32,200	32,200	32,200	-	-	20,240	37%
4335	PE Supplies	1,481	5,000	4,000	4,000	4,000	-	-	2,519	37%
4345	Non Instructional Student Materials & Supplies	2,563	6,000	6,000	6,000	6,000	-	-	3,437	43%
4346	Teacher Supplies	854	-	1,000	1,000	1,000	-	-	146	85%
4350	Uniforms	13,716	-	13,716	13,716	13,716	-	-	-	100%
4410	Classroom Furniture, Equipment & Supplies	4,186	10,000	10,000	10,000	10,000	-	-	5,814	42%
4420	Computers (individual items less than $5k)	2,024	15,500	10,000	10,000	10,000	-	-	7,976	20%
4430	Non Classroom Related Furniture, Equipment & S	3,269	-	3,269	3,269	3,269	-	-	-	100%
4700	Food	16,668	27,959	27,297	27,297	27,297	-	-	10,629	61%
4720	Other Food	4,781	2,000	3,000	6,500	6,500	-	(3,500)	1,719	74%
	SUBTOTAL - Books and Supplies	**100,816**	**163,559**	**180,455**	**183,955**	**183,955**	**-**	**(3,500)**	**83,140**	**55%**

Magnolia Public Schools - MSA-SD

Budget vs. Actuals

As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5000	**Services & Other Operating Expenses**									
5101	CMO Fees	224,916	370,217	337,375	337,375	337,375	-	-	112,458	67%
5102	Direct CMO Fee (Shared Staff)	24,930	42,738	22,916	22,916	22,916	-	-	(2,015)	109%
5210	Conference Fees	370	5,000	5,000	5,000	5,000	-	-	4,630	7%
5215	Travel - Mileage, Parking, Tolls	2,212	7,000	7,000	7,000	7,000	-	-	4,788	32%
5220	Travel and Lodging	10,038	20,000	20,000	20,000	20,000	-	-	9,962	50%
5300	Dues & Memberships	3,051	5,400	5,400	5,400	5,400	-	-	2,349	56%
5450	Insurance - Other	15,481	19,000	18,580	18,580	18,580	-	-	3,099	83%
5500	Operations & Housekeeping	10,337	-	5,000	6,000	16,000	(10,000)	(11,000)	5,663	65%
5510	Utilities - Gas and Electric	11,104	37,200	30,000	30,000	20,000	10,000	10,000	8,896	56%
5605	Equipment Leases	8,187	10,000	10,000	10,000	10,000	-	-	1,813	82%
5610	Rent	225,000	345,000	320,000	320,000	320,000	-	-	95,000	70%
5615	Repairs and Maintenance - Building	10,354	35,000	15,000	15,000	15,000	-	-	4,647	69%
5617	Repairs and Maintenance - Other Equipment	727	5,000	5,000	5,000	5,000	-	-	4,273	15%
5803	Accounting Fees	-	5,000	5,000	5,000	5,000	-	-	5,000	0%
5809	Banking Fees	372	1,000	1,000	1,000	1,000	-	-	628	37%
5813	School Programs - After School Program	-	-	-	79,380	79,380	-	(79,380)	79,380	0%
5814	School Programs - Academic Competitions	936	5,000	5,000	4,500	4,500	-	500	3,564	21%
5819	School Programs - Other	890	600	600	1,100	1,100	-	(500)	210	81%

Magnolia Public Schools - MSA-SD
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget June 6th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5822	Consultants - Non Instructional - Custom 3	11,342	26,503	26,503	26,503	26,503	-	-	15,161	43%
5824	District Oversight Fees	10,391	33,656	30,670	30,345	30,345	-	326	19,954	34%
5830	Field Trips Expenses	4,213	45,000	45,000	45,000	45,000	-	-	40,787	9%
5845	Legal Fees	-	25,000	25,000	25,000	25,000	-	-	25,000	0%
5851	Marketing and Student Recruiting	7,145	24,000	24,000	24,000	24,000	-	-	16,855	30%
5852	Receivable Sale Fees	-	-	-	64,738	64,738	-	(64,738)	64,738	0%
5857	Payroll Fees	11,273	18,000	18,000	15,500	15,500	-	2,500	4,227	73%
5861	Prior Yr Exp (not accrued)	8,806	-	8,806	8,806	8,806	-	-	-	100%
5863	Professional Development	5,306	17,100	19,000	19,000	19,000	-	-	13,694	28%
5869	Special Education Contract Instructors	27,378	70,000	55,000	55,000	55,000	-	-	27,622	50%
5872	Special Education Encroachment	-	-	10,425	10,330	10,429	(99)	(4)	10,429	0%
5875	Staff Recruiting	-	1,911	1,911	-	-	-	1,911	-	
5884	Substitutes	8,755	25,000	19,000	19,000	19,000	-	-	10,245	46%
5887	Technology Services	35,744	43,800	43,800	43,800	43,800	-	-	8,056	82%
5900	Communications	7,480	42,000	37,000	37,000	37,000	-	-	29,520	20%
5915	Postage and Delivery	2,264	-	5,000	5,000	5,000	-	-	2,736	45%
	SUBTOTAL - Services & Other Operating Exp.	**689,004**	**1,325,125**	**1,181,986**	**1,322,273**	**1,322,372**	**(99)**	**(140,385)**	**633,368**	**52%**
6000	**Capital Outlay**									
	SUBTOTAL - Capital Outlay	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
TOTAL EXPENSES		**2,259,705**	**3,644,410**	**3,621,339**	**3,765,126**	**3,766,583**	**(1,457)**	**(145,243)**	**1,506,877**	**60%**
6900	**Total Depreciation (includes Prior Years)**	**29,746**	**44,619**	**39,460**	**39,460**	**39,460**	**-**	**-**	**9,714**	**75%**
TOTAL EXPENSES including Depreciation		**2,289,451**	**3,689,029**	**3,660,800**	**3,804,586**	**3,806,043**	**(1,457)**	**(145,243)**	**1,516,592**	**60%**

MERF
Budget vs. Actuals
As of February 2017 Close

	Budget vs. Actual	Budget							
	Actual YTD	Approved Budget September 8th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
SUMMARY									
Revenue									
Local Revenues	4,234,301	6,242,850	6,410,367	6,411,617	6,414,502	2,885	4,135	2,180,201	66%
Fundraising and Grants	86,850	150,000	150,000	150,000	150,000	-	-	63,150	58%
Total Revenue	**4,321,150**	**6,392,850**	**6,560,367**	**6,561,617**	**6,564,502**	**2,885**	**4,135**	**2,243,352**	**66%**
Expenses									
Compensation and Benefits (excl adjustment)	2,555,345	3,467,487	3,567,998	3,568,086	3,557,156	10,930	10,842	1,001,810	72%
Books and Supplies	46,066	75,821	84,820	84,820	84,820	-	-	38,755	54%
Services and Other Operating Expenditures	1,836,932	2,537,455	2,616,824	2,622,522	2,635,299	(12,777)	(18,475)	798,367	70%
Depreciation	5,112	7,666	1,440	1,440	1,440	-	-	(3,672)	355%
Total Expenses	**4,443,455**	**6,088,429**	**6,271,082**	**6,276,868**	**6,278,715**	**(1,847)**	**(7,633)**	**1,835,259**	**71%**
Operating Income Before One-Time Adjustment	**(122,305)**	**304,421**	**289,286**	**284,749**	**285,787**	**1,038**	**(3,498)**	**408,092**	**-43%**
One-Time Compensation Adjustment			-	-	-				
Operating Income (including adjustment)			**289,286**	**284,749**	**285,787**				
Fund Balance									
Beginning Balance (Unaudited)	(285,175)	(285,175)	(285,175)	(285,175)	(285,175)				
Audit Adjustment	284,225	284,225	284,225	284,225	284,225				
Beginning Balance (Audited)	(950)	(950)	(950)	(950)	(950)				
Operating Income	(122,305)	304,421	289,286	284,749	285,787				
Ending Fund Balance	**(123,255)**	**303,471**	**288,335**	**283,799**	**284,837**				**-43%**
Capital Outlay	-	-	-	-	-				

MERF
Budget vs. Actuals
As of February 2017 Close

Budget vs. Actual	Budget							
Actual YTD	Approved Budget September 8th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent

MERF
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget September 8th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
8600	**Other Local Revenue**									
8690	Other Local Revenue	8,025	-	3,890	5,140	8,025	2,885	4,135	-	100%
8699	All Other Local Revenue	21,216	-	21,216	21,216	21,216	-	-	-	100%
8701	CMO Fee - MSA-1	675,511	972,192	1,013,267	1,013,267	1,013,267	-	-	337,756	67%
8702	CMO Fee - MSA-2	612,182	972,192	918,273	918,273	918,273	-	-	306,091	67%
8703	CMO Fee - MSA-3	605,978	881,049	918,273	918,273	918,273	-	-	312,295	66%
8704	CMO Fee - MSA-4	50,663	72,914	75,995	75,995	75,995	-	-	25,332	67%
8705	CMO Fee - MSA-5	50,663	72,914	75,995	75,995	75,995	-	-	25,332	67%
8706	CMO Fee - MSA-6	50,663	72,914	75,995	75,995	75,995	-	-	25,332	67%
8707	CMO Fee - MSA-7	422,195	607,620	633,292	633,292	633,292	-	-	211,097	67%
8708	CMO Fee - MSA-8	675,511	972,192	1,013,267	1,013,267	1,013,267	-	-	337,756	67%
8709	CMO Fee - MSA-SA	675,511	972,192	1,013,267	1,013,267	1,013,267	-	-	337,756	67%
8712	CMO Fee - MSA-SD	224,916	370,217	337,375	337,375	337,375	-	-	112,458	67%
8713	Direct CMO Fee (Shared Staff)	161,265	276,455	310,263	310,263	310,263	-	-	148,997	52%
	SUBTOTAL - Local Revenues	4,234,301	6,242,850	6,410,367	6,411,617	6,414,502	2,885	4,135	2,180,201	66%
8800	**Donations/Fundraising**									
8802	Donations - Private	85,850	150,000	149,000	149,000	149,000	-	-	63,150	58%
8803	Fundraising	1,000	-	1,000	1,000	1,000	-	-	-	100%
	SUBTOTAL - Fundraising and Grants	86,850	150,000	150,000	150,000	150,000	-	-	63,150	58%
TOTAL REVENUE		**4,321,150**	**6,392,850**	**6,560,367**	**6,561,617**	**6,564,502**	**2,885**	**4,135**	**2,243,352**	**66%**

MERF
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget September 8th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
EXPENSES										
Compensation & Benefits										
Certificated Employees Summary										
1300	**Certificated Supervisor & Administrator Salarie**	440,797	592,000	625,571	625,571	623,904	1,667	1,667	183,107	71%
	SUBTOTAL - Certificated Employees	**440,797**	**592,000**	**625,571**	**625,571**	**623,904**	**1,667**	**1,667**	**183,107**	**71%**
Classified Employees Summary										
2400	**Classified Clerical & Office Salaries**	1,521,079	2,097,761	2,082,181	2,082,181	2,073,897	8,284	8,284	552,818	73%
2900	**Classified Other Salaries**	101,038	180,200	171,827	171,827	171,827	-	-	70,789	59%
	SUBTOTAL - Classified Employees	**1,622,117**	**2,277,961**	**2,254,008**	**2,254,008**	**2,245,724**	**8,284**	**8,284**	**623,607**	**72%**
Employee Benefits Summary										
3100	**STRS**	56,240	44,282	90,877	90,877	90,667	210	210	34,428	62%
3200	**PERS**	11,284	-	23,362	23,362	23,362	-	-	12,077	48%
3300	**OASDI-Medicare-Alternative**	114,430	197,565	175,277	175,277	174,619	658	658	60,189	66%
3400	**Health & Welfare Benefits**	217,862	226,800	257,806	257,806	257,806	-	-	39,944	85%
3500	**Unemployment Insurance**	10,576	13,034	15,410	15,499	15,499	-	(88)	4,922	68%
3600	**Workers Comp Insurance**	27,111	28,700	32,424	32,424	32,312	112	112	5,201	84%
3700	**Retiree Benefits**	54,927	87,146	93,262	93,262	93,262	-	-	38,335	59%
	SUBTOTAL - Employee Benefits	**492,431**	**597,526**	**688,418**	**688,506**	**687,527**	**980**	**891**	**195,096**	**72%**

MERF
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget September 8th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
4000	**Books & Supplies**									
4100	Approved Textbooks & Core Curricula Materials	-	1,020	977	977	977	-	-	977	0%
4200	Books & Other Reference Materials	43	-	43	43	43	-	-	-	100%
4320	Educational Software	12,200	19,000	12,200	12,200	12,200	-	-	-	100%
4325	Instructional Materials & Supplies	-	102	-	-	-	-	-	-	
4330	Office Supplies	8,541	9,099	15,000	15,000	15,000	-	-	6,459	57%
4340	Professional Development Supplies	-	-	-	-	-	-	-	-	
4420	Computers (individual items less than $5k)	1,426	5,000	5,000	5,000	5,000	-	-	3,574	29%
4720	Other Food	23,856	40,600	51,600	51,600	51,600	-	-	27,744	46%
	SUBTOTAL - Books and Supplies	**46,066**	**75,821**	**84,820**	**84,820**	**84,820**	**-**	**-**	**38,755**	**54%**

MERF
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget September 8th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5000	**Services & Other Operating Expenses**									
5200	Travel & Conferences	354	-	-	-	354	(354)	(354)	-	100%
5210	Conference Fees	7,590	38,796	23,796	23,796	23,442	354	354	15,852	32%
5215	Travel - Mileage, Parking, Tolls	31,278	31,820	53,320	53,320	53,320	-	-	22,042	59%
5220	Travel and Lodging	10,644	96,569	24,569	24,569	24,569	-	-	13,925	43%
5300	Dues & Memberships	7,644	10,200	10,200	10,200	10,200	-	-	2,556	75%
5450	Insurance - Other	560	14,688	14,688	14,688	14,688	-	-	14,128	4%
5500	Operations & Housekeeping	22,414	20,593	33,593	33,593	33,593	-	-	11,179	67%
5605	Equipment Leases	7,169	12,240	12,240	12,240	12,240	-	-	5,071	59%
5610	Rent	118,180	157,200	158,520	158,520	158,520	-	-	40,340	75%
5615	Repairs and Maintenance - Building	-	84	-	-	-	-	-	-	
5803	Accounting Fees	71,709	6,120	25,000	25,000	25,000	-	-	(46,709)	287%
5809	Banking Fees	12,888	18,275	18,275	18,275	18,275	-	-	5,387	71%
5812	Business Services	347,500	695,000	695,000	695,000	695,000	-	-	347,500	50%
5819	School Programs - Other	564	-	4,400	4,400	4,400	-	-	3,836	13%
5822	Consultants - Non Instructional - Custom 3	689,479	884,949	872,596	872,596	872,596	-	-	183,117	79%
5833	Fines and Penalties	588	321	970	970	970	-	-	383	61%
5843	Interest - Loans Less than 1 Year	74	111	111	111	111	-	-	37	67%

MERF
Budget vs. Actuals
As of February 2017 Close

		Budget vs. Actual	Budget							
		Actual YTD	Approved Budget September 8th	Approved Budget February 9th	Previous Forecast	Current Forecast	Variance (Previous vs. Current Forecast)	Variance (Budget vs. Current Forecast)	Forecast Remaining	% of Forecast Spent
5845	Legal Fees	246,582	215,000	300,000	300,000	300,000	-	-	53,418	82%
5848	Licenses and Other Fees	4,523	-	4,000	5,000	5,000	-	(1,000)	477	90%
5851	Marketing and Student Recruiting	21,824	70,149	33,649	33,649	33,649	-	-	11,825	65%
5857	Payroll Fees	10,749	18,000	18,000	17,000	17,000	-	1,000	6,251	63%
5861	Prior Yr Exp (not accrued)	35,172	-	16,697	22,395	35,172	(12,777)	(18,475)	-	100%
5863	Professional Development	36,350	100,000	58,200	58,200	58,200	-	-	21,850	62%
5864	Professional Development - Other	27,904	50,000	87,500	87,500	87,500	-	-	59,596	32%
5875	Staff Recruiting	8,883	-	21,000	21,000	21,000	-	-	12,117	42%
5887	Technology Services	78,243	65,720	78,500	78,500	78,500	-	-	257	100%
5900	Communications	29,561	17,340	36,000	36,000	36,000	-	-	6,439	82%
5915	Postage and Delivery	8,506	14,280	16,000	16,000	16,000	-	-	7,494	53%
	SUBTOTAL - Services & Other Operating Exp.	**1,836,932**	**2,537,455**	**2,616,824**	**2,622,522**	**2,635,299**	**(12,777)**	**(18,475)**	**798,367**	**70%**
6000	**Capital Outlay**									
	SUBTOTAL - Capital Outlay	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
TOTAL EXPENSES		**4,438,343**	**6,080,763**	**6,269,641**	**6,275,428**	**6,277,275**	**(1,847)**	**(7,633)**	**1,838,931**	**71%**
6900	**Total Depreciation (includes Prior Years)**	**5,112**	**7,666**	**1,440**	**1,440**	**1,440**	**-**	**-**	**(3,672)**	**355%**
TOTAL EXPENSES including Depreciation		**4,443,455**	**6,088,429**	**6,271,082**	**6,276,868**	**6,278,715**	**(1,847)**	**(7,633)**	**1,835,259**	**71%**

Attachments

The following files are attached to this PDF: You will need to open this document in an application that supports attachments (i.e. Adobe Reader) in order to access these files.

III A MPS Clean Energy Awards.xlsx