



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

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**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.

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 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 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

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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 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 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

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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
COUNTY OF

} SS.

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
COUNTY OF

} SS.

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
COUNTY OF

} SS.

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 materialmen's 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 addition, 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)